

Chief Executive: Dr Ann Black

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

Our Ref: EM/TA48

Date: 19 February 2020

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Boardroom, Shetland Charitable Trust, 22-24 North Road, Lerwick
Thursday 27 February 2020 at 5.30pm**

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

(Please note the venue for this meeting)

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Trustees are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Trustee making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d) Confirm minutes of meeting held on 28 November 2019 (enclosed).

For Information

1. Investment Performance Update – Nine Months to 31 December 2019. *Report enclosed.*
2. Management Accounts – Nine Months to 31 December 2019. *Report enclosed.*
3. Capital Works Bridging Loan Scheme. *Report enclosed.*
4. Small Grant Schemes - Approvals. *Report enclosed.*
5. Expressions of Interest. *Report enclosed.*

The following items contain **CONFIDENTIAL** information

For Decision

6. Strategic Risk Management – Annual Review. *Report enclosed.*
7. Appointment of External Auditor. *Report enclosed.*
8. Shetland Amenity Trust. *Report enclosed.*
9. Bus Service for the Elderly and Disabled. *Report enclosed.*
10. Service Targets. *Report enclosed.*

For Information

11. Update from Chairs of Advisory Committees.
12. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

Date: 27 February 2020

From: Chief Executive

Report: CT2002002

Investment Performance Update – Nine Months to 31 December 2019

1. Introduction

- 1.1 The Trust's external investments are managed on its behalf by fund managers. The purpose of this report is to review investment performance for the nine months to 31 December 2019.

2. Market Performance

- 2.1 Over the nine month period to December 2019 equity markets have been volatile. In the first four months equities performed extremely well, with the US and Japanese equity markets performing strongly. From August to September, equity returns were relatively poor, with return to strong growth in the final quarter driven by the US equity market.

3. Overall External Fund Performance

- 3.1 This report concentrates on the nine month period from April to December 2019. However, as the Trust is a long term investor, the report also considers the performance over twelve months and three years.
- 3.2 The Trust has four fund managers with total investments under management at the end of December 2019 of £321.0 million. The funds, type of mandate and market values at the end of December 2019 are as follows:

Manager	Mandate	Market Value £m	% of Reserves	Investment Plan Allocation Target %
Baillie Gifford	Active Equity	146.7	45.7	75.0 +/- 5
BlackRock	Passive Equity	91.1	28.4	
Schroders	Property	51.9	16.2	15.0 +/- 5
Insight	Diversified Growth Fund	31.3	9.7	10.0 +/- 5
Total		321.0	100.0	

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

	£m
Market Value as at 31 March 2019	282.0
Additions / Withdrawals	7.8
Investment Return	31.2
Market Value as at 31 March 2019	321.0

- 3.4 The figures above show an overall £39.0 million increase in value over the period. The Trust invested £9.8 million with Schrodgers in October 2019.
- 3.5 Detailed below is the performance of the externally managed funds for the nine month period to the end of December 2019, the last twelve months and the last three years.

	9 Months	12 Months	3 Years
Fund Return %	10.6	20.8	46.5
Benchmark Return %	10.3	16.0	26.3
Return Compared to Benchmark %	0.3	4.8	20.2

- 3.6 The overall investment return for the Trust's investments for the period to the end of December 2019 was 10.6%, which was 0.3% above the benchmark return.
- 3.7 Over the last three years, the externally managed funds have returned 46.5%, equivalent to a return of 13.6% per annum.
- 3.8 Overall, the returns are within the parameters of the Financial Plan 2020-25.

4. Fund Manager Performance Baillie Gifford

- 4.1 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. The benchmark for Baillie Gifford is the MSCI All Country World Index.
- 4.2 Detailed below is Baillie Gifford's performance for the nine month period to the end of December 2019, the last twelve months and the last three years.

	9 Months	12 Months	3 Years
Fund Return %	15.0	29.7	87.2
Benchmark Return %	11.0	21.7	32.6
Return Compared to Benchmark %	4.0	8.0	54.6

- 4.3 Baillie Gifford returned 15.0% compared to the broad market return of 11.0%, which was 4.0% above the benchmark return.
- 4.4 Baillie Gifford have produced a return of 87.2% over the last three years, equivalent to a return of 23.9% per annum.

