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

Our Ref: EM/TA48

Date: 6 June 2018

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Room 12, Islesburgh Complex, Lerwick
Thursday 14 June 2018 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 8 March 2018 (enclosed).

For Information

1. Investment Review Report – Quarter to 31 March 2018. Report enclosed.
2. Fund Manager Presentations.
3. Management Accounts – Twelve Months Ended 31 March 2018. Report enclosed.
4. Capital Works Bridging Loan Scheme. Report enclosed.
5. Small Grant Schemes - Approvals. Report enclosed.
6. Payments to Trustees in the Year to 31 March 2018. Report enclosed.
7. Trustee Attendance at Meetings in the Year to 31 March 2018. Report enclosed.

For Decision

8. Appointment of Vice Chair. Report enclosed.
9. Governance Arrangements of Shetland Charitable Trust. Report enclosed.
10. Service Targets. Report enclosed.

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

For Decision

11. Public Relations Policy and Communication Guidance. Report enclosed.
12. Shetland Heat Energy and Power Limited (SHEAP). Report enclosed.
13. Strategic Risk Management – Annual Review. Report enclosed.
14. Appointment of Trustees. *(Copy to follow)*

For Information

15. Deeds Executed. Report enclosed.
16. Update from Chairs of Advisory Committees.
17. Update from Subsidiary Companies



REPORT

To: Shetland Charitable Trust

Date: 14 June 2018

From: Chief Executive

Report: CT1806008

Investment Review Report – Annual Review 2017/18

1. Introduction

1.1 The purpose of this report is to inform Trustees on the position and performance of the Trust’s external investments with Fund Managers for the financial year 2017/18.

2. Detail

2.1 The Charitable Trust has four Fund Managers with total investments under management at the end of March 2018 of £252 million. These investments are split between the following managers and asset classes as follows:

Funds under Management as at 31 March 2018

Manager	Fund	% of Reserves
Baillie Gifford	Equity	43%
BlackRock	Equity	32%
Schroders	Property	16%
Insight Investment Management	Bond	9%

2.2 The current investment strategy was approved by the Charitable Trust on the 18 February 2016, with performance monitoring of the new strategy commencing on the 1st October 2016. The new investment strategy resulted in two new mandates being awarded, a new equity mandate to Baillie Gifford and a new a diversified growth fund mandate to Insight.

- 2.3 Northern Trust are the Charitable Trust's custodian bank. Northern Trust also provide a performance analysis service, where they provide performance data on each of the Charitable Trust's fund managers.
- 2.4 Baillie Gifford, BlackRock, Schroders and Insight will give presentations at this Charitable Trust meeting concerning their investment performance over the year to end March 2018.
- 2.5 The Charitable Trust's Funds, their managers, type of mandate and market value are listed below:

Manager	Mandate	Market Value (£m)	
		2018	2017
Baillie Gifford	Equity	108	87
BlackRock	Equity	81	86
Schroders	Property	39	36
Insight	Diversified Growth	24	23
		<u>252</u>	<u>232</u>

- 2.6 During 2017/18 the overall value of the Charitable Trust's funds increased by £20million.
- 2.7 This report reviews the annual performance of each manager and concentrates mainly on each fund over the short term i.e. 2017/18. At section 3 this report will review each Fund Manager in turn and compare their performance against the relevant market performance where they were asked to invest, and also against the additional out performance target they were asked to achieve.
- 2.8 Due to the nature of the investments these managers are investing into, a long-term investment view is appropriate, generally a five-year period. The report therefore looks not only at each manager's performance over 2017/18 but also at their performance over a five year period or from inception of the mandate if that is shorter.
- 2.9 In the main, this report concentrates on manager performance relative to the markets but there is a need to consider the effect of any cash withdrawals or injections to the funds and the performance of the markets themselves. These influences can easily alter the absolute fund value.

2.10 The following table shows the effect on the fund due to withdrawals/additions and the market movement.

	SCT Funds	
	£ million	
	2017/18	2016/17
Opening Value	232	200
Additions/(Withdrawals)	(7)	(8)
Investment Return	27	40
Closing Value	252	232

2.11 The withdrawals figure from the investments relates to cash transferred back to the Charitable Trust's bank account.

2.12 There was a positive investment return over the 2017/18 financial year of £27 million. This equates to an investment return of 11.1%. The main contributing asset class to this investment return was equities, and more specifically the active equity fund managed by Baillie Gifford.

2.13 The 2017/18 market performance by asset class is set out below:

		%
Equities:	UK	1.2
	North America	0.6
	Europe (Ex UK)	3.0
	Japan	6.7
	Pacific	-3.3
	Emerging Markets	11.4
Bonds:	UK Index Linked Gilts	0.7
	UK Corporate	1.2
Property		10.0
Cash		0.4

2.14 The best performing sector in 2017/18 was Emerging Market equities with a return of 11.4% followed closely by property with 10.0%. Other equity markets produced mixed returns with the Pacific Region negative and the UK and North America just positive. Bonds also had a very quiet year in 2017/18 only just managing to achieve positive figures. These returns are in contrast to 2016/17 where all of the equity markets and bond markets produced good returns. Cash returns are still low as UK interest rates remain low.

