

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: 25 May 2021

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust
Thursday 3 June 2021 at 11.00am**

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

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

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

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

(d) Confirm minutes of meeting held on 11 February 2021 (enclosed).

For Information

1. Investment Performance Update – Year to 31 March 2021. *Report enclosed.*
2. Management Accounts – Year to 31 March 2021. *Report enclosed.*
3. Capital Works Bridging Loan Scheme Update – Year to 31 March 2021. *Report enclosed.*
4. Payment to Trustees in the Year to 31 March 2021. *Report enclosed.*
5. Trustee Attendance at Meetings in the Year to 31 March 2021. *Report enclosed.*

The following items contain **CONFIDENTIAL** information

For Decision

6. Disbursements. *Report enclosed.*

For Information

7. Update from Chairs of Advisory Committees.
8. Update from Subsidiary Companies.

REPORT

To: Shetland Charitable Trust

Date: 3 June 2021

From: Chief Executive

Report: CT2106009

Investment Performance Update – Year to 31 March 2021

1. Introduction

- 1.1 The Trust's external investments are managed on its behalf by fund managers. The purpose of this report is to review investment performance for the year to 31 March 2021.

2. Market Performance

- 2.1 The twelve-month period to March 2021 has been an extraordinary period for equity markets around the world. From mid-February 2020, markets collapsed because of the COVID 19 crisis. Equity markets around the world dropped by as much as 35%.
- 2.2 However, markets have recovered over the year with many indices now at, or close to, all-time highs. This recovery has been particularly strong in the US and Japan. The technology and digital sectors have seen extraordinary growth in part due to the COVID 19 crisis. Markets remain volatile with concerns regarding the economic recovery from COVID 19 restrictions stoking inflation.

3. Overall External Fund Performance

- 3.1 This report concentrates on the year from April 2020 to March 2021. However, as the Trust is a long term investor, the report also considers the performance over three and five years.
- 3.2 The Trust has four fund managers with total investments under management at the end of March 2021 of £442.3 million. The funds, type of mandate and market values at the end of March 2021 are as follows:

Manager	Mandate	Market Value 2021 (£m)	% of Reserves
Baillie Gifford	Active Equities	261.2	59.0
BlackRock	Passive Equities	94.0	21.3
Schroders	UK Property	55.6	12.6
Insight	Diversified Growth	31.5	7.1
Total		442.3	100.0

- 3.3 In the year, the Trust made a net withdrawal from the fund managers of £10.4 million. The growth in value of the investments as well as dividend income received, generated around £150million over the year (2020 - £13million). This equates to a return of 50.0% (2020 – 4.6%).
- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	50.0	27.8	23.2
3 Years	20.4	8.3	12.1
5 Years	18.4	9.8	8.6

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

4. Fund Manager Performance Baillie Gifford

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	79.4	38.9	40.5
3 Years	35.8	12.7	23.1
Since Inception	30.9	11.7	19.2

- 4.3 Baillie Gifford returned 79.4 over the year, compared to the broad market return of 38.9%, which was 40.5% above the benchmark return.

- 4.4 Baillie Gifford continue to deliver excellent returns for the Trust. Their concentrated portfolio of stocks has outperformed the market, as many of these companies have seen accelerated growth during the COVID 19 crisis.
- 4.5 Over the last three years, Baillie Gifford have returned 150.4%, equivalent to a return of 35.8% per annum.

5. Fund Manager Performance BlackRock

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	35.1	32.5	2.6
3 Years	9.0	7.1	1.9
5 Years	10.8	9.6	1.2

- 5.3 The mandate with BlackRock over the year produced a return of 35.1%, matching the recovery in the world equities markets over the period.
- 5.4 Over the last three years, BlackRock have returned 29.5%, equivalent to a return of 9.0% per annum.

6. Fund Manager Performance Schroders

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	2.8	2.5	0.3
3 Years	3.0	2.4	0.6
5 Years	4.6	4.1	0.5

- 6.3 Over the year the fund returned 2.8%, which was above the property benchmark. The UK property market remains stagnant with concerns on rent, rental growth and valuations. Uncertainty around Brexit and concerns for the UK economy from the COVID 19 crisis are the main contributors to this stagnation.

- 6.4 Over the last three years, Schrodgers have returned 9.3%, equivalent to a return of 3.0% per annum.