5. Fund Manager Performance BlackRock

- 5.1 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. The benchmark for BlackRock is made up of the All Share Indices in each region the funds are invested in.
- 5.2 Detailed below is BlackRock's performance for the nine month period to the end of December 2019, the last twelve months and the last three years.

	9 Months	12 Months	3 Years
Fund Return %	10.4	21.0	27.0
Benchmark Return %	9.8	19.7	26.0
Return Compared to Benchmark %	0.6	1.3	1.0

- 5.3 The mandate with BlackRock over period produced a return of 10.4%, which is a reflection of the mixture of returns from the various equity markets the fund invests into.
- 5.4 BlackRock have produced a return of 27.0% over the last three years, equivalent to a return of 8.3% per annum.

6. Fund Manager Performance Schroders

- 6.1 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. The Benchmark for Schroders is the IPD UK All Balanced Fund Index.
- 6.2 Detailed below is Schroders' performance for the nine month period to the end of December 2019, the last twelve months and the last three years.

	9 Months	12 Months	3 Years
Fund Return %	1.6	2.1	21.8
Benchmark Return %	1.3	1.6	19.3
Return Compared to Benchmark %	0.3	0.5	2.5

- 6.3 Over the nine month period the fund returned 1.6% which was above the property benchmark.
- 6.4 Over the last three years, Schroders have returned 21.8%, equivalent to a return of 6.8% per annum.

7. Fund Manager Performance Insight

- 7.1 Insight has a diversified growth fund mandate, which invests into various different asset classes to spread risk and smooth returns. The benchmark return for Insight is an annual return of cash plus 4.0% over rolling five year periods.
- 7.2 Detailed below is Insight’s performance for the nine month period to the end of December 2019, the last 12 months and the last 3 years.

	9 Months	12 Months	3 Years
Fund Return %	7.8	12.7	16.5
Benchmark Return %	3.5	4.7	14.1
Return Compared to Benchmark %	4.3	8.0	2.4

- 7.3 Overall Insight produced a return of 7.8% over the period, which was 4.3% above the benchmark return.
- 7.4 Over the last three years, Insight have returned 16.5%, equivalent to a return of 5.2% per annum.

8. Financial Implications

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

9. Recommendations

- 9.1 Trustees are asked to note this report.

REPORT

To: Shetland Charitable Trust

Date: 27 February 2020

From: Chief Executive

Report: CT2002003

Management Accounts – Nine Months to 31 December 2019

1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the nine months ended 31 December 2019, for noting. These Management Accounts deal with all income and expenditure of the Trust.

2 Management Accounts

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

Table 1: Summary Management Accounts 2019/20

Item	Current Budget £m	Spend to Dec 2019 £m
Income	1.7	2.9
Disbursements	(7.4)	(6.3)
Management and Administration	(0.6)	(0.5)
Fund Managers Fees	(1.0)	(0.9)
Gain on Investments	-	28.8
Total	(7.3)	24

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

2.3 In the nine months ended 31 December 2019 the Trust made a gain on its investments of £28.8m.

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3 Financial Implications

3.1 No direct financial implications flow from this information report.

4 Recommendations

4.1 Trustees are asked to note the Trust's satisfactory financial performance in the nine months ended 31 December 2019 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2002003



Shetland **Charitable Trust**

Management Accounts

9 Months Ended 31 December 2019

Shetland Charitable Trust
Income and Expenditure
Period to 31 December 2019

	9 Month Actual £	Annual Budget £	Variance £
Income			
Managed fund dividends	951,035	985,000	(33,965)
Managed fund interest	1,243,686	-	1,243,686
Agricultural loan interest	588	750	(162)
Local equity gift aid	-	-	-
Rental income	609,800	700,500	(90,700)
Bank interest	68,513	-	68,513
Miscellaneous income	-	-	-
	<u>2,873,622</u>	<u>1,686,250</u>	<u>1,187,372</u>
Expenditure			
Disbursements	(6,327,848)	(7,383,167)	1,055,319
Management and administration	(474,077)	(637,610)	163,533
Fund managers	(857,085)	(1,033,400)	176,315
	<u>(7,659,010)</u>	<u>(9,054,177)</u>	<u>1,395,167</u>
Gain on investments	28,765,757	-	28,765,757
Surplus/(Deficit)	<u><u>23,980,369</u></u>	<u><u>(7,367,927)</u></u>	<u><u>31,348,296</u></u>