2.15 The main constituent of a fund's performance is the market return, i.e. where the fund is invested. Each Fund Manager is asked to outperform the market return, i.e. a UK equity scenario in 2017/18 where a Fund Manager is asked to outperform the market by 2% would equate to a 3.2% target return.

- 2.16 In some instances fund managers are investing in many different markets and in this situation no market benchmark is appropriate, so a cash plus benchmark is used. This is the situation for Insight where they have a fixed benchmark that is not related to an investment market, e.g. Insight's benchmark is 3 month LIBID (Cash) + 4%.
- 2.17 While this report reviews performance in 2017/18; a brief update for the start of the 2018/19 financial year sees equity markets recovering from a poor end to 2017/18, following trade war concerns between America and China and concern about interest rate rises in America. Recent oil price rises have caused America to speak with OPEC but they have stated that they will not alter oil production levels in the near future. Interest rate rise concerns remain in America and the UK with the possibility of rate rises in 2018.

3. Fund Manager Review

- 3.1 The rest of this report takes each mandate in turn and discusses manager performance.
- 3.2 A Fund Manager's performance is measured against a specific fund benchmark, which is made up of market indices of the countries where they invest.
- 3.3 A Fund Manager's target is a level of outperformance above the benchmark that is seen as achievable with a low level of measured risk on a given mandate. The Manager will actively seek to produce investment returns in order to achieve the stated target. Performance at or above target is desirable but any returns above the benchmark will add value to the fund above the market return.

Baillie Gifford - Active Equity Fund

- 3.4 Baillie Gifford was awarded an £80 million global equity mandate in June 2016 as part of the Charitable Trust's investment strategy review. They received the funds at the end of September 2016 with performance monitoring commencing October 2016.
- 3.5 Baillie Gifford is an independent investment management firm based in Edinburgh. The firm is 100% owned and managed by about 40 partners all of whom work in the business.
- 3.6 The mandate is an actively managed global equity mandate. The mandate is invested in Baillie Gifford's Long Term Global Growth Fund, which invests in about 30 to 60 stocks globally.
- 3.7 The benchmark for this fund is the MSCI AC World equity index. The performance target for this fund is to beat the benchmark by 3.0% per annum.

- 3.8 The following table sets out in summary the performance of Baillie Gifford (net of fees) versus the benchmark and the performance target in 2017/18, and also on a cumulative basis from inception of the mandate in October 2016.

Fund Performance versus Benchmark and Target

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)
2017/18	22.8	20.4	17.4
18 months - Oct 2016 to Mar 2018	31.9	14.6	10.1

The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).

The performance v target figure gives the percentage that the fund has out or underperformed the set target.

- 3.9 Baillie Gifford returned 22.8% in 2017/18, which was 20.4% above the benchmark return and 17.4% above the target return. Baillie Gifford have got off to a great start with this mandate and this outperformance return reflects the active nature of this investment.
- 3.10 This mandate is invested in a small number of shares worldwide, therefore there will be a lot of volatility in investment returns over short time periods.
- 3.11 On a cumulative basis over the 18 month rolling monitoring period Baillie Gifford are above the overall benchmark and target. The fund has over this period increased in value by 31.9%, which equates to a return of 21.6% per annum.
- 3.12 Investment returns can be volatile over the short term but it is over the long term (generally 5 years) that the performance of the fund managers are evaluated and reviewed against.

BlackRock – Passive Equity Fund

- 3.13 BlackRock was initially a large US fund management business but over the past few years they have acquired Merrill Lynch and BGI, to become one of the largest global Fund Managers.
- 3.14 Performance monitoring of the fund with BlackRock commenced on 1st October 2008. It is a pure equity fund with a benchmark of 50% UK equities, 16.7% North American equities, 16.7% European equities, 8.3% Japanese equities and 8.3% Pacific Rim equities. As

the fund is invested passively the benchmark and the target return are the same, i.e. one aim, the market index return.

- 3.15 BlackRock's investment mandate was not altered in the Charitable Trust's 2016 investment strategy review, but they did have a reduction in the assets they manage to take them in line with the new strategy.
- 3.16 The fund is passively invested, removing the Manager risk, therefore the benchmark and the target are the same, i.e. one aim the index return. For performance comparison purposes the fund return is only compared against the index return.
- 3.17 The following table sets out in summary the performance of BlackRock (net of fees) versus the benchmark return for 2017/18, and also on a cumulative basis over a five-year investment period.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)
2017/18	1.7	0.1
Five years 13/14 to 17/18	50.1	-0.3

The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).

