

General Manager: Dr Ann Black

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If calling please ask for
Mary Anderson
Direct Dial: 01595 744992

Our Ref: EMA/TA1/1
Your Ref:

Date: 16 June 2011

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Council Chamber, Town Hall, Lerwick
Thursday 23 June 2011 at 10.00am**

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

Yours faithfully

(signed) Dr Ann Black

General Manager

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest.
- (d) Confirm minutes of the meeting held on 12 May 2011(enclosed).

For Decision

1. Christmas Grants to Pensioners/Disabled Persons 2011. Report enclosed.
2. Springfield Holiday Chalet – Future Use. Report enclosed.
3. Viking Energy – Investment Budget for 2011/12. Report enclosed.
4. Financial Plan 2012/13, 2013/14, 2014/15. Report enclosed.

For Information

5. Future Governance Arrangements of Shetland Charitable Trust – Progress Report. Report enclosed.
6. Payments to Trustees in the Year to 31 March 2011. Report enclosed.
7. Planned Maintenance Review – Progress Report. Report enclosed.
8. Fund Manager Transactions. Report enclosed.
9. Management Accounts – Year Ended 31 March 2011. Report enclosed.
10. Recommended Disbursements – Approvals. Report enclosed.
11. Recommended Disbursements – Social Care. Report enclosed.

The following items contain **Confidential** information

For Decision

12. Art Therapy Application for Funding. Report enclosed.

For Information

13. Sums Due But Unpaid Over One Month Old as at 31 March 2011. Report enclosed.

REPORT

To: Shetland Charitable Trust

23 June 2010

From: General Manager

Report: CT1106035

Christmas Grants to Pensioners/ Disabled Persons 2011

1. Introduction

- 1.1 The purpose of this report is to release the funding for the 2011 Christmas grant.

2. Background

- 2.1 Since 1979, a Christmas grant has been paid to the elderly and disabled of Shetland. Criteria have varied over the years. Trustees decided on 28 May 2010 to target the grant towards those who had the greatest financial need. The amount of the grant was fixed at £300, and no adjustment is to be made for inflation.
- 2.2 HM Revenue and Customs (HMRC) has agreed that the grant to pensioners qualifies as a charitable payment. The grants to disabled persons are not means tested, but from declarations by disabled grantees, the percentage of grantees in receipt of qualifying benefits is about 49%. The balance is taxable.

3. Proposal

- 3.1 It is proposed to pay a Christmas grant in 2011, using similar criteria as was agreed for 2010. One change is that the age at which women become eligible for state pension is gradually being increased over the next five years to be the same as for men. This means that for a woman to receive the state pension before the qualifying date of 30 November 2011 she would need to have been born before 5 February 1951. This change is reflected in the criteria set out in Appendix 1.

4. Financial Implications

4.1 The outturn for 2011 is shown in the table below:-

	£
Grants	466,500
Administration	1,953
Tax (estimated on HMRC %)	14,840
Total	483,293
2010/11 budget	578,000

4.2 A budget of £487,000 has been set aside for this purpose in 2011/12.

5. Recommendation

5.1 Trustees are asked to approve the release of the funding for the 2011 Christmas grant, and to agree to pay the 2011 Christmas grant in accordance with the criteria attached as Appendix 1.

Reference: EMA/DA09

Report Number CT1106035-f

SHETLAND CHARITABLE TRUST
GRANT TO PENSIONER / DISABLED PERSONS

The Shetland Charitable Trust will be making a grant of £300 to some pensioners, disabled adults and disabled children in December of 2011. Applicants for these grants must be domiciled and have been resident in Shetland since 30 November 2010.

Pensioners

To qualify for the grant a Pensioner must:-

- be aged 60 or over on 5 February 2011 **AND**
- be in receipt of either pension credit and/or housing benefit and/or council tax benefit on 30 November 2011.

Disabled Adults

A "Disabled Adult" is defined as a person aged 16 years or over and under state pension age on 30 November 2011 who is disabled / long term sick in line with DWP regulations as follows:

Adults in receipt of

- Incapacity Benefit at the Long Term Rate i.e. after 52 weeks.
- Employment & support allowance with limited capability for work for a continuous qualifying period of 52 weeks
- Disability Living Allowance High Rate Care Component.
- Disability Living Allowance Middle Rate Care **and** High Rate Mobility Component
- IB Credits (formerly National Insurance Credits) for 52 weeks (Adults disallowed Incapacity Benefit owing to insufficient National Insurance contributions).
- Severe Disablement Allowance.
- Income Support **AND** in receipt of the Disability Premium.
- Industrial Injuries Benefit (adults below pensionable age, who are not in paid employment).
- Registered Blind on the Local Authority Blind and Partially Sighted Register

Disabled Children

A "Disabled Child" is defined as a person aged 15 years or under and is in receipt of any of the following benefits on 30 November 2011:

- Disability Living Allowance Middle Rate Care **and** High Rate Mobility Component
- Disability Living Allowance High Rate Care Component
- Registered Blind on the Local Authority Blind and Partially sighted Register.

REPORT

To: Shetland Charitable Trust

23 June 2011

From: General Manager

Report: CT1106036

Springfield Holiday Chalet Future Use

1. Introduction

- 1.1 This report is presented to seek a Trustee decision on whether the Trust should continue to own the Springfield holiday chalet, and if so how the service should be run.

2. Background

- 2.1 Springfield Holiday Chalet was bought in 1982 by the British Red Cross; using a grant from the then Shetland Islands Council Charitable Trust. They ran it for 20 years before a review of their operations concluded that it did not fit with their business, so they indicated that they wished to relinquish it.
- 2.2 In accordance with the grant conditions, the ownership of the chalet passed back to the Trust at no consideration, and the Trust advertised for a new partner to operate it. The successful applicant was Shetland Welfare Trust, and they ran the chalet from 2004 to being disbanded in 2005.
- 2.3 The Trust then re-advertised for a partner to take on the administration but did not receive any replies. Rather than give up the service, the Trust took on to do the administration. A copy of the current brochure is attached as Appendix 1 for information.

3. Present Position

- 3.1 The Trust is reviewing all its activities. At the moment the Springfield chalet is underused. The kitchen is now in serious need of refurbishment. Estimated cost for fitting a new kitchen with much improved disabled access/functionality is £6,500.

- 3.2 There is now a decision to be made. There is an issue around whether it is good use of Trust funds to spend £6,500 without being able to demonstrate that the facility was put to good use.

Occupancy rates

2009/10 – 89 nights plus 1 day visit

2010/11 – 70 nights

2011/12 – (to date) 46 nights plus 1 day visit booked

- 3.3 It seems that there are three options to consider:-

Option 1

Sell the chalet – the asset is probably worth in the region of £100k +. There would be an annual saving to the Trust of some £1,500 which is the net cost of running the chalet. There would also be the saving in maintaining the chalet, which over the past three years has averaged some £720. However, this would mean the end of a service which has been much valued by the people who have used it. Most service users have responded positively to our request for feedback, saying that the facility is spacious and well equipped, with the exception of the kitchen, which received some adverse comments.

Option 2

Find a new partner to run the chalet. The new partner would be encouraged to advertise the facility to maximise the income. There are two possible outcomes for this option.

- a) The Trust would retain ownership and continue to undertake the maintenance, but the partner would be responsible for bookings, invoicing and organising the cleaning, as well as paying the utility bills. The sum of up to £1,500 could be made available as an administration fee, and any profits could be retained by the partner organisation.
- b) The Trust would consider gifting the chalet to a suitable organisation. They would then be responsible for the upkeep of the chalet, but would have more flexibility (within the bounds of law) in its use. There would have to be a clause in the Disposition which would require the organisation to give the chalet back to the Trust if it should cease to be used for charitable purposes. Under this option, it is proposed that the Trust would remove the chalet from its maintenance programme.

Option 3

Continue to run the service from 22-24 North Road, but make more effort to advertise the chalet. This could bring the annual deficit down from £1,500 as more of the fixed costs would be covered. However, it must be said that the Trust has no other direct contact with the target client group, and may not be best placed to maximise the use of this facility.

4. Financial Implications

4.1 The financial implications of the three options can be shown as follows:-

	Capital	Revenue per annum	Maintenance per annum
Option 1	(£100,000)	0	0
Option 2a	£6,500	£1,500	£720
Option 2b	£6,500	£0	£0
Option 3	£6,500	£0	£720

5. Conclusion

5.1 The service the chalet provides is valued by those who use it, but the building is under-used. Option 1 would see the end of the service. Options 2 and 3 would allow the service to continue and hopefully expand.

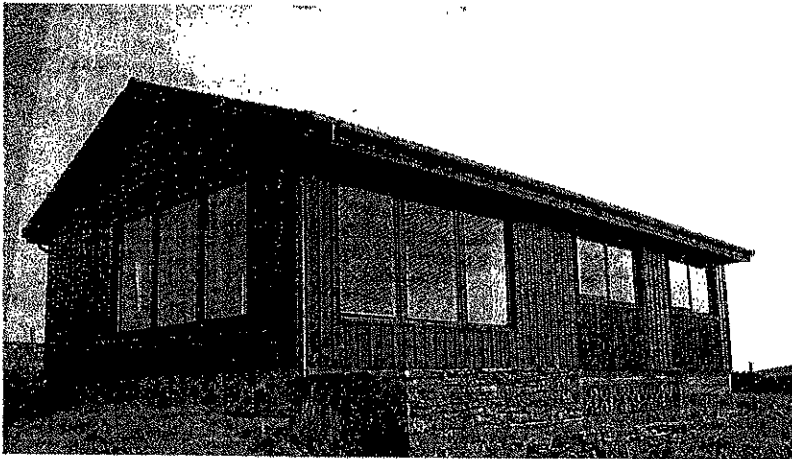
6. Recommendation

6.1 Trustees are recommended to adopt Option 2a, to advertise for a suitable partner to take over the administration of the service. If this is successful, the partner organisation could be given the opportunity to take on the ownership of the chalet as outlined in Option 2b.

Reference: EMA/TA23

Report Number CT1106036-f

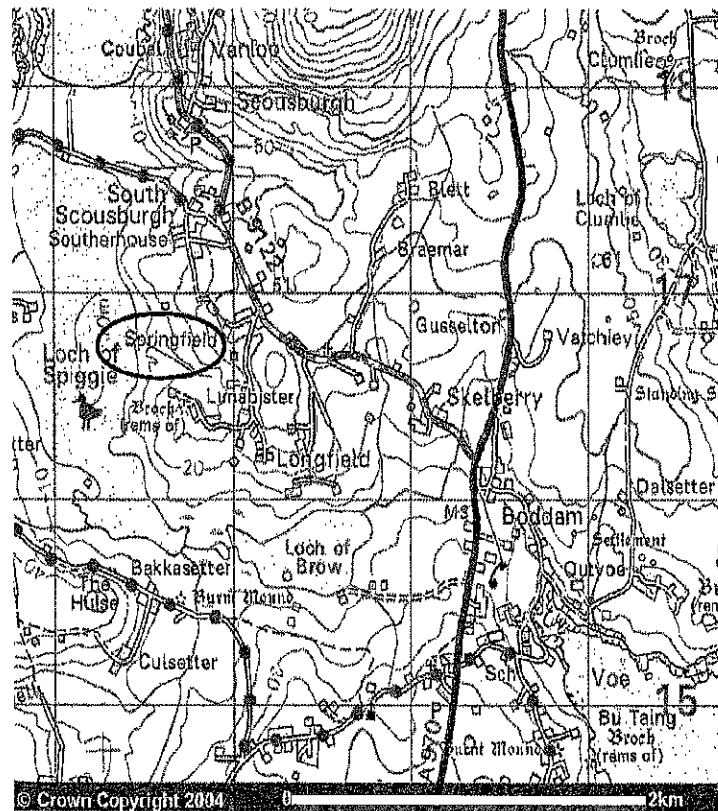
Springfield Holiday Chalet



Adapted holiday chalet for people with
disabilities and their families or carers

For further information or to book the chalet please contact:

Shetland Charitable Trust
22 – 24 North Road, Lerwick, SHETLAND, ZE1 0NQ
Tel: 01595 744994 Fax: 01595 744999
E-mail: mail@shetlandcharitabletrust.co.uk



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Location – Springfield is situated at Royal Houll, Scousburgh, approximately one mile west of the Robins Brae junction on the A970. It overlooks Spiggie Loch and the west coast of Shetland. Sumburgh Airport is 4 miles south and Lerwick is 21 miles north.

Local Interest – There are sandy beaches at Spiggie, Sumburgh, and Quendale. Sumburgh Airport, Sumburgh Lighthouse, the ancient settlements of Jarlshof and Scatness, the Shetland Croft House Museum at Boddam, and Quendale Water-Mill & Visitor Centre are all nearby and easily reached by car.

Places to eat – Locally, both Sumburgh and Spiggie Hotels serve afternoon and evening meals. In Lerwick there are Hotels, Bistros, Cafés, Fish & Chip Shops, and a number of Chinese and Indian Restaurants.

Shopping – There are shops and Post Offices at Virkie and Bigton, while 'Mainlands Stores' 3 miles south on the A970, contains a Mini Supermarket, a Post Office, Filling Station, Garden shop, Hairdresser, and Off-Licence.



Facilities – Springfield is a Norwegian-style house with 3 bedrooms and 6 beds, one of which is a Volker adjustable bed. Bed linen is provided, with free laundry service.

The large furnished lounge has views of South Scousburgh, Loch of Spiggie and Loch of Brow. A colour television and VCR are provided. There is also a dining area with suitable clearance for wheelchairs.

There is a kitchen with a washing machine and tumble dryer for personal laundry. There is a large bathroom with fitted 'wet room' including shower seat and handrails.

Outside there is a large grassed garden with an outdoor seating area (with ramp and access handrails), an external store and a garage.



Charges

Overnight stays

£14.19 per person per night

Or

£68.77 per person per week

Day visits (no overnight stay)

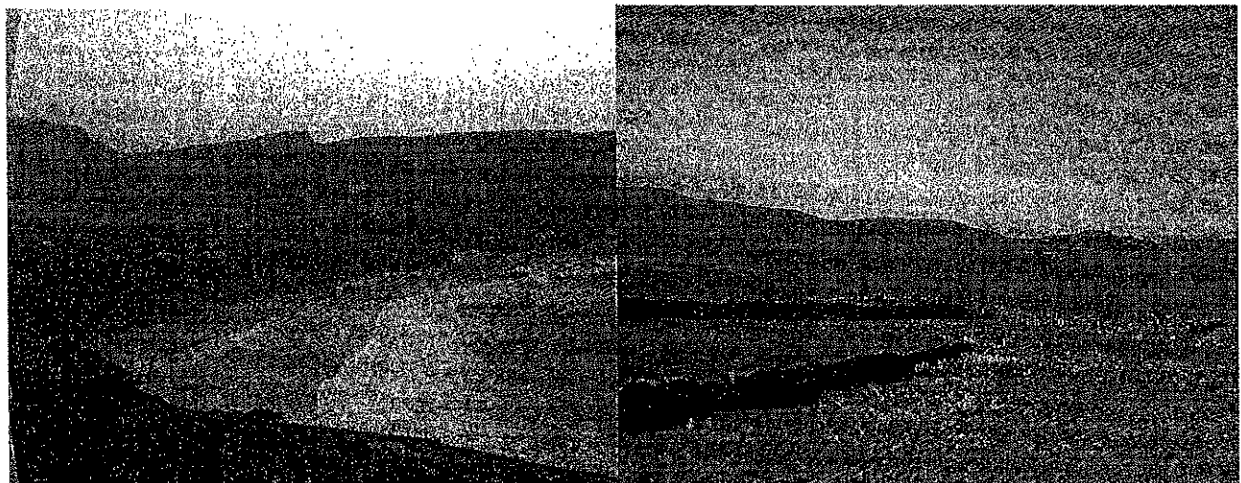
£37.21 per day

Or

£192.70 per week

In the event of a late cancellation (less than 72 hours), a 10% booking deposit will not be refunded if we are unable to re-let the chalet.

The chalet is operated on a not-for-profit basis. All income generated is used to cover running costs, essential maintenance, and general upkeep.