Shetland Charitable Trust
Balance Sheet
Period to 31 December 2019

	Dec-19	
	£	£
Tangible fixed assets		248,000
Investments		<u>333,195,890</u>
		<u>333,443,890</u>
Trade debtors	76	
Prepayments and Accrued income	195,621	
Other debtors	315,985	
Bank	<u>1,693,904</u>	
	<u>2,205,586</u>	
Trade creditors	38,044	
Accruals and deferred income	335,455	
Other creditors	<u>(779)</u>	
	<u>372,720</u>	
Net current assets		<u>1,832,866</u>
		<u>335,276,756</u>
Pension liability		(1,972,000)
		<u>333,304,756</u>
Opening reserves		309,324,387
Surplus for period		<u>23,980,369</u>
Closing reserves		<u>333,304,756</u>

Shetland Charitable Trust
Rental Income
Period to 31 December 2019

	<u>9 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	609,300	700,000	(90,701)
Shetland Golf Course	500	500	-
	<u>609,800</u>	<u>700,500</u>	<u>(90,701)</u>

Shetland Charitable Trust
Disbursements
Period to 31 December 2019

	<u>9 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Shetland Amenity Trust	1,142,988	1,142,988	-
Shetland Arts Development Agency	603,522	603,522	-
Shetland Recreational Trust	2,972,802	2,972,802	-
Support to Rural Care Model	993,094	1,986,188	(993,094)
<u>Other Revenue Grants</u>			
Ability Shetland Recreation Club	12,641	12,641	-
Shetland Befriending Scheme	54,418	54,418	-
Citizens Advice Bureau	132,265	132,265	-
COPE Limited	154,967	154,967	-
Shetland Link Up	47,994	47,994	-
Voluntary Action Shetland	144,361	144,361	-
Dunrossness Inter Church Fellowship Day Care	7,552	7,552	-
Shetland Samaritans	4,000	4,000	-
Buses for Elderly and Disabled	-	42,484	(42,484)
Royal Voluntary Service	46,985	46,985	-
Sub Total Charitable Organisations	<u>6,317,589</u>	<u>7,353,167</u>	<u>(1,035,578)</u>
<u>Schemes</u>			
Arts Grant Scheme	2,284	15,000	(12,716)
Senior Citizens Clubs	7,975	15,000	(7,025)
Sub Total Schemes	<u>10,259</u>	<u>30,000</u>	<u>(19,741)</u>
Surplus Grants Refunded	-	-	-
Total	<u>6,327,848</u>	<u>7,383,167</u>	<u>(1,055,319)</u>

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 December 2019

	9 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	198,944	290,000	(91,056)
Professional Membership Fees	179	700	(521)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	829	7,440	(6,611)
Training and Staff Development	6,132	6,860	(728)
Sub Total Staffing Costs	206,083	306,000	(99,917)
Operating Costs			
Insurance	10,324	10,000	324
Administration	1,642	2,250	(608)
Supplies and Services	3,717	6,500	(2,783)
Bank Charges	284	250	34
Professional Fees	9,156	20,000	(10,844)
External Audit Fees	21,511	23,250	(1,739)
Financial advice	59,456	50,000	9,456
Trustees Expenses	361	5,000	(4,639)
Meeting expenses	1,869	3,000	(1,131)
Legal Fees	40,610	50,000	(9,390)
Trustee Recruitment Costs	-	5,000	(5,000)
Sub Total Operating Costs	148,929	175,250	(26,321)
Property Costs			
Energy Costs	3,403	8,000	(4,597)
Water Rates	838	1,400	(562)
Building Maintenance	54,613	51,000	3,613
Cleaning	1,694	2,000	(306)
Sub Total Property Costs	60,547	62,400	(1,853)
Bad debt write off	-	-	-
Bought In Services			
Treasury	-	15,000	(15,000)
Payroll	-	750	(750)
Pension	(1,000)	2,000	(3,000)
Building Maintenance	46,400	47,000	(600)
Committee Services	-	7,200	(7,200)
Computer Services	5,170	4,400	770
Messenger Service	(433)	450	(883)
Peninsula	1,680	2,160	(480)
Public Relations	6,701	15,000	(8,299)
Sub Total Bought In Services	58,518	93,960	(35,442)
Total	474,077	637,610	(163,533)