- 3.18 The equity fund with BlackRock increased in value by 1.7% in 2017/18, which is a reflection of the various equity market returns BlackRock invest into. BlackRock were very close to the benchmark return, which shows the fund has mirrored the market return very closely.
- 3.19 The best returning equity market in the fund was Japan with a return of 6.0% and the Pacific Rim was the lowest return at -3.2%.
- 3.20 On a cumulative basis over the five year rolling monitoring period the fund is 0.3% below the benchmark return, which is very close to the long-term investment aim of mirroring the performance of the markets. During this five year period the fund has increased in value by 50.1%, which equates to a return of 8.5% per annum.

Schroders – Property Fund

- 3.21 Schroders were awarded a £20 million UK property mandate in 2009 with performance monitoring beginning on the 1st July 2009.
- 3.22 The benchmark for this fund is based on a 100% UK property investment. The Fund Manager does however have the scope to

invest up to a maximum of 30% of the fund in overseas property, if attractive investment opportunities exist. So far they have not invested into any overseas property funds. Their performance target for this fund is to beat this specific benchmark by 1.0% per annum.

- 3.23 Schrodgers mandate was not altered as part of the Charitable Trust's strategy review in 2016.
- 3.24 The following table sets out in summary the performance of Schrodgers (net of fees) versus the benchmark and the performance target in 2017/18 and also on a cumulative basis over a five year period.

Property Fund Performance versus Benchmark and Target

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)
2017/18	10.1	0.0	-1.0
Five years 13/14 to 17/18	67.3	1.6	-3.4

The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).

The performance v target figure gives the percentage that the fund has out or underperformed the set target.

- 3.25 The Property Fund with Schrodgers returned 10.1% in 2017/18, which equalled the benchmark but was 1.0% below the target. Schrodgers underweight position to central London offices has helped returns, and they are adding to regional office, industrials and alternative sector. Schrodgers has also set up another fund to invest into commercial real estate debt. The Charitable Trust recently gave approval for the addition of this fund into the mandate.
- 3.26 On a cumulative basis over the five year rolling monitoring period Schrodgers have outperformed the benchmark by 1.6% but they are below the target. The property fund continues to produce positive returns with the fund increasing in value by 67.3% over the last five years, which equates to a return of 10.8% per annum.

Insight - Diversified Growth Fund

- 3.27 Insight Investment Management is owned by Bank of New York Mellon (BONYM). BONYM have various investment businesses throughout the world but generally leave the companies alone to continue with their specialist services.

- 3.28 Insight has managed a bond fund for the Charitable Trust for many years but this fund was closed in line with the 2016 investment strategy review. Insight was awarded a new diversified growth fund mandate in June 2016 after a tender exercise as per the new investment strategy.
- 3.29 There was a reorganisation of Insight's investments into the new mandate with performance monitoring of the diversified growth fund commencing on the 1st October 2016.
- 3.30 The new diversified growth fund invests in a broad range of asset groups, such as equities, bonds, infrastructure, commodities, real estate etc. The fund's performance benchmark is 3 month cash plus 4%. The agreed benchmark is a cash plus benchmark, which aims at a constant positive return every year, which is independent of the investment classes that the fund invests into. As it is a fixed constant positive benchmark, the benchmark and target is the same so performance is only compared to the benchmark.
- 3.31 The following table sets out in summary the performance of Insight (net of fees) versus the benchmark and the performance target in 2017/18 and also on a cumulative basis since inception of the new diversified growth fund mandate in October 2016.

Fund Performance versus Benchmark and Target

	Fund Return (%)	Performance v Benchmark (%)
2017/18	3.3	-0.9
18 months - Oct 2016 to Mar 2018	4.3	-2.0

The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).

- 3.32 The diversified growth fund mandate with Insight returned 3.3% in 2017/18, which was 0.9 below the benchmark. This return is a combination of the various asset classes that Insight invest into. Insight were well ahead of the benchmark until the last quarter of the financial year when equities performed poorly and government bonds struggled due to concerns about inflation.
- 3.33 On a cumulative basis over the 18 month rolling monitoring period Insight are below the overall benchmark. This mandate has only been in place for 18 months and over that period Insight has returned 4.3%.

4. Financial Implications

- 4.1 Performance by a Fund Manager will have long-term financial consequences for the Trust.
- 4.2 Long-term positive absolute returns will benefit the capacity of the Trust to inflation proof the Trust's capital and finance Trustees disbursement plans.
- 4.3 There are no decisions from this report, so there are no immediate financial consequences.

5. Investment Governance

- 5.1 The Trust receives quarterly investment performance reports covering all of the Trust's investment managers with quarterly performance and analysis of each fund along with any other relevant issues relating to the investments. These reports are in addition to the Annual Review.
- 5.2 An investment strategy review was undertaken during 2015/16 with investment consultant Mercer, in line with the long term investment aims set by the Trust. The new investment strategy was approved by the Trustees during 2015/16 and the Trust's investments were reorganised during 2016/17 in line with the new investment strategy, with the new strategy being in place from 1 October 2016.