REPORT

To: Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106037

Viking Energy – Investment Budget for 2011/12

1. Introduction

- 1.1 Trustees agreed to purchase a 90% share in Viking Energy Limited, VEL, in September 2007 (Min Ref 52/07). VEL is a 50% partner in the Viking Energy Partnership, VEP, which is investigating the technical, financial and environmental issues surrounding a potential large wind farm in central Mainland. Trustees also agreed to set an investment budget of up to £3million to take the potential wind farm through the planning/consent stage, as the work required for that will inform further project appraisal (Min Ref 52/07).
- 1.2 It was believed in September 2007 that enough data would have been gathered and evaluated, mostly through the planning/consent process, to enable an informed decision to be made in 2009 on whether or not to commit to invest in the wind farm project. However, as Trustees will be aware, the project has spent much longer than originally anticipated in the planning/consent process and it is now likely to be 2012 before Trustees will have enough information to be able to decide whether or not to proceed to construct and operate the wind farm. The additional time and effort has mainly been required to react to the significant concerns raised following the original consent application in 2009. This has included re-designing much of the project, producing the addendum to the application and undertaking significant dialogue with the public and statutory consultees. Most of the £3million has now been spent, and this report asks Trustees to increase the overall Trust investment budget for this evaluation stage from £3million to up to £3.42million to take the project through the 2011/12 financial year.
- 1.3 Spend against an investment budget is not charitable, and Trustees hope to get the capital back and make a profit when it invests. Part of the investment process is project appraisal, and although the costs of this should be relatively low compared to the size of the investment being considered, by the nature of the process, if the project does not continue, the spend on appraisal will not be recovered. However, if the project goes ahead, after appraisal, it will be because Trustees expect it to be a successful investment, returning capital and generating profits. Any investment by a charity needs approval, as a qualifying investment, by HMRC. HMRC have formally accepted that the original investment budget of up to

£3million, taking account of the risks involved and the size of the budget relative to the Trust's overall investment portfolio is a qualifying investment. HMRC have informally indicated that a reasonable increase to the budget is very likely to also be accepted as a qualifying investment.

2. Background

- 2.1 Trustees have received regular updates on the project. Appendix A is a diary of these updates and Appendix B is a recent leaflet on the project. The project continues to appear to be a potentially attractive investment worthy of thorough evaluation.
- 2.2 In summary, early site layouts identified 192 turbine sites, but in discussion with interested parties, VEP reduced that number to 150 sites in the consent application submitted in May 2009, and further reduced to 127 sites in the addendum to the consent application submitted in September 2010. The granting or otherwise of consent for the wind farm sits with Scottish Ministers and a determination is expected later this year. The new Minister, Fergus Ewing, could decide to grant or refuse consent or require a Public Local Inquiry.

3. Spend to Date and Budget for 2011/12 – VEP

- 3.1 The partners in VEP are VEL (50%) and a subsidiary company of SSE plc (50%). The partners have agreed that VEP should bear all external/third party costs. The VEP accounts as at 31 March 2010 include all the relevant past costs going back to the beginning of the project in 2003. The VEP accounts have been audited by KPMG LLP and are available on the Viking Energy website. At 31 March 2010 the total VEP expenditure was £2.8million, financed 50% by VEL and 50% by SSE.
- 3.2 VEP has been fully operational in its own right throughout the financial year 2010/11. VEP meets costs directly and is financed by cash calls on the partners, VEL and SSE, on a 50:50 basis. Draft, unaudited accounts for VEP for 2010/11 show that the estimated outturn expenditure is £0.6million.
- 3.3 The table below shows VEP expenditure by broad category and indicates a suitable budget of £0.5million for 2011/12.

VEP (£)	Up To 31 March 2010	2010/11	2011/12	TOTAL
Birds	550,000	175,000	110,000	835,000
Ecology	200,000	4,000	5,000	209,000
Landscape and Visual	100,000	20,000	10,000	130,000
Soil, Water & Peat	250,000	19,000	3,000	272,000
Archaeology	150,000	19,000	-	169,000
Wind, Including Masts	350,000	92,000	94,000	536,000
Other studies (traffic, telecoms, aviation, socio-economic, other EIA related costs)	350,000	204,000	10,000	564,000
Communications, Exhibitions, Models, Website, etc	400,000	73,000	48,000	521,000

Planning fees, Legal fees etc	450,000	32,000	220,000	702,000
TOTAL (£)	2,800,000	638,000	500,000	3,938,000

It is estimated that total VEP expenditure by 31 March 2012 will be almost £4million, with £2million coming from VEL, unless the Minister calls for a Local Public Inquiry, which would lead to the need to review the budgets.

4. Spend to Date and Budget for 2011/12 - VEL

- 4.1 As noted above in, in paragraph 3.1, VEP bears external/third party costs. The partners meet their own, internal costs, so VEL meets staff costs, office rentals, IT support etc. Four Shetland based people worked full time on the project in 2010/11 and their costs were met by VEL.
- 4.2 The VEL accounts to 31 March 2010 have been audited by KPMG LLP and contain all relevant costs on the project going back to the beginning of the project in 2003. These accounts are available on the Trust's and Viking Energy's websites. VEL's own costs for this period amount to £1.1million.
- 4.3 Draft unaudited accounts for VEL for 2010/11 show expenditure of £0.3million on VEL's own costs broken down as follows:

Revision to Connection Agreement - Fee	£69,375
Other Project Costs	£7,544
Staffing Costs	£193,074
Office and Other Overheads	£15,847

The Revision to Connection Agreement fee is a one off cost and won't be repeated in 2011/12, so I propose a budget for 2011/12 of £0.2million based on the other actual expenditure in 2010/11.

- 4.4 It is estimated that total VEL expenditure on its own costs up to 31 March 2012 will be £1.6million and VEL will need to fund £2million as 50% of VEP's estimated spend to 31 March 2012. Together these estimates come to £3.6million. I would like to include a contingency for cash flow purposes bringing the total up to £3.8million.

5. SCT Investment Budget

- 5.1 I have estimated that the total funding required by VEL up to 31 March 2012 will be £3.8million. The project is awaiting a determination by the Scottish Minister of the application for consent as modified by the addendum. The investment budget for 2011/12 proposed in Sections 3 and 4 above is based on the assumption that a determination is not reached in 2011/12. In fact, VEL are hopeful that a determination will be achieved in 2011. A determination, whether it is granting consent or refusing consent or requiring a

public inquiry, will require a further report to the Trust. Such a report may require a further examination of the budgets.

- 5.2 The Trust owns 90% of VEL and 90% of the required £3.8million is £3.42million. The Trust has committed all of its current £3million investment budget by buying £1 shares. I will recommend that the Trustees increase the Trust's investment budget by £420,000 to £3.42million.
- 5.3 The minority shareholders own 10% of VEL and they have indicated their intention to continue to take up shares as offered in proportion to the original shareholding. 10% of £3.8million is £380,000. They have committed to investing £333,333 to date and can be expected to buy a further 46,667 £1 shares when required.
- 5.4 I have summarised the proposed position by 31 March 2012 in the table below:

VEL – own costs	1,600,000
VEL – 50% share of VEP costs	<u>2,000,000</u>
	3,600,000
Cash flow contingency	<u>200,000</u>
	<u>3,800,000</u>
Funded by:	
SCT – invested to Date	3,000,000
SCT – Additional investment	<u>420,000</u>
	3,420,000
Minority Shareholders 10%	<u>380,000</u>
	<u>3,800,000</u>

6. Conclusions

- 6.1 Trustees set an investment budget in 2007 of £3million to enable the proposed Viking Energy project to be thoroughly evaluated. Much of the data for the evaluation would be gathered for the purposes of applying for consent from the Scottish Government. That process has taken much longer than anticipated.
- 6.2 Trustees are asked to agree to increase the investment budget by £420,000 to £3.42million to allow the evaluation to continue. This budget is calculated to be sufficient for 2011/12, unless a Local Public Inquiry is required. In any case a determination of the application for consent by the Scottish Minister will result in a further report to Trustees, which may re-examine budgets.

7. Recommendations

- 7.1 I recommend that Trustees agree to increase the investment budget for appraisal of this project from £3million to £3.42million.

7.2 I recommend that Trustees note that there will be a need for a further report, once the application for consent is determined by the Scottish Minister.

Reference: JPG/em/IS4
Date: 3 June 2011

Report Number CT1106037

APPENDIX A

Date	What	Subject	Who
23/06/2011	Report	Investment Budget	Financial Controller
24/03/2011	Presentation	Project Finance	Richard Simon-Lewis Lloyds Banking Group
	Progress Report	General	Financial Controller Aaron Priest
04/10/2010	Briefing Note	Project Finance	Financial Controller
29/09/2010	Presentation	Addendum launched	David Thomson
	Q&A Session		Aaron Priest
24/06/2010	Update Report & Drawdown Report	Finance & Administration	Financial Controller
21/06/2010	Project Update & Q&A Session	General	Aaron Priest
11/02/2010	Presentation	Finance	Richard Simon-Lewis Lloyds Banking Group
03/11/2009	Presentation and Update report	Construction experience	Morrison Construction And Ecological QS
17/09/2009	Presentation	Project Finance SSE Experience	Philip Soden, SSE
01/09/2009	Reception	General	Ian Marchant, SSE
06/08/2009	Seminar	General	Aaron Priest
02/07/2009	Seminar	General	Aaron Priest
18/03/2009 & 19/2/2009	Drawdown report	Finance	Financial Controller
08/12/2008	Presentation	Ecology/Peat	David Thomson
	Presentation	Economics	Stephen Kerr, Avayl

APPENDIX A

13/11/2008	Verbal Update	General	Financial Controller Aaron Priest
24/10/2008	Investment report	General	Financial Controller
11/09/2008	Presentation	General	David Thomson
	Presentation	SSE position	Simon Heyes, SSE
17/09/2007	Report	Up to £3m investment decision	Financial Controller
23/08/2007	Workshop	Finance	Brandon Rennet, SSE

Introduction

APPENDIX B
 CT1106037

Viking Wind Farm

In May 2009 Viking Energy submitted an application for a 150-turbine wind farm to the Scottish Government.

We have listened to many views since then and undertaken a lot of work to address concerns raised. As a result, we have removed 23 turbines and have reduced the carbon payback to less than one year.

We aim to harness Shetland's world-class wind and the wind farm could produce up to 457 megawatts of renewable electricity.

By connecting Shetland to the national electricity grid, a new industry would be introduced to the local economy, providing opportunities for future generations of islanders. A connection would also help unlock the enormous potential of Shetland's wave and tidal energy resources giving further possibilities for economic growth.

Viking Energy is a 50:50 partnership between Viking Energy Ltd and SSE Viking Ltd. Viking Energy Ltd is the company established to represent the Shetland community in large-scale wind development and is 90% owned by the Shetland Charitable Trust. The remaining 10% is held by the people who developed Burradale Wind Farm.

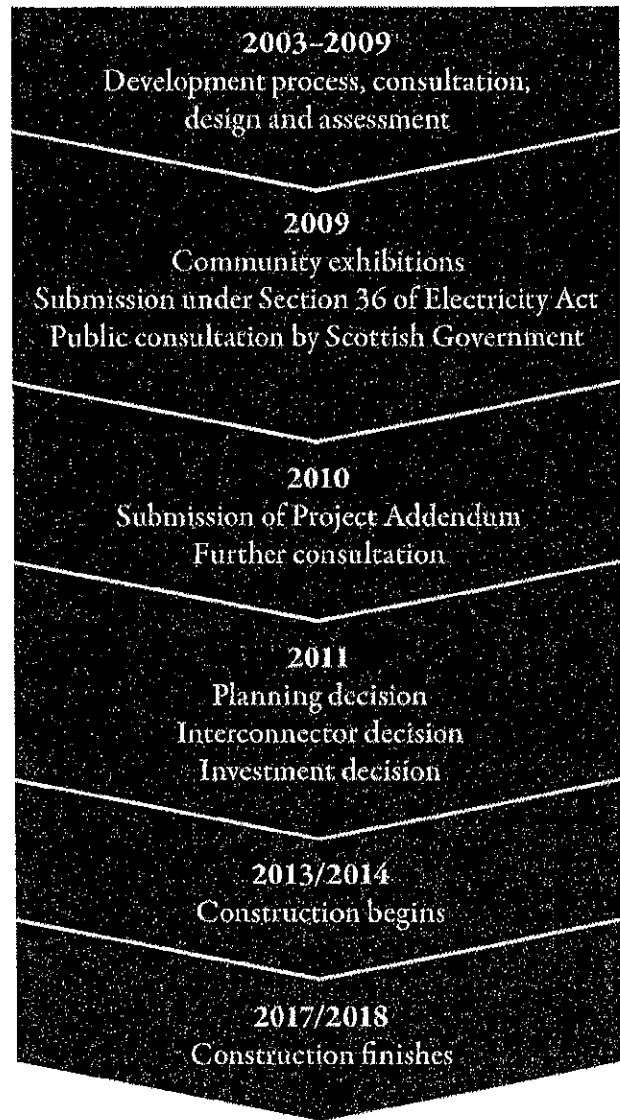
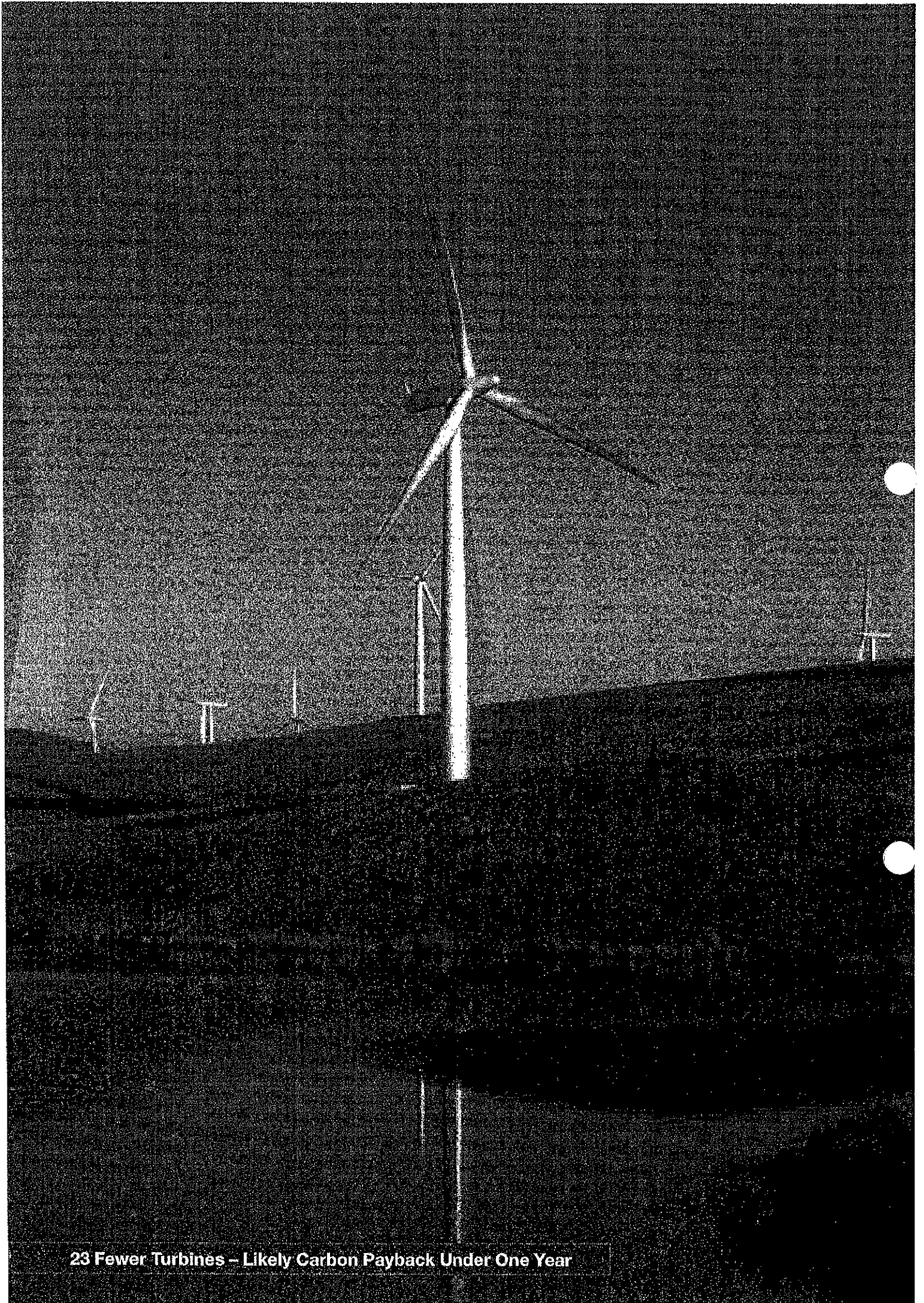


Image: Hadyard Hill Wind Farm, Ayrshire. The Viking Energy turbines will be larger than at Hadyard Hill.