Shetland Charitable Trust
Investment expenses
Period to 31 December 2019

	<u>9 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Managed fund misc	74,323	-	74,323
Fund managers fees	-	-	-
Black Rock fees	76,800	85,000	(8,200)
Northern trust fees	36,697	46,400	(9,703)
Insight investment fees	102,251	134,000	(31,749)
Schroders fees	76,246	138,000	(61,754)
Baillie Gifford fees	490,768	630,000	(139,232)
	<u>857,085</u>	<u>1,033,400</u>	<u>(176,315)</u>

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REPORT

To: Shetland Charitable Trust

Date: 27 February 2020

From: Chief Executive

Report: CT2002004

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 This report updates Trustees on the Capital Works Bridging Loan Scheme.

2. Background

- 2.1 On 18 March 2010, Trustees agreed to provide short term bridging finance to community organisations undertaking capital projects. The interest free loans are used to alleviate cash flow problems when waiting for funding from EU, Scottish Government, SRDP, LEADER, ERDF and/or lottery grants to come through. (Min. Ref. CT15/10)
- 2.2 Funding for capital projects is often only released once work has been completed and invoices paid. This can create insurmountable cash flow burdens for some organisations.
- 2.3 A total of £1 million was set as the maximum available at any one time.

3. Present Position

- 3.1 Appendix A lists each bridging loan made to date. In total 42 projects have received bridging loans, totalling £4,027,022. Of these, 35 projects have fully repaid their loans.
- 3.2 Since April 2019, the Trust has approved bridging loans to seven organisations totalling £792,769, with repayments due between now and October 2020 as they receive their grants.
- 3.3 Feedback on the scheme from organisations has been very positive.

4. Financial Implications

- 4.1 There are no new implications arising from this report. However, it should be noted that the provision of interest free loans means that the capital involved is not generating investment return.

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5. Conclusion

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

6. Recommendation

6.1 Trustees are recommended to note this report.

Reference: D19

Report Number: CT2002004

Capital Works Bridging Loan Scheme

CT2002004 - Appendix A

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £	Due to SCT £	Notes
Burravoe Pier	57,000	25,650	25,650	25,650	-	
Ollaberry Hall	272,878	110,000	110,000	110,000	-	
Bressay Sports Park	300,572	114,537	114,537	114,537	-	
Scalloway Museum	814,460	345,000	345,000	345,000	-	
Fair Isle Hall	137,806	62,000	62,000	62,000	-	
Sandsayre Pier	790,000	170,000	170,000	170,000	-	
Sandness Hall	168,160	100,000	100,000	100,000	-	
Northmavine Club	77,175	26,640	26,640	26,640	-	
Hillswick Hall	347,887	100,000	100,000	100,000	-	
Fetlar Electric Minibus	83,275	35,600	35,600	35,600	-	
Mareel	276,505	276,505	276,505	276,505	-	
Sumburgh Lighthouse	178,769	120,000	120,000	120,000	-	
Aith Public Hall	21,664	9,900	9,900	9,900	-	
Collafirth Marina	72,000	58,320	58,320	58,320	-	
South Nesting Public Hall	233,786	88,442	88,442	88,442	-	
Aithsvoe Marina	144,000	68,202	68,202	68,202	-	
Germatwatt Centre	24,730	10,000	10,000	10,000	-	
Shetland Skatepark Association	211,229	62,179	62,179	62,179	-	
Hoswick Visitor Centre	52,000	46,000	46,000	46,000	-	
Scalloway Boating Club	108,396	49,022	49,022	49,022	-	
Aithsvoe Marina- Loan 2	82,700	41,867	41,867	41,867	-	
Scalloway Museum- Loan 2	153,940	41,041	41,041	41,041	-	
Burravoe Public Hall	206,500	43,000	43,000	43,000	-	
Shetland Moving Image Archive (SMIA)	12,000	3,231	3,231	3,231	-	
Fetlar Developments Ltd - Loan 2	143,733	84,360	84,360	84,360	-	
Sumburgh Lighthouse - Loan 2	5,400,000	132,300	132,300	132,300	-	