6. Conclusions

- 6.1 Baillie Gifford outperformed the equity benchmark and target during 2017/18. Baillie Gifford have had a very good start to their mandate and over the 18 month period they have outperformed the benchmark and target.
- 6.2 BlackRock was close to their aim of equalling the equity benchmark return during 2017/18. Over the five year period BlackRock are close to the equity benchmark.
- 6.3 Schroders equalled the return of the UK property benchmark during 2017/18 but did not achieve their target. Over the five year investment period Schroders are above the benchmark return but below the target.
- 6.4 Insight underperformed the fixed benchmark during 2017/18. Over the 18 month investment period Insight are below the benchmark.
- 6.5 Investment asset classes produced mixed returns with Emerging Market equities and property being the highest returning investments for the Charitable Trust during 2017/18. This along with the fund manager's management of the funds helped to contribute £27 million in investment income to the Charitable Trust's investments over the 2017/18 financial year.

6.6 The Charitable Trust's investments returned 11.1% over 2017/18 and ended the financial year with a valuation of £252 million.

7. Recommendations

7.1 Trustees are asked to note this report.

Reference: IA7

Report Number: CT1806008

REPORT

To: Shetland Charitable Trust

Date: 14 June 2018

From: Chief Executive

Report: CT1806009

Management Accounts – Twelve Months Ended 31 March 2018

1 Introduction

1.1 The purpose of this report is to present the Trust's Management Accounts for the twelve months ended 31 March 2018, 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 twelve months to 31 March 2018.

Table 1: Summary Management Accounts 2017/18

Item	Current Budget £m	Spend to Mar 2018 £m
Income	5.2	6.1
Disbursements	(8)	(8)
Management and Administration	(0.7)	(0.5)
Fund Managers Fees	(0.8)	(0.9)
Gain on Investments	-	23.5
Total	(4.3)	20.2

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

2.3 In the twelve months ended 31 March 2018 the Trust made a gain on its investments of £23.5m.



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 31 March 2018 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT1806009



Shetland **Charitable Trust**

Management Accounts

12 Months Ended 31 March 2018

**Shetland Charitable Trust
Income and Expenditure
Period to 31 March 2018**

	<u>12 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Income			
Managed fund dividends	1,680,420	1,686,255	(5,835)
Managed fund interest	1,694,155	-	1,694,155
Agricultural loan interest	1,716	1,787	(71)
Local equity gift aid	2,009,994	2,547,692	(537,698)
Rental income	756,736	1,000,500	(243,764)
Bank interest	2,996	-	2,996
Miscellaneous income	-	-	-
	<u>6,146,017</u>	<u>5,236,234</u>	<u>909,783</u>
Expenditure			
Disbursements	(8,033,052)	(8,061,238)	28,186
Management and administration	(511,118)	(662,821)	151,703
Fund managers	(938,825)	(805,299)	(133,526)
	<u>(9,482,995)</u>	<u>(9,529,358)</u>	<u>46,363</u>
Gain on investments	23,548,518	-	23,548,518
Surplus/(Deficit)	<u>20,211,540</u>	<u>(4,293,124)</u>	<u>24,504,664</u>

Shetland Charitable Trust
Balance Sheet
Period to 31 March 2018

	Mar-18	
	£	£
Tangible fixed assets		493,000
Investments		<u>278,941,505</u>
		279,434,505
Trade debtors	1,885	
Prepayments and Accrued income	2,191,235	
Other debtors	629,300	
Bank	<u>4,335,143</u>	
	7,157,563	
Trade creditors	52,397	
Accruals and deferred income	272,810	
Amounts owed to subsidiary	-	
Other creditors	<u>(779)</u>	
	324,428	
Net current assets		<u>6,833,135</u>
		286,267,640
Pension liability		(1,939,000)
		<u>284,328,640</u>
Opening reserves		264,117,100
Surplus for period		<u>20,211,540</u>
Closing reserves		<u>284,328,640</u>

Shetland Charitable Trust
Rental Income
Period to 31 March 2018

	<u>12 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	756,236	1,000,000	(243,764)
Shetland Golf Course	500	500	-
	<u>756,736</u>	<u>1,000,500</u>	<u>(243,764)</u>

