



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: 8 September 2020

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
Thursday 17 September 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 (i) 9 July 2020, and (ii) 13 August 2020, (enclosed).

For Decision

1. SCT Annual Report and Accounts for the Year Ended 31 March 2020. *Report enclosed.*
2. Service Performance of Funded Organisations – Year Ended 31 March 2020. *Report enclosed.*

For Information

3. Investment Performance Update – Three Months to 30 June 2020. *Report enclosed.*
4. Management Accounts – Three Months to 30 June 2020. *Report enclosed.*
5. Capital Works Bridging Loan Scheme Update. *Report enclosed.*

The following items contain **CONFIDENTIAL** information

For Decision

6. Disbursement Plan 2020-25 – Small Grant Scheme. *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

17 September 2020

From: Chief Executive

Report: CT2009019

**Shetland Charitable Trust
Annual Report and Accounts for the year to 31 March 2020**

1. Introduction

- 1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2020 for approval. These are attached as Appendix A.

2. Commentary

- 2.1 Shetland Charitable Trust (the Trust) has seen an increase in funds of £6.4 million this financial year, mainly due to the gains on investments of £11.1 million. The Trust's net asset position now stands at £315.7 million (2019: £309.3 million).
- 2.2 Total incoming resources were £4.2 million and total resources expended were £9.4 million.
- 2.3 Total charitable expenditure for the year was £8.1 million (2019: 8.4 million). This reduction was principally 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 £0.2 million, however, there was a gain on investment assets of £11.1 million (2019: gain of £26.9 million). The returns on investments in 2019/20, compared to the previous year, were affected by the Covid-19 crisis. Investment management costs for the year were £1,136,000 (2019: £1,049,000). This rise is due to the increase in the value of the invested assets.
- 2.5 Programme related investments remained at £6.6m with no local investment or disposals in the year.
- 2.6 Shetland Heat Energy and Power Ltd (SHEAP) made a gift aid payment of £190,000 in respect of their profits for 2019/20, although these will be formally recognised in the accounts for 2020/21. (2019: Nil).

- 2.7 RSM UK Audit 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 2020. RSM presented this report to the Audit and Governance Advisory Committee on Thursday 20 August 2020.
- 2.8 The letter of representation from Trustees to RSM, required to complete the audit, is attached as Appendix C.

3. Financial Implications

- 3.1 The Trust's net movement in funds for the year was a £6.4 million inflow (2019: £24.9 million inflow). The Trust continues to maintain a strong cash balance and has net assets at 31 March 2019 of £315.7 million (2019: £309.3 million).

4. Recommendations

- 4.1 Trustees are asked to:-
- a) approve the Annual Report and Accounts for the year to 31 March 2020 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 RSM UK Audit LLP, the Trust's auditors, attached as Appendix B.

Reference: TA2

Report Number: CT2009019

Shetland Charitable Trust

**Trustees' report and consolidated
financial statements**

Charity number SC027025

For the year ended 31 March 2020

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Chair's Introduction

A period of change started the Trust's year, and the turmoil of the Covid 19 pandemic struck at the year's end.

The Trust saw a number of Trustees step down in the last year and would like to pay tribute to Bobby Hunter, Jeemie Smith, Keith Massey, Peter Malcolmson, Drew Ratter, Geoffrey Hay and Tom McIntyre for their contribution to making the Trust the robust independent organisation it is today.

We welcomed a new group of high calibre Trustees: Robbie Leask, Ken Harrison, Robert Leask, Ryan Leith, Emma Miller and Alan Ockendon.

During the year, the Trust approved a New Strategic Plan for 2020-25. The key features of this were the new Financial Plan and Disbursement Plan, which showed that the Trust could carefully start increasing its funding due to the success of the Trust's investments. The Disbursement Plan has a new emphasis on tackling inequality and promoting social inclusion (in line with the aims of the Shetland Partnership Plan). We are also looking for more effective data on outcomes from our funded bodies, particularly in the areas noted above. For the first time for many years we are able to invite new organisations to apply for funding.

A sum of £880,000 was earmarked for new bids for 2020/21. We followed a two stage procedure, initially asking for expressions of interest which allowed the staff to both gauge the likely level of demand and also advise those ineligible to avoid the work of putting in a full application (which formed the second stage).

At this moment of optimism the pandemic struck. Apart from an obvious immediate spell of social and economic disruption, nobody can be sure of the longer effect on society both locally in Shetland and in the wider world.

The Trust responded to the crisis in a number of ways. The staff developed an effective means of home working and we used remote meeting technology, so the Trustees could continue their role. We delayed the implementation of the 2020/21 expression of interest grant scheme, both to let our staff adjust to the new procedures and also so that organisations wishing to bid could re-assess their needs and capabilities in the unprecedented circumstances. After several rounds of contact with the funded organisations, we decided to restart the process. It is to the great credit of our staff that they received bids and fully evaluated them to the point where the Trustees made a formal decision at their meeting in July. To support the organisations currently funded, we decided to continue our regular six monthly grant awards despite the fact that many were not able to undertake their normal activities.

Although this overshadows the year as a whole, it would be remiss not to mention other points. The Capital Works Bridging Loan Scheme has been an outstanding success. It involves the Trust making short term bridging finance (interest-free) to local organisations carrying out capital projects attracting grants from major external funders. For the £4 million of loans made by the Trust since the scheme began, approximately £16m of grant income has come to Shetland.

Margaret Roberts is the new Vice-Chair and Chair of the Investment Advisory Committee: I thank her for her support and help throughout the year. Also, Robbie Leask as Chair of the key Audit and Governance Advisory Committee. Our staff have continued to work with dedication, initiative (especially adapting to home and remote working) and good humour. The Trustees give direction, but the staff take credit for how the Trust functions and the high standard of efficiency and governance achieved.

A B Cooper
Chair

17 September 2020

Trustees' Report

Section 1: Reference and Administrative Details

Name Shetland Charitable Trust

Scottish Charity Number SC027025

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

Trustees

R W Hunter, Chair (demitted 31 May 2019)	K Harrison (appointed 1 June 2019)
A B Cooper, Vice Chair (appointed Chair 6 June 2019)	R C Leask (appointed 1 June 2019)
T Macintyre (demitted 31 May 2019)	R M Leask (appointed 1 June 2019)
P Malcolmson (demitted 31 May 2019)	R C Leith (appointed 1 June 2019)
K I Massey (demitted 31 May 2019)	E Miller (appointed 1 June 2019)
I R Napier	A J Ockendon (appointed 1 June 2019)
J L B Smith (demitted 31 May 2019)	
G Hay (resigned 31 May 2019)	
W A Ratter (resigned 12 August 2019)	
M I Roberts (appointed Vice Chair 6 June 2019)	
J Garriock	
Y Hopkins	

Chief Executive Dr Ann Black

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

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

Solicitors -

Governance and Charity Law		Commercial	
Turcan Connell		Dentons	
Princes Exchange		Quatermile One	
1 Earl Grey Street		15 Lauriston Place	
Edinburgh		Edinburgh	
EH3 9EE		EH3 9EP	

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

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

Schroders Property Managers
1 London Wall Place
London
EC2Y 5AU

Trustees' Report *(continued)*

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

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

Section 2: Structure, Governance and Management

Governing Document

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

The Trust Deed and its schedules:

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

Charitable Status

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

Board of Trustees

The Trust has up to twelve appointed Trustees.

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

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

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

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

Trustees' Report *(continued)*

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

Audit and Governance Advisory Committee

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

General Purposes Advisory Committee

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

Investment Advisory Committee

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

Management and Administration

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

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

The Trust's procedures are governed by a set of Administrative Regulations. This public document has been updated to reflect the changes in administration and is available through the Trust's website, www.shetlandcharitabletrust.co.uk.

Minutes

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

Subsidiary Companies

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

Shetland Heat Energy and Power Limited (SHEAP) SC181964	James Armitage – Chair Allan Wishart Wendy Grant Derek Leask William Spence (appointed 1 November 2019)
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C.T. Shetland (T.M.) Limited is a dormant company whose present purpose is to register and own certification trademarks, for example knitwear trademarks.

C. T. Shetland (T.M.) Limited SC072648	Keith Massey (resigned 31 May 2019) Jolene Garriock (appointed 1 June 2019)
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SCT Renewables Limited has a 90% interest in Viking Energy Shetland LLP 'the Shetland Partner' in the Viking Energy Partnership.

SCT Renewables Limited SC256581	James Smith (resigned 31 May 2019) Ian Napier (appointed 1 June 2019)
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Trustees' Report *(continued)*

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

Risk Management

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

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

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

Trustees approved the risk assessment for 2019/20 on 27 February 2020. The five strategic key risks are:

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

Disclosure of information to auditor

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

Section 3: Objectives and Activities

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

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

Ambition

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

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

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

Trustees' Report *(continued)*

Section 3: Objectives and Activities *(continued)*

Objectives

The strategic objectives of the Trust 2020-2025 are:

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

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

Operational Plans

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

Financial Objectives

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

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

For the Strategy period 2020-2025 a rate of return on the Trust investments above inflation of 3.5% per annum is assumed. A budget of £10 million has been set for the year to 31 March 2021 in line with the Financial Plan.

Budgets and Disbursements

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

The disbursements made in 2019/20 were the final agreed budgets for the Disbursement Plan 2015 -20. In 2019, Trustees approved a new Disbursement Plan to run from 1 April 2020 to 31 March 2025. Over the Trust's Strategy period 2020-2025, it is the intention of the Board that the funds are able to support applications, which align to the purpose and strategic objectives of the Trust. The Trust will operate a Main Grant Scheme for larger organisations and a Small Grant Scheme for smaller organisations and individuals.