23 Fewer Turbines – Likely Carbon Payback Under One Year

Benefits

- The total income for Shetland from the Viking Energy wind farm is expected to be £930 million across its lifetime.
- It is estimated the Shetland Charitable Trust will receive around £23 million, on average, each year. This income can then be used to support projects in the arts, environment, leisure and care sectors in Shetland.
- The projected income remains similar to the previous estimates despite the reduction in project size. This is mainly due to the increasing value of renewable power purchase contracts.
- Payments will be made in wages and in rents to local landlords and crofters.
- We will invest more than £1 million every year in wider, direct community benefit payments.
- Shetland-based suppliers also stand to benefit by more than an estimated £2 million of new business each year.
- A habitat management plan will invest time and resources to protect, conserve and enhance Shetland's local environment across a significantly wider area than the wind farm site.
- An archaeological heritage project will allow local communities to discover, interpret and manage their own cultural resources.

Jobs

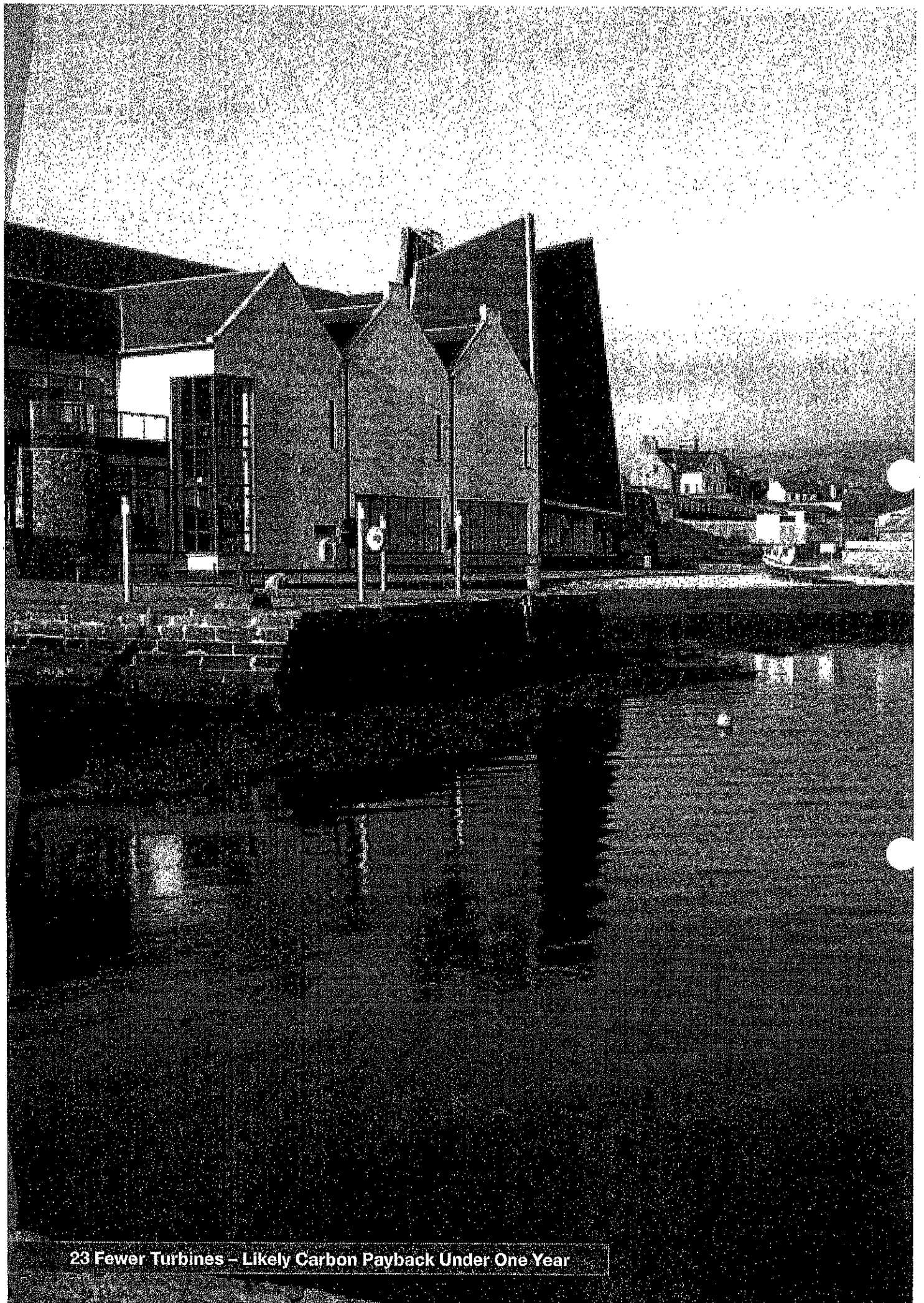
It is estimated that Viking Energy will create up to 42 direct jobs and a further 23 posts in other support services.

174 jobs would be created during the construction period.

Numerous further job opportunities could be created through the project's local economic investment.

Additional jobs could also be generated in other renewable energy sectors as a result of the capacity created on the grid by the interconnector.

All figures are averages, based on current projections, and could be subject to change.



23 Fewer Turbines – Likely Carbon Payback Under One Year

The Addendum – What's Changed

To address concerns we have made a number of changes.

These include:

- The removal of 23 turbines
- A reduction in the area covered by the wind farm of around 80 hectares
- Two fewer access junctions connecting to public roads
- 14km less of access tracks
- Changes to our habitat management plan which will improve the natural environment, or help to reduce ongoing damage
- The addition of a major heritage project

The completed wind farm will occupy 104 hectares – equivalent to 0.56% of the 18,700 hectares of the central Mainland.

Turbines

The planning application we submitted in 2009 was based on a 150 turbine wind farm. We have removed 23 turbines to reduce the impact on residents, birds and archaeology.

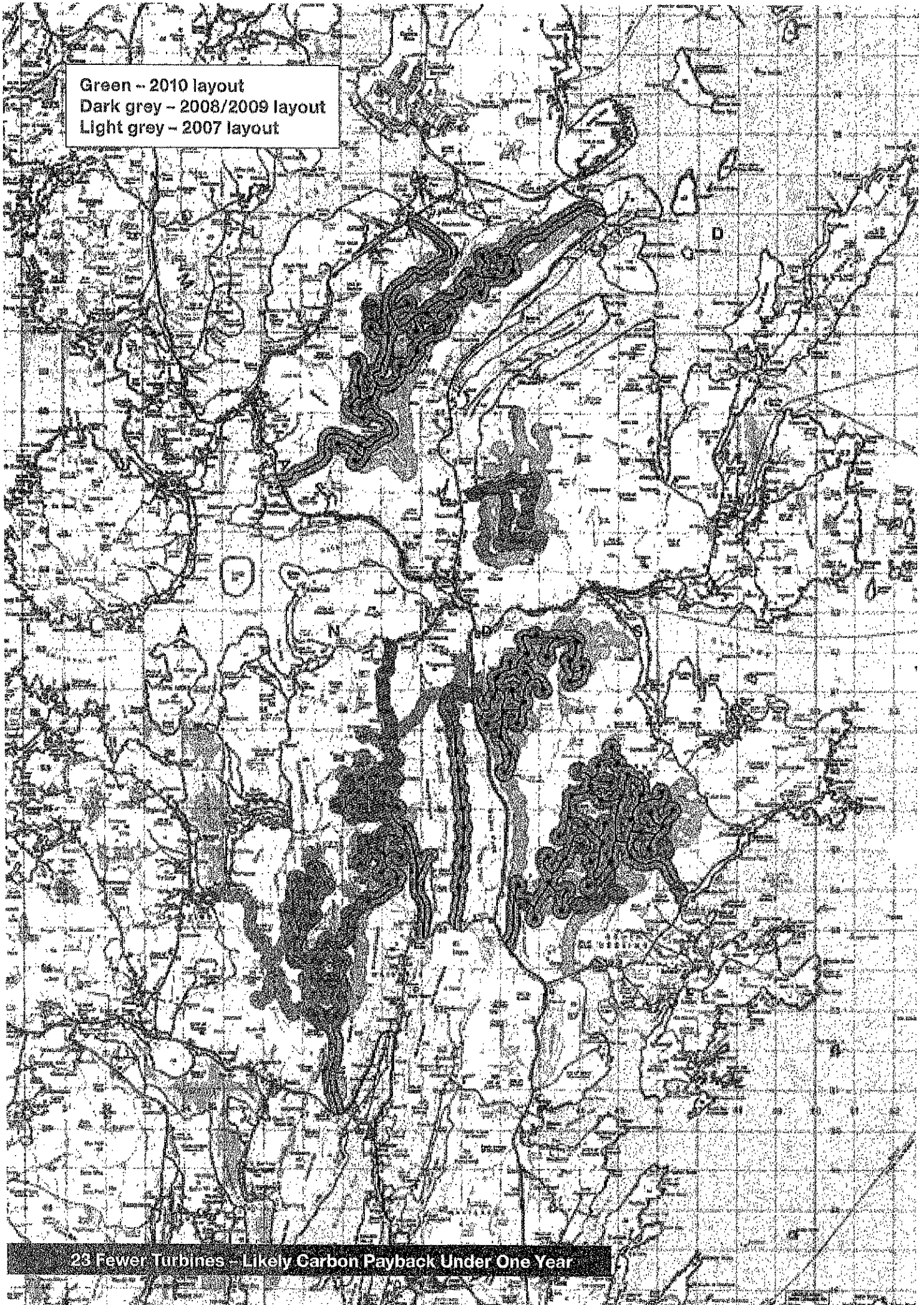
- Delting (the north-west area) had 33 turbines.
Nine have been removed, leaving 24
- Collafirth (the north-east area) had eight turbines.
All eight have been removed
- Kergord (the south-west area) had 47 turbines.
One has been removed leaving 46
- Nesting (the south-east area) had 62 turbines.
Five have been removed leaving 57

Roads

We have removed two operational access roads to avoid possible disturbance for nearby residents. These are the routes from Newing in Nesting and the route from Setter just south west of Voe.

We have reduced the entire network of access roads by 14km, bringing the total to just over 100km.

Green -- 2010 layout
Dark grey -- 2008/2009 layout
Light grey -- 2007 layout



23 Fewer Turbines -- Likely Carbon Payback Under One Year

Archaeology

We are committed to safeguarding the cultural heritage in the vicinity of the wind farm.

Detailed investigation has taken place to assess the nature of existing archaeology and its condition. These results have helped us shape the development's layout.

We will safeguard the area's cultural heritage by:

- Having an Archaeological Clerk of Works working on site, supported by additional professional field staff and specialists, as required
- Conducting walkover and geo-physical surveys during construction to finalise precise adjustments on siting in sensitive areas
- Identifying, avoiding and fencing off archaeological sites
- Doing archaeological trial trenching, coring and excavation as determined by the results of earlier work
- Recording all activity and findings in official archives

We are also planning a major heritage project to research, protect and promote the Central Mainland's archaeology.

Heritage Project

The heritage project would allow local residents and visitors alike the chance to experience, enjoy and connect with the Central Mainland's cultural heritage.

We expect this to have four elements:

- A community survey and excavation programme
- A schools programme and touring regional exhibition
- A community archive project
- Access improvements to heritage monuments

For more information on archaeology go to www.vikingenergy.co.uk

Image: Shetland has a rich archaeological heritage. Turbines will be visible more than 1km away from the site at Burn of Lunklet.

23 Fewer Turbines – Likely Carbon Payback Under One Year

Birds

The risk for birds has been dramatically reduced in the revised wind farm design.

The turbines which caused the greatest problems for birds have been removed. Rigorous assessments now suggest that the overall effect of the wind farm's construction and operation is not significant for any species.

Three birds have priority status – red throated divers, merlins and whimbrels. We plan to introduce a programme to enhance their environment which, even if only partially successful, would still mean that population gains would exceed any possible effects from the wind farm.

With the revised design, we have halved any risk of displacement for merlin and red throated divers.

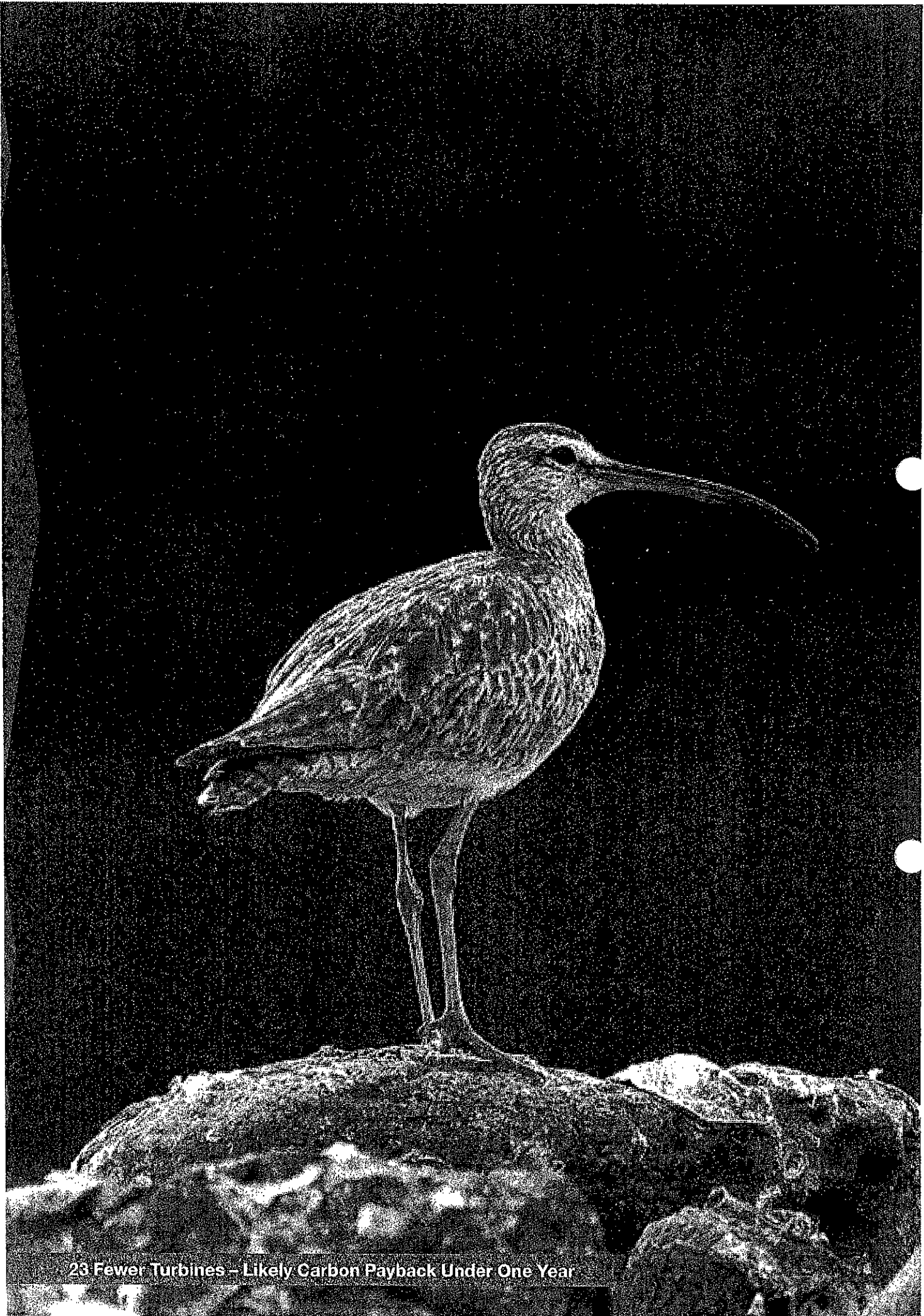
For other birds the overall effect has been reduced by:

- 56% for whimbrel
- 59% for Arctic skua
- 40% for all other species

Proposed improvements include safeguarding, restoring and enhancing lochans for red-throated divers; crow control measures to protect whimbrel and other waders; and encouraging rank heather in former merlin breeding territories.

The bird section has undergone dramatic changes since the original application was submitted.

For more extensive information on birds go to www.vikingenergy.co.uk



23 Fewer Turbines – Likely Carbon Payback Under One Year

Carbon Payback

Carbon Payback

Carbon payback was an issue which generated much discussion when we published our initial application. Since then we have undertaken a lot of work to ensure the figures we produce are clear, robust and reflect the realities of the proposed site.

The carbon payback time of the wind farm is now less than one year.

Why have the figures changed?

We have modified the standard calculations to recognise the actual site conditions rather than theoretical assumptions. The site is already a net emitter of carbon dioxide gas.