**Shetland Charitable Trust
Disbursements
Period to 31 March 2018**

	12 Month Actual £	Annual Budget £	Variance £
Shetland Amenity Trust	1,235,102	1,235,102	-
Shetland Arts Development Agency	664,426	664,426	-
Shetland Recreational Trust	3,193,176	3,193,176	-
Support to Rural Care Model	2,196,844	2,196,844	-
<u>Other Revenue Grants</u>			
Disability Shetland Recreation Club	12,641	12,641	-
The Swan Trust	35,825	35,825	-
Shetland Churches Council Trust	27,002	27,002	-
Shetland Befriending Scheme	54,418	54,418	-
Citizens Advice Bureau	132,265	132,265	-
COPE Limited	154,967	154,967	-
Shetland Link Up	47,994	47,994	-
Voluntary Action Shetland	144,361	144,361	-
Festival Grants	15,000	15,000	-
Local Charitable Organisations	11,552	14,000	(2,448)
Buses for Elderly and Disabled	46,232	46,232	-
Royal Voluntary Service	46,985	46,985	-
Sub Total Charitable Organisations	8,018,790	8,021,238	(2,448)
<u>Schemes</u>			
Arts Grant Scheme	8,008	25,000	(16,992)
Senior Citizens Clubs	7,600	15,000	(7,400)
Sub Total Schemes	15,608	40,000	(24,392)
Surplus Grants Refunded	(1,346)	-	(1,346)
Total	8,033,052	8,061,238	(28,186)

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 March 2018

	12 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	246,793	290,000	(43,207)
Professional Membership Fees	667	500	167
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	6,036	7,240	(1,204)
Training and Staff Development	3,457	4,860	(1,403)
Sub Total Staffing Costs	256,953	303,600	(46,647)
Operating Costs			
Insurance	9,819	9,500	319
Administration	2,276	3,000	(724)
Supplies and Services	5,925	7,000	(1,075)
Bank Charges	179	250	(71)
Professional Fees: Other	7,344	20,000	(12,656)
External Audit Fees	27,240	21,600	5,640
Financial advice - internal investments	4,320	50,000	(45,680)
Trustees Expenses	2,715	5,000	(2,285)
Meeting expenses	1,611	4,000	(2,389)
Legal Fees	41,882	50,000	(8,118)
Trustee Recruitment Costs	323	5,000	(4,677)
Sub Total Operating Costs	103,633	175,350	(71,717)
Property Costs			
Energy Costs	7,137	8,000	(863)
Water Rates	1,232	1,500	(268)
Maintenance - Garrison Theatre	3,846	32,500	(28,654)
Maintenance - 22-24 North Road	32,687	13,500	19,187
Cleaning	1,478	1,500	(22)
Sub Total Property Costs	46,380	57,000	(10,620)
Bad debt write off	-	-	-
Bought In Services			
Treasury	27,000	36,153	(9,153)
Payroll	501	1,000	(499)
Pension	732	3,600	(2,868)
Building Maintenance	46,400	51,984	(5,584)
Committee Services	7,200	12,731	(5,531)
Computer Services	4,080	4,328	(248)
Messenger Service	433	515	(82)
Peninsula	2,125	2,160	(35)
Public Relations	15,680	14,400	1,280
Sub Total Bought In Services	104,152	126,871	(22,719)
Total	511,118	662,821	(151,703)

Shetland Charitable Trust
Investment expenses
Period to 31 March 2018

	<u>12 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Managed fund misc	78,207	-	78,207
Fund managers fees	-	-	-
Black Rock fees	89,800	87,915	1,885
Northern trust fees	46,381	56,800	(10,419)
Insight investment fees	105,907	105,930	(23)
Schroders fees	91,496	73,402	18,094
Baillie Gifford fees	527,034	481,252	45,782
	<u>938,825</u>	<u>805,299</u>	<u>133,526</u>

REPORT

To: Shetland Charitable Trust

Date: 14 June 2018

From: Chief Executive

Report: CT1806010

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 33 projects have received bridging loans, totalling £3,070,363. Of these, 28 projects have fully repaid their loans.
- 3.2 Since May 2017, the Trust has provided seven organisations with bridging loans totalling £846,567 with repayments due between now and May 2019 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.

