



Shetland Charitable Trust

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Press Release

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Trust to invest more locally to maintain healthy funds

Community funds managed by Shetland Charitable Trust look healthier than for several years thanks to a recovery in the world's financial markets and savings of nearly £2 million a year.

After two years of losses the trust's investments have yielded one of their best ever returns, growing by 24 per cent in the last financial year to £218.6 million.

Trustees have also succeeded in balancing the books for the first time, reducing expenditure to match an income of around £11 million.

To improve long term stability, the trust wants to increase investment in the Shetland economy, generating a reliable income while boosting local business and employment.

Last year trustees had to make tough decisions, but managed to finally meet the target set back in 2002 to reduce spending from an unsustainable £17 million a year.

Though it has not been painless, trustees have steered clear of service 'meltdown' by avoiding 'knee jerk' reactions to the markets' mixed fortunes.

Between 2007 and 2009 the trust lost £55 million as the stock exchange lurched through the 'credit crunch'. Trustees held their nerve and generated £42.3 million last year.

The stock market remains volatile, falling 200 points last Friday before climbing again this week in response to the Greek debt crisis.

To limit such exposure, the trust's fund managers are shifting more money into local assets.

Last year the trust's property arm SLAP raised £2.5 million in rent; its district heating scheme generated £400,000 in profits; and rent on Sullom Voe oil terminal fell by 15% to £1.1 million on reduced throughput, though prospects west of Shetland appear promising.

Over the next two years the trust intends to increase its investment in local assets from £30 million to at least £40 million. If the Viking Energy project goes ahead, the trust could as much as double its income, though there are many hurdles still to cross.

The trust faces difficulties too. Building costs will outstrip inflation, especially as its 30 properties get older. The funds set aside for major refurbishment and replacement of care homes, leisure centres and other buildings were lost during the stock market crash of 2000 to 2003.

Shetland's population is aging too. Almost 40% of current expenditure is targeted at older folk, and this figure will grow.

The trust relies on a 5% return on an investment portfolio worth £220 million to pay for its current budget. At the moment only £210 million is invested and earning interest.

Trust financial controller Jeff Goddard said: "Everyone is worried about belt tightening these days, but Shetland Charitable Trust has done well to reduce its annual spend to an affordable level after eight years.

"We've been helped in the past year by a healthy investment market, but such good news cannot always be relied upon.


"By sensibly investing more money in local assets such as rented property, the trust can protect our community funds and help the islands' economy at the same time.

"However costs are always rising and big decisions will still be needed to keep up our high level of expenditure in the local community."

Trustee Chairman Bill Manson said "The Trustees have displayed considerable patience throughout a long period of retrenchment, and understand that the difficult choices they have had to make this past year have not been easy for the organisations the trust supports.

"However we believe we have placed the future of the trust on a sounder footing than it has been for the past eight years and must now concentrate on sustaining and developing the Trust's activities into the future"

Ends



Chairman

cc: Vice Chairman of Shetland Charitable Trust

Notes for editors.../

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Shetland Charitable Trust is an independent organisation set up in 1976 to manage income from Sullom Voe oil terminal on behalf of the community.

Its funds are currently worth around £210m, with £180m invested on the world markets and £30m in the local economy.

Each year it distributes around £10m to local groups and projects, including Shetland Recreational Trust, Shetland Amenity Trust, Shetland Arts Development Agency, the rural care centres, and 17 voluntary groups.

It owns Shetland Leasing and Property Developments Ltd (SLAP), Shetland Heat Energy and Power Ltd (SHEAP) and 90% of Viking Energy Ltd.

SCT's policy is to pass on the oil funds to future generations by investing them in a self sustaining way.

More details about Shetland Charitable Trust can be found at www.shetlandcharitabletrust.co.uk