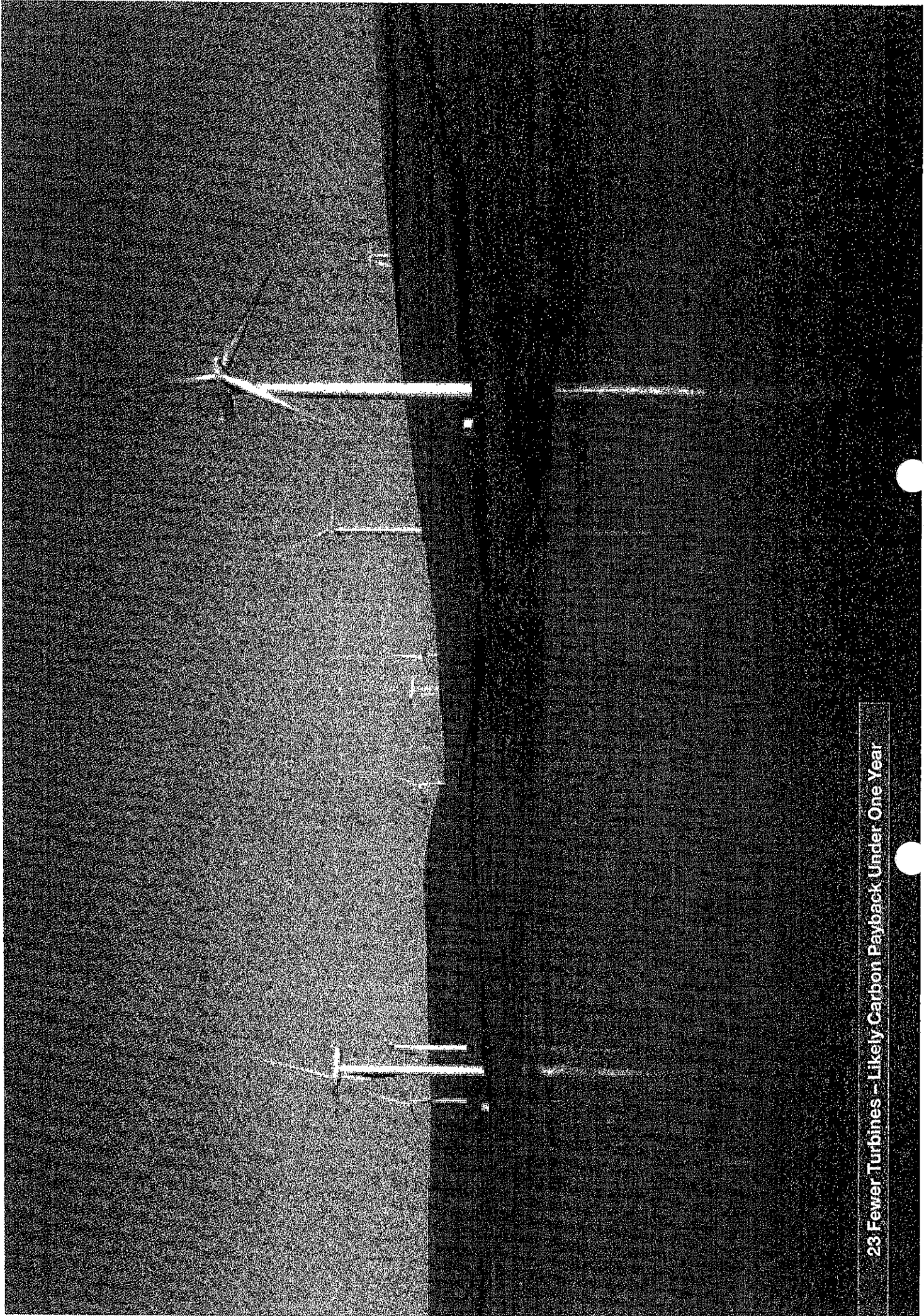
On site surveys have estimated that the majority of the peat around the site – 67.7% – is already deteriorating and releasing stored carbon.

We will seek to stabilise and restore the peatland habitat across the site to address the ongoing erosion.

The Macaulay Institute

The Macaulay Land Use Research Institute undertook an independent review of the basis of the carbon payback calculations on behalf of Viking Energy with the aim of improving both the robustness of these calculations, and to inform further assessments based upon them.

Our calculations now show that the Viking Energy wind farm could pay back its carbon in less than one year.



23 Fewer Turbines – Likely Carbon Payback Under One Year

Finance

The Shetland economy could benefit by as much as an estimated £38 million a year. Current projections indicate that an estimated £23 million a year may be paid to Shetland Charitable Trust in profits. These figures are averages – the windfarm payments will vary from year to year. To put this into context, the Trust currently spends around £1 million every month providing many services including support for elderly, infirm and vulnerable people, as well as funding for culture, sport and environmental projects.

In our addendum it is estimated that Viking Energy will spend more than £12 million on rentals to local landowners and crofting tenants, on wages, contracts for supplies, services and technical support and on community benefit and other payments.

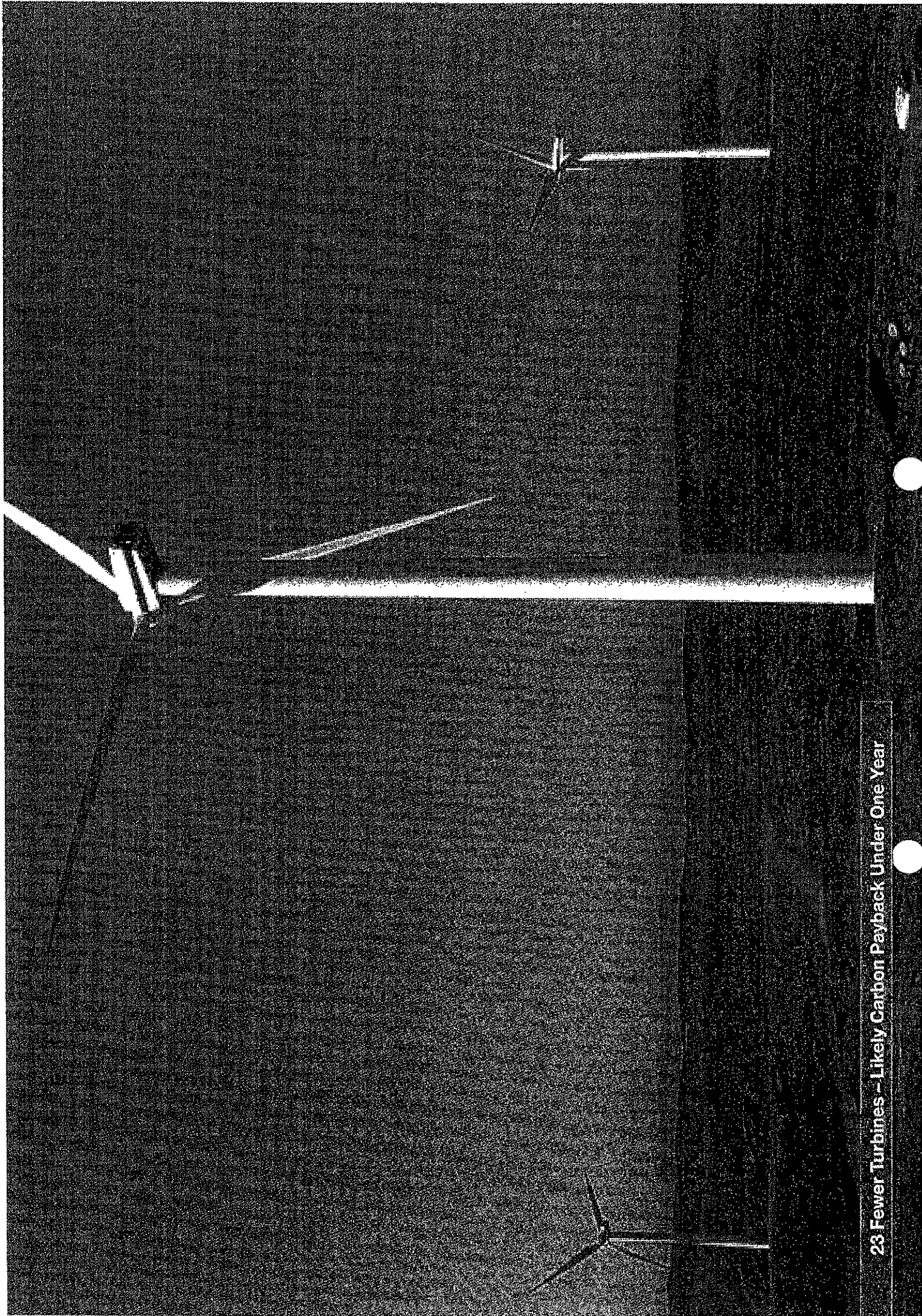
It is standard practice for local communities near a wind farm to receive an annual payment from the wind farm company, known as community benefit. It is estimated this payment could be worth around £1 million a year. The local communities usually manage community benefit themselves.

These returns are close to previous estimates despite the reduction in turbine numbers. This is mainly because of an increase in the value of long-term renewable power purchase contracts.

The project has a current estimated build cost of £685 million.

All figures are based on current projections and could be subject to change.

Image: Burradale wind farm, Shetland's existing wind farm, where the turbines are substantially smaller than those planned for Viking.



23 Fewer Turbines – Likely Carbon Payback Under One Year

Continuing the dialogue

Continuing the dialogue

We have made changes to our original application and also provided additional information and detail to help address concerns raised by members of the Shetland public, as well as statutory and other consultees. This information is contained within our Addendum, which is supplementary to the original application.

The Energy Consents Unit of the Scottish Government will consider the application.

Regardless of what is decided, investment decisions will not be firmed up until the necessary interconnector has been sanctioned and the important contracts have been finalised.

If approval is given, we would hope construction will get under way in 2013/2014 and should be completed by 2017/2018. It is anticipated the wind farm will have consent for 25 years.

To officially register your comments during the Scottish Government's current consultation, you can:

Email the Energy Consents Unit at:

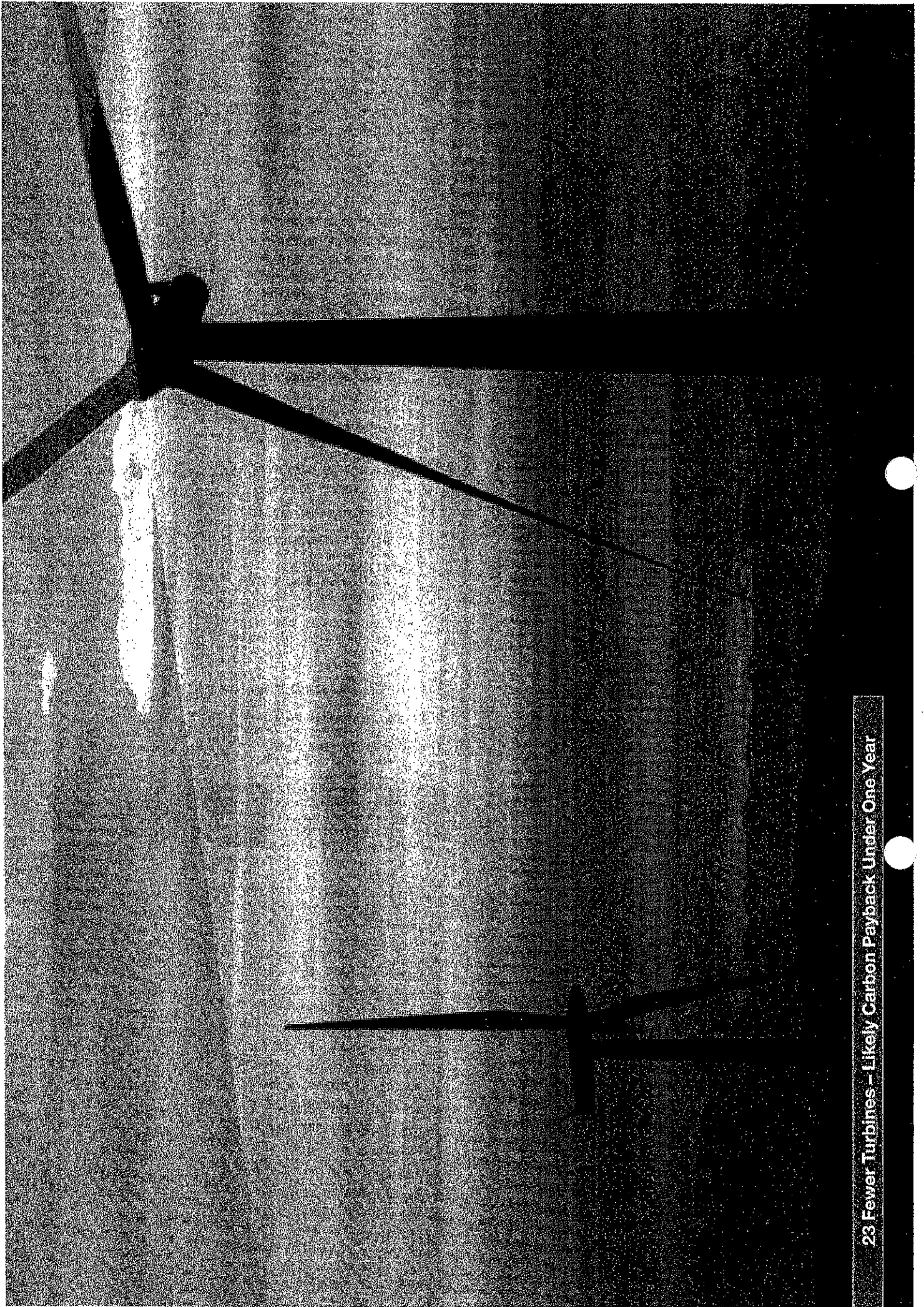
energyconsents@scotland.gsi.gov.uk
quoting "Developer: Viking Energy Partnership Wind Farm".

Write to the Energy Consents Unit at:

Energy Consents Unit
Scottish Government
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

For help in registering your support, you can visit the Viking Energy website at www.vikingenergy.co.uk





23 Fewer Turbines – Likely Carbon Payback Under One Year

REPORT

To: Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106038

Financial Plan 2012/13, 2013/14 and 2014/15

1. Introduction

- 1.1 The Trust's long term financial strategy is to use the average investment growth above inflation on the Trust's reserves to support annual expenditure, and so to be able to pass on the reserves preserved against inflation to future generations (Min Ref 34/08). This financial strategy is known as "self-sustainable use of reserves" or sometimes simply "self-sustainability".
- 1.2 In this report I will ask Trustees to continue with this long term approach and develop a plan for the next three financial years based on it. I will recommend that Trustees agree a financial plan to set expenditure budgets of no more than £11m for each of the next three years.

2. Background and Present Position

- 2.1 There are always lessons to be learnt from the past and I have set out my own review of the long term financial background to, or history of, the Trust in Appendix A.
- 2.2 The current three year financial plan was agreed by Trustees in 2008 and covers the financial years 2009/10, 2010/11 and 2011/12. At the beginning of the period, the Trust's investable reserves stood at around £220 million and I had calculated that a self-sustainable level of expenditure was £11 million pa. At the beginning of the period the Trust was spending more than the £11 million, causing a funding gap of about £1.2 million pa. Trustees agreed a financial plan based on closing that gap by March 2012.
- 2.3 Trustees have taken some difficult decisions but have achieved the above aim with a year to spare by setting a budget for 2011/12 of £11 million. This budget covers recurring financial support for charities and projects (£10.2 million), one-off items (£0.3 million), and management and administration costs (£0.5 million). The planned reduction has been achieved in a measured manner, without service "meltdown".

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3. Future Prospects - Income

- 3.1 I have modelled projected income (and expenditure) going forward for the Trust. Long term financial projections are based on assumptions and I am not claiming clairvoyant powers. However, the model remains a useful tool and can be used to look ahead
- 3.2 My model assumes investment returns of 5% pa above inflation in each and every future year. This is a reasonable assumption compared to the Trust's average experience over the past 30 years or so, but there has been, and no doubt there will be, tremendous variations in returns from year to year ("volatility"). The actual returns for the last ten years are shown in the table below, and show how marked the volatility has been.