7. Fund Manager Performance Insight

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	14.3	4.1	10.2
3 Years	3.3	4.5	(1.2)
Since Inception	4.6	5.7	(1.1)

- 7.3 Overall Insight produced a return of 14.3% over the period, which was 10.2% above the benchmark return. Insight's portfolio has recovered well over the year, but they remain behind the benchmarks over longer periods.
- 7.4 Over the last three years, Insight have returned 3.3%, equivalent to a return of 10.2% 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: 3 June 2021

From: Chief Executive

Report: CT2106010

Management Accounts – Twelve Months to 31 March 2021

1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the twelve months ended 31 March 2021, for noting. These Management Accounts deal with all income and expenditure of the Trust.

2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Trust for 2020/21 and the results in the twelve months to 31 March 2021.

Table 1: Summary Management Accounts 2020/21

Item	Current Budget £m	Spend to Mar 2021 £m
Income	1.9	4.3
Disbursements	(8.2)	(8.3)
Management and Administration	(0.6)	(0.5)
Fund Managers Fees	(1.2)	(1.6)
Gain on Investments	18.4	148.2
Year End Adjustments	-	(0.1)
Total	10.3	142.0

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

2.3 In the twelve months ended 31 March 2021 the Trust made a gain on its investments of £148.2m.

3 Financial Implications

3.1 No direct financial implications flow from this information report.

4 Recommendations

4.1 Trustees are asked to note the Trust's satisfactory financial performance in the twelve months ended 31 March 2021 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2106010



Shetland Charitable Trust

Management Accounts

12 Months Ended 31 March 2021

**Shetland Charitable Trust
Income and Expenditure
Period to 31 March 2021**

	<u>12 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
<u>Income</u>			
Managed fund dividends	1,088,744	1,100,000	(11,256)
Managed fund interest	2,308,785	-	2,308,785
Agricultural loan interest	425	500	(75)
Local equity gift aid	190,000	-	190,000
Rental income	663,721	750,500	(86,779)
Bank interest	1,282	-	1,282
Miscellaneous income	-	-	-
	<u>4,252,957</u>	<u>1,851,000</u>	<u>2,401,957</u>
<u>Expenditure</u>			
Disbursements	(8,332,473)	(8,213,990)	(118,483)
Management and administration	(485,030)	(637,610)	152,580
Fund managers	(1,570,585)	(1,148,400)	(422,185)
Provision made against equity investments	(12,417)	-	(12,417)
Depreciation	(75,000)	-	(75,000)
	<u>(10,475,505)</u>	<u>(10,000,000)</u>	<u>(388,088)</u>
Gain on investments	148,181,683	18,400,000	129,781,683
Surplus/(Deficit)	<u>141,959,135</u>	<u>10,251,000</u>	<u>131,795,552</u>

Shetland Charitable Trust
Balance Sheet
Period to 31 March 2021

	Mar-21	
	£	£
Tangible fixed assets		98,000
Investments		<u>454,189,647</u>
		454,287,647
Trade debtors	61	
Prepayments and Accrued income	161,164	
Other debtors	576,784	
Bank	<u>5,261,522</u>	
	5,999,531	
Trade creditors	59,868	
Accruals and deferred income	929,935	
Other creditors	<u>(779)</u>	
	989,024	
Net current assets		<u>5,010,507</u>
		459,298,154
Pension liability		(1,648,000)
		<u>457,650,154</u>
Opening reserves		315,691,019
Surplus for period		<u>141,959,135</u>
Closing reserves		<u>457,650,154</u>

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Shetland Charitable Trust
Rental Income
Period to 31 March 2021

	<u>12 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	663,221	750,000	(86,779)
Shetland Golf Course	500	500	-
	<u>663,721</u>	<u>750,500</u>	<u>(86,779)</u>