Section 4: Achievements and Performance

During the year to 31 March 2020, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

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

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

- **Shetland Arts Development Agency** - The grant goes towards meeting some of the core and project costs of promoting, developing and delivering activities in the fields of dance, drama, theatre, film, literature, music, crafts and visual arts.
- **Rural Care Model** - The funding is used to add value to the community care provided in Shetland, to a level of service over and above that which would normally be provided by a local authority.
- **Ability Shetland** - The grant supports the running costs of the Adult Recreation Club and contributes to the costs of delivering their Social and Yoga Clubs.
- **COPE Ltd** - The grant contributes to the core costs of the organisation to allow it to provide focused placements, training, support and employment opportunities to adults with learning and/or physical disabilities.
- **Dunrossness Inter-Church Fellowship** - The grant supports the organisation to provide care/welfare services and activities in the community.
- **Royal Voluntary Service** - The grant funds much of the core costs of providing a range of community projects for elderly and disabled people in Shetland.
- **Shetland Befriending Scheme** - The scheme provides young people with an opportunity to form a trusting relationship with an adult, to promote the young person's welfare and personal development.
- **Shetland Islands Citizens Advice Bureau** - The grant is used towards the core costs of providing a general information advice service.
- **Shetland Link Up** - The grant funds the core costs of the organisation enabling it to provide an informal meeting place to support people who are affected by mental health problems.
- **Shetland Samaritans** - The funding supports the organisation to provide care/welfare services and activities in the community.
- **Voluntary Action Shetland** - The grant contributes to the core costs of providing a central point for advice and information to the voluntary sector in Shetland and the operation and maintenance of Market House.

The Trust allows organisations that it funds to hold up to 3 months grant, as reserves, for unforeseen items and to help with cash flow.

The Trust has worked with the organisations funded to develop a system of service performance reporting. Trustees considered a progress report on service performance in September 2019, which set out, in detail, how the Trust's money makes a difference to people and communities. Overall, Trustees were content that most organisations were performing satisfactorily against their stated targets.

The Trust also supported two charitable schemes, as set out below:

- **Arts Grant Scheme** - This scheme is designed to assist and support individuals aged under 18 and/or community groups who are working with those aged under 18, or carrying out projects that are for the benefit of people aged under 18 with a wide range of arts genres, development projects and activities.
- **Senior Citizens Clubs** - This scheme supports senior citizens clubs throughout Shetland with a programme of activities.

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

Over the year, the Trust has approved bridging loans to seven organisations totalling £792,769, with repayments due as they receive their grants. These loans facilitated projects totalling £1,073,311 to take place. Funding also contributes to the maintenance and upkeep of a wide range of community assets, constructed through capital grants made by the Trust in the past. The facilities and assets include leisure facilities and care centres across Shetland, Shetland Museum and Archives and a variety of offices and other buildings for local charities.

Trustees' Report (continued)

Section 4: Achievements and Performance (continued)

Charitable Expenditure

	2019/20 budget £	Actual spend to 31 March 2020 £	Actual spend to 31 March 2019 £
<u>Grants over £0.5m</u>			
Shetland Amenity Trust	1,142,988	1,142,988	1,189,045
Shetland Arts Development Agency	603,522	603,522	633,974
Shetland Recreational Trust	2,972,802	2,972,802	3,082,989
Support to Rural Care Model	1,986,188	1,986,188	2,091,516
<u>Other Revenue Grants</u>			
Ability Shetland Recreation Club	12,641	12,641	12,641
The Swan Trust	-	-	17,913
Shetland Churches Council Trust	-	-	13,501
Shetland Befriending Scheme	54,418	54,418	54,418
Shetland Islands Citizens Advice Bureau	132,265	132,265	132,265
COPE Ltd	154,967	154,967	154,967
Shetland Link Up	47,994	47,994	47,994
Voluntary Action Shetland	144,361	144,361	144,361
Festival Grants	-	-	7,500
Shetland Samaritans	4,000	4,000	4,000
Dunrossness Inter-Church Fellowship	7,552	7,552	7,552
Buses for Elderly and Disabled	42,484	-	44,358
Royal Voluntary Service	46,985	46,985	46,985
Sub Total Organisations	7,353,167	7,310,683	7,685,979
	2019/20 budget £	Actual spend to 31 March 2020 £	Actual spend to 31 March 2020 £
<u>Schemes</u>			
Arts Grant Scheme	15,000	2,284	7,798
Senior Citizen's Clubs	15,000	7,975	7,975
Sub Total Schemes	30,000	10,259	15,773
Surplus Grants Refunded	-	(2,699)	(2,858)
Sub-total charitable expenditure	7,383,167	7,318,243	7,698,894
Trust Administration, including governance costs	637,610	622,897	563,101
Total	8,020,777	7,941,140	8,261,995

Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £93,000.

Trustees' Report *(continued)*

Section 5: Financial Review

Financial Policies

The policy of the Board is to invest the reserves of the Trust to generate income to support charitable expenditure and to maintain the real value of the reserves in the long term. The current value (as at 31 March 2020) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £301 million (2019 - £294 million).

The Trust relies chiefly on funds generated by investments on the world's markets. Around £13 million was generated in 2019/20. This includes growth in value of the investments as well as dividend income received. In 2019/20, around £0.8 million income was derived from investments in Shetland.

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

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

Review of Spending

During 2019/20 the Trust spent £9.1 million (2019 - £9.5 million) on grant making, support costs and expenditure on raising funds, in line with the approved budget for the year. Grant making expenditure for the year was £7.3 million (2019 - £7.7 million). The agreed budget to support grant applications for 2020/21 is £8.2 million.

Investment Review

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

Externally Managed Investments

The market value of the Trust's external investments is £300.7 million (2019 - £282.0 million). Over the year, £9.8 million was invested by the Trust with Schroders. This was held as cash in 2019. A breakdown of the Trust's external investments is detailed below:

Manager	Mandate	Market Value 2020 (£m)	Market Value 2019 (£m)
Baillie Gifford	Active Equities	152.1	127.6
BlackRock	Passive Equities	70.2	84.4
Schroders	UK Property	50.9	41.0
Insight	Diversified Growth	27.5	29.0
Total		300.7	282.0

The growth in value of the investments as well as dividend income received, generated around £13 million (net of new investment) over the year (2019 - £29 million). This equates to a return of 4.6% (2019 - 11.5%).

Until the last week of February 2020, there was a significant growth in the value of Trust investments over the year, particularly from equities. The onset of the COVID 19 health crisis in February and March 2020, caused markets to drop dramatically, with falls of around 30% in equity markets around the world. Despite this dramatic fall, the Trust achieved a positive return on its external investments over the year.

Trustees' Report *(continued)*

Section 5: Financial Review *(continued)*

The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.

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

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

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.

Local Investments

Shetland Heat Energy and Power Limited (SHEAP) is a wholly owned subsidiary of the Trust, set up to operate the Lerwick District Heating Scheme. SHEAP has over 1200 customers receiving heat and the company generated income of around £2.7 million in 2019/20. SHEAP recorded a small profit in 2019/20 and made a gift aid payment of £190,000 to the Trust in July 2020 for the financial year.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited and the Trust has invested £10.0 million as at 31 March 2020. It is a partner in the Viking Energy project which is investigating a wind farm project in central Shetland.

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

Decisions about Investments

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

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

Trustees' Report *(continued)*

Section 6: Plans For The Future

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

For 2020/21, the Trust has opened up its Main Grant Scheme to new applications. In this transition year, applications have been sought for one year funding. From 2021/2022, applications will be sought for a maximum of four years funding. In addition, during 2020/21 a revised Small Grant Scheme will be developed for funding for 2021/22 and beyond.

A B Cooper
Chair

17 September 2020

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Shetland Charitable Trust (the 'charity') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 March 2020 and of the group's and the charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, set out on page 12, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

17 September 2020

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

Consolidated statement of financial activities

for the year ended 31 March 2020

		Unrestricted funds		2020	2019
		General funds	Expendable endowment	Total	Total
	Note	£000	£000	£000	£000
Income and endowments from					
Other trading activities	6	3,052	-	3,052	3,786
Investments		3,315	-	3,315	3,517
Rental income		790	-	790	775
Other income		71	-	71	67
Total income and endowments		7,228	-	7,228	8,145
Expenditure on					
Expenditure on raising funds	6	(3,038)	-	(3,038)	(3,017)
Investment Management		(1,136)	-	(1,136)	(1,049)
Charitable activities	2	(8,034)	(75)	(8,109)	(8,413)
Total expenditure		(12,208)	(75)	(12,283)	(12,479)
Net gains on investments	12	-	11,148	11,148	25,407
Net income/(expenditure)		(4,980)	11,073	6,093	21,073
Other recognised gains and losses					
Actuarial (losses)/gains in defined benefit pension scheme	17	417	-	417	(235)
Non-controlling interest share of net income/ expenditure		15	-	15	3
Net movement in funds attributable to the charity		(4,548)	11,073	6,525	20,841
Fund balances brought forward attributable to the charity	13, 12	(19,316)	328,730	309,414	288,573
Fund balances carried forward attributable to the charity		(23,864)	339,803	315,939	309,414
Non-controlling interest share of net income/ expenditure		(15)	-	(15)	(3)
Other changes in non-controlling interests		1	-	1	74
Fund balances brought forward attributable to non-controlling interest		832	-	832	761
Fund balances carried forward attributable to non- controlling interests		818	-	818	832
Total group funds carried forward	13, 12	(23,046)	339,803	316,757	310,246

Trust statement of financial activities
for the year ended 31 March 2020

		Unrestricted funds			
	<i>Note</i>	General funds £000	Expendable endowment £000	2020 Total £000	2019 Total £000
Income and endowments from					
Income from investments		3,315	-	3,315	3,517
Other trading activities (Gift Aid receipts from subsidiary undertakings)		-	-	-	3,354
Rental income		790	-	790	775
Other income		71	-	71	64
Total income and endowments		4,176	-	4,176	7,710
Expenditure on:					
Expenditure on raising funds		(1,136)	-	(1,136)	(1,049)
Provision made against equity investment	6	(129)	-	(129)	(36)
Charitable activities	2	(8,034)	(75)	(8,109)	(8,413)
Total expenditure		(9,299)	(75)	(9,374)	(9,498)
Gains on investment assets	5	-	11,148	11,148	26,928
Net income/(expenditure)		(5,123)	11,073	5,950	25,140
Other recognised gains/(losses)					
Actuarial losses in defined benefit pension scheme	17	417	-	417	(235)
Net movement in funds		(4,706)	11,073	6,367	24,905
Total funds brought forward	13, 12	(19,406)	328,730	309,324	284,419
Fund balances carried forward		(24,112)	339,803	315,691	309,324

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 20 to 37 form a part of the financial statements.