Year	Return %
2001/02	-2
2002/03	-19
2003/04	+22
2004/05	+10
2005/06	+21
2006/07	+8
2007/08	-8
2008/09	-19
2009/10	+31
2010/11	+7

- 3.3 The Trust could take steps to reduce this investment volatility, mainly by reducing the percentage of the overall investment portfolio invested in shares ("equities"). However, shares have produced a higher average annual return than the alternative, less volatile, investment opportunities (bonds, institutional commercial property units, local property, cash etc). The Trust has regular ongoing expenditure each and every year and has set a balanced investment strategy of broadly 50% equities (or equity like investments) and 50% non-equity investments. This strategy is designed to produce average returns of 5% pa above inflation. This may be justified by looking back over the long term, but our fund managers and our investment consultants, Hyman Robertson, all describe our assumptions for return from the various asset classes as at the high end of reasonable for the next few years. Notwithstanding this, I see no reason for the time being to reduce our assumed long term average investment returns over the long term.
- 3.4 My model does not take into account future actions that are not yet certain. It does not include the effects of any possible major investment in and possible profits from the Viking Energy Project.

That project is large enough to need a separate series of “what if” type financial models. The Trust and the Council have both agreed that the preferred model for financing the new Anderson High School is that the Trust should finance SLAP to buy the school once completed and lease it back to the Council. This will not happen in the next three years. I would like to see more of the Trust’s 50% non-equity portfolio in local investments. Providing that these perform successfully in the financial sense, they provide a second positive as a contribution to the local economy. There is further discussion of investment income and strategy in Appendix B. I am not recommending any changes to the investment strategy at present.

4. Future Prospects – Expenditure

- 4.1 What does the Trust face looking forward? The past tells us that even standing still and doing exactly the same thing each year is difficult financially. In the main the Trust funds other Shetland charities to carry out charitable activities. The two largest cost areas are wages and building related costs. Over the last twenty years, both of these have seen increases at a rate faster than general inflation. Given current National and World economic circumstances, this may not be the case for the next three years, but I expect normal patterns to be resumed eventually. So standing still on running cost grants might be tenable for the next three years, but not indefinitely.
- 4.2 The Trust funds costs associated with over 30 buildings through its planned maintenance programme. Generally, these buildings are well maintained and in good condition. It is likely that costs will remain about the same over the next few years. However, in the medium term I expect costs associated with buildings to rise at a rate faster than general inflation, especially as the buildings get older.
- 4.3 As well as planned maintenance, the Trust will need to plan for eventual asset replacement and major repairs. One of the consequences of the stock market crash from 2000 to 2003 (the bursting of the “Tech Bubble”) was that Trustees were forced to abandon the setting aside of funds into an asset replacement reserve. The issue has not gone away, and the Trust has no funds earmarked to deal with replacement or major refurbishment of care homes, recreational facilities, amenity buildings or Market House.
- 4.4 The Shetland Community Planning Board has been considering reports on likely demographic trends in Shetland. The conclusion is that the population is likely to have a higher average age in the future. This is bound to increase the demand for services currently funded by the Trust. Around 40% of current expenditure is targeted at older folk.
- 4.5 The Trust can only finance new ideas in three ways: by abandoning the Trustees’ self-sustaining policy and spending reserves, which once spent will not re-appear; or by substituting new expenditure for items currently funded, which cannot be achieved in a major way

without a severe impact on existing services; or by increasing income.

5. **Proposal for a Financial Plan for the Next Three Years**

- 5.1 The Trust's Balance Sheet at 31 March 2011 will show net assets of £221million, and I will assume that it will be £220million at 31 March 2012.
- 5.2 Applying my long term average expected investment return of 5% pa above inflation, **I propose that Trustees plan to spend £11million pa for the three years ahead.**
- 5.3 This is a similar plan to that applied for the current three year period, but there are some differences. The current plan set £11million as the target spend for 2009/10, £11million plus inflation for 2010/11 and 2011/12. However, that strategy was based on the Balance Sheet going from £220million at 31 March 2009 to £220million plus three years' inflation as at 31 March 2012. This Balance Sheet growth has not happened up to 31 March 2011. For the next three years I am proposing that SCT applies a cash standstill by limiting its total annual revenue spend to no more than £11million for each year.
- 5.4 It may be thought that a cash standstill will be difficult to implement, but I do not agree. The main cost faced by the funded bodies is payroll. Wages in the voluntary sector are heavily influenced by wages in the public sector. There are good reasons to expect little or no increases in the public sector wage levels for the time being. On that basis I think Trustees of this Trust should signal that any increase in payroll costs should be funded by increased efficiency elsewhere in the funded body (this may include increasing non SCT revenue generation).

6. **Conclusion**

- 6.1 The Trust has successfully balanced its income and expenditure by setting a revenue expenditure budget for 2011/12 of £11million.
- 6.2 I propose that Trustees adopt a financial plan for the next three years of setting revenue budgets of no more than £11million for each of the next three years.
- 6.3 This sends a signal that funding will be made available, notwithstanding the effects of the problems with the National economy.

7. **Recommendations**

- 7.1 I recommend that Trustees continue with the existing long term financial strategy of self-sustainability.
- 7.2 I recommend that Trustees set a Financial Plan which requires that revenue budgets should be no more than £11million for the years 2012/13, 2013/14 and 2014/15.

Reference: JPG/em/TA41
Date: 03 June 2011

Report Number CT1106038

BRIEFING NOTE**APPENDIX A**

To: Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106038

Shetland Charitable Trust – Financial History**1. Introduction**

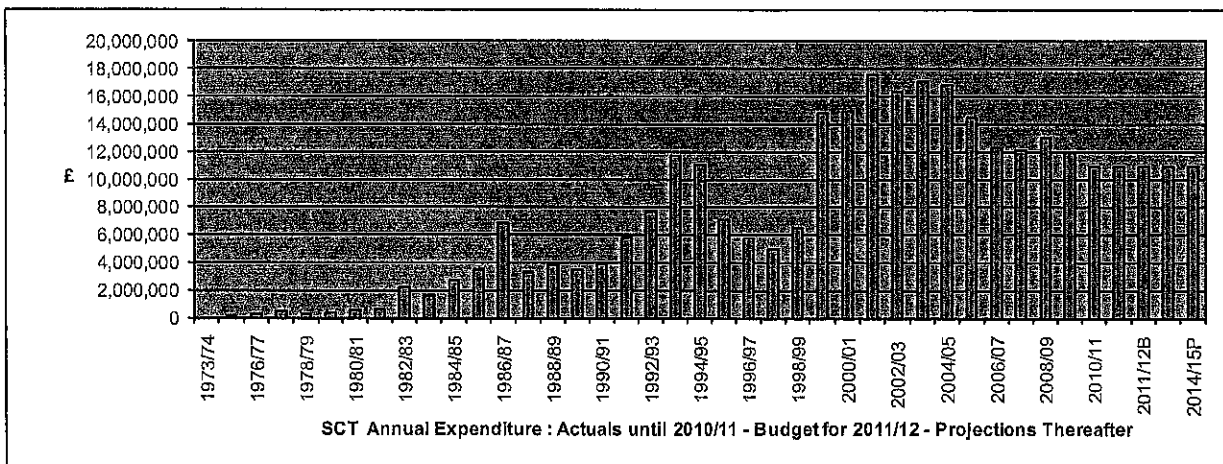
- 1.1 In this note I am going to ignore the transition from the trust set up in 1976 (eventually named SICCT 1976 and now dissolved) and the current trust which was set up in 1997. I will treat these two trusts as a single entity for the purposes of this note and will simply refer to “the Trust”.
- 1.2 Over the years from 1974 to 2000 the Trust was the recipient of £81million in Disturbance Receipts. This money was largely invested and investment returns have been good enough to allow Trustees to disburse £248million to other charities or to directly fund charitable activities, and to have a balance sheet of £221million at 31 March 2011.

2. The Disturbance Receipts

- 2.1 The “Disturbance Receipts” were payments to the community of Shetland from the Oil Industry and had been negotiated by the Zetland County Council. Initially the Zetland County Council and its successor, the Shetland Islands Council, held the money in trust while taking advice on a suitable vehicle to hold and administer the funds. Eventually the Trust was set up in 1976 and the money to that date plus all future receipts were transferred to the Trust.
- 2.2 For many years the receipts were throughput based, but eventually the Trust agreed to accept a flat rate annual amount from 1991 and in the various agreements of 1994 it was agreed that the Disturbance Receipts should come to an end on 31st August 2000.

3. Trust Expenditure

- 3.1 The Trust has disbursed some £248million on charitable activities between 1974 and 2011. The graph overleaf shows the total annual expenditure for each of those years.



- 3.2 Expenditure was much less than income in the early days. Ongoing revenue expenditure grew steadily through the eighties and nineties to reach £7million in 1998/99. The Trust also had a capital programme which funded or part funded the original Clickimin Centre (mid eighties), 6 Care Homes and 6 rural Leisure Centres (eighties and nineties) and the Clickimin Pool and Bowls Hall (mid nineties).
- 3.3 The nineties saw a tremendous upward run on the World's markets and Trustees responded by developing a long term financial strategy of growing the trust by 15% in real terms (i.e. after inflation) over twenty years, a "15% cushion". Market returns were so strong in the second half of the nineties that Trustees were able to set aside funds in reserves to fund future planned maintenance and asset replacement. This happy position seemed set to continue for the foreseeable future. A new "paradigm" was thought to have been established, where business in general was more efficient, and so more profitable, due to faster communications.
- 3.4 The Trustee body changed considerably in 1999, and the new Trustees decided that the Trust was big enough by then at over £300million. A new long term financial strategy was adopted of spending up to the average investment returns, after allowing for inflation. Almost immediately, capital expenditure increased (the West Mainland Leisure Centre, the Unst Care Centre and new offices for the Amenity Trust were built, and future commitments were made to fund the new Shetland Museum and Archives Building, Market House and the new recreational infrastructure needed for the Island Games). It did not take long for ongoing revenue expenditure to increase to £15million a year.
- 3.5 Worldwide and local economic circumstances conspired against the Trust and it was realised in 2002 that the Trust was facing a financial crisis caused by a quadruple "whammy" of negative factors. The bursting of the "Tech" bubble led to severe falls in the World's stock markets (2000-2003), and this was coupled with three local adverse factors. The Disturbance Receipts ended (2000), spending increased rapidly (1999-2003), and it was recognised that some local economy investments were not performing (2002).

- 3.6 Trustees agreed that a "knee-jerk", instant, cut in charitable spending was not appropriate. Trustees agreed a three year plan, covering 2003/04, 2004/05 and 2005/06, that sought to reduce ongoing expenditure by £6million pa. It was agreed that existing capital projects would be funded to completion, but any future capital projects would only be funded from within the total expenditure figure. It was also agreed that SLAP should revert to its core property business, which had always been profitable, and that any further investment in SHEAP should only be made, on a fully commercial basis. A series of reviews resulted in reductions in ongoing expenditure of about £4.5million pa and the effective end for the time being of the Trust's capital programme beyond completing the existing commitments (by 2006 the Islands Games had been and gone, so only Market House and the new Museum and Archives Building was left).
- 3.7 There was a further review of the position in 2005. The position had improved, but ongoing expenditure still exceeded expected average income (after allowing for inflation of the "pot"). The Trust consolidated the savings made and the capital commitments from prior to 2002 came to an end. By 2008 a "funding gap" of around £1.2million remained. Trustees set a financial plan for the three years 2009/10, 2010/11 and 2011/12 of closing this gap. This has been achieved a year early, without too much damage to services.

4. Conclusion – Lessons for the future

- 4.1 My own view is that the main thing to be learned is that although change is inevitable, thought through change at a measured pace is much preferable to hasty and dramatic change.
- 4.2 For nine years Trustees have been working to reduce expenditure to a level that can be afforded (if the future income and growth projections are appropriate). A balance has been achieved with the total expenditure budget for the current year set at £11million, the amount that my projections say can be afforded on a self-sustaining basis.
- 4.3 A period of stability might be welcomed at a time when funding availability will be decreasing in the public sector, both locally and nationally. It seems to me that it would be useful for the Trust to pause to consolidate recent savings.
- 4.4 There are issues to be tackled in the longer term. Payroll costs and building costs will go up faster than general inflation. Demographics will mean that Trust budgets will come under pressure. The Trust needs to build up an asset replacement reserve. However, I believe all these pressures can be accommodated for the next three years within a cost standstill overall expenditure budget of £11million, for each of 2012/13, 2013/14, 2014/15.

Reference: JPG/em/TA41
Date: 08 June 2011

Report Number CT1106038

BRIEFING NOTE**APPENDIX B**

To: Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106038

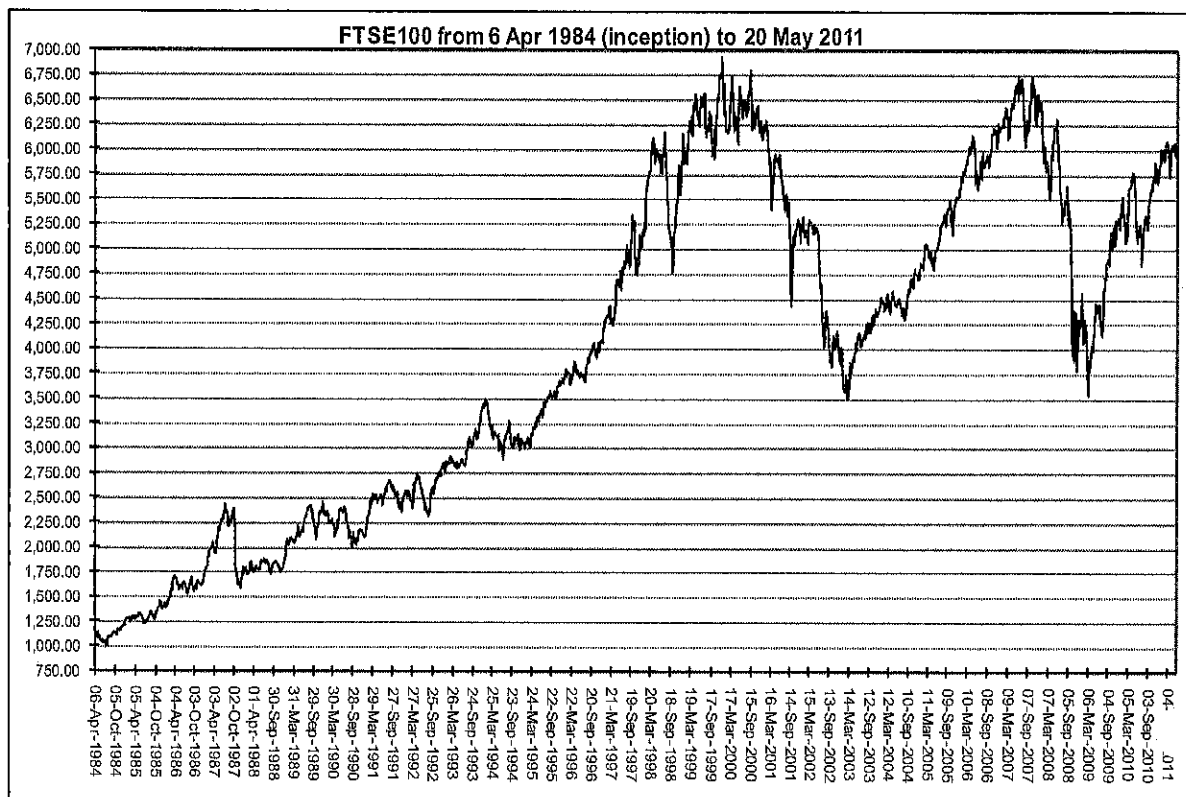
Investment Strategy**1. Introduction**

1.1 This briefing note is written to accompany my report that addresses a financial plan for the Trust for the next three years. The plan is developed on the basis that Trustees continue to follow a long term financial strategy of self-sustainability, i.e. budgeting to spend up to the average surplus income after protecting the "pot" against inflation. The report also assumes no fundamental change to investment strategy, and I intend to use this report to discuss the Trust's investment strategy and why I believe it remains appropriate looking ahead.

2. Background

2.1 The type of investments that an institutional investor such as the Trust might reasonably consider in portfolio of investments can broadly be divided into three categories depending on the balance of their risk and their returns.

2.2 For many years, the Trust was growing and the largest category of investments were listed shares or "equity" investments. Shares have produced good average annual returns over the lifetime of the Trust of around 6% pa above inflation over that period. Many shares pay dividends (regular income to the Trust), but most of the average return is in the form of capital growth. Shares are more risky than other types of investment, and this is because although the average return is good, shares produce tremendous variation in returns from year to year. The table overleaf shows the movement in the FTSE100 (which records the growth over time of the largest shares on the UK stock exchange) over the last 27 years. Looking at the graph reminds me of the often repeated phrase – this type of investment can do down as well as up.



