



Chief Executive: Dr Ann Black

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

Our Ref: EM/TA48

Date: 1 July 2020

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
Thursday 9 July 2020 at 11.00am

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

(Please note that this meeting will be held remotely via Zoom conference call and joining instructions will be sent to you separately)

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 27 February 2019 (enclosed).

For Information

1. Investment Performance Update – Twelve Months to 31 March 2020. *Report enclosed.*
2. Management Accounts – Twelve Months to 31 March 2020. *Report enclosed.*
3. Capital Works Bridging Loan Scheme Update – Year to 31 March 2020. *Report enclosed.*
4. Payments to Trustees in the Year to 31 March 2020. *Report enclosed.*
5. Trustee Attendance at Meetings in the Year to 31 March 2020. *Report enclosed.*

The following items contain **CONFIDENTIAL** information

For Decision

6. Main Grant Scheme 2020/21 – Approval of Disbursements. *Report enclosed.*

For Information

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

REPORT

To: Shetland Charitable Trust

Date: 9 July 2020

From: Chief Executive

Report: CT2007011

Investment Performance Update – Year to 31 March 2020

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 year to 31 March 2020.

2. Market Performance

- 2.1 Over the twelve-month period to March 2020, equity markets have been volatile. Despite this volatility in the first ten months of the year, equities performed extremely well, particularly in the US.
- 2.2 From mid-February 2020, markets collapsed because of the COVID 19 crisis. Equity markets around the world dropped by as much as 30%. There was a gradual recovery up to the end of March, with this recovery continuing through April, May and June, again particularly in the US.

3. Overall External Fund Performance

- 3.1 This report concentrates on the year from April 2019 to March 2020. However, as the Trust is a long term investor, the report also considers the performance over three and five years.
- 3.2 The Trust has four fund managers with total investments under management at the end of March 2020 of £301.2 million. The funds, type of mandate and market values at the end of March 2020 are as follows:

Manager	Mandate	Market Value 2020 (£m)	% of Reserves
Baillie Gifford	Active Equities	152.1	50.5
BlackRock	Passive Equities	70.3	23.3
Schroders	UK Property	51.4	17.1
Insight	Diversified Growth	27.4	9.1
Total		301.2	100.0

- 3.3 In the year, the Trust made a net investment with the fund managers of £4.3 million. The growth in value of the investments as well as dividend income received, generated around £13million (net of new investment) over the year (2019 - £29million). This equates to a return of 4.6% (2019 – 11.5%).
- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	4.6	(7.2)	11.8
3 Years	9.0	1.1	7.9
5 Years	9.1	4.7	4.4

- 3.6 Overall, the Trust's external investments have exceeded the benchmark return for each period and have met the Financial Plan assumed return over the medium term.
- 3.7 The positive return over the last 12 months has been driven by the performance of Baillie Gifford.

4. Fund Manager Performance Baillie Gifford

- 4.1 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. The benchmark for Baillie Gifford is the MSCI All Country World Index.
- 4.2 Detailed below is Baillie Gifford's performance for the last twelve months, the last three years and since inception. As Baillie Gifford's mandate began on 1 October 2016 there is no five year performance figure.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	18.7	(6.7)	25.4
3 Years	19.7	1.8	17.9
Since Inception	19.6	4.8	14.8

- 4.3 Baillie Gifford returned 18.7% over the year, compared to the broad market return of negative 6.7%, which was 25.4% above the benchmark return.
- 4.4 Over the last three years, Baillie Gifford have returned 71.5%, equivalent to a return of 19.7% per annum.

5. Fund Manager Performance BlackRock

- 5.1 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. The benchmark for BlackRock is made up of the All Share Indices in each region the funds are invested in.
- 5.2 Detailed below is BlackRock's performance for the last twelve months, the last three years and the last five.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	(10.8)	(13.5)	2.7
3 Years	(0.8)	(2.0)	1.2
5 Years	3.6	2.9	0.7

- 5.3 The mandate with BlackRock over the year produced a negative return of 10.8%, largely due to the drop in world equities following the onset of the COVID 19 crisis.
- 5.4 BlackRock's return over the last three years, has similarly been impacted by the market crash with a return of negative 2.4%, equivalent to a return of negative 0.8% per annum.

6. Fund Manager Performance Schroders

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	0.5	0.0	0.5
3 Years	5.6	4.9	0.7
5 Years	6.1	5.8	0.3

- 6.3 Over the year the fund returned 0.5% which was above the property benchmark.
- 6.4 Over the last three years, Schroders have returned 17.8%, equivalent to a return of 5.6% per annum.