4

5. Conclusion

5.1 Thirty three 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

Report Number: CT1806010

Capital Works Bridging Loan Scheme

CT1806xxx – Appendix A

Project	Project Costs £	Bridging Loan £	Repaid £	Due to SCT £	Notes
Burravoe Pier	57,000	25,650	25,650		
Ollaberry Hall	272,878	110,000	110,000		
Bressay Sports Park	300,572	114,537	114,537		
Scalloway Museum	814,460	345,000	345,000		
Fair Isle Hall	137,806	62,000	62,000		
Sandsayre Pier	790,000	170,000	170,000		
Sandness Hall	168,160	100,000	100,000		
Northmavine Club	77,175	26,640	26,640		
Hillswick Hall	347,887	100,000	100,000		
Fetlar Electric Minibus	83,275	35,600	35,600		
Mareel	276,505	276,505	276,505		
Sumburgh Lighthouse	178,769	120,000	120,000		
Aith Public Hall	21,664	9,900	9,900		
Collafirth Marina	72,000	58,320	58,320		
South Nesting Public Hall	233,786	88,442	88,442		
Aithsvoe Marina	144,000	68,202	68,202		
Germatwatt Centre	24,730	10,000	10,000		
Shetland Skatepark Association	211,229	62,179	62,179		
Hoswick Visitor Centre	52,000	46,000	46,000		
Scalloway Boating Club	108,396	49,022	49,022		
Aithsvoe Marina- Loan 2	82,700	41,867	41,867		
Scalloway Museum- Loan 2	153,940	41,041	41,041		
Burravoe Public Hall	206,500	43,000	43,000		
Shetland Moving Image Archive (SMIA)	12,000	3,231	3,231		
Fetlar Developments Ltd - Loan 2	143,733	84,360	84,360		
Sumburgh Lighthouse – Loan 2	5,400,000	132,300	132,300		
Fetlar Developments Ltd – Loan 3	81,202	55,000		55,000	Loan issued May 2017 Repayment expected by May 2018
Tresta Boating and Fishing Club	27,612	12,420	12,420		
Tingwall Public Hall	119,854	50,000		50,000	Loan issued October 2017 Repayment expected May 2019
Whalsay Model Yacht Club	54,000	24,300	24,300		
Fair Isle Electricity Company	3,524,820	500,000		500,000	Loan issued November 2017 (£200,000) and January 2018 (£300,000) Repayment expected in October and December 2018
GAETS	84,118	75,506		75,506	New loan issued April 2018. Repayment expected July 2018
Skeld Pier Trust	143,713	129,341		129,341	New loan issued May 2018. Repayment expected November 2018.
TOTAL	14,406,485	3,070,363	2,260,516	809,847	

REPORT**To:** Shetland Charitable Trust**Date:** 14 June 2018**From:** Chief Executive**Report No:** CT1806011**Small Grant Schemes - Approvals****1. Background**

- 1.1 On 30 November 2017 Trustees approved its disbursements for 2018-19 (Minute Reference 34/17). A budget of £20,000 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 - £5,499 (£840 – 17/18, £4,659 – 18/19)

- 2.1 The following Arts Grants were approved in the period 23 February 2018 – 31 May 2018

Name of Individual/Organisation	Grant Approved (£)
Sylvia Jarmson (obo Ashleigh Jarmson) – (2017/18 – minute ref 55/16)	840
Mairi Thomson (obo Laura Bissett)	80
Lynsey Rendall (obo Grace Anderson)	80
Lorraine Freshwater (obo Heather Freshwater)	80
Sylvia Jarmson (obo Ashleigh Jarmson)	600
Kevin Briggs (obo Joseph Briggs)	80
Esther Renwick (obo Beth Renwick)	80
Genevieve White (obo Ishbel Mackenzie)	80
Mhairi Roberts (obo Lily Roberts)	60
Katie Boyes (obo Hermione Boyes)	80
Shetland Folk Society	1500
Jane Matthews (obo Martha Brown)	599

Kevin Briggs (obo Emily Briggs)	655
Sheila Nicolson (obo Abbie Nicolson)	316
Gillian Murphy (obo Claire Murphy)	369

3. Senior Citizen Club Grants - £3,324.

3.1 The following grants to Senior Citizens Clubs were approved in the period 23 February 2018 – 31 May 2018

Name of Individual/Organisation	Grant Approved (£)
Islesburgh Sixty Plus Club	1224
South Mainland Community Association – Senior Citizens	2100

4. Recommendation

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

Ref: DA1

Report No: CT1806011

REPORT**To:** Shetland Charitable Trust

14 June 2018

From: Chief Executive

Report: CT1806012

Payments to Trustees in the year to 31 March 2018**1. Introduction**

1.1 This report is presented to show the payments which have been made to Trustees in the year to 31 March 2018.

2. Background

2.1 Trustees are entitled by law and in terms of their Trust Deed, to "reimburse the Trustees out of the Trust Fund for all expenses reasonably incurred by them in connection with the administration of the Trust".

2.2 At their meeting on 28 May 2009, Trustees requested that the payments made to Trustees are published (Min Ref CT/39/09).

3. Present Position

3.1 A table is attached as Appendix A, showing the expenses which have been paid to Trustees in the year to 31 March 2018, totalling £2,715.07

4. Financial Implications

4.1 A budget of £5,000 was set aside for payments to Trustees.

5. Recommendation

5.1 Trustees are asked to note this report.

Reference: TA21/2

Report Number CT1806012

Trustee Expenses 2017-2018

Trustee Name	Position	Total 17/18
		£
Mr B Hunter	SCT Chair & Chair of General Purposes Advisory Committee	1,347.27
Dr A Cooper		0
Mr G Hay		0
Mr R Henderson		159.40
Rev T Macintyre		0
Mr P Malcolmson		0
Mr K Massey	Chair Audit & Governance Advisory Committee	0
Dr I Napier		0
Mr D Ratter	Chair Investment Advisory Committee	1,126.60
Ms M Roberts		81.80
Mr J Smith		0
TOTAL		2715.07

REPORT

TO: Shetland Charitable Trust

14 June 2018

FROM: Chief Executive

Report: CT1706013

Trustee Attendance at meetings in the year to 31 March 2018

1. Introduction

- 1.1 This report is presented to record Trustee attendance at Trust Meetings in the financial year to 31 March 2018.