2.3 Institutional investors often look for less risky investments, but then have to give up average return. I will call these investments “non-equity” investments, and the Trust has investments in listed bonds, listed commercial property funds, cash and local property assets such as the land at Sullom Voe Terminal and SLAP’s property portfolio. In these types of assets, the main factor in the return is a steady income to the Trust, interest or rent. In most years capital growth or loss is a smaller contribution to the return. The return is less volatile, so less risky, but also over the long term, in the past, at a lower level than equities. Non-equities have generated around 2% - 4% above inflation pa over the lifetime of the Trust.

2.4 The third category of investments available to an institutional investor like the Trust are higher average return, higher risk assets compared to equities. Collectively they are usually called “alternatives”, and include direct investment in commodities, (e.g. gold, art, coffee), most hedge funds, direct investment in unlisted companies (“private equity”) and currency and derivatives speculation. Most institutional investors have only a small part of their portfolio invested in alternatives, and the Trust has been no exception. For the purposes of most of the rest of this note I am going to ignore alternatives, and treat them as a small element of the equity part of the overall portfolio.

3. The Investment Strategy

3.1 For most of its life, the Trust has been growing, and has an investment strategy heavily skewed towards equities (70% to 80% of the entire portfolio). As the average growth exceeded income, even

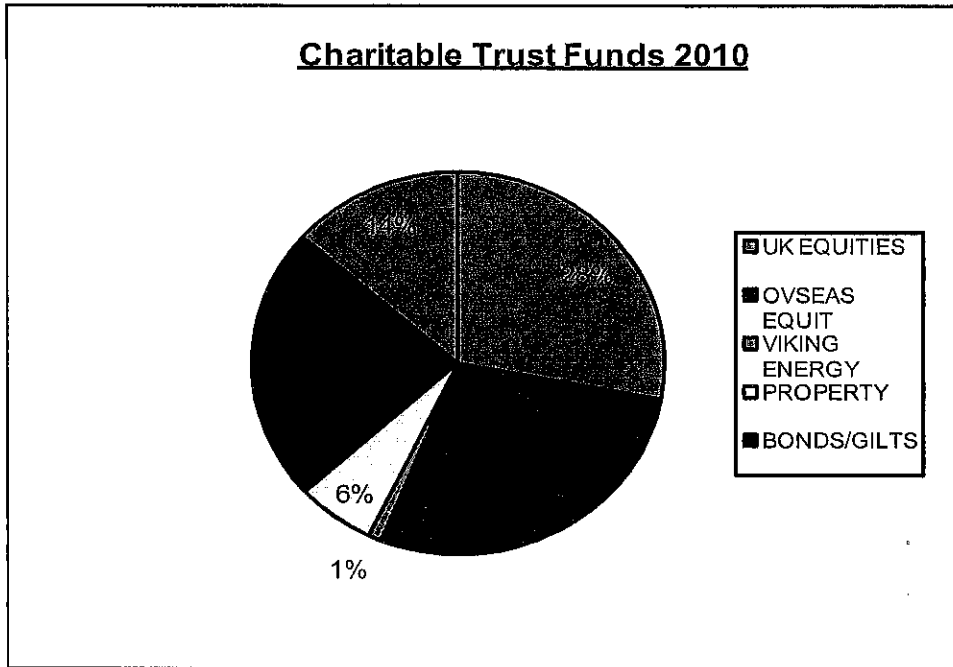
after allowing for inflation of the “pot”, it did not matter much what the returns were in any individual year. Trustees could adopt this relatively high risk strategy, in pursuit of relatively high returns. This strategy has worked well over the lifetime of the Trust as can be seen in the table below:

	£million
Disturbance Receipts (1974-2000)	81
Overall net Investment Returns (1974-2011)	+388
Charitable Disbursements (1976-2011)	<u>- 248</u>
Net Assets (31 st March 2011)	<u>221</u>

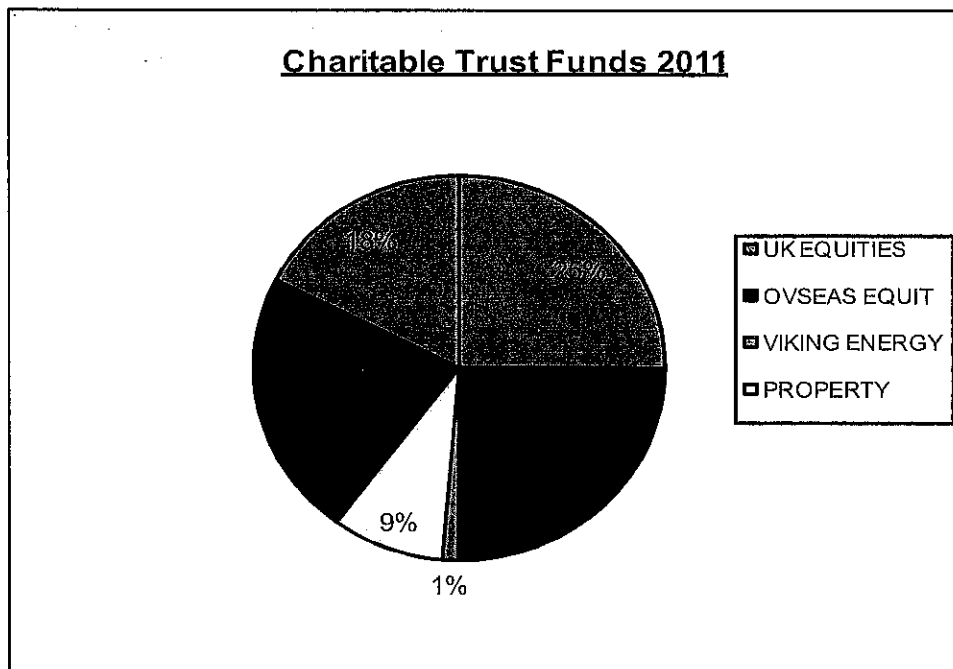
- 3.2 The Trust grew through the seventies and eighties with only relatively short term downward “blips” and grew even faster through the nineties due to consistent positive returns on the World’s share markets. This happy state of affairs was believed endless by most pundits, but they were wrong. The equity markets collapsed between 2000 and 2003 due to the ending of the “Tech Bubble”. They collapsed again, even more sharply, in 2007 and 2008, due to the financial/banking crisis. Also, around the time of the millennium, Trust spending increased, the Disturbance Receipts came to an end, and it was recognised that some local investments were not performing.
- 3.3 Trustees reacted by starting a process to reduce expenditure, and refocusing the local economy investments to be fully commercial. Trustees looked at their investment strategy and decided in 2002 not to immediately crystallise losses by making a rapid change away from equities. This turned out to be a good decision. In 2005 and 2006 decisions were made by Trustees to reduce the proportion of equities in the Trust’s portfolio. The Trust was no longer in a growth phase and was aiming to spend no more than average growth after allowing for inflation of the “pot” (the Trust was spending above this level and that “gap” was not closed until budgets were set for this year). Trustees agreed to set an investment strategy based on 50% equities and 50% non-equities. I believe that this remains an appropriate mix going forward.
- 3.4 There were also some decisions at a level below the fundamental 50% equities: 50% non-equities split. Trustees decided that the previous bias for UK equities should be reduced to 50% UK equities and 50% equities from the rest of the World. Trustees also decided to experiment with a small venture into alternatives by investing £3million in currency dealing. The £3million grew to £3.5million within six months, but then equally rapidly fell back to £2million. Trustees abandoned this tactic at this point. Going back to the tried and tested, Trustees agreed to increase the allocation to commercial property funds from £7million to £20million. The proportion of the Trust’s funds invested in the local economy is growing slowly. This type of investment makes money for the Trust and also enhances

the local economy, so, it is particularly advantageous where sound, commercial, opportunities present themselves. They can be difficult to find, but SLAP, in particular, has been finding them, from time to time.

The charts below show the adjustments in the overall portfolio in the last year.



	£ million
UK EQUITIES	59.2
OVSEAS EQUIT	59.2
VIKING ENERGY	2.3
PROPERTY	13.0
BONDS/GILTS	49.1
LOCAL ECONOMY	28.5
TOTAL INVESTS	211.3
Equities (57%)	120.7
Non-Equities (43%)	90.6
	211.3



	£ million
UK EQUITIES	55.4
OVSEAS EQUIT	55.4
VIKING ENERGY	19.5
PROPERTY	13.0
BONDS/GILTS	49.5
LOCAL ECONOMY	38.6
TOTAL INVESTS	221.1
Equities (51%)	113.5
Non-Equities (49%)	107.6
	221.1

4. Future Prospects: Equity and Equity-like Investments

- 4.1 Over the last few years the Trust has reduced its exposure to equities from over 70% to just over 50%. Within the equity portion the Trust has moved from an 80% UK equities: 20% overseas equities to a 50% UK equities: 50% equities strategy. Some UK institutional investors have gone further and simply have a benchmark of World equities, so about 60% US equities. I intend to continue to discuss this part of the investment strategy with Hymans Robertson, the Trust's Investment Consultant.
- 4.2 Another issue to discuss with Hymans Robertson is exposure to emerging market equities. Generally emerging market equities are regarded as higher risk, higher return investments and so should only be considered as a relatively small proportion of a portfolio.
- 4.3 I have included the Trust's investment in the evaluation stage of the Viking Energy project as part of the Trust's 50% equity portion of the overall reserves. As can be seen in the figure in the table above in paragraph 3.4, the investment to date is around 1% of the Trust's total portfolio. Should the Viking Energy project get consent, and should the Trustees decide to go ahead with it and commit to construction, the further investment required should also be regarded as equity (or equity like) investment. If the project gets to an operational stage, and if it then becomes one that generates regular and predictable returns, it may be appropriate to think of it as something like a non-equity investment. However, if Viking Energy gets to that point and generates the sort of excess profits that may be available, I am confident that the Trustees of the day will want to review the investment strategy to take that into account.

5. Future Prospects: Non-Equity Investments

- 5.1 The Trust has over £100million invested in non-equity investments. Trustees decided to increase the allocation to commercial property units to £20million. Property investing occurs at a slower pace to some other opportunities, but the portfolio is almost fully invested.
- 5.2 An increasingly significant investment (or set of investments) is in the local economy. The Trust owns the land at Sullom Voe Oil Terminal and is paid rent by the oil industry. SLAP and SHEAP generate good returns for the Trust (£3.048million was paid to the Trust in Gift Aid in 2010/11). These local economy investments are increasing from about £20million in 2004, to £28.5million in 2010 and £38.6million in 2011. Completion of SLAP projects at the North Ness and Scatsta will take the figure to over £40million and further investment opportunities are under scrutiny. If local economy investments perform adequately financially, they benefit the Shetland economy as well as the Trust itself, and this is a second indirect benefit to the Trust's beneficiaries.

- 5.3 The Trust has agreed in principle to fund SLAP to purchase the new Anderson High School when it is completed (this won't be in the next three years) and lease it back to Shetland Islands Council. This will require an investment in the region of £50million, but this can be accommodated within the Trust's 50% non-equity strategy, providing the investment generates return of capital and a suitable profit over the lifetime of the lease. The Trust will need to see the detail before committing to a purchase and lease back.

6. Socially Responsible Investing

- 6.1 Any discussion of investment strategy must include the topic of Socially Responsible Investing. Trustees have discussed the topic regularly, and received reports on the legal issues in July 2008 and possible consequences for performance in September 2009. The summary of the legal position (as re-confirmed in the September 2009 report) was that Trustees are entitled to follow an ethical investment policy, so long as they follow the law, put aside personal preferences and take proper advice.
- 6.2 The brief from Trustees for the September 2009 report was to look at comparative performance of ethical funds and to inform a general Trustee debate on the topic. The Trust's Investment Consultant, Hymans Robertson, attended the meeting and gave a presentation on the subject. Any Fund Manager's job is to make investment decisions to achieve a certain level of return (the target) by taking appropriate levels of risk (ideally the minimum needed). Trustees exert some degree of risk control by specifying appropriate asset classes through the benchmark and the limits around it. However, Fund Managers have considerable freedom/opportunity to show skill in making investment decisions.
- 6.3 In their presentation Hymans Robertson looked firstly at negative screening, i.e. the exclusion of certain types of investment from those available to the Fund Manager. They used tobacco stocks as an illustration, but concluded that similar arguments are likely to apply to the exclusion of other asset classes. Hymans Robertson's analysis was that, given equal amounts of skill in picking stocks, a Fund Manager who was unable to invest in tobacco stocks would underperform one who was not constrained in this way by an average of 0.2%-0.3% p.a. over the last twenty years (to 2009). So a mandate of around £100million would return about £250,000 less p.a. on average. Excluding other sectors, for example companies that engage in the manufacture of armaments, supply of alcohol, or provision of gambling services would also have led to past under performance. There is a series of market indexes called FTSE4Good that only includes companies that meet appropriate environmental, social or governance criteria. The UK version of this index includes about 80% of companies in the UK market and had underperformed the benchmark FTSE All Share index by 1.2% p.a. over 10 years (to 2009).
- 6.4 Hymans then went on to look at alternative ways to adopt a Socially Responsible investment Strategy. Hymans reported that the majority of investment managers, including the Trust's own equity manager,

Blackrock, have a policy of engagement with companies. There was a good discussion at the Trustee meeting in September 2009 on the topic of engagement. Trustees affirmed the position of the Trust as set out in the Annual Report and in the Trustee Handbook in more detail. I reproduce extracts below:

“The aim of the Trustees is to invest the reserves of the Trust to generate returns to support charitable expenditure and to maintain the real value of the reserves in the long term. Trustees will seek to control risk through proper diversification and will take advice, as appropriate in determining the mix of asset types in its investments.”

“Trustees expect the Fund Manager to use investment criteria as the primary consideration in investment decisions. However, social, environmental and and/or ethical considerations will be taken into account by the Fund Manager to the extent that their assessment shows that they will benefit the shareholders (i.e. the Trust) financially in the long term”.

- 6.5 Good investment decisions generate better growth for the Trust to use to fund charitable disbursements in the future. Trustees can and do require Fund Managers to give socially responsible issues due weighting in the investment decision.

Reference: JPG/em/TA41
Date: 9th June 2011

Report Number CT1106038AppB

REPORT

To: Shetland Charitable Trust

23 June 2011

From: General Manager

Report: CT1106047

Future Governance Arrangements of Shetland Charitable Trust Progress Report

1. Introduction

1.1 This report is presented to advise Trustees of progress towards detailed proposals for the new governance arrangements for the Trust.

2. Background

2.1 At their meeting in February 2009, Trustees agreed to review the governance arrangements of the Trust in the light of current regulatory and legislative framework.

2.2 At a meeting on 8 September 2010, Trustees agreed to seek legal advice to determine if the constitution of the Trust required to be changed in light of current OSCR opinion and trust regulations, and to make such recommendations as necessary for the future governance of the Trust (Min Ref CT/57/10).

2.3 At their meeting on 12 May 2011, after considering the legal advice from Senior Counsel, Trustees agreed that the governance of the Trust should change, in the light of current regulatory and legislative framework (Min Ref CT/27/11).

3. Present Position

3.1 The Governance Review Group agreed a briefing note to be circulated to all Trustees, outlining the process they intended to follow. A copy of that note is attached as Appendix 1 for ease of reference.

3.2 The Governance Review Group will have met twice since 12 May 2011, and have discussed items a) to c) in the briefing note. It is hoped to have proposals to present to Trustees as soon as is practical.

4. Financial Implications

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

5. Recommendation

5.1 Trustees are asked to note this report.

Reference: EMA/TA38

Report Number CT1106047-f

Briefing Note

To: Shetland Charitable Trust

12 May 2011

From: Governance Review Group

Future Governance of the Trust – Next Steps

1. Introduction

1.1 At the meeting of the Governance Review Group on 5 May 2011, it was decided to outline the process which would follow if the Trustees decided to accept the need for a change in the Trust's governance arrangements.

2. Next Steps

2.1 The following were identified as key steps towards agreeing the new governance arrangements, which would satisfy the legal requirements and meet the needs of the Trust going forward:-

Discuss options on:-

- a) Number of Trustees
- b) Composition of the Board of Trustees, including quorum arrangements as appropriate
- c) Method of selection/election
- d) Duration and rotation of periods of office to ensure continuity
- e) Implementation plan for the new arrangements

2.2 The headings will be explored in detail by the Governance Review Group over a series of meetings, and a full paper with options presented to Trustees for decision.

REPORT**To:** Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106039

Payments to Trustees in the year to 31 March 2011**1. Introduction**

1.1 This report is presented to show the payments which have been made to Trustees in the year to 31 March 2011, prior to their publication in the local press.