Shetland Charitable Trust
Disbursements
Period to 31 March 2021

	12 Month Actual £	Annual Budget £	Variance £
Shetland Amenity Trust	1,142,988	1,142,988	-
Shetland Arts Development Agency	603,522	603,522	-
Shetland Recreational Trust	2,972,802	2,972,802	-
Support to Rural Care Model	1,986,188	1,986,188	-
<u>Other Revenue Grants</u>			
Ability Shetland	12,641	12,641	-
VAS - Shetland Befriending Scheme CYP	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	-
Shetland Samaritans	4,000	4,000	-
Royal Voluntary Service	46,985	46,985	-
Sub Total Charitable Organisations	7,303,131	7,303,131	-
<u>EOI Main Grant Scheme</u>			
Ability Shetland	34,594	-	-
Advocacy Shetland	35,000	-	-
British Red Cross	27,064	-	-
Citizens Advice Bureau	40,897	-	-
COPE Limited	70,000	-	-
Gaada	49,400	-	-
Mind Your Head	61,240	-	-
Royal Voluntary Service	10,000	-	-
Shetland Care Attendant Scheme & VAS	39,708	-	-
Shetland Link Up	7,623	-	-
Shetland Rape Crisis	28,467	-	-
Shetland Women's Aid	70,000	-	-
The Swan Trust	14,000	-	-
VAS - Shetland Befriending Scheme 16+	7,000	-	-
Vountary Action Shetland	35,000	-	-
Sub Total EOI Grants	529,993	880,859	(350,866)
<u>Schemes</u>			
Arts Grant Scheme	-	15,000	(15,000)
Senior Citizens Clubs	-	15,000	(15,000)
Sub Total Schemes	-	30,000	(30,000)
<u>One Off Approved Grant</u>			
Shetland Health Board Endowment Fund - MRI Scanner Appeal	500,000	-	500,000
Surplus Grants Refunded	(651)	-	(651)
Total	8,332,473	8,213,990	118,483

Shetland Charitable Trust
Management and Administration Expenditure
Period to 31 March 2021

	12 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	280,223	308,000	(27,777)
Professional Membership Fees	284	700	(416)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	1,248	7,500	(6,252)
Training and Staff Development	264	8,860	(8,596)
Sub Total Staffing Costs	282,019	326,060	(44,041)
Operating Costs			
Insurance	10,966	10,500	466
Administration	4,527	3,650	877
Supplies and Services	4,874	6,150	(1,276)
Bank Charges	177	250	(73)
Professional Fees	2,746	20,000	(17,254)
External Audit Fees	18,720	25,000	(6,280)
Financial advice	7,000	30,000	(23,000)
Trustees Expenses	-	4,000	(4,000)
Meeting expenses	931	3,000	(2,069)
Legal Fees	5,085	50,000	(44,915)
Trustee Recruitment Costs	-	2,500	(2,500)
Sub Total Operating Costs	55,026	155,050	(100,024)
Property Costs			
Energy Costs	5,277	8,000	(2,723)
Water Rates	1,150	1,400	(250)
Building Maintenance	53,266	51,000	2,266
Cleaning	106	2,000	(1,894)
Sub Total Property Costs	59,799	62,400	(2,601)
Bad debt write off	-	-	-
Reduction in Bad Debt Provision	(221)	-	(221)
Bought In Services			
Treasury	19,920	15,000	4,920
Payroll	517	750	(233)
Pension	-	2,000	(2,000)
Building Maintenance	46,400	47,000	(600)
Committee Services	7,200	7,200	-
Computer Services	5,335	4,400	935
Messenger Service	-	450	(450)
Peninsula	2,234	2,300	(66)
Public Relations	6,800	15,000	(8,200)
Sub Total Bought In Services	88,407	94,100	(5,693)
Total	485,030	637,610	(152,580)

Shetland Charitable Trust
Investment expenses
Period to 31 March 2021

	<u>12 Month</u> Actual £	<u>Annual</u> Budget £	<u>Variance</u> £
Management Expenses	76,956	-	76,956
Black Rock fees	89,557	107,000	(17,444)
Northern trust fees	48,979	46,400	2,579
Insight investment fees	134,445	148,000	(13,555)
Schroders fees	112,693	141,000	(28,307)
Baillie Gifford fees	1,107,956	706,000	401,956
	<u>1,570,585</u>	<u>1,148,400</u>	<u>422,185</u>

REPORT

To: Shetland Charitable Trust

Date: 3 June 2021

From: Chief Executive

Report: CT2106011

Capital Works Bridging Loan Scheme

1. Introduction

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

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 be received. (Min. Ref. CT15/10)
- 2.2 Funding for capital projects is often only released once work has been completed and invoices paid. This can create insurmountable cash flow burdens for some organisations.
- 2.3 A total of £1 million was set as the maximum available at any one time.
- 2.4 At the Trust meeting on 27 February 2020 it was noted that in future, only the projects relating to the current financial year would be reported on rather than including all the historical information.