7. Fund Manager Performance Insight

- 7.1 Insight has a diversified growth fund mandate, which invests into various different asset classes to spread risk and smooth returns. The benchmark return for Insight is an annual return of cash plus 4.0% over rolling five year periods.
- 7.2 Detailed below is Insight's performance for the last twelve months, the last three years and since inception. As Insight's mandate began on 1 October 2016 there is no five year performance figure.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	(5.5)	4.7	(10.2)
3 Years	(0.1)	4.5	(4.6)
Since Inception	0.1	4.8	(4.7)

- 7.3 Overall Insight produced a return of negative 5.5% over the period, which was 10.2% below the benchmark return.
- 7.4 Over the last three years, Insight have returned negative 0.3%, equivalent to a return of negative 0.1% per annum.

8. Financial Implications

- 8.1 The long term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 8.2 Trustees approved the Investment Plan 2020–25 at their meeting held on 12 September 2019. The Plan sets out the overarching investment approach of the Trust to ensure the long-term strategic and financial objective of achieving a self-sustaining Trust.
- 8.3 The Investment Plan for the Trust is overseen by the Investment Advisory Committee (IAC), who report to the Board of Trustees. It is recognised that the actual investment performance each year will be different to what is expected. The IAC monitor the medium to long term performance against the Trust's objectives.

9. Recommendations

- 9.1 Trustees are asked to note this report.

Reference: IA7

Report Number: CT2007011

REPORT

To: Shetland Charitable Trust

Date: 9 July 2020

From: Chief Executive

Report: CT2007012

Management Accounts – Twelve Months to 31 March 2020

1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the twelve months ended 31 March 2020, for noting. These Management Accounts deal with all income and expenditure of the Trust.

2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Trust for 2019/20 and the results in the twelve months to 31 March 2020.

Table 1: Summary Management Accounts 2019/20

Item	Current Budget £m	Spend to Mar 2020 £m
Income	1.7	4.2
Disbursements	(7.4)	(7.3)
Management and Administration	(0.6)	(0.6)
Fund Managers Fees	(1.0)	(1.1)
Gain on Investments	-	11.2
Year End Adjustments	-	(0.1)
Total	<u>(7.3)</u>	<u>6.3</u>

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 2020 the Trust made a gain on its investments of £11.2m.

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 in the twelve months ended 31 March 2020 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2007012



Shetland Charitable Trust

Management Accounts
12 Months Ended 31 March 2020

**Shetland Charitable Trust
Income and Expenditure
Period to 31 March 2020**

	<u>12 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Income			
Managed fund dividends	951,035	985,000	(33,965)
Managed fund interest	2,364,078	-	2,364,078
Agricultural loan interest	746	750	(4)
Local equity gift aid	-	-	-
Rental income	789,537	700,500	89,037
Bank interest	70,794	-	70,794
Miscellaneous income	-	-	-
	<u>4,176,190</u>	<u>1,686,250</u>	<u>2,489,940</u>
Expenditure			
Disbursements	(7,318,243)	(7,383,167)	64,924
Management and administration	(622,983)	(637,610)	14,627
Fund managers	(1,136,244)	(1,033,400)	(102,844)
Provision made against equity investments	(129,360)	-	(129,360)
Depreciation	(75,000)	-	(75,000)
Actuarial Gain	324,000	-	324,000
	<u>(8,957,830)</u>	<u>(9,054,177)</u>	<u>96,347</u>
Gain on investments	11,148,273	-	11,148,273
Surplus/(Deficit)	<u><u>6,366,633</u></u>	<u><u>(7,367,927)</u></u>	<u><u>13,734,560</u></u>

Shetland Charitable Trust
Balance Sheet
Period to 31 March 2020

	<u>Mar-20</u>	
	£	£
Tangible fixed assets		173,000
Investments		<u>313,083,190</u>
		<u>313,256,190</u>
Trade debtors	73	
Prepayments and Accrued income	180,659	
Other debtors	436,769	
Bank	<u>3,851,589</u>	
	4,469,090	
Trade creditors	1,631	
Accruals and deferred income	385,408	
Other creditors	<u>(779)</u>	
	386,260	
Net current assets		<u>4,082,830</u>
		<u>317,339,020</u>
Pension liability		(1,648,000)
		<u>315,691,020</u>
Opening reserves		309,324,387
Surplus for period		<u>6,366,633</u>
Closing reserves		<u>315,691,020</u>

Shetland Charitable Trust
Rental Income
Period to 31 March 2020

	<u>12 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	789,037	700,000	89,037
Shetland Golf Course	500	500	-
	<u>789,537</u>	<u>700,500</u>	<u>89,037</u>

Shetland Charitable Trust
Disbursements
Period to 31 March 2020

	<u>12 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Shetland Amenity Trust	1,142,988	1,142,988	-
Shetland Arts Development Agency	603,522	603,522	-
Shetland Recreational Trust	2,972,802	2,972,802	-
Support to Rural Care Model	1,986,188	1,986,188	-
<u>Other Revenue Grants</u>			
Ability Shetland Recreation Club	12,641	12,641	-
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	-
Dunrossness Inter Church Fellowship Day Care	7,552	7,552	-
Shetland Samaritans	4,000	4,000	-
Buses for Elderly and Disabled	-	42,484	(42,484)
Royal Voluntary Service	46,985	46,985	-
Sub Total Charitable Organisations	<u>7,310,683</u>	<u>7,353,167</u>	<u>(42,484)</u>
<u>Schemes</u>			
Arts Grant Scheme	2,284	15,000	(12,716)
Senior Citizens Clubs	7,975	15,000	(7,025)
Sub Total Schemes	<u>10,259</u>	<u>30,000</u>	<u>(19,741)</u>
Surplus Grants Refunded	(2,699)	-	(2,699)
Total	<u>7,318,243</u>	<u>7,383,167</u>	<u>(64,924)</u>

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 March 2020

	12 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	269,122	290,000	(20,878)
Professional Membership Fees	278	700	(422)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	1,309	7,440	(6,131)
Training and Staff Development	6,600	6,860	(260)
Sub Total Staffing Costs	277,308	306,000	(28,692)
Operating Costs			
Insurance	10,382	10,000	382
Administration	1,809	2,250	(441)
Supplies and Services	4,316	6,500	(2,184)
Bank Charges	305	250	55
Professional Fees	9,247	20,000	(10,753)
External Audit Fees	18,000	23,250	(5,250)
Financial advice	59,456	50,000	9,456
Trustees Expenses	505	5,000	(4,495)
Meeting expenses	2,190	3,000	(810)
Legal Fees	50,610	50,000	610
Trustee Recruitment Costs	-	5,000	(5,000)
Sub Total Operating Costs	156,821	175,250	(18,429)
Property Costs			
Energy Costs	6,715	8,000	(1,285)
Water Rates	1,344	1,400	(56)
Building Maintenance	85,726	51,000	34,726
Cleaning	2,062	2,000	62
Sub Total Property Costs	95,847	62,400	33,447
Bad debt write off	-	-	-
Reduction in Bad Debt Provision	(225)	-	(225)
Bought In Services			
Treasury	22,200	15,000	7,200
Payroll	502	750	(248)
Pension	(1,000)	2,000	(3,000)
Building Maintenance	46,400	47,000	(600)
Committee Services	7,200	7,200	-
Computer Services	5,170	4,400	770
Messenger Service	-	450	(450)
Peninsula	2,238	2,160	78
Public Relations	10,521	15,000	(4,479)
Sub Total Bought In Services	93,232	93,960	(728)
Total	622,983	637,610	(14,627)

Shetland Charitable Trust
Investment expenses
Period to 31 March 2020

	12 Month Actual £	Annual Budget £	Variance £
Managed fund misc	58,536	-	58,536
Fund managers fees	-	-	-
Black Rock fees	100,800	85,000	15,800
Northern trust fees	48,934	46,400	2,534
Insight investment fees	135,251	134,000	1,251
Schroders fees	103,782	138,000	(34,218)
Baillie Gifford fees	688,941	630,000	58,941
	1,136,244	1,033,400	102,844

REPORT**To:** Shetland Charitable Trust**Date:** 9 July 2020**From:** Chief Executive**Report:** CT2007013**Capital Works Bridging Loan Scheme Year to 31 March 2020****1. Introduction**

- 1.1 The purpose of this report is to provide Trustees with an update of the Capital Works Bridging Loan Scheme for the year to 31 March 2020.

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.
- 2.4 It was noted at the Trust meeting on 27 February 2020, that in future, only the projects relating to the current financial year would be reported on rather than including all the historical information.

3. Present Position

- 3.1 As at 1 April 2019, there were two loans with repayments due in 2019/20 totalling £163,890.
- 3.2 In the year to 31 March 2020, the Trust approved bridging loans to seven organisations totalling £792,769, with £461,769 paid out. One project has not yet drawn down the total amount awarded.
- 3.3 As at 31 March 2020, seven loans remained active with £436,769 due to be repaid to the Trust in 2020/21. Since 31 March 2020, one

organisation has fully repaid their loan of £10,000 leaving an outstanding balance of £426,769.

3.4 Appendix A lists each bridging loan which made repayments and were approved a loan in 2019/20.

3.5 Covid-19 has had an impact on some of these projects and their timeline for repayment, due to work being put on hold during the pandemic. The Trust is in contact with all organisations to receive updates on repayments.

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 Seven projects were approved a bridging loan in the year to 31 March 2020, allowing projects to be undertaken by community groups throughout Shetland. For many of these projects it would have been very difficult for them to proceed without support of the Trust's scheme.

6. Recommendation

6.1 Trustees are recommended to note this report.

Reference: D19

Report Number: CT2007013

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £	Due to SCT £	Notes
Loans approved 2018/19						
Sandwick Carnegie Hall	104,235	43,890	43,890	43,890	-	Repaid November 2019
Sandwick Social and Economic Development	160,302	120,000	120,000	120,000	-	Repaid September 2019
Loans approved 2019/20						
Papa Stour History and Community Group	33,043	10,000	10,000	10,000	-	Repaid April 2020
Sandwick Social & Economic Development	149,300	75,000	75,000	25,000	50,000	Extension requested due to Covid-19
Scalloway Community Development Group	25,200	20,000	20,000	-	20,000	Extension requested due to Covid-19
Hillswick Wildlife Sanctuary	428,100	366,000	35,000	-	35,000	Further draw downs delayed due to Covid-19
Community Development Company of Nesting	211,377	175,985	175,985	-	175,985	Extension requested due to Covid-19
Foula Electricity Trust	86,201	25,000	25,000	-	25,000	Extension requested due to Covid-19
Fetlar Community Association	140,000	120,784	120,784	-	120,784	Repayment due September 2020
TOTAL	1,337,758	956,659	625,659	198,890	426,769	

REPORT

To: Shetland Charitable Trust

9 July 2020

From: Chief Executive

Report: CT2007014

Payments to Trustees in the year to 31 March 2020**1. Introduction**

- 1.1 This report is presented to show the payments which have been made to Trustees in the year to 31 March 2020.

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 2020, totalling £505.20

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 CT2007014

Trustee Expenses 2019-20

Trustee Name	Position	Total 19/20
		£
Mr B Hunter	SCT Chair & Chair of General Purposes Advisory Committee (resigned May 2019)	216.00
Dr A Cooper		0
Ms J Garriock		0
Mr K Harrison	Member of Audit & Governance Advisory Committee & General Purposes Advisory Committee	289.20
Mr G Hay		0
Ms Y Hopkins		0
Mr R C Leask		0
Mr R M Leask		0
Mr R Leith		0
Rev T Macintyre		0
Mr P Malcolmson		0
Mr K Massey		0
Ms E Miller		0
Dr I Napier		0
Mr A Ockendon		0
Mr D Ratter		0
Ms M Roberts		0
Mr J Smith		0
TOTAL		505.20

REPORT

TO: Shetland Charitable Trust

9 July 2020

FROM: Chief Executive

Report: CT2007015

Trustee Attendance at meetings in the year to 31 March 2020

1. Introduction

1.1 This report is presented to record Trustee attendance at Trust Meetings in the financial year to 31 March 2020.

2. Background

2.1 The Schedule of Governance Arrangements attached to the current Trust Deed states at paragraph 5(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 Trustees under paragraph 4(c)(iv)"

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 2020.

4. Recommendation

4.1 Trustees are asked to note this report.

Reference: TA48

Report Number CT2007015

Trustee Attendance at Trustee Meetings in the financial year to 31 March 2020 CT2007015 - Appendix A

Name	27 May 2019 Special Meeting	6 June 2019	12 September 2019	12 September 2019 AGM	28 November 2019	27 February 2020
B Hunter	✓					
A Cooper	✓	✓	✓	✓	✓	✓
J Garrick	✓	✓	✓	✓	✓	✓
K Harrison			✓	✓	✓	✓
G Hay	A					
Y Hopkins	✓	✓	✓	✓	✓	✓
R C Leask		✓	✓	✓	✓	✓
R M Leask			✓	✓	✓	✓
R Leith			✓	✓	✓	✓
T Macintyre	A					
P Malcolmson	✓					
K Massey	✓					
E Miller		✓	✓	✓	A	✓
I Napier	✓	✓	✓	✓	✓	✓
A Ockendon			✓	✓	✓	✓
D Ratter	✓	✓				
M Roberts	✓	✓	✓	✓	✓	✓
J Smith	✓					

✓ = In attendance A = Apologies Received