2. Background

2.1 Trustees are entitled by law and in terms of their Trust Deed, to "reimburse the Trustees out of the Trust Fund for all expenses reasonably incurred by them in connection with the administration of the Trust". The Trust has also agreed to pay remuneration costing £5,000 and £2,500 to the Chair and Vice Chair respectively, in recognition of the work they carry out for the Trust.

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

3. Present Position

3.1 A spreadsheet is attached as Appendix A, showing the remuneration and expenses which have been paid to Trustees in the year to 31 March 2011, totalling £10,285.36.

4. Financial Implications

4.1 A budget of £10,300 has been set aside for payments to Trustees.

5. Recommendation

5.1 This report is for noting.

Reference: EMA/TA21/2

Report Number CT1106039-f

2

Appendix A

Payments to Trustees for the year to 31 March 2011

Name	Position	Remuneration £	Travel £	Subsistence £	Total £	Total 09/10 £
Mr W Manson	Chairman	5,000.00	1,414.82	9.80	6,424.62	5,401.16
Mr J Henry	Vice Chair	2,500.00	277.33		2,777.33	2,038.27
Ms L Baisley	Trustee		217.84		217.84	341.44
Mr A Cooper	Trustee		-		-	68.40
Mr A Doull	Trustee		160.00		160.00	149.30
Mrs F Grains	Trustee		57.50		57.50	296.54
Mrs I Hawkins	Trustee		188.20		188.20	200.67
Mr R Henderson	Trustee		94.96		94.96	540.58
Mr R Nickerson	Trustee		121.60		121.60	76.00
Mr F Robertson	Trustee		57.60		57.60	316.13
Mr G Robinson	Trustee		26.80	10.55	37.35	-
Mr J Simpson	Trustee		140.56	7.80	148.36	445.85
totals		7,500.00	2,757.21	28.15	10,285.36	9,874.34

REPORT**To:** Shetland Charitable Trust

23 June 2011

From: General Manager

Report: CT1106040

**Planned Maintenance Review
Progress Report****1. Introduction**

1.1 The purpose of this report is to update trustees on the progress made in reviewing the Planned Maintenance Programme. This report presents the first stage of forming the five year programme. A final report will be presented in September with the completed programme.

2. Background

2.1 At their meeting on 10 December 2009, Trustees received (at their request) a list of properties whose maintenance is funded by the Trust. Since the rest of the Trust's annual expenditure has been reviewed, it is appropriate that the Planned Maintenance Programme is also reviewed, to ensure consistency and value for money throughout the programme.

2.2 On 13 May 2010, Trustees received a report which set out a definition of maintenance and indicated that work would be done over the summer to re-arrange the maintenance programme in two main headings, Statutory Testing and Planned Maintenance. A separate budget would be created which would contain operational plant, equipment and vehicles.

2.3 Two further headings have been added, re-decoration and capital.

3. Present Position

3.2 All three big trusts have submitted plans for the next five years in the new format. These are set out in the table attached as appendix 1. The Shetland Islands Council's Technical Support Manager, acting for the Trust, has produced programmes for the buildings which are managed directly under Service Level Agreements, either

with the Trust, or in the case of Market House, with Voluntary Action Shetland.

- 3.3 Any equipment formerly purchased under the Planned Maintenance budget has been included in the total Replacements budget shown in column 4 of the table.
- 3.4 You will note that some of the plans are not yet complete. Shetland Recreational Trust has yet to produce its equipment budgets, and Shetland Amenity Trust has yet to finalise its capital budget. Both these figures will be available for the final report which will be presented at the September meeting.

4. Financial Implications

4.1 It has always been recognised that a maintenance programme will cost more some years than others. The programme which is attached as Appendix 1 is a costed five year programme, which will be completed by September this year. This will form the basis of the Trust's Maintenance budget going forward.

4.2 The summary table is shown below:-

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Year	Decoration	Planned Maintenance	Replacements	Statutory	Capital	Totals
2011-12	69,298	962,862	140,906	313,145	119,217	1,605,428
2012-13	72,598	633,481	134,600	313,145	30,300	1,184,124
2013-14	61,548	617,335	98,050	316,073	7,000	1,100,006
2014-15	61,898	625,105	100,600	314,645	2,000	1,104,248
2015-16	71,598	624,580	65,350	321,245	27,500	1,110,273
2016-17	53,048	624,533	88,050	325,645	30,000	1,121,275
	389,985	4,087,898	627,556	1,903,898	216,017	7,225,354

Trustees are asked to note that due to time constraints, Shetland Recreational Trust have yet to submit costs for any capital works and equipment and vehicles beyond the current year, and Shetland Amenity Trust have not yet submitted their likely capital works programme.

5. Recommendation

5.1 Trustees are asked to note the progress towards a five year programme, and to expect a further report in September, when it is expected that the programmes will have been completed.

Reference: EMA/TA12

Report Number CT1106040-f

Appendix 1 – Stage 1 – costed five year programme

Appendix 1 – Trust Planned Maintenance Programme - Summary Tables

Shetland Charitable Trust - PMP Five Year Plan

Summary Table						GIA: 30,788m ²
Year	Decorations	Planned Maintenance	Equipment & Vehicles	Statutory	Capital	Totals
2011-2012	69,298	962,862	140,906	313,145	119,217	1,605,428
2012-2013	72,598	633,481	134,600	313,145	30,300	1,184,124
2013-2014	61,548	617,335	98,050	316,073	7,000	1,100,006
2014-2015	61,898	625,105	100,600	314,645	2,000	1,104,248
2015-2016	71,598	624,580	65,350	321,245	27,500	1,110,273
2016-2017	53,048	624,533	88,050	325,645	30,000	1,121,275
	389,985	4,087,898	627,556	1,903,898	216,017	7,225,354

Shetland Amenity Trust

Shetland Museum & Archives						GIA: 3,328m ²
Year	Decorations	Planned Maintenance	Equipment & Vehicles	Statutory	Capital	Totals
2011-2012	23,650	44,967		23,350	14,000	105,967
2012-2013	38,000	38,014		23,350	5,000	104,364
2013-2014	30,000	39,634		23,350	3,000	95,984
2014-2015	20,000	38,434		23,350	2,000	83,784
2015-2016	20,000	39,934		23,350	15,000	98,284
2016-2017	20,000	39,934		23,350		83,284
	151,650	240,919		140,100	39,000	571,669

Shetland Amenity Trust						GIA: 7,515m ²
Year	Decorations	Planned Maintenance	Equipment & Vehicles	Statutory	Capital	Totals
2011-2012		114,186	46,500	57,500		218,186
2012-2013		120,000	134,600	57,500		312,100
2013-2014		120,000	98,050	57,500		275,550
2014-2015		122,600	100,600	59,000		282,200
2015-2016		125,875	65,350	65,000		256,225
2016-2017		129,175	88,050	65,000		282,225
		731,836	533,150	361,500		1,626,486

Shetland Charitable Trust

22-24 North Road						GIA: 324m ²
Year	Direct Grants	Planned Maintenance	Capital Grants	Charities	Other	Total
2011-2012		4,826		1,330		6,156
2012-2013		4,826		1,330		6,156
2013-2014		4,826		1,330		6,156
2014-2015	6,500	4,826		1,330		12,656
2015-2016		4,826		1,330		6,156
2016-2017		4,826		1,330		6,156
	6,500	28,956		7,980		43,436

Market House						GIA: 1,472m ²
Year	Direct Grants	Planned Maintenance	Capital Grants	Charities	Other	Total
2011-2012	13,450	24,439		3,772		41,661
2012-2013		24,439		3,772	3,000	31,211
2013-2014		24,439		6,900	4,000	35,339
2014-2015		24,439		3,772		28,211
2015-2016	18,000	24,439		3,772	12,500	58,711
2016-2017		24,439		3,772	30,000	58,211
	31,450	146,634		25,760	49,500	253,344

Springfield Chalet						GIA: 100m ²
Year	Direct Grants	Planned Maintenance	Capital Grants	Charities	Other	Total
2011-2012	1,900	10,345		315		12,560
2012-2013		1,900		315	22,300	24,515
2013-2014		1,900		315		2,215
2014-2015	2,800	1,900		315		5,015
2015-2016		1,900		1,115		3,015
2016-2017		1,900		315		2,215
	4,700	19,845		2,690	22,300	49,535

Shetland Recreational Trust

Clickimin Leisure Complex						GIA: 8,770m ²
Year	Director's Input	Management	Capital	Operating	Capital	Total
2011-2012	7,565	222,304	94,406	58,465	68,000	450,740
2012-2013	7,565	141,480		58,465		207,510
2013-2014	7,565	141,480		58,465		207,510
2014-2015	7,565	141,480		58,465		207,510
2015-2016	7,565	141,480		58,465		207,510
2016-2017	7,565	141,480		58,465		207,510
	45,690	738,224		292,325		1,488,290

Unst Leisure Centre						GIA: 1,368m ²
Year	Director's Input	Management	Capital	Operating	Capital	Total
2011-2012	3,340	59,676		21,876		84,892
2012-2013	3,340	36,559		21,876		61,775
2013-2014	3,340	36,559		21,876		61,775
2014-2015	3,340	36,559		21,876		61,775
2015-2016	3,340	36,559		21,876		61,775
2016-2017	3,340	36,559		21,876		61,775
		242,471		131,256		393,767

Yell Leisure Centre						GIA: 1,368m ²
Year	Director's Input	Management	Capital	Operating	Capital	Total
2011-2012	3,340	42,946		21,876		68,162
2012-2013	3,340	36,559		21,876		61,775
2013-2014	3,340	36,559		21,876		61,775
2014-2015	3,340	36,559		21,876		61,775
2015-2016	3,340	36,559		21,876		61,775
2016-2017	3,340	36,559		21,876		61,775
	20,040	225,741		131,256		377,037

Whalsay Leisure Centre						GIA: 1,368m ²
Year	Director's Input	Management	Capital	Operating	Capital	Total
2011-2012	3,340	93,765		22,026		119,131
2012-2013	3,340	20,296		22,026		45,662
2013-2014	3,340	20,296		22,026		45,662
2014-2015	3,340	20,296		22,026		45,662
2015-2016	3,340	20,296		22,026		45,662
2016-2017	3,340	20,296		22,026		45,662
	20,040	195,245		132,156		347,441

West Mainland Leisure Centre						GIA: 1,550m ²
Year	Proposed	Planned	Current	2017	2018	2019
		Million	%	Million	Million	Million
2011-2012	3,727	24,160		23,041		50,928
2012-2013	3,727	18,481		23,041		45,249
2013-2014	3,727	18,481		23,041		45,249
2014-2015	3,727	18,481		23,041		45,249
2015-2016	3,727	18,481		23,041		45,249
2016-2017	3,727	18,481		23,041		45,249
	22,859	116,565		138,246		277,170

North Mainland Leisure Centre						GIA: 992m ²
Year	Proposed	Planned	Current	2017	2018	2019
		Million	%	Million	Million	Million
2011-2012	3,150	81,748		23,014	37,217	145,129
2012-2013	3,150	36,787		23,014		62,951
2013-2014	3,150	36,787		23,014		62,951
2014-2015	3,150	36,787		23,014		62,951
2015-2016	3,150	36,787		23,014		62,951
2016-2017	3,150	36,787		23,014		62,951
	18,900	265,683		138,084		459,884

Scalloway Pool						GIA: 645m ²
Year	Proposed	Planned	Current	2017	2018	2019
		Million	%	Million	Million	Million
2011-2012	2,918	53,077		22,605		78,600
2012-2013	2,918	20,116		22,605		45,639
2013-2014	2,918	20,116		22,605		45,639
2014-2015	2,918	20,116		22,605		45,639
2015-2016	2,918	20,116		22,605		45,639
2016-2017	2,918	20,116		22,605		45,639
	17,508	153,657		135,630		306,795

South Mainland Pool						GIA: 588m ²
Year	Proposed	Planned	Current	2017	2018	2019
		Million	%	Million	Million	Million
2011-2012	2,918	70,285		22,605		95,808
2012-2013	2,918	20,116		22,605		45,639
2013-2014	2,918	20,116		22,605		45,639
2014-2015	2,918	20,116		22,605		45,639
2015-2016	2,918	20,116		22,605		45,639
2016-2017	2,918	20,116		22,605		45,639
	17,508	170,865		135,630		324,003

Shetland Arts

Garrison Theatre - Overall Five Year Works Programme						GIA: 453m ²
Year	Propositions	Planned	Actual	Cost	Value	Total
2011-2012		24,310		6,990		31,300
2012-2013		12,765		6,990		19,755
2013-2014		9,499		6,790		16,289
2014-2015		11,064		6,990		18,054
2015-2016	2,000	10,144		6,790		18,934
2016-2017		3,979		11,990		15,969
	2,000	71,761		46,540		120,301

Bonhoga Gallery - Overall Five Year Works Programme						GIA: 247m ²
Year	Propositions	Planned	Actual	Cost	Value	Total
2011-2012		13,828		2,480		16,308
2012-2013	300	16,043		2,480		18,823
2013-2014	1,250	4,543		2,480		8,273
2014-2015	2,300	5,348		2,480		10,128
2015-2016	300	3,968		2,480		6,748
2016-2017	2,750	6,785		2,480		12,015
	6,900	50,513		14,880		72,293

SADA Offices - Overall Five Year Works Programme						GIA: 350m ²
Year	Propositions	Planned	Actual	Cost	Value	Total
2011-2012		1,600		1,900		3,500
2012-2013	4,000	1,001		1,900		6,901
2013-2014		1,001		1,900		2,901
2014-2015		1,001		1,900		2,901
2015-2016	1,000	1,001		1,900		3,901
2016-2017		1,001		1,900		2,901
	5,000	6,603		11,400		23,003

Other Areas

Swan Trust - Overall Five Year Works Programme						GIA: N/A
Year	Operational	Planned Maintenance	Contingent & Voluntary	Voluntary	Capital	Total
2011-2012		27,400				27,400
2012-2013		35,100				35,100
2013-2014		32,100				32,100
2014-2015		36,100				36,100
2015-2016		33,100				33,100
2016-2017		33,100				33,100
		196,900				196,900

Technical Support & Professional Fees						GIA: N/A
Year	Operational	Planned Maintenance	Contingent & Voluntary	Voluntary	Capital	Total
2011-2012		49,000				49,000
2012-2013		49,000				49,000
2013-2014		49,000				49,000
2014-2015		49,000				49,000
2015-2016		49,000				49,000
2016-2017		49,000				49,000
		294,000				294,000

REPORT

To: Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106041

FUND MANAGER TRANSACTIONS

1. Introduction

1.1 Shetland Islands Council provides Treasury support to Shetland Charitable Trust under the terms of a Service Level Agreement (SLA).

2. Investment Decisions

2.1 Appendix A lists the investment decisions made by Insight Investment Management Limited during the period from 1-30 April 2011.

2.4 This appendix list purchases in order of transaction size and sales in order of the size of the gain or loss made on the transaction.

2.5 The Fund Managers make investment decisions based on the terms of Investment Management Agreements.

3. Movement on Charitable Trust Funds

3.1 The following table shows the movement on the Charitable Trust funds for the current financial year to date:

2011/12 to 3 Jun 2011

	£ million
Market Value at start	178.8
Market Movement	1.1
Injection/(Withdrawal)	0.0
Market Value at close	<u>179.9</u>

(These are unaudited figures and are for guidance only.)

4. Recommendation

4.1 The Trustees are asked to note this report.

INSIGHT INVESTMENT MGMT REPORT - PURCHASES

NAME OF SECURITY	AREA	DATE	NUMBER OF UNITS	PURCHASE PRICE (£)
	QF = quoted fixed UF = unquoted fixed			
UNITED KINGDOM				
UK(GOVT OF) 4% TSY GLT 07/03/22 GBP0.01	QF GB GB	04/04/2011	890,000.00	898,277.00
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	18/04/2011	122,000.00	391,742.00
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	18/04/2011	122,000.00	391,681.00
ILF GBP LIQUIDITY FD	DEP	18/04/2011	345,000.00	345,000.00
UK(GOVT OF) 4% TSY GLT 07/03/22 GBP0.01	QF GB GB	04/04/2011	320,000.00	322,976.00
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	08/04/2011	243,000.00	248,452.26
UK(GOVT OF) 2.5% I/L STK 23/08/11 GBP	QF GIL GB	08/04/2011	63,000.00	194,292.00
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP100	QF GIL GB	06/04/2011	114,000.00	142,211.66
UK(GOVT OF) 2% I/L STK 26/01/35 GBP100	QF GIL GB	19/04/2011	84,000.00	139,767.60
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	20/04/2011	94,000.00	108,664.07
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	18/04/2011	77,000.00	80,535.22
UK(GOVT OF) 2.5% I/L STK 23/08/11 GBP	QF GIL GB	18/04/2011	20,000.00	61,680.00
ILF GBP LIQUIDITY FD	DEP	19/04/2011	10,000.00	10,000.00
ILF GBP LIQUIDITY FD	DEP	01/04/2011	5,000.00	5,000.00
ILF GBP LIQUIDITY FD	DEP	11/04/2011	5,000.00	5,000.00
ILF GBP LIQUIDITY FD	DEP	01/04/2011	857.94	858.00
TOTAL UNITED KINGDOM				<u>3,346,136.81</u>

OVERSEAS

NO OVERSEAS INVESTMENTS PURCHASED

TOTAL OVERSEAS

0.00

INSIGHT INVESTMENT MGMT REPORT - SALES

NAME OF SECURITY	AREA	DATE	NUMBER OF UNITS	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
	QF = quoted fixed UF = unquoted fixed				
UNITED KINGDOM					
UK(GOVT OF) 2.5% I/L STK 17/07/24 GBP	QF GIL GB	18/04/2011	137,000.00	394,834.00	34,038.36
UK(GOVT OF) 2.5% I/L STK 17/07/24 GBP	QF GIL GB	18/04/2011	137,000.00	394,560.00	33,764.36
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	08/04/2011	350,000.00	444,014.60	21,846.63
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	18/04/2011	111,000.00	143,234.34	9,346.78
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	19/04/2011	111,000.00	141,765.54	7,877.98
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	06/04/2011	91,000.00	105,976.01	3,664.49
UK(GOVT OF) 1.25% I/L STK 22/11/27 GBP	QF GIL GB	20/04/2011	43,000.00	54,911.14	3,044.79
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	06/04/2011	23,000.00	34,735.36	1,392.35
UK(GOVT OF) 1.125% I/L STK 22/11/37 GBP100	QF GIL GB	20/04/2011	43,000.00	53,499.70	301.37
ILF GBP LIQUIDITY FD	DEP	05/04/2011	900,000.00	900,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	07/04/2011	5,000.00	5,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	15/04/2011	252,450.55	252,450.55	0.00
UK(GOVT OF) 3.25% TSY GILT 07/12/11 GBP	QF GB GB	04/04/2011	315,000.00	320,367.60	-393.09
TOTAL UNITED KINGDOM				<u>3,245,348.84</u>	<u>114,884.03</u>

OVERSEAS

NO OVERSEAS INVESTMENTS SOLD

TOTAL OVERSEAS

0.00 0.00

REPORT

To: Shetland Charitable Trust

23 June 2011

From: Financial Controller

Report: CT1106042

Management Accounts – Year Ended 31 March 2011

1. Introduction and Key Decisions

1.1 This report presents the Trust's Management Accounts for the year to 31st March 2011, for noting. The Management Accounts are attached as Appendix A and deal with revenue budgets and expenditure. Appendix B is a summary of the draft accounts for the year.

2. Management Accounts

2.1 Table 1 below shows the Summary Budget and actual spend for the Charitable Trust for 2010/11.

Table 1: Summary Management Accounts 2010/11

	Budget	Spend
	£m	£m
Item		
Charitable Expenditure		
Schemes and Organisations	8.8	8.6
Maintenance/Capital Programme	1.3	1.3
One-Off Projects	0.5	0.4
Operating Costs	0.5	0.5
Total	<u>11.1</u>	<u>10.8</u>

2.2 A more detailed analysis of the expenditure programmes is set out in Appendix A.

2.3 The total budget for Schemes and Organisations is £8.8million, of which £8.6million has been spent. The biggest under spend was £95,959 on the Christmas Bonus Scheme. Elsewhere, there was an

underspend on the one off budget for Fire Upgrades and Rural Care Homes of £66,847.

- 2.4 Table 2 below sets out the revisions/enhancements to the original budget for 2010/11 to give the final budget.

Table 2: Budget Amendments

Original Budget Presented 11 February 2010 **£10,302,150**

Enhancements Presented 11 February 2010

Fire Upgrades Rural Care Homes £251,323

CLAN 123 £250,000

Approvals Presented 18 March 2010

WRVS £47,622

Enhancements Presented 24 June 2010

VAS – ICT Replacement £19,750

Planned Maintenance – Market House £24,646

Panned Maintenance – 22-24 North Rd £8,280

Approvals Presented 8 September 2010

COPE (Source – SDT Surplus) £175,000

Approval Chairman's authority

Planned Maintenance – Swan Trust £12,000

Revised budget as at 31 December 2010 **£11,090,771**

- 2.5 Budget Virements have been effected within the Management and Administration budgets as follows:-

£4,000 from the Training and Staff Development Budget into the Travel and Subsistence Budget;

£1,000 from the Professional fees: Other Budget into the External Audit Fees Budget;

£2,500 from the Cleaning Budget into the Water Rates Budget; and

£11,000 from the Basic Payment Allowances Budget into the Travel and Subsistence Budget (£340), the Supplies & Services Budget (£1,550), the Miscellaneous items Budget (£260), the External Audit Fees Budget (£4,000), the Legal Fees Budget (£4,000) and the Energy Costs Budget (£850).

£1,200 from the Personnel Advice Budget into Messenger Service Budget.

3. Summary Accounts for 2010/11

- 3.1 The draft summary accounts for 2010/11 are shown in Appendix B. The first sheet shows that the Trust's investment through fund Managers generated £10.9million in the year, and overall the various local economy investments contributed £4.4million.

- 3.2 Expenditure for the year was £10.9million. The detail is given in Appendix A and discussed in section 2 above. The figures included for depreciation on donated properties and the movement in the pension liability are of interest to my profession, but have no immediate consequences.
- 3.3 Overall the Trust shows an increase in net assets in the year from £217.1million to £221.1million. This relatively small movement means that the balance sheet for 31 March 2011 is not very different from the balance sheet for 31 March 2010, as can be seen on the second sheet of Appendix B.

4. Financial Implications

- 4.1 No direct financial implications flow from this information report.

5. Recommendation

- 5.1 I recommend that Trustees note the satisfactory financial performance in the year to 31 March 2011, as shown in the Management Accounts in Appendix A.

Reference: JPG/LF/em/DA5
Date: 13 June 2011

Report Number CT1106042

Shetland Charitable Trust Management Accounts
Charitable Expenditure : Period to 31 March 2011

CT1106042
Appendix A

	Current budget £	Actual spend to 31 March £	year to date variance £
Shetland Amenity Trust	1,052,728	1,052,728	0
Shetland Arts Development Agency	696,038	696,038	0
Shetland Recreational Trust	2,518,550	2,518,550	0
<u>Other Charitable Organisations</u>			
Disability Shetland Recreation Club	12,641	12,641	0
The Swan Trust	48,900	48,900	0
VAS - New Shetlander	670	670	0
Shetland Churches Council Trust	54,075	54,075	0
Shetland Youth Information Service	188,840	188,840	0
Shetland Befriending Scheme	54,418	54,418	0
Citizens Advice Bureau	132,265	132,265	0
COPE Limited	329,967 *	329,967	0
Couple Counselling Shetland	12,000	12,000	0
Shetland Link Up	47,994	47,994	0
Voluntary Action Shetland	144,367	144,367	0
VAS - ICT Replacement	19,750 *	19,750	0
Festival Grants	30,000	30,000	0
Local Charitable Organisations	14,000	12,572	1,428
Womens Royal Voluntary Service	47,622 *	47,622	0
Cost of change (Trusts)	0	641	-641
Sub Total Charitable Organisations	5,404,825	5,404,038	787
<u>Schemes</u>			
Community Development Grants	13,413 *	12,826	587
Community Support Grants	73,180 *	73,180	0
Arts Grant Scheme	35,000	26,715	8,285
Sheltered Housing Heating	25,500	25,500	0
Senior Citizens Clubs	23,000	17,809	5,191
Support to Rural Care Model	2,491,000	2,491,000	-1,980
Social Assistance Grants	35,000	25,177	9,823
Buses for Elderly and Disabled	49,980 *	51,960	-1,980
Supported Employment	8,000	7,179	821
Sub Total Schemes	2,754,073	2,731,345	22,728
<u>Direct Schemes</u>			
Springfield	1,500	1,467	33
Xmas grant Scheme	578,000	482,041	95,959
Planned Maintenance	1,306,586 *	1,285,920	20,666
Sub Total Direct Schemes	1,886,086	1,769,428	116,658
<u>One-Off Projects</u>			
Fire Upgrades in Rural Care Homes	251,323 *	184,476	66,847
CLAN 123	250,000 *	250,000	0
Sub Total One-Off Projects	501,323	434,476	66,847
Trust Administration	544,464	519,518	24,946
Surplus Grants Refunded	0	-20,034	20,034
Total	11,090,771	10,838,772	251,999

* These budgets have been modified by subsequent decisions of the Trust

**Shetland Charitable Trust Management Accounts
Management and Administration : Period to 31 March 2011**

Appendix A

	Current budget £	Actual spend to 31 March £	year to date variance £
Staffing Costs			
Basic Pay and Allowances	344,000 v	336,680	7,320
Professional Membership Fees	2,000	1,437	564
Travel and Subsistence	7,840 v	7,584	256
Training and Staff Development	3,000 v	2,367	633
Sub Total Staffing Costs	356,840	348,067	8,773
Operating Costs			
Insurance	10,000	9,675	325
Administration	3,250	2,704	546
Supplies and Services	5,810 v	5,788	22
Bank Charges	1,000	552	448
Professional Fees: Other	9,000 v	6,398	2,602
Miscellaneous Items	1,460 v	1,459	1
External Audit Fees	25,000 v	24,969	31
Trustees Allowances	7,500	7,500	0
Trustees Expenses	2,800	2,785	15
Legal Fees	44,000 v	43,998	2
Sub Total Operating Costs	109,820	105,827	3,993
Property Costs			
Energy Costs	4,350 v	4,341	9
Water Rates	2,500 v	2,269	231
Cleaning	3,500 v	3,205	295
Sub Total Property Costs	10,350	9,816	534
Bought In Services			
Finance	41,630	31,741	9,889
Personnel Advice	1,359 v	0	1,359
Committee Services	11,750	11,750	0
Computer Services	9,400	9,001	399
Messenger Services	1,200 v	1,200	0
Insurance Admin	2,115	2,115	0
Sub Total Bought In Services	67,454	55,808	11,646
Total	544,464	519,518	24,946

v Budgets modified by virement

CT1106042
APPENDIX A

SHETLAND CHARITABLE TRUST
Summary of the Movements on the Revenue and Capital Accounts for the Year Ended 31 March 2011

	2010/11 £ million	2010/11 £ million	2009/10 £ million	2009/10 £ million	2008/09 £ million	2008/09 £ million
Fund Managers						
Dividends and Interest	4.8		4.1		4.4	
Capital Movements	6.4		45.6		-44.7	
Fees	-0.3	10.9	-0.2	49.5	-0.4	-40.7
Local Investments						
Ag. Loan Interest	0.1		0.1		0.1	
SLAP/SHEAP Profits	3.9		4.2		4.1	
Rents, Less Depreciation	1.0		1.0		1.3	
Interest on SLAP loans	-0.6	4.4	-0.3	5.0	-1.5	4.0
		15.3		54.5		-36.7
TOTAL INVESTMENT RETURNS						
Expenditure						
Charitable	-10.3		-11.4		-12.5	
Administration	-0.6		-0.6		-0.6	
		-10.9		-12.0		-13.1
TOTAL EXPENDITURE						
SURPLUS/(DEFICIT) FOR THE YEAR	4.4	4.4	42.5	42.5	-49.8	
OPENING NET ASSETS	217.1	217.1	176.3	176.3	219.4	
Donated Properties						
New Donations	0.0		0.0		8.0	
Depreciation on Donated Properties	-0.9		-0.9		-0.9	
MOVEMENT ON DONATED PROPERTIES	-0.9	-0.9	-0.9	-0.9	7.1	
MOVEMENT IN PENSION LIABILITY	0.5	0.5	-0.8	-0.8	-0.4	
CLOSING NET ASSETS	221.1	221.1	217.1	217.1	176.3	

APPENDIX B

SHETLAND CHARITABLE TRUST
Balance Sheet at 31 March 2010

	2010/11 £ million	2010/11 £ million	2010/11 £ million	2009/10 £ million	2008/09 £ million	2008/09 £ million
Fixed Assets including Donated Properties		10.7		11.6		12.2
Managed funds		178.8		180.6		143.0
Local investments						
Equity	52.1		51.6		51.0	
Agricultural loans	0.8		1.0		1.2	
Current assets		52.9		52.6		52.2
Debtors	2.6		1.3		1.4	
Bank	4.5		4.9		5.3	
	7.1		6.2		6.7	
Less current liabilities						
Creditors	-1.3		-1.3		-1.6	
Net current assets		5.8		4.9		5.1
SLAP Borrowing		-26.0		-31.0		-35.5
Pension Liability		-1.1		-1.6		-0.7
		<u>221.1</u>		<u>217.1</u>		<u>176.3</u>
Financed by						
Reserves b/fwd		217.1		176.3		219.4
Surplus/deficit for year		4.4		42.5		-49.8
Movement on donated properties/pension liability		-0.4		-1.7		6.7
		<u>221.1</u>		<u>217.1</u>		<u>176.3</u>

REPORT

To: Shetland Charitable Trust

23 June 2011

From: General Manager

Report No. CT1106043

RECOMMENDED DISBURSEMENTS – APPROVALS**1. Background**

- 1.1 On 30 March 2000, Trustees approved a report which authorised the then Director of Education and Community Services to act on behalf of the Trust and approve applications for community development and community support grants to organisations operating within Shetland. (Min. Ref. CT/19/00)
- 1.2 On 8 February 2006, Trustees approved a report which authorised the then Head of Service – Community Development to act on behalf of the Trust and approve applications for community arts grants to organisations and individuals operating within Shetland. (Min. Ref. CT/02/06)
- 1.3 It is a requirement that all approvals are reported to subsequent Trust Meetings.

2. Community Development Grants - £2,000

- 2.1 The following community development grants were approved by the Head of Service, Community Development in the period from 30 April to 10 June 2011: -

Name of Organisation	Grant Approved (£)
Hjaltland Explorer Scout Unit	1,000
1 st /2 nd Lerwick Sea Scout Group	1,000

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3. Community Arts Grants - £3,835

3.1 The following community arts grants were approved by the Head of Service, Community Development, in consultation with Shetland Arts, in the period from 30 April to 10 June 2011: -

	Grant Approved (£)
Name of Organisation/ Individual	
Mrs Diane Garrick	877
Drum Jamm	1,500
Fair Isle Hall	586
Miss Merran Nugent	214
Mrs Elaine Fullerton (on behalf Liza Fullerton)	230
Mrs Carol Garrick (on behalf Danny Garrick)	214
Mr Tom Jamieson (on behalf Ross Jamieson)	214

4. Recommendation

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

Shetland Charitable Trust
Date: 10 June 2011
Our Ref: AJ/DA1

Report Number CT1106043

REPORT

To Shetland Charitable Trust

23 June 2011

From: General Manager

Report No. CT1106044

RECOMMENDED DISBURSEMENTS – SOCIAL CARE

1. Background

- 1.1 This report concerns approvals by the Council's Head of Community Care in the period to 3 June 2011, in terms of Report Number CT/030/94, which was approved by the Trustees on 8 April 1994.

2. Social Assistance Grant Scheme - £1,662.68

- 2.1 The Head of Community Care approved the following;-

	(£)
4 Social Assistance Grants of up to £2,000 (Appendix A)	<u>1,662.68</u>

- 2.2 The grants would be allocated from the Social Assistance Grant Scheme budget head.

3. Recommendations

- 3.1 Trustees are asked to note the Social Assistance Grants referred to in paragraph 2.1, totalling £1,662.68.

Shetland Charitable Trust

Date: 13 June 2011

Ref: AJ/DS1

Report No: CT1106044

SOCIAL ASSISTANCE GRANT SCHEME at 3 June 2011

Funds available in 2011/2012	£ 35,000.00
Less previously allocated	£ 1,079.74

Less the following: -

<u>Reference</u>	<u>Amount</u>
11/12 07	£292.20
11/12 08	£185.00
11/12 09	£715.50
11/12 10	£469.98

(4) Approvals by Executive Director, Education and Social Care	£1,662.68
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Balance of Funds remaining	£ 32,257.58
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I confirm the above grants have been approved, for the relief of vulnerable persons in need by reason of age, ill health, disability or financial hardship.

Executive Director, Education and Social Care
Agent for the Trustees of Shetland Charitable Trust