3. Present Position

- 3.1 As at 1 April 2020, there were seven loans outstanding.
- 3.2 In the period 1 April 2020 to 31 March 2021, three organisations fully repaid their loan and two organisations have made part repayments. A further one organisation has drawn down the final instalments of their approved loan.
- 3.3 As at 31 March 2021, four loans remained active with £576,784 due to be repaid to the Trust. Two organisations have since made part repayments.

3.4 As at 19 May 2021, four loans remain active with £355,784 to be repaid to the Trust.

3.5 Appendix A lists the outstanding loans as at 19 May 2021.

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

4. Financial Implications

4.1 There are no new financial 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 returns.

5. Conclusion

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

6. Recommendation

6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2106011

Capital Works Bridging Loan Scheme Update

CT2106011 - Appendix A

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid £ 2020/21	Due to SCT at 31/03/21 £	Repaid £ 2021/22	Due to SCT at 19/05/21 £	Notes
Loans approved 2019/20								
Papa Stour History and Community Group	33,043	10,000	10,000	10,000	-	-	-	Repaid April 2020
Sandwick Social & Economic Development	149,300	75,000	75,000	35,000	40,000	15,000	25,000	Extension requested due to Covid-19
Scalloway Community Development Group	25,200	20,000	20,000	20,000	-	-	-	Repaid March 2021
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	-	366,000	206,000	160,000	First repayment May 2021 Next repayment June 2021
Community Development Company of Nesting	211,377	175,985	175,985	125,985	50,000	-	50,000	Repayment expected September 2021
Foula Electricity Trust	86,201	25,000	25,000	25,000	-	-	-	Repaid March 2021
Fetlar Community Association	140,000	120,784	120,784	-	120,784	-	120,784	Extension requested due to Covid-19
TOTAL	1,073,221	792,769	792,769	215,985	576,784	221,000	355,784	

REPORT

To: Shetland Charitable Trust

Date: 3 June 2021

From: Chief Executive

Report: CT2106012

Payments to Trustees in the year to 31 March 2021

1. Introduction

1.1 This report is presented to show any payments which have been made to Trustees in the year to 31 March 2021.

2. Background

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

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

3. Present Position

3.1 During the financial year 2020/21 no expenses were claimed by Trustees.

3.2 This was primarily due to the Trust offices being closed due to the Covid-19 pandemic and therefore all Trustee meetings were held by virtual means and no travel expenses were incurred.

4. Financial Implications

4.1 A budget of £4,000 was set aside for payments to Trustees.

5. Recommendation

5.1 Trustees are asked to note this report.

Reference: TA21/2

Report Number CT2106012

REPORT

TO: Shetland Charitable Trust

3 June 2021

FROM: Chief Executive

Report: CT2106013

Trustee Attendance at meetings in the year to 31 March 2021

1. Introduction

1.1 This report is presented to record Trustee attendance at Trust Meetings in the financial year to 31 March 2021.

2. Background

2.1 The Schedule of Governance Arrangements attached to the current Trust Deed states at paragraph 5(d) "Trustees shall be required to attend in person at least one-half of Trustee meetings in each financial year of the Trust and if they do not such failure to attend may be treated as grounds on which the remaining Trustees may remove such Trustees under paragraph 4(c)(iv)"

3. Present Position

3.1 A table is attached as Appendix A, showing Trustee attendance at Trustee Meetings in the financial year to 31 March 2021.

4. Recommendation

4.1 Trustees are asked to note this report.

Reference: TA48

Report Number CT2106013

Name	9 July 2020	13 August 2020 Special Meeting	17 September 2020	17 September 2020 AGM	26 November 2020	11 February 2021
A Cooper	✓	✓	✓	✓	✓	✓
J Garriock	✓	✓	✓	✓	✓	✓
K Harrison	✓	✓	✓	✓	✓	✓
Y Hopkins	✓	✓	✓	✓	✓	✓
R C Leask	✓	✓	✓	✓	A	✓
R M Leask	✓	✓	✓	✓	✓	✓
R Leith	✓	✓	✓	✓	✓	✓
E Miller	✓	✓	✓	✓	A	✓
I Napier	✓	✓	✓	✓	✓	✓
A Ockendon	✓	✓	A	A	✓	✓
M Roberts	✓	✓	✓	✓	✓	✓

In attendance = ✓ Apologies = A