

Zetland Educational Trust Schemes 1961 to 1965

Trustees'
Annual Report
and Audited
Financial
Statements
2022



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ZETLAND EDUCATIONAL TRUST
TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The trustees present their annual report together with the financial statements for the year ended 31 March 2022.

Administration Information

Charity Name	Zetland Educational Trust Schemes 1961 to 1965, known as Zetland Educational Trust (ZET)
Charity Number	SC001146
Contact Address	Shetland Islands Council Office Headquarters 8 North Ness Business Park Lerwick Shetland ZE1 0LZ

Trustees (following the local elections in May 2022)

Duncan Anderson	Dennis Leask (elected May 2022)	Alec Priest (retired May 2022)
Alex Armitage (elected May 2022)	John Leask (elected May 2022)	Gary Robinson (elected May 2022)
Malcolm Bell (retired May 2022)	Stephen Leask	David Sandison
Peter Campbell (retired May 2022)	Moraig Lyall	Ian Scott
Alastair Cooper (retired May 2022)	Emma Macdonald	Cecil Smith
Steven Coutts (retired May 2022)	Tom Morton (elected May 2022)	George Smith (retired May 2022)
Allison Duncan	Robbie McGregor	Theo Smith (retired May 2022)
Stephen Flaws (retired May 2022)	Andrea Manson	Robert Thomson (elected August 2022)
John Fraser	Neil Pearson (elected May 2022)	Ryan Thomson
Amanda Hawick (retired May 2022)	Bryan Peterson (elected May 2022)	Arwed Wenger (elected May 2022)
Catherine Hughson	Liz Peterson (elected May 2022)	

Auditor	Deloitte LLP 110 Queen Street Glasgow United Kingdom G1 3BX
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Structure, Governance and Management

Constitution

The ZET, as currently constituted, was formed in 1961 (amended in 1965) through the amalgamation of a number of bequests. It is registered with the Office of the Scottish Charity regulator (OSCR) and its governing document is a trust deed.

ZETLAND EDUCATIONAL TRUST

TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

The ZET comprises a number of endowments as specified in the ZET schemes 1961 and 1965, which are vested in Shetland Islands Council as the governing body and statutory successors to the County Council for the County of Zetland.

Trustees

The trustees of ZET are the elected members of Shetland Islands Council and are appointed through their election to the Council.

The Executive Manager – Finance is the designated officer within Shetland Islands Council with responsibility for the proper administration of the trust's financial affairs and for keeping adequate and up to date accounting records.

The Executive Manager – Finance is responsible for ensuring that the financial statements of the trust are produced in accordance with the Charities Accounts (Scotland) Regulations 2006 (as amended), for making judgements and estimates that are both reasonable and prudent, and for taking steps to prevent and detect fraud and other irregularities.

The Executive Manager – Finance has considered and taken steps to address any risks to which the trust may be exposed, in particular those related to its operation and finances. The trustees are satisfied that adequate systems are in place to mitigate exposure to such risks.

Management

The elected members, as trustees, are responsible for all major decisions relating to the trust.

Authority to award grants has been delegated by the trustees to Shetland Islands Council Children's Services. The nominated officer is the Executive Manager – Quality Improvement.

The Executive Manager – Quality Improvement has the power to authorise expenditure within the limits of the trust's annual income. Designated staff within Children's Services are responsible for the day-to-day administration of the funds.

Objectives and Activities

Charitable purposes

The purpose of the trust is the advancement of education of people belonging to Shetland.

The trust generally provides grants amounting to 75% of total project costs, with the remainder of project costs to be met by fundraising activities or in-kind support. The trust does not give funds retrospectively. Applications are invited on an annual basis from individuals, schools and other educational organisations operating in Shetland.

The amount of funds available for disbursement will vary each year depending on interest received by the trust.

ZETLAND EDUCATIONAL TRUST
TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

The trust will fund projects that fall under the following headings:

- **Educational excursions**

The trust may provide assistance to meet the costs of organised educational excursions for the benefit of pupils attending school centres in Shetland. The pupils should derive some educational benefit from attending the excursion.

- **Special equipment**

The trust may fund the enhancement of education by assisting the provision of special equipment additional to that which the local authority may reasonably be expected to supply.

- **Promotion of ability and skill in swimming**

The trust may fund the promotion and encouragement of swimming among pupils in Shetland through organised instruction by paying fees, travelling expenses and personal expenses of teams, instructors and any other appropriate costs.

- **Promotion of knowledge of Shetland**

The trust may fund the promotion of knowledge of Shetland: its character, its skills and its arts, among persons being educated in Shetland by, for example, assisting to meet the costs of museum provision, making films designed to develop the knowledge of Shetland and any other appropriate costs.

- **Educational experiments and research**

The trust may fund bodies, or other persons it approves, to undertake educational experiments and research, including archaeological research that, in its opinion, will be for the educational benefit of persons in Shetland.

Performance

For the year ended 31 March 2022, the trust received bank interest of £12 (2020/21: £2) and paid bank charges of £12 (2020/21: £1).

The Corporate Bond Fund generated investment income of £24,053 (2020/21: £22,573) and resulted in £2,137 of fund manager fees (2020/21: £2,020).

There were 13 bursaries (2020/21: 10) awarded to university students in support of their studies, totalling £2,600 (2020/21: £2,000). These bursaries are issued in the name of the original donors: E & M Gair 7 awards (2020/21: 6) and Arthur Anderson 6 awards (2020/21: 4). These bursaries will continue to be awarded as the students' progress through their degree programmes.

The trust also provides grants for projects in line with its objectives. There were 9 (2020/21: 4) grants awarded totalling £13,853 in the year to 31 March 2022 (2020/21: £2,156), which are detailed in note 3. The increase in grants paid is due to the relaxation of the restrictions imposed by the Scottish Government to deal with the Covid-19 pandemic, which has allowed greater numbers of activities and projects to be undertaken in the year.

Financial Review

Overview

In the year to 31 March 2022, the trust made a surplus of £5,063 (2020/21: £15,997).

At 31 March 2022 the trust held cash of £7,265 (2020/21: £42,202) and investments of £674,200 (2020/21: £689,458).

Reserves Policy

The Reserves policy is to maintain capital balances, with disbursements being made from investment income and bank interest earned.

Declaration

Approved by order of the Board of Trustees on 23 November 2022 and were signed on its behalf by:

DocuSigned by:

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Emma Macdonald - Trustee

Independent auditor's report to the trustees of Zetland Educational Trust Schemes 1961 to 1965 and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the statement of accounts of Zetland Educational Trust Schemes 1961 to 1965 for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis. In our opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2022 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- considering the nature of the charity's control environment and reviewing the charity's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Scottish Charity Regulator (OSCR) regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the grant payments. The risk is that grants are paid to external bodies by the charity that do not satisfy the charity's objectives. In response to this risk, we tested a sample of grant payments made in the year to confirm that they have been made in accordance with the charity's objectives.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

Reporting on other requirements

Other information

The trustees are responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which we are required to report by exception

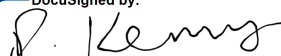
We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

DocuSigned by:

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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

110 Queen Street

Glasgow

G1 3BX

United Kingdom

30 November 2022

Pat Kenny, CPFA (for and on behalf of Deloitte LLP) is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2022

The Statement of Receipts and Payments, as required by the Charities Accounts (Scotland) Regulations 2006 (as amended), provides an analysis of the incoming and outgoing cash and bank transactions for the year.

	Note	Unrestricted Funds £	Restricted Funds £	2021/22 £	2020/21 £
Receipts					