Consolidated balance sheet

as at 31 March 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	4		4,587		4,857
Investments	5	300,712		281,958	
Programme-related investments	6	6,653		6,662	
			307,365		288,620
Total fixed assets			311,952		293,477
Current assets					
Stocks		43		43	
Debtors	8	1,614		1,119	
Cash at bank and in hand	9	6,525		19,279	
			8,182	20,441	
Total current assets					
Creditors: amounts falling due within one year	10	(1,677)		(1,687)	
Net current assets			6,505		18,754
Total assets less current liabilities			318,457		312,231
Provisions for liabilities and charges	11		(52)		(13)
Net assets excluding pension liability			318,405		312,218
Pension liability	17		(1,648)		(1,972)
Net assets including pension liability			316,757		310,246
Represented by:					
Expendable endowment	12		339,803		328,730
Unrestricted income funds:	13				
General funds			(22,464)		(17,434)
Trading funds			248		90
			(22,216)		(17,344)
Unrestricted income funds excluding pension reserve			(1,648)		(1,972)
Pension reserve	13				
Total unrestricted income funds	13		(23,864)		(19,316)
Group funds attributable to the Charity			315,939		309,414
Non-controlling interest			818		832
Total group funds			316,757		310,246

These financial statements were approved by the trustees on 17 September 2020 and were signed on their behalf by:

A B Cooper
Chair

R C Leask
Trustee

The notes on pages 20 to 37 form a part of these financial statements.

Trust balance sheet
as at 31 March 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	4		173		248
Investments	5	300,712		281,958	
Programme-related investments	6	12,371		12,509	
			313,083		294,467
Total fixed assets			313,256		294,715
Current assets					
Debtors	8	617		410	
Cash at bank and in hand		3,852		16,617	
Total current assets		4,469		17,027	
Creditors: amounts falling due within one year	10	(386)		(446)	
Net current assets			4,083		16,581
Net assets excluding pension liability			317,339		311,296
Pension liability	17		(1,648)		(1,972)
Net assets including pension liability			315,691		309,324
Represented by:					
Expendable endowment	12		339,803		328,730
Unrestricted income funds:					
General funds	13		(22,464)		(17,434)
Pension reserve	13		(1,648)		(1,972)
Total unrestricted income funds	13		(24,112)		(19,406)
Total Trust funds			315,691		309,324

These financial statements were approved by the trustees on 17 September 2020 and were signed on their behalf by:

A B Cooper
Chair

R C Leask
Trustee

The notes on pages 20 to 37 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2020

Cash flows from operating activities	Note	2020 £000	2019 £000
Net outgoing resources before other recognised gains and losses		(4,961)	(4,219)
Adjustments for:			
Investment income and interest receivable		3,315	3,517
Depreciation and impairment of tangible fixed assets	4	315	577
Movement in pension liability, excluding actuarial gains and losses	17	-	76
Realised (losses)/gains on managed fund investments	5	(6,043)	(23,387)
Gains/(losses) on investment assets		11,148	25,371
Movement in agricultural loans	7	9	108
(Increase)/Decrease in stock		-	(11)
(Increase)/Decrease in debtors	8	(495)	786
(Decrease)/Increase in creditors	10	(10)	(94)
Increase in provisions	11	39	13
Net cash flow from operating activities		3,317	2,737
Cash flow from investment activities			
Purchase of managed funds investments	5	(21,309)	(28,300)
Purchase of tangible fixed assets	4	(45)	(388)
Purchase of shares within joint venture	6	-	(1,250)
Sale of managed funds investments	5	10,048	20,106
Gain on sale of discontinued operations		-	17,130
Net movement in cash flows attributable to managed fund investments	5	(1,450)	998
Net cash flow from investing activities		(12,756)	8,296
Cash flow from financing activities			
Investment income and interest received		(3,315)	(3,517)
Net cash flow from financing activities		(3,315)	(3,517)
Net increase in cash and cash equivalents		(12,754)	7,516
Cash and cash equivalents at 1 April	9	19,279	11,763
Cash and cash equivalents at 31 March	9	6,525	19,279

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

1.1 Basis of preparation

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

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

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

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

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

Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 19. The charity's business activities, together with the factors likely to affect its future development, performance and position are set out in the Trustee's Report on pages 2 to 11. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the Trustee's Report on pages 15 to 19. In addition, pages 9 to 10 of the financial statements include the charity's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

1.2 Basis of consolidation

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

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

Notes (continued)

1 Accounting policies (continued)

1.2 Basis of consolidation (continued)

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

1.3 Fund accounting

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

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

1.4 Income and endowments from other trading activities and rental income

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

Turnover in SCT Renewables Limited represents miscellaneous income only as the company is not yet trading fully. Turnover in Viking Energy Shetland LLP represents the amounts recoverable for the services provided to clients.

Investments

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

1.5 Expenditure

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

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

Cost of generating funds

The cost of generating funds represents fund managers' fees.

Governance costs

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

1.6 Basic financial instruments

Trade and other debtors/creditors

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

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments (continued)

Investments in preference and ordinary shares

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

Cash and cash equivalents

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

1.7 Grants

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

1.8 Investments

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

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

1.9 Tangible fixed assets and depreciation

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

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

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

The asset value of the Sullom Voe site is being depreciated over its estimated remaining economic life of ten years commencing 1 April 2012. The depreciation is charged to the expendable endowment.

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

1.10 Investment properties

The Trust hold no investment properties.

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

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

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

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

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

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

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

1.12 Employee benefits

Defined benefit plans

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits (continued)

Defined benefit plans

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

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

1.13 Stock

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

1.14 Cash and cash equivalents

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

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

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

Charitable activities

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

	2020 £000	2019 £000
General funds		
Payments to charitable organisations	7,311	7,686
Schemes	10	16
Charitable grants repaid	(3)	(3)
	<hr/>	<hr/>
Total charitable grants	7,318	7,699
Support costs, including governance costs (below)	623	563
Pension adjustments	93	76
	<hr/>	<hr/>
Total charitable expenditure – general funds	8,034	8,338
	<hr/>	<hr/>
Expendable endowment		
Depreciation	75	75
	<hr/>	<hr/>
Total resources expended on charitable activities	<u>8,109</u>	<u>8,413</u>

Some payments 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 £520,000 (2019: £423,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £283,166 (2019: £250,369) in respect of staff costs (see note 3), of which nil (2019: £nil) was charged to subsidiaries.

Notes (continued)

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

Governance costs

Governance costs totalling £103,000 (2019: £140,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £32,000 (2019: £31,000) 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 £18,000 (2019: £26,000).

	Group and charity	
	Total 2020 £000	Total 2019 £000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	32	31
Other costs	52	83
External auditor's remuneration:		
Audit of these financial statements	18	26
Audit of subsidiary undertakings (excluded from charitable governance costs)	15	14
Other services: taxation in relation to subsidiary undertakings	5	9
Total governance costs	122	163

3 Staff numbers and costs

The group had an average of fourteen employees during the year (2019: fifteen). The aggregate payroll cost of these employees was as follows:

	2020 £000	2019 £000
Wages and salaries	664	613
Social security costs	67	63
Pension costs	115	69
	846	745

Employee costs totalling nil (2019: £nil) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Nine 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 worked wholly or mainly on Viking Energy Shetland LLP during the year.

One employee (2019: nil) received emoluments totalling between £120,000 and £129,999. One employee (2019: two) received emoluments totalling between £80,000 and £89,999. Retirement benefits are accruing to these members of staff under a defined benefit pension scheme; contributions in 2019/20 totalled £69,290. One employee received emoluments totalling in excess of £60,000 in the current or previous financial year.

Included above are the emoluments paid to key management personnel comprising four employees totalling £334,969 (2019: five employees totalling £376,853) including £35,238 (2019: £34,333) in social security costs and £83,222 (2019: £38,005) in pension contributions.

Expenses totalling £505 (2019: £2,605) were reimbursed or paid on behalf of two trustees (2019: three trustees) during the year.

Notes (continued)

4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Other plant, machinery and AUC £000	Total £000
Cost or valuation				
At beginning of year	11,411	3,989	2,177	17,577
Additions	-	-	45	45
At end of year	11,411	3,989	2,222	17,622
Depreciation				
At beginning of year	11,163	380	1,177	12,720
Charge for year	75	133	107	315
At end of year	11,238	513	1,284	13,035
Net book value	173	3,476	938	4,587
At 31 March 2020				
At 31 March 2019	248	3,609	1,000	4,857

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

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

Notes (continued)

4 Tangible fixed assets (continued)

Charity

	Land and buildings £000	Donated Assets £000	Total £000
Cost			
At beginning and end of year	2,252	9,159	11,411
Depreciation			
At beginning of year	2,027	9,136	11,163
Charge for year	75	-	75
At end of year	2,102	9,136	11,238
Net book value			
At 31 March 2020	150	23	173
At 31 March 2019	225	23	248

5 Managed funds

Group and Charity	2020 Market Value £000	2020 Cost £000	2019 Market Value £000	2019 Cost £000
UK equities	20,564	24,329	25,349	22,818
Overseas equities	201,643	113,170	186,586	113,479
Diversified Investment Fund units	27,461	26,702	28,951	26,702
Property units	48,202	41,214	39,650	31,131
	297,870	205,415	280,536	194,130
Total investments	297,870	205,415	280,536	194,130
Cash on deposit and in hand	2,842	2,842	1,422	1,417
	300,712	208,257	281,958	195,547

Notes (continued)

5 Managed funds (continued)

	2020 £000	2019 £000
Reconciliation of market value of investments		
Market value at beginning of year	281,958	251,375
Investments purchased	21,309	28,300
Investments sold	(10,048)	(20,106)
Total realised gains on managed fund investments	6,043	23,387
Movement in investment managers' cash balances, accrued income and expenses	1,450	(998)
	<hr/>	<hr/>
Market value at end of year	300,712	281,958
	<hr/>	<hr/>

As at 31 March 2020, 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:

	2020 Market value £000	2020 Cost £000	2019 Market value £000	2019 Cost £000
Insight Investment Management	27,462	26,702	28,951	26,702
BlackRock Global Investors	70,240	56,664	84,357	55,798
Baillie Gifford	152,119	80,989	127,590	80,511
Schroders Property Managers	50,891	43,902	41,060	32,536
	<hr/>	<hr/>	<hr/>	<hr/>
	300,712	208,257	281,958	195,547
	<hr/>	<hr/>	<hr/>	<hr/>

6 Programme-related investments (continued)

	Group 2020 £000	2019 £000	Charity 2020 £000	2019 £000
Equity (below)	6,638	6,638	12,356	12,485
Loans (note 8)	15	24	15	24
	<hr/>	<hr/>	<hr/>	<hr/>
	6,653	6,662	12,371	12,509
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

6 Programme-related investments (continued)

Equity – Group	Shares in subsidiary undertakings £000	Total £000
Cost		
At beginning of year	7,970	7,970
Cost at end of year	7,970	7,970
Provisions		
At beginning of year	(1,332)	(1,332)
Provisions at end of year	(1,332)	(1,332)
Net book value		
At 31 March 2020	6,638	6,638
At 31 March 2019	6,638	6,638

Equity – Charity	Investments in subsidiary undertakings £000
Cost	
At beginning of year	15,016
Cost at end of year	15,016
Provisions	
At beginning of year	2,531
Provided in year	129
Provisions at end of year	2,660
Net book value	
At 31 March 2020	12,356
At 31 March 2019	12,485

Notes (continued)

6 Programme-related investments (continued)

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

	2020 SHEAP £000	2020 SCT R £000	2020 VES £000	2020 Total £000	2019 Total £000
Turnover	2,676	-	376	3,052	3,796
Cost of sales	(1,434)	-	-	(1,434)	(1,386)
Gross profit	1,242	-	376	1,618	2,410
Administration expenses	(1,053)	(4)	(516)	(1,573)	(1,380)
Depreciation on investment properties	-	-	-	-	(260)
Provision made against equity investment	-	(125)	-	(125)	(31)
Operating profit/(loss)	189	(129)	(140)	(80)	739
Gain on disposal of investment properties	-	-	-	-	4
Interest receivable and similar income	7	-	1	8	10
Profit/(loss) on ordinary activities before taxation	196	(129)	(139)	(72)	753
Tax on profit/(loss) on ordinary activities	(39)	-	-	(39)	(13)
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	157	(129)	(139)	(111)	740
Gift aid payment to Shetland Charitable Trust	-	-	-	-	(3,354)
Retained (loss)/profit for the year after Gift Aid payment	157	(129)	(139)	(111)	(2,614)

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:

	2020 Total £000	2019 Total £000
Cost of sales	1,434	1,386
Administration expenses	1,573	1,380
Revaluation of investment properties	-	-
Depreciation on investment properties	-	260
Tax charge on profit on ordinary activities	39	13
Profit on disposal of investment properties	-	(4)
Interest receivable and similar income	(8)	(10)
	<u>3,038</u>	<u>3,025</u>

The assets and liabilities of the subsidiaries before consolidation were:

	2020 SHEAP £000	2020 SCT R £000	2020 VES £000	2020 Total £000	2019 Total £000
Tangible fixed assets	4,415	-	-	4,415	4,610
Investments	-	7,365	6,651	14,016	14,141
Current assets	2,142	9	1,561	3,712	3,414
Current liabilities	(1,256)	(7)	(29)	(1,292)	(1,241)
Provisions for liabilities and charges	(52)	-	-	(52)	(13)
Total net assets	<u>5,249</u>	<u>7,367</u>	<u>8,183</u>	<u>20,799</u>	<u>20,911</u>
Called up share capital	1,000	10,027	8,183	19,210	19,350
Profit and loss account	773	(2,660)	-	(1,887)	(2,048)
Capital contribution reserve	3,476	-	-	3,476	3,609
Revaluation reserve	-	-	-	-	-
Total reserves	<u>5,249</u>	<u>7,367</u>	<u>8,183</u>	<u>20,799</u>	<u>20,911</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

	2020 £000	2019 £000
Group and charity		
Agricultural Ten Year Loan Scheme	15	25
Provisions for doubtful debts	-	(1)
	<u>15</u>	<u>24</u>

Notes (continued)

8 Debtors

	Group		Charity	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	755	513	-	-
Amounts owing from subsidiary undertakings	114	131	-	-
Prepayments and accrued income	229	311	180	246
Other debtor	79	-	-	-
Programme-related loans	437	164	437	164
	<u>1,614</u>	<u>1,119</u>	<u>617</u>	<u>410</u>

9 Cash and cash equivalents

Group	2020	2019
	£000	£000
Cash at bank and in hand	<u>6,525</u>	<u>19,279</u>

10 Creditors: amounts falling due within one year

	Group		Charity	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade creditors	1,169	298	1	57
Other tax and social security	3	50	-	-
Other creditors and accruals	505	1,339	385	389
Amounts owing to subsidiary undertakings	-	-	-	-
	<u>1,677</u>	<u>1,687</u>	<u>386</u>	<u>446</u>

11 Provisions for liabilities and charges

Group	Deferred taxation
	£000
At beginning of year	13
Credit for the year	39
Effect of increased tax rates	-
At end of year	<u>52</u>

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £51,824 (2019: £13,011) is analysed as follows:

Notes (continued)

11 Provisions for liabilities and charges (continued)

Group	Assets 2020 £000	2019 £000	Liabilities 2020 £000	2019 £000	Net 2020 £000	2019 £000
Accelerated capital allowances	-	-	52	13	52	13
Net tax (assets) / liabilities	-	-	52	13	52	13

12 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	328,730	328,730
Outgoing resources	(75)	(75)
Gain in the year	11,148	11,148
At end of year	339,803	339,803

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	(17,434)	90	(1,972)	-	(19,316)
Net movement in funds	(5,030)	158	(93)	-	(4,965)
Actuarial gains	-	-	417	-	417
At end of year	(22,464)	248	(1,648)	-	(23,864)

Charity	General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	(17,434)	(1,972)	(19,406)
Net incoming resources before other recognised gains and losses	(5,030)	(93)	(5,123)
Actuarial gains	-	417	417
At end of year	(22,464)	(1,648)	(24,112)

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.

Notes (continued)

14 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Less than one year	18	16
Between one and five years	60	59
More than five years	211	204
	<hr/> 289	<hr/> 279

During the year £17,677 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2019: £17,000).

15 Commitments

Capital commitments

Shetland Heat Energy and Power Limited's contractual commitments to purchase tangible fixed assets at the year-end were £19,238 (2019: £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 2018 and was updated for FRS 102 purposes to 31 March 2020 by a qualified independent actuary.

	2020 £000	2019 £000
Net pension liability defined benefit obligation	(4,440)	(5,036)
Fair value of plan assets	2,920	3,216
	<hr/> (1,520)	<hr/> (1,820)
Unfunded defined benefit obligations	(128)	(152)
	<hr/> (1,648)	<hr/> (1,972)

Notes (continued)

17 Pension scheme (continued)

Movements in present value of defined benefit obligation:

	2020 £000	2019 £000
At 1 April	5,188	4,702
Current service cost	87	70
Interest cost	124	126
Actuarial losses/(gains)	(724)	397
Contributions by members	16	15
Benefits paid	(123)	(122)
	<hr/>	<hr/>
At 31 March	4,568	5,188
	<hr/>	<hr/>

Movements in fair value of plan assets:

	2020 £000	2019 £000
At 1 April	3,216	3,041
Expected return on plan assets	76	81
Actuarial gains/(losses)	(307)	162
Contributions by employer	42	39
Contributions by members	16	15
Benefits paid	(123)	(122)
	<hr/>	<hr/>
At 31 March	2,920	3,216
	<hr/>	<hr/>

Expenditure recognised in the statement of financial activities:

	2020 £000	2019 £000
Current service cost	(87)	(70)
Interest cost	(48)	(45)
	<hr/>	<hr/>
Total	(135)	(115)
	<hr/>	<hr/>

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

	2020 £000	2019 £000
Charitable activities – support costs	(135)	(115)
	<hr/>	<hr/>

Notes (continued)

17 Pension scheme (continued)

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

	2020 £000	2019 £000
Actuarial gains/(losses)	724	(397)
Return on assets attributed to the Charity excluding interest income	(307)	162
	<u>417</u>	<u>(235)</u>

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

	2020 Fair value £000	2019 Fair value £000
Equities	2,278	2,541
Corporate bonds	234	257
Property	350	386
Cash	58	32
	<u>2,920</u>	<u>3,216</u>
Actual return on plan assets	<u>(231)</u>	<u>243</u>

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

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

	2020 %	2019 %
Discount rate	2.3	2.4
Future salary increases	2.4	3.1
Inflation / pension increase rate	1.9	2.4

In valuing the liabilities of the pension fund at 31 March 2020, 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: 21.4 years (male), 23.2 years (female).

Future retiree upon reaching 65: 22.7 years (male), 25.0 years (female).

The Trust expects to contribute approximately £36,000 (2019: £33,000) to its defined benefit plans in the next financial year to 31 March 2021.

Notes (continued)

18 Related parties

In the year to 31 March 2020 the SCT Renewables Limited invested Nil (2019: £675,000) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

On 22 July 2020, the Board of Shetland Heat Energy and Power Limited agreed to pay £190,000 by way of a gift aid payment to the Trust in respect of their profits for 2019/20.

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

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

19 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Critical accounting judgements in applying the Company's accounting policies

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

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. In valuing the liabilities of the pension fund and the Trust's share of the scheme assets at 31 March 2020, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2018 and was updated for FRS 102 purposes to 31 March 2020 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

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

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Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of Shetland Charitable Trust and its subsidiaries Shetland Heat Energy and Power Ltd, SCT Renewables Ltd and Viking Energy Shetland LLP in respect of the year ended 31 March 2020.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Audit & Governance Advisory Committee with the required confidence that a thorough and robust audit has been carried out.

Our audit work is complete and , we anticipate issuing an unmodified audit opinion on the group's financial statements in line with the agreed timetable.

Final Position on Group Audit:

Group consolidation

The consolidation and cashflow statements have been completed. The final group financial statements have been received and reviewed and any disclosure points considered and updated accordingly. In line with the firm's policy following Covid-19 a second partner review on going concern has been carried out and there are no issues in this regard.

Shetland Charitable Trust

All work has been completed including review of the group and charity financial statements as above with appropriate disclosure of post balance sheet events – namely the gift aid payment approved post year end by Shetland Heat Energy and Power Limited of £190,000 (this does not affect the financial position of the Trust at 31 March). We will update our post balance sheet review to date of sign-off but do not anticipate any further matters.

Shetland Heat Energy and Power Limited

The financial statements and audit report have been signed. There are no significant issues to note. We reviewed revenue recognition policy and performed a proof in total over revenue which was satisfactory. Going concern policy was also assessed and related disclosures which were appropriate.

SCT Renewables Ltd

No significant issues, this company holds the investment in VES LLP on behalf of the Shetland Charitable Trust and impairment was reviewed as part of Shetland Charitable Trust audit.

Viking Energy Shetland LLP

By 31 March this partnership with SSE Renewables retains the investment in Viking Energy Wind Farm. Shetland Charitable Trust holds an investment in Viking Energy Wind Farm through Viking Energy Shetland LLP with a preferred return and based on our review of this documentation and the updated partnership agreement we conclude there is no impairment. Going forward SCT will continue to have representation on VEWf through VES. We will update our post balance sheet review to date of sign-off but do not anticipate any further matters.

Risks and approach	We have carried out testing as planned in the risks identified during planning and are satisfied that these risks have been addressed as explained further on pages 4 to 6 of this report. No new risks were identified during the audit.
Additional matters	There are no additional matters to that came to light as a result of our work to report.
Unadjusted audit differences	We have identified no material audit adjustments that need to be brought to your attention.
Disclosures and Omissions	There are no key disclosure items that have not been adjusted by management.
Final Materiality	There was no change to the materiality determined as part of the planning process.

Risks identified at the planning stage

Risk	Description	Response	Findings
Management override	<p>Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • • • 	<p>We have reviewed the journal posting process and journals posted in the year are in line with our understanding of how Shetland Charitable Trust and its subsidiaries operates.</p> <p>We have reviewed any significant estimates and the main one is the pension provision figure which is provided by Hyman Robertson based on their assumptions which are in line with benchmark data and appear reasonable.</p> <p>We have not found any significant transactions that are outside the normal course of business.</p> <p>We conclude that there is no evidence of management override.</p>

Risk	Description	Response	Findings
Economic uncertainty including Brexit and Covid-19 impact	<p>The UK has left the EU and is in a period of transition. There is also an ongoing global coronavirus crisis.</p> <p>Until the longer-term effects become clear, organisations face a period of political and economic uncertainty which may expose them to new opportunities and/or risks, or change the scale and likelihood of existing ones, that affect their business model and strategies.</p> <p>Significant effects, or possible significant effects, of economic uncertainty will have implications for:</p> <ul style="list-style-type: none"> the preparation of the financial statements Trustees' Report <p>Identifying the significant effects, or possible significant effects and assessing their impact may prove challenging in the current political and economic environment. However, we will continue to discuss with management their analysis of the potential effects identified, together with any supporting evidence in relation to key assumptions and related disclosures.</p>	<p>We will consider:</p> <ul style="list-style-type: none"> Management's analysis of the current economic uncertainty and its effects on the entity's business model and strategies – including those relating to investments. The assumptions used by management in their assessment relating to valuation of investments and pension deficits. Management's sensitivity analysis to possible changes in their assumptions, including downsides. Supporting evidence provided by management for their assumptions, and related disclosures, and we will challenge where necessary. Sufficiency of related disclosures in the financial statements, depending on the degree of sensitivity to changes in assumptions and whether there is a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. Consistency, adequacy, and specificity of disclosures in the Trustees' Report in respect of economic related principal risks and uncertainties and future plans. Management's assessment of developments in relation to Brexit and Coronavirus occurring after the reporting date and whether they are adjusting or non-adjusting events. Implications, if any, for our audit report. 	<p>Brexit has not significantly impacted investment valuations in the year. The economic uncertainty caused by Covid-19 affected global stock markets at the year end and this affected investment valuations, although these have recovered post year end. Further consideration is given regarding investments in the following section.</p> <p>The management, administration and governance have continued through lockdown with appropriate measures taken to ensure that controls are maintained while staff work from home. For example authorisations via email are retained for the audit trail. Trustee and committee meetings were held over Zoom and management have been proactive in following OSCR's guidance to ensure that the Trust complies with all aspects of charity law during virtual meetings.</p> <p>Initially there was a pause on grant applications due to lockdown and the impact on funded organisations. These have been resumed as the organisations have planned activities and been able to support their beneficiaries remotely.</p> <p>The trust holds significant investments and reserves and committed expenditure and overheads can be comfortably met. There are no significant additional costs expected or adverse impact on income therefore the trust is not adversely affected by Covid-19 at present.</p>

Risk	Description	Response	Findings
Investments valuation	<p>There is a risk that the fair value of listed investments will be incorrectly recognised in the financial statements and that disclosures will not accurately reflect movements in the year.</p> <p>There is a risk that programme related investments could be impaired.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Use substantive analytical review procedures to ensure that listed investment values and any changes are consistent with market movements and that investments are stated correctly in accordance with the accounting policy and agree to the third-party reports supplied by the Investment Managers. • Discuss with you strategy and future plans for programme related investments and review management's assessment of impairment. Indicators of impairment will be reviewed and discussed. 	<p>We completed our planned testing on investments, and this included agreement to Northern Trust valuations. We also obtained confirmations from the individual fund managers which were consistent on a unit basis. As usual there were differences on the price/valuation due to the different valuation method used by the fund managers. The Trust have valued investments in the financial statements at fair market value in line with the Northern Trust report which is a consistent and prudent basis and in the prior periods. We therefore conclude there are no misstatements in this area. We reviewed the position with the subsidiary companies and the consolidation. Shetland Heat Energy and Power Limited (SHEAP) are generating profits and there are no indicators of impairment. Post year end a gift aid donation has been made from SHEAP to SCT. SCT Renewables Limited (SCT R) hold an investment in Viking Energy Shetland LLP (VES) which holds an interest in the Viking Energy windfarm. At the year end the expectation was that the windfarm and interconnector would proceed and post year end these have been approved and construction work is set to commence. The Trust has a preferred return based on windfarm output and we have reviewed documentation relating to this. The discounted cash flow on the future returns demonstrate that there is no impairment of the investment. In the following year consideration will be given to the investment valuation as previously recognised impairments could be reversed. At the year-end based on the evidence in this area we concluded that the investment valuation basis was reasonable.</p>
Pension scheme deficit	<p>The Trust participates in the Shetland Islands Council defined benefit pension scheme. Given the present market conditions and potential adjustments to historical assumptions, the valuation of the pension scheme liability is a significant. The latest valuation for the scheme will impact assets and liabilities in the financial statements. FRS 102 has detailed financial reporting disclosures that must be detailed in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the assumptions used in assessing the reasonableness of the pension scheme liability in conjunction with management and their advisers. • Consider the accounts disclosures to determine if they meet the disclosure requirements of FRS 102 • Discuss the Actuary's report with management and any correspondence with pension specialists. 	<p>We have reviewed the pension scheme documentation provided from the actuaries including assumptions which appear reasonable when compared to benchmark data. The valuation of the pension scheme deficit is in line with FRS 102 and the financial statements are consistent with this. We conclude that there are no misstatements in this area. Whilst there is a deficit this is not significant in the context of the total Trust balance sheet.</p>

Observations/ recommendations

Finance process

VAT registration

The trust is VAT registered but there are no taxable supplies (all income is from investments) and properties have not been opted to tax. Nil returns are filed. The Trust should de-register for VAT and this would reduce the administration burden for the finance team. Note if any land/property that falls within the capital goods scheme in the last 10 years on which VAT was reclaimed, there may be a deemed sale on de-registration.

Control recommendations

No recommendations on internal controls have come to our attention during the course of our audit work. We do highlight as a positive that during lockdown the controls have been maintained with authorisations documented via email and the audit trail maintained electronically.

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

Accounting policies, estimates and representations

Significant qualitative aspects of the entity's accounting policies

The charity correctly applies the Charities SORP and FRS 102 and there are no material misstatements in the selection or application of accounting policies. We highlight the following for consideration:

Endowment funds – allocation of investment managers' fees

In the financial statements the investment managers' fees are allocated to unrestricted funds (consistent with presentation in previous years). These relate to the investments and therefore could be allocated against endowment funds. This is an allocation point only and does not affect the overall result or funds position – but it would reduce the unrestricted deficit going forward and therefore should be considered next year.

Management judgements and accounting estimates

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

Judgments and estimates	Low impact	High impact
Valuation of defined benefit pension scheme deficit	●	
Valuation of investments		●

Representations requested

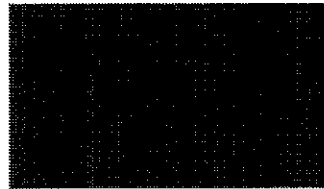
We will request the representations which we obtain on all audit assignments (<http://www.rsmuk.com/standard-representations>) including that the valuation basis of investments is reasonable.

Update on matters communicated at the planning stage

Matter communicated	Update
Fees	We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you.
Independence	In accordance with International Standard on Auditing (UK) 260 "Communication with those charged with governance" there are no changes to the details of relationships between RSM UK Audit LLP and its related entities and Shetland Charitable Trust and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP's independence and the objectivity of the audit principal, Irene Hambleton and the audit staff and the related safeguards from those disclosed in the Audit Plan.

This report has been prepared for the sole use of Shetland Charitable Trust and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

Appendix



Unadjusted statements and disclosures

Accounting misstatements

We identified no misstatements during the course of our work.

We have not disclosed those items that we consider to be "clearly trivial" in the context of our audit. For this purpose, we consider "clearly trivial" to be any matter less than £13k individually and in aggregate.

Disclosures

We have completed our review of the final draft financial statements and have advised management of any required or suggested disclosures points. There are no material matters to bring to your attention here. We highlight that it would be possible to prepare SCT Renewables financial statements under FRS 102 s1A which would mean less disclosure would be required.

Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	●	
Matters in relation to the group audit, including scope of work on components and involvement of group auditors in component audits	●	
Confirmation of independence and objectivity	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

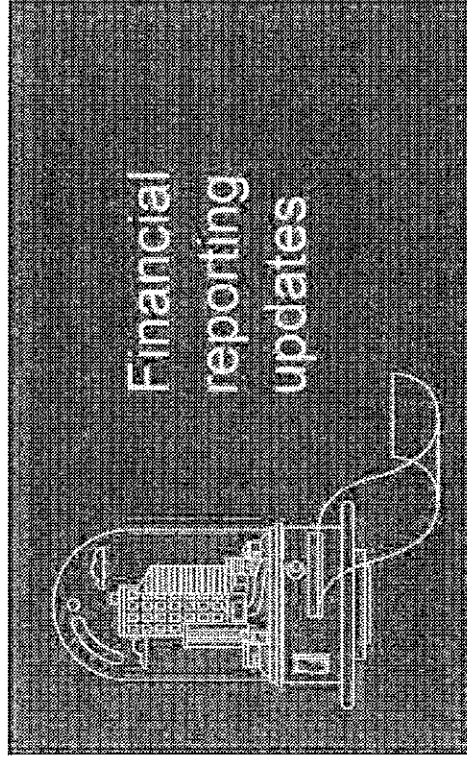
As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Financial reporting updates

Important updates

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



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Our Report is prepared solely for the confidential use of Shetland Charitable Trust and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not without our express written permission, be relied upon by Shetland Charitable Trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Employer Services Limited, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Baker Tilly Creditfor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Before accepting an engagement, contact with the existing accountant will be made to request information on any matters of which, in the existing accountant's opinion, the firm needs to be aware before deciding whether to accept the engagement.

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Chief Executive: Ann Black

Registered Charity Number SC027025

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mail@shetlandcharitabletrust.co.uk
www.shetlandcharitabletrust.co.uk

Date: 17 September 2020

Our Ref: AC/TA2
Your Ref:

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2020

This representation letter is provided in connection with your audit of the financial statements of Shetland Charitable Trust for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

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

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 12 March 2020, for ensuring that the charity and group maintains adequate accounting records and for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:

- a. any advances and credits granted by the charity to trustees and guarantees of any kind entered into on behalf of the trustees;
 - b. the identity of the party which controls and (if different) the party which ultimately controls the charity, if any;
 - c. transactions and balances with related parties including:
 - the names of the transacting parties;
 - the nature of the related party relationship;
 - a description of the transactions;
 - the amount of the transactions;
 - the amount of outstanding balances and:
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - details of any guarantees given or received;
 - provisions for uncollectible receivables related to the amount of outstanding balances;
 - the expense recognised during the period in respect of bad or doubtful debts due from related parties; and
 - any other information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements.
 - d. key management personnel compensation.
4. Full disclosure is made in the financial statements of:
- a. outstanding capital commitments contracted for at the balance sheet date;
 - b. all contingent liabilities including details of pending litigation and material claims against the charity and group;
 - c. all guarantees or warranties or other financial commitments including those given to or on behalf of other group entities.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

6. There have been no events (e.g. loss or reduction of source of income, loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the charity and group to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the charity and group to continue as a going concern.
7. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
8. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. There are no uncorrected misstatements.
9. All charities, companies, trusts and partnerships controlled by the charity have been consolidated in the group financial statements.
10. All designated and restricted fund balances are correctly shown in the accounts.
11. In respect of items held at fair value and investments held at cost less impairment we confirm that the significant assumptions used, and valuation basis are reasonable at the year end.

Information Provided

1. As agreed in the terms of engagement, we have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters including minutes of Trustees meetings and of the Audit and Governance Committee held between the beginning of the accounting period and the date of this letter;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the charity and group and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the charity's and group's ability to conduct its activities.
7. We have disclosed to you the identity of the charity's and group's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
9. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
10. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
11. We confirm that we have informed you of all tax avoidance schemes used by the group.

Charitable Status

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

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

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

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 17 September 2020.

Yours faithfully

Signed on behalf of the board of Shetland Charitable Trust

Trustee

Date 17 September 2020



Scottish Charity Number SC027025

REPORT

To: Shetland Charitable Trust

17 September 2020

From: Chief Executive

Report number CT2009020

Service Performance of Funded Organisations – Year Ending 31 March 2020

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.

2. Background

- 2.1 As part of the budgeting process, staff are required to agree with organisations outcomes and activities along with an evaluation framework to demonstrate that these have been achieved.
- 2.2 The Grant Offer Letter, which organisations sign up to prior to any award 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"*.
- 2.3 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 Information is provided by each organisation, which is then reviewed by the Trust staff.
- 3.2 Appendix A is a summary of the detailed service performance reports provided by the organisations funded by the Trust. From 2018/19, the format was extended to provide comparisons with previous years, where possible.
- 3.3 The Trust has implemented a new Strategy for 2020 – 2025. A new approach to reporting has been developed to improve the evaluation the outcomes supported by Trust funding.

- 3.4 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 recommended that Trustees:
- a) Consider the content of Appendix A;
 - b) If satisfied, note the service performance of the organisations that received funding from Shetland Charitable Trust.

Reference: DA1

Report No: CT2009020



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

	Target	Actual	Variance	18/19	17/18
Clickimin Leisure Complex	4,900	4,740	-160	5,021	5,036
Rural Centres	22,350	21,568	-782	22,708	22,798
Total	27,250	26,308	-942	27,729	27,834

2. Admissions

	Target	Actual	Variance	18/19	17/18
Clickimin Leisure Complex	420,000	494,501	+74,501	512,024	471,909
Rural Centres	276,000	267,438	-8,562	281,659	301,720
Total	696,000	761,939	+65,939	793,683	773,629

3. Other Service Targets

	Target	Actual	Variance	18/19	17/18
General Subscriptions	400	437	+37	448	505
Corporate Subscriptions	500	770	+270	728	634
Swimming Classes & Courses	30,000	32,392	+2,392	31,060	35,347
Sport & Exercise Classes	40,000	55,725	+15,725	58,106	56,616
Senior Leisure Club Attendances	2,600	2,185	-415	2,417	2,499
Health Promoting Class Attendances	1,200	2,704	+1,504	1,630	1,096
Partnership Events	6	13	+7	18	12
Case Studies	8	12	+4	8	9

PERFORMANCE SUMMARY

The total opening hours of 26,308 is 942 below target. SRT closed all its premises on 17 March 2020 due to the Covid-19 outbreak, this meant they were unable to meet their opening hours target. The total admissions of 761,939 is 65,939 above target. The Clickimin Leisure Complex admissions of 494,501 is 74,501 above target. Senior Leisure Club attendances have continued to decline, however more of that age group are now attending general classes and courses. Growth has continued to be seen in the attendances at the health promoting classes and this has been achieved through newly qualified staff being able to deliver more classes across Shetland.

Shetland Recreational Trust (SRT) achieved all their key performance targets. SRT received total funding in 2019/20 of £2,972,802 and operated within their agreed budgets.



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	2019/20 Actual	% Achieved	2018/19	2017/18
Concerts, Screenings, Exhibition Days	4,229	4,356	103%	4,531	4,591
Audience Attendances	161,112	185,373	115%	189,948	200,368
Development Sessions	2,218	2,141	97%	2,222	2,163
Participations	20,902	15,659	75%	18,110	18,655
Practitioners Supported	1,900	2,948	155%		
Groups Supported	200	285	142%		
Micro Businesses supported	73	140	192%		
Total voluntary hours	2,000	1,750	87.5%		

PERFORMANCE SUMMARY

Overall key targets were achieved within the expected variances. Participations was 25% below target because of lower numbers than predicted attended Arts in Care sessions, small casts in drama productions and a lower number of students. Reclassification of some 'participants' to 'practitioners' also resulted in lower number in participations but higher numbers in practitioners supported. Groups and micro businesses supported were both well ahead of target, largely due to a more robust data capture methodology. Voluntary hours were below target, due to volunteer availability and challenges with rotas.

SADA largely achieved their key performance targets. SADA received total funding in 2019/20 of £603,522 and operated within budget.



PURPOSE:

1. The protection, improvement and enhancement of buildings and artefacts of architectural, historical, educational or other interest in Shetland with a view to securing public access to such buildings and the permanent display for the benefit of the public of such artefacts for the purposes of research, study or recreation.
2. The provision, development and improvement of facilities for the enjoyment by the public of the Shetland countryside and its flora and fauna, the conservation and enhancement for the benefit of the public of its natural beauty and amenity and the securing of public access to the Shetland countryside for the purposes of research, study and recreation.
3. Such other purpose or purposes charitable in law as the Trustees shall from time to time determine.

KEY TARGETS:

Management and Development of the Trust

Governance - An independent Board Effectiveness Review was conducted

Strategy - The new Strategic Plan was launched and campaigned

Accounting and Reporting - A VAT health check carried out. Introduced digital payslips.

Development - Several projects have been developed and external funding sought in several areas including maritime heritage, data presentation and peatland restoration

HR - A range of policies and procedures have been reviewed and updated.

Natural Heritage - conserve, enhance, engage

Recording - over 22,000 records have been added to the SBRC database

Advise - Responded to 128 requests for information from a variety of organisations, businesses and the public. 615 planning applications were reviewed and against the database and Local Nature Conservations Sites for SIC.

Outdoor Access - Continue to monitor the SIC's 92 core paths and 47 access routes.

Environmental Improvement - 350 cars were uplifted by the Car Scrappage scheme. Da Voar Redd Up saw 4,500 volunteers from 240 groups clear around 50 tonnes of litter from beaches and roadsides.

Woodlands and Carbon - Woodlands Team continue to propagate trees and work to preserve endemic Shetland Hawkweeds and native species. Supported two major peatland restoration projects covering almost 200 hectares.

Cultural Heritage - conserve, enhance, engage

Museums and Archives - Welcomed 64,708 visitors to the Shetland Museum and Archives. The archive catalogue is now available digitally enabling improved intellectual access to the collections.

Archaeology - The archaeology service were consulted on 63 planning applications during the period.

Promote and Engage

Engagement in our work - website, social media, press activity, workshops, exhibitions and events have been delivered to continue to engage people in our work and Shetland's heritage.

Lifelong Learning and Outreach - Work to develop further outreach with schools and dementia groups was undertaken. Talks, workshops, and activities associated with Up Helly Aa were delivered at the Museum and Archives, Sumburgh head and Old Scatness as well as online.

Geopark – Geopark revalidation was officially confirmed by the UNESCO Management group. Over 20 local businesses and organisations have now signed up as Geopark partners through their promotion on Shetland's heritage and local produce.

Information and interpretation – We supported community organisations including Hoswick Visitor Centre, Scalloway Museum, Scalloway Community Council and Shetland Ex-Whalers Association to provide interpretation to their localities. We continued to supply interpretative leaflets and designed six new interpretative panels for community groups.

Visitor Experience – The Visitor Centre at Sumburgh Head has been renovated to provide an improved visitor experience. Engagement with Tour Guides and local businesses to improve knowledge and understanding of our sites has been undertaken.. Investment in stock and improvement to the online shop are underway and enable us to promote local crafts and heritage products.

Visitor Attractions – Sumburgh Head, Old Scatness and the Croftthouse Museum closed for the season at the beginning of October. Each site had a successful season and work continues to keep visitors engaged via blogs, social media and online activities during the winter season.

Events – Review of key events Shetland Nature Festival, Boat Week and Wool Week was undertaken. Forward planning for events was underway to secure partners and sponsors and to develop a programme of activities for each event. A drop-in event was held to encourage further community and local business engagement in Shetland Wool Week and was well attended receiving over 70 people

PERFORMANCE SUMMARY

Shetland Amenity Trust delivered a wide range of services and activities in-line with their key service targets.

In 2019/20, SAT received funding of £1,142,988. The Trust monitored SAT's financial performance closely and they operated within the agreed annual budget.

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:

In 2018/19, new targets were agreed for the Royal Voluntary Service (RVS).

1. 50% of new referrals supported by RVS will see an improvement in wellbeing measured against the key outcomes of:

- Happiness – 33% (2018/19)
- Confidence – 24% (2018/19)
- Isolation – 63% (2018/19)
- Companionship – 48% (2018/19)
- Inclusion – 80% (2018/19)

Unfortunately, due to COVID 19, the detailed key wellbeing outcomes are not available. The figures in above are those recorded for 2018/19. Overall in 2019/20 of those new referrals surveyed 44% saw an improvement in their wellbeing.

2. Minimum of 180 service users receive RVS support

- Average 177 (2018/19 - 179)

3. Minimum of 6,000 passenger journey supported

- 3,731 (9 months) No details were available for the final 3 months of 2019/20 (2018/19 - 5,443)

4. Four case studies

- 4 (2018/19 – 4)

PERFORMANCE SUMMARY

The Royal Voluntary Service were close to their targets for the majority of outcomes. Numbers accessing the Islesburgh lunch club was partially restricted by the transport provision being at capacity.

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

VAS – Shetland Befriending Scheme 7-15 years

PURPOSE:

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

KEY TARGETS:

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

2019/20	2018/19	2017/18
9 recruited	7 recruited	16 recruited

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

2019/20	2018/19	2017/18
3 recruitment drives 15 promotional events	2 recruitment drives	2 recruitment drives

To continue to continue to provide 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

2019/20	2018/19	2017/18
14 young people matched to volunteer. 5 matched paused due to COVID-19 before reaching 6 month formal review 100% achieved positive outcome	16 young people matched to volunteer 92% achieved positive outcome	17 young people matched to volunteer 100% achieved positive outcome

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

2019/20	2018/19	2017/18
15 monitored matches	16 monitored matches	17 monitored matches

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

PERFORMANCE SUMMARY

The Shetland Befriending Scheme continued to support young people to promote their personal development and achieved most of their key targets.

The Shetland Befriending Scheme received total funding of £54,418 in 2019/20 and operated within budget. Funding primarily supports staff costs and volunteer expenses.



PURPOSE:

Providing an independent advice and information service, which is free, confidential, independent and impartial. The aim is:

1. To ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively.
2. To exercise a responsible influence on the development of social policies and services, both locally and nationally.

KEY TARGETS:

Outcome	Target	2019/20	2018/19	2017/18
New Cases Opened	2000	1,868	1,724	1,840
Total Number of Issues Raised	8000	9,601	6,353	7,200
Deliver information and advice services for at least 30.5 hours per week.	30.5hrs	30.5hrs	30.5hrs	30.5hrs
Intensive support to individuals to develop and implement plans to reduce financial problems	150	466	411	196
Total confirmed financial gains	£100,000	£2,179,551	£1,692,924	£1,699,914
Confirmed financial gains from generalist advice	£15,000	£354,583	£104,343	£112,678

PERFORMANCE SUMMARY

Shetland Islands Citizens Advice Bureau (SICAB) have achieved almost all their key targets for 2019/20.

SICAB received total funding in 2019/20 of £132,265 and operated within budget.

PURPOSE:

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

KEY TARGETS:**PRIORITY 1: Stimulating Social Enterprise**

- Ongoing ASDAN accreditation continues with formal assessment of participants work being concluded for 2019 tranche.
- Ongoing attendance at participants formal review meetings.
- Attendance at Social Enterprise Scotland Board Meetings
- Contributing to the formal review of National Social enterprise provision with 3 main government intermediaries and scoping out future of the service as Board member of SES
- Targeted marketing of all COPE Ltd products in local press, social media and websites.

PRIORITY 2: Developing Stronger Organisations

- Formal review process of the governance and management of the organisation was completed during early March. The recommendations from this review will be assessed and implemented as the coronavirus situation decreases and people are returning to work.
- First tranche of staff completed updated Adult Support and Protection training. Second tranche of staff due to completed this at the end of March. This will be completed when we are able to return to work safely.

PRIORITY 3: Realising Market Opportunity

- Attendance at Scotland's Largest Trade Fair at SSEC with SSC
- Growth of mainland customer pool as a result of attending the Trade Fair.
- Showcased Shetlandeli products at Up Helly Aa food fair in January 2020
- Continued promotion of all COPE Ltd products on online portals including Facebook and Instagram
- Please note that the current Marketing Manager role has now ceased due to the funding for this post being at the end of its HIE funding period.

COPE Ltd continues to have representation on Board of the following organisations:

- Social Enterprise Scotland – Board Member
- Leader Funding Local Action Group - Voting member
- Third Sector Forum
- Scottish Stakeholder Group in Employability

PERFORMANCE SUMMARY

Shetland Charitable Trust supports the management and premises costs of COPE and they have demonstrated the activities undertaken under their management functions.

In 2019/20, 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 – 9 meetings in year (2019: 4) giving third sector opportunity to engage with partner agencies.
- 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 - 152 organisations (2019: 89) received information and support.
- Provide regular communication to third sector organisations – 200 e-bulletins (2019: 126).
- Deliver training courses as identified from partners – 23 workshops (2019: 25)
- Ensure organisation information on the MILO national platform is up to date – 634 organisations data is up to date.
- Provide Independent Examination of accounts – 50 organisations (2019: 84) assisted to OSCAR compliant standard.
- Providing premises as a recognised 'Hub' for developing and supporting third sector organisations – 19 organisations (2019: 19).

Social Enterprise Develops and Grows

- Social Enterprises given regular information and updates on relevant topics i.e. procurement and tendering, business planning, asset transfer.
- 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 – 1,602 responses (2019: 1,972) to enquiries.
- Provide access to volunteering opportunities – 100% of volunteering opportunities are promoted online (2019: 100%).
- 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.

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 2019/20 Voluntary Action Shetland received total funding of £144,361 made up of £66,369 towards core running costs and £77,992 towards supporting Market House. Both areas operated within budget.

Ability 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:

Achievements

	Target	2019/20	2018/19	2017/18
Dry Sports	35 sessions	33	35	35
Bowls Comp.	1 per year	1	1	1
Yoga	20 sessions	18	20	20
Wednesday Social Club	48 sessions	46	48	48
Case Studies	2 per year	<i>Not received</i>	2	2
Swimming	9 session	9	9	9
Swimming Gala	1 per year	1	1	1
Arts & Crafts Club	12 sessions	11	12	12

PERFORMANCE SUMMARY

The club sessions ceased on the second week in March due to the covid-19 outbreak, this meant they were unable to meet the target number of sessions. The Club Leaders remained in contact with Club members and set tasks and activities for them.

Ability Shetland received total funding of £12,641 in 2019/20 to support their adult recreation clubs and operated within budget.

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:

	Target	2019/20	2018/19	2017/18
Attendance at SLU mixed group	1,000	1,666	1,612	1,785
Number of volunteers at SLU	2	3	4	4
Total volunteer hours	200	235	225	180
Satisfaction outcome	75%	100%	100%	100%
Total client contacts	1,500	2,054	1,821	1,994
Clients supported per annum	36	37	36	45

PERFORMANCE SUMMARY

Shetland Link Up have achieved all their key targets for 2019/20 and have exceeded many. Clients attending came from all over Shetland.

Shetland Link Up received total funding in 2019/20 of £47,994 and operated within budget.



PURPOSE:

Rural Care Model is expected to maintain the following services: -

- Long stay 24 hour residential care for individuals who have assessed needs as being unable to safely remain in their own homes;
- Respite care to provide support to carers and/or families who care for their family members;
- Short stay beds for individuals who require a period of reablement before they are ready to resume living in their own home;
- Day care for adults, allowing isolated vulnerable adults to access social care activities with their peers or allow voluntary carers respite;
- Other non-residential community care services delivered in the individual homes.

KEY TARGETS:

- To maintain the number of permanent beds available for residential and respite care –
The number of beds have been maintained at 147 (2019: 146)
- To ensure resources are used effectively, maintaining high Care Home occupancy-
Occupancy – Averaged 88% (2019: 76%) over the year, with an increasing proportion of respite and reablement clients.
- To maintain performance against the national health and wellbeing outcomes –
Proportion of last 6 months of life spent at home or in a community setting – This data has been delayed due to Covid-19 (2018: 94%).
- To maintain positive Care Inspectorate results.-
All Care Centres assessed as good or very good, except for two care centres which scored adequate in a small number of areas, in latest inspections (2019: good or very good)

PERFORMANCE SUMMARY

The Rural Care Model achieved all their key targets which were reported on in 2019/20. The data for the national health and wellbeing outcomes is not available yet due to delays because of Covid-19.

The Rural Care Model received total funding of £1,986,188 in 2019/20 and operated within budget.

REPORT

To: Shetland Charitable Trust

Date: 17 September 2020

From: Chief Executive

Report: CT2009021

Investment Performance Update – Three Months to 30 June 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 three months to 30 June 2020.

2. Market Performance

- 2.1 Following the collapse of equity markets during February and March, there was a gradual recovery through April, May and June, particularly in the US.
- 2.2 This gradual recovery has varied from region to region with UK equity market still some 21% below its peak in mid-February. Whereas, the US equity market has recovered to be around 8% below its high point.

3. Overall External Fund Performance

- 3.1 This report concentrates on the three months from April 2020 to June 2020. However, as the Trust is a long term investor, the report also considers the performance over one and three years.
- 3.2 The Trust has four fund managers with total investments under management at the end of June 2020 of £378.1 million. The funds, type of mandate and market values at the end of June 2020 are as follows:

Manager	Mandate	Market Value June 2020 (£m)	% of Reserves
Baillie Gifford	Active Equities	216.3	57.2
BlackRock	Passive Equities	82.0	21.7
Schroders	UK Property	50.9	13.5
Insight	Diversified Growth	28.9	7.6
Total		378.1	100.0

- 3.3 The return on the Trust's external investments over the three month period was 25.6%. This short term gain was driven by the recovery in world equity markets and should be considered together with the negative returns of the previous quarter.
- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	25.6	12.6	13.0
1 Year	25.9	0.0	25.9
3 Years	15.9	4.8	11.1

- 3.6 Overall, the Trust's external investments have exceeded the benchmark return for each period and have met the Financial Plan assumed return.
- 3.7 The positive return over the last 12 months continues to be 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 three months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	42.1	19.6	22.5
1 Year	60.1	5.2	54.9
3 Years	30.8	7.9	22.8

- 4.3 Baillie Gifford returned 42.1% over the three months to 30 June 2020, compared to the broad market return of 19.6%, which was 22.5% above the benchmark return.
- 4.4 Baillie Gifford continue to deliver excellent returns for the Trust. Their concentrated portfolio of stocks has outperformed the market, as

many of these companies have seen accelerated growth during the COVID 19 crisis.

- 4.5 Over the last three years, Baillie Gifford have returned 123.8%, equivalent to a return of 30.8% 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 three months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	17.2	15.3	1.9
1 Year	(1.1)	(5.1)	4.0
3 Years	4.0	2.3	1.7

- 5.3 The mandate with BlackRock over the three months to 30 June 2020 produced a return of 17.2%, matching the recovery in the world equities markets over the period.

- 5.4 Over the last three years, BlackRock have returned 12.5%, equivalent to a return of 4.0% per annum.

6. Fund Manager Performance Schroders

- 6.1 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. The Benchmark for Schroders is the IPD UK All Balanced Fund Index.

- 6.2 Detailed below is Schroders' performance for the last three months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	(0.9)	(2.0)	1.6
1 Year	(1.2)	(2.6)	1.4
3 Years	4.6	3.4	1.2

- 6.3 Over the three months to 30 June 2020 Schroders have returned negative 0.9% which was above the property benchmark. The UK property market remains stagnant with concerns on rent, rental growth and valuations. Uncertainty around Brexit had been the main contributor to this stagnation, but this has been replaced by the concerns for the UK economy from the COVID 19 crisis.

- 6.4 Over the last three years, Schroders have returned 14.4%, equivalent to a return of 4.6% 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 three months, the last year and the last three years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	5.0	1.2	3.8
1 Year	(3.9)	4.7	(8.6)
3 Years	1.0	4.6	(3.6)

- 7.3 Overall Insight produced a return of 5.0% over the period, which was 3.8% above the benchmark return. Insight's portfolio has recovered well over the last three months, but they remain behind the benchmarks over longer periods.
- 7.4 Over the last three years, Insight have returned 3.0%, equivalent to a return of 1.0% 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.

REPORT

To: Shetland Charitable Trust

Date: 17 September 2020

From: Chief Executive

Report: CT2009022

Management Accounts – Three Months to 30 June 2020

1 Introduction

- 1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the three months ended 30 June 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 2020/21 and the results in the three months to 30 June 2020.

Table 1: Summary Management Accounts 2020/21

Item	Current Budget £m	Actual to June 2020 £m
Income	1.9	0.8
Disbursements	(8.2)	(3.7)
Management and Administration	(0.6)	(0.2)
Fund Managers Fees	(1.0)	(0.4)
Gain on Investments	18.4	76.7
Total	(7.3)	73.3

- 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 2020 the Trust made a gain on its investments of £76.7m.

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 30 June 2020 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2009022



Shetland **Charitable Trust**

Management Accounts
3 Months Ended 30 June 2020

Shetland Charitable Trust
Income and Expenditure
Period to 30 June 2020

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
<u>Income</u>			
Managed fund dividends	228,596	1,100,000	(871,404)
Managed fund interest	402,324	-	402,324
Agricultural loan interest	135	500	(365)
Local equity gift aid	-	-	-
Rental income	179,737	750,500	(570,763)
Bank interest	1,282	-	1,282
Miscellaneous income	-	-	-
	<u>812,074</u>	<u>1,851,000</u>	<u>(1,038,926)</u>
<u>Expenditure</u>			
Disbursements	(3,659,237)	(8,213,990)	4,554,753
Management and administration	(117,702)	(637,610)	519,908
Fund managers	(366,448)	(1,148,400)	781,952
	<u>(4,143,387)</u>	<u>(10,000,000)</u>	<u>5,856,613</u>
Gain on investments	76,653,587	18,400,000	58,253,587
Surplus/(Deficit)	<u>73,322,274</u>	<u>10,251,000</u>	<u>63,071,274</u>

Shetland Charitable Trust
Balance Sheet
Period to 30 June 2020

	Jun-20	
	£	£
Tangible fixed assets		173,000
Investments		<u>389,945,982</u>
		390,118,982
Trade debtors	70	
Prepayments and Accrued income	179,737	
Other debtors	426,769	
Bank	<u>401,710</u>	
	1,008,286	
Trade creditors	60,180	
Accruals and deferred income	406,574	
Other creditors	<u>(779)</u>	
	465,975	
Net current assets		<u>542,311</u>
		390,661,293
Pension liability		(1,648,000)
		<u>389,013,293</u>
Opening reserves		315,691,019
Surplus for period		<u>73,322,274</u>
Closing reserves		<u>389,013,293</u>

Shetland Charitable Trust
Rental Income
Period to 30 June 2020

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	179,737	750,000	(570,263)
Shetland Golf Course	-	500	(500)
	<u>179,737</u>	<u>750,500</u>	<u>(570,763)</u>

Shetland Charitable Trust
Disbursements
Period to 30 June 2020

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Shetland Amenity Trust	571,494	1,142,988	(571,494)
Shetland Arts Development Agency	301,761	603,522	(301,761)
Shetland Recreational Trust	1,486,401	2,972,802	(1,486,401)
Support to Rural Care Model	993,094	1,986,188	(993,094)
<u>Other Revenue Grants</u>			
Ability Shetland Recreation Club	12,641	12,641	-
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)
Shetland Samaritans	4,000	4,000	-
Royal Voluntary Service	23,493	46,985	(23,492)
Sub Total Charitable Organisations	<u>3,659,888</u>	<u>7,303,131</u>	<u>(3,643,243)</u>
EOI Main Grant Scheme	-	880,859	(880,859)
<u>Schemes</u>			
Arts Grant Scheme	-	15,000	(15,000)
Senior Citizens Clubs	-	15,000	(15,000)
Sub Total Schemes	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>
 Surplus Grants Refunded	 (651)	 -	 (651)
Total	<u>3,659,237</u>	<u>8,213,990</u>	<u>(4,554,753)</u>

Shetland Charitable Trust
Management and Administration Expenditure
Period to 30 June 2020

	3 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	70,280	308,000	(237,720)
Professional Membership Fees	-	700	(700)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	699	7,500	(6,801)
Training and Staff Development	-	8,860	(8,860)
Sub Total Staffing Costs	70,979	326,060	(255,081)
Operating Costs			
Insurance	10,925	10,500	425
Administration	84	3,650	(3,566)
Supplies and Services	2,462	6,150	(3,688)
Bank Charges	19	250	(231)
Professional Fees	233	20,000	(19,767)
External Audit Fees	17,011	25,000	(7,989)
Financial advice	-	30,000	(30,000)
Trustees Expenses	-	4,000	(4,000)
Meeting expenses	-	3,000	(3,000)
Legal Fees	-	50,000	(50,000)
Trustee Recruitment Costs	-	2,500	(2,500)
Sub Total Operating Costs	30,734	155,050	(124,316)
Property Costs			
Energy Costs	179	8,000	(7,821)
Water Rates	147	1,400	(1,253)
Building Maintenance	13,851	51,000	(37,149)
Cleaning	54	2,000	(1,947)
Sub Total Property Costs	14,230	62,400	(48,170)
Bad debt write off	-	-	-
Reduction in Bad Debt Provision	-	-	-
Bought In Services			
Treasury	-	15,000	(15,000)
Payroll	-	750	(750)
Pension	-	2,000	(2,000)
Building Maintenance	-	47,000	(47,000)
Committee Services	-	7,200	(7,200)
Computer Services	-	4,400	(4,400)
Messenger Service	-	450	(450)
Peninsula	558	2,300	(1,742)
Public Relations	1,200	15,000	(13,800)
Sub Total Bought In Services	1,758	94,100	(92,342)
Total	117,702	637,610	(519,908)

Shetland Charitable Trust
Investment expenses
Period to 30 June 2020

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Managed fund misc	55,983	-	55,983
Fund managers fees	-	-	-
Black Rock fees	24,004	107,000	(82,996)
Northern trust fees	12,238	46,400	(34,162)
Insight investment fees	32,181	148,000	(115,819)
Schroders fees	27,122	141,000	(113,878)
Baillie Gifford fees	214,921	706,000	(491,079)
	<u>366,448</u>	<u>1,148,400</u>	<u>(781,952)</u>

REPORT

To: Shetland Charitable Trust

Date: 17 September 2020

From: Chief Executive

Report: CT2009023

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 The purpose of this report is to provide Trustees with an update of the Capital Works Bridging Loan Scheme as at 31 August 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 2020, there were seven loans outstanding.
- 3.2 In the period 1 April 2020 to 31 August 2020, one organisation fully repaid their loan and one organisation drew down the second instalment of their approved loan.
- 3.3 As at 31 August 2020, six loans remained active with £551,769 due to be repaid to the Trust.

3.4 Appendix A lists the outstanding loans as at 31 August 2020.

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 Six loans remain active and no new applications for bridging loans have been received this financial year.

6. Recommendation

6.1 Trustees are recommended to note this report.

Reference: D19

Report Number: CT2009023

Capital Works Bridging Loan Scheme Update

CT2009023 - Appendix A

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £	Due to SCT £	Notes
Loans approved 2019/20						
Papa Stour History and Community Group	33,043	10,000	10,000	10,000	-	Repaid April 2020
Sandwich 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	Repayment due November 2020
Hillswick Wildlife Sanctuary	428,100	366,000	160,000	-	160,000	Final draw down scheduled for October 2020.
Community Development Company of Nesting	211,377	175,985	175,985	-	175,985	Extension requested due to Covid-19. First repayment expected in October 2020.
Foula Electricity Trust	86,201	25,000	25,000	-	25,000	Extension requested due to Covid-19
Fellar Community Association	140,000	120,784	120,784	-	120,784	Repayment due September 2020
TOTAL	1,073,221	792,769	586,769	35,000	551,769	