Fetlar Developments Ltd – Loan 3	81,202	55,000	55,000	55,000	-	
Tresta Boating and Fishing Club	27,612	12,420	12,420	12,420	-	
Tingwall Public Hall	119,854	50,000	50,000	50,000	-	
Whalsay Model Yacht Club	54,000	24,300	24,300	24,300	-	
Fair Isle Electricity Company	3,524,820	500,000	500,000	500,000	-	
GAETS	84,118	75,506	75,506	75,506	-	
Skeld Pier Trust	143,713	129,341	129,341	129,341	-	
Sandwick Carnegie Hall	104,235	43,890	43,890	43,890	-	
Sandwick Social and Economic Development	160,302	120,000	120,000	120,000	-	
Papa Stour History and Community Group	33,043	10,000	10,000	-	10,000	Repayment due April 2020
Sandwick Social & Economic Development	149,300	75,000	75,000	25,000	50,000	Repayment due August 2020
Scalloway Community Development Group	25,200	20,000	20,000	-	20,000	Repayment due April 2020
Hillswick Wildlife Sanctuary	428,100	366,000	35,000	-	35,000	Next draw downs due in Feb & April with repayment due Oct 2020
Community Development Company of Nesting	211,377	175,985	175,985	-	175,985	Repayment due April 2020
Foula Electricity Trust	86,201	25,000	25,000	-	25,000	Repayment due March 2020
Fetlar Community Association	140,000	120,784	120,784	-	120,784	New loan issued February 2019
TOTAL	15,744,242	4,027,022	3,696,022	3,259,253	436,769	

REPORT**To:** Shetland Charitable Trust**Date:** 27 February 2020**From:** Chief Executive**Report No:** CT2002005**Small Grant Schemes - Approvals****1. Background**

- 1.1 On 29 November 2018 Trustees approved its disbursements for 2019/20 (CT1811031). A budget of £15,000 was approved for the Arts Grant Scheme and £15,000 for Senior Citizens Clubs.
- 1.2 On 28 November 2019 Trustees approved its disbursements for 2020/21 (CT1911038). A budget of £15,000 was approved for the Arts Grant Scheme and £15,000 for Senior Citizens Clubs.
- 1.3 It is a requirement that all approvals are reported to subsequent Trust Meetings.

2. Shetland Arts Fund - £542

- 2.1 During the period 6 November 2019 – 11 February 2020 there were no Shetland Arts Fund grants awarded for 2019/20 and one grant awarded for 2020/21.

Name of Individual	Grant Approved (£)
Jane Matthews (obo Martha Brown)	542

3. Recommendation

- 3.1 Trustees are asked to note the approvals listed in paragraph 2.1.

Ref: DA1

Report No: CT2002005

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REPORT

To: Shetland Charitable Trust

Date: 27 February 2020

From: Chief Executive

Report: CT2002006

Expressions of Interest

1. Introduction

- 1.1 This report updates Trustees on the Expressions of Interest (EOI) for 2020-21 funding.

2. Background

- 2.1 On 12 September 2019, Trustees approved the Disbursement Plan 2020-25 (CT1909030). It was agreed that EOI be invited for applications for funding, during the transition year 2020-21.
- 2.2 At the Trust meeting held on 28 November 2019, Trustees agreed the budget and disbursements for 2020-21 (CT1911038). Trustees agreed a maximum disbursement budget of £880,859 for applications under the EOI process.

3. Present Position

- 3.1 EOI applications for 2020 -21 were invited from 18 November 2019 and the closing date was 13 January 2020.
- 3.2 In late November and early December 2019, the Trust held a series of information sessions to explain the process and answer questions. These sessions were very well attended.
- 3.3 The Trust has received 35 EOIs, with bids totalling £1,717,258. The maximum available budget is £880,859. Of the 35 applications received 18 applications were from organisations currently funded and 17 were from organisations not currently funded
- 3.4 Trust staff have evaluated the eligibility of the organisation and the proposed activities for each EOI. There are 29 eligible EOI's and 6 which were not eligible for funding.
- 3.5 Those eligible for funding have been invited to submit a full application. The closing date for applications is 26 March 2020.



4. Financial Implications

4.1 There are no new implications arising from this report.

5. Recommendation

5.1 Trustees are asked to note this report.

Reference: D23

Report Number: CT2002006