2. Background

- 2.1 The Schedule of Governance Arrangements attached to the current Trust Deed states at paragraph 6(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."

3. Present Position

- 3.1 A table is attached as Appendix A, showing Trustee attendance at Trustee Meetings in the financial year to 31 March 2018.

4. Recommendation

- 4.1 Trustees are asked to note this report.

Reference: TA48

Report Number CT1806013

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Trustee Attendance at Trustee Meetings in the financial year to 31 March 2018 **CT1806013 - Appendix A**

Name	20 April 2017	15 June 2017	14 September 2017	14 September 2017 AGM	30 November 2017	8 March 2018
B Hunter	✓	✓	✓	✓	✓	✓
M Bell	A					
A Cooper	✓	✓	✓	✓	✓	✓
A Duncan	✓					
G Hay		A	✓	✓	✓	✓
R Henderson	✓					
T Macintyre	A	A	A	A	✓	✓
P Malcolmson	✓	✓	✓	A	✓	✓
A Manson	✓					
K Massey	✓	A	✓	✓	✓	A
I Napier	✓	✓	✓	✓	✓	✓
D Ratter	✓	A	A	A	✓	✓
M Roberts		✓	✓	✓	✓	✓
J Smith	✓	✓	A	A	✓	✓
A Westlake	✓					

✓ = In attendance A = Apologies Received

REPORT

To: Shetland Charitable Trust

Date 14 June 2018

From: Chief Executive

Report: CT1806014

Appointment of Vice Chair

1. Introduction

- 1.1 Trustees are asked to appoint a Vice Chair, to support the strategic direction and business of the Trust.

2. Background

- 2.1 The Trustees are required to appoint a Vice Chair in accordance with the Schedule of Governance Arrangements appended to the Deed of Trust dated 15 May 2017 and registered in the Books of Council and Session on 23 May 2017 ("the Deed of Trust).
- 2.2 Paragraph 6(c) of the Schedule of Governance Arrangements attached to the Deed of Trust states "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."

3. Present Position

- 3.1 Trustees are required, as per 2.2 above, to appoint a Vice Chair to support the strategic direction and business of the Trust.
- 3.2 All Trustees are eligible for appointment, except the current Chair.

4. Method of Appointment

- 4.1 As per paragraph 2.7.1 of the Trust's Administrative Regulations "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."

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4.2 The method of appointment is set out in paragraph 2.5 of the Trust's Administrative Regulations and is described below:

- All nominations for the position of Vice Chair shall be sought prior to the first ballot and no further nominations will be allowed after voting begins.
- If there is only one candidate, that candidate shall be elected.
- If there is more than one candidate, voting will be by secret ballot.
- Prior to voting, nominees shall be permitted to address the meeting as to their candidature. However, no questions will be permitted in response.
- No further nominations will be allowed after voting begins.
- 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.
- 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 Vice 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.

5. Financial Implications

5.1 The Trust Deed allows the Trust to "reimburse the Trustees out of the Trust Fund for all expenses reasonably incurred by them in connection with the Administration of the Trust....."

6. Recommendations

6.1 Trustees are asked to appoint a Vice Chair, through the process set out at 4.2 above.

Reference: TA48

Report No: CT1806014

REPORT**To:** Shetland Charitable Trust**Date** 14 June 2018**From:** Chief Executive**Report:** CT1806015**Governance Arrangements of Shetland Charitable Trust****1. Introduction**

- 1.1 The purpose of this report is to ask Trustees to accept the recommendations of the Audit & Governance Advisory Committee (AGAC) and revise the Schedule of Governance Arrangements annexed to the Deed of Trust of Shetland Charitable Trust.

2. Background

- 2.1 Trustees passed a Resolution dated 15 May 2017 and registered in the Books of Council and Session on 23 May 2017 ("the Deed of Trust"). The Resolution implemented the 2016 Re-organisation Scheme which had been approved by OSCR.
- 2.2 Shetland Islands Council by way of letter dated 19 December 2017, advised the Trust that the Council had "resolved to maintain its current policy position, namely not to make any Councillor appointments to the Trust.", and that, "...the decision is unlikely to be revisited by this Council during its current term, unless there are any new material matters to be brought to its attention."
- 2.3 It is good practice that, following the decision of the Council and in line with OSCR guidance, the Trustees review the governance arrangements of the Trust. These comprise the Schedule of Governance Arrangements annexed to the Deed of Trust which are Appendix B of the Resolution referred to at 2.1 above.

3. Present Position

- 3.1 The AGAC have reviewed the current position and have sought the advice of the Trust Lawyers. That advice has been circulated amongst all Trustees.
- 3.2 The AGAC arranged a Governance Review Workshop with all Trustees. Various options for the future governance of the Trust were discussed.

3.3 The AGAC recommends:-

- 3.3.1 That the maximum number of trustees be reduced from 15 to 12 comprising only selected trustees.
- 3.3.2 That the term of office for Trustees is no longer linked to local authority election dates. Rather, newly appointed Trustees will serve a term of four years from his/her date of appointment.
- 3.3.3 That the quorum is fixed at 5 Trustees.
- 3.3.4 That Trustees establish a policy to deal with exceptional circumstances which arise where a significant decision has to be made and it is felt that the number of Trustees, even though a quorum, might not wish to take such a decision.

4. Financial Implications

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

5. Recommendations

- 5.1 The AGAC recommend that Trustees accept the recommendations as outlined in paragraph 3.3 and adopt these by instructing Turcan Connell to prepare a revised Schedule of Governance Arrangements including all and any consequential amendments arising therefrom and out of the Council's decision referred to in paragraph 2.

Reference: TA48

Report Number CT1804015

REPORT**To:** Shetland Charitable Trust**Date:** 14 June 2018**From:** Chief Executive**Report:** CT1806016**Service Targets****1. Introduction**

- 1.1 The purpose of this report is to seek formal Trustee approval of the Service Targets set out in the Grant Offer Letters for Voluntary Action Shetland (VAS).

2. Background

- 2.1 At their meeting on 30 November 2017, Trustees approved the budget and disbursements for 2018/19. Trustees also approved the preparation of Grant Offer Letters for the majority of organisations.
- 2.2 At their meeting on 8 March 2018, Trustees approved the preparation of Grant Offer Letters for Shetland Amenity Trust, the Shetland Befriending Scheme and the Royal Voluntary Service. The Service Targets for VAS were not agreed in time for this meeting.
- 2.3. Subsequently, Service Targets and the preparation of Grant Offer Letters for VAS (Core) and VAS (Market House) were agreed with VAS and approved by the Chair, to allow payment of their grant on 1 April 2018.

3. Present Position

- 3.1 Targets for VAS (Core) and VAS (Market House) are presented in Appendix A.

4. Financial Implications

- 4.1 There are no financial implications as the budgets were previously agreed at the meeting on 30 November 2017.

5. Recommendation

- 5.1 Trustees are asked to formally approve the preparation of Grant Offer Letters, which set out simple statements of the services and standards expected to be received for the grants awarded VAS (Core) and VAS (Market House).

Reference: DA1**Report Number:** CT1806016

Voluntary Action Shetland (Core)**Purpose**

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

Key Targets 2018-19

In 2018-19, Voluntary Action Shetland is expected to achieve the following key targets:

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

- Representing the third sector on strategic forums and partnerships both locally and nationally, including the Shetland Partnership Board as a full partner.
- Ensuring the third sector contribute to development of policy and are given the opportunity to respond to relevant consultations both at local and national level.
- Working closely with partners at operational level to ensure best use of resources, knowledge, and giving appropriate support and advice.

Third sector organisations are well managed and deliver quality services

- Support third sector organisations to establish and maintain legal structures.
- Provide regular communication and training to third sector.
- Provide Independent Examination of accounts, accounting and payroll services.
- Supporting third sector organisations to access funding opportunities.

Social Enterprise Develops and Grows

- VAS with partners work together to promote and encourage enterprising behaviour in the Shetland community.
- Network with private employers to create value and understanding. Contribute to annual employer's event in Market House.
- Linking with national learning opportunities for both staff and members of social enterprises.

More people have increased opportunity and enthusiasm to Volunteer

- People interested in volunteering receive appropriate responses, support information, training and access to volunteering opportunities.
- Young people receive recognition for volunteering through Saltire and Shetland Youth Volunteering awards.
- Support organisations providing best practice guidance on governance, policies and management.
- Meeting with employers across all sectors to encourage, develop, support and offer volunteer opportunities.

Voluntary Action Shetland (Market House)

Purpose

To maintain, manage and operate Market House as a central point for the voluntary sector, providing office space and services

Key Targets 2018-19

In 2018-19, Voluntary Action Shetland is expected to maintain the following range of services:

- Maintain, manage and operate Market House
- Manage expenditure in line with the budget to meet the costs of heating, electricity, water, cleaning, insurance, leasing, maintenance and reception cover so no charges are required for office space, except where external funding can be secured by the tenants.

In 2018-19, Voluntary Action Shetland is expected to achieve the following key targets:

- Provide premises as a recognised 'Hub' for developing and supporting third sector organisations – 19 organisations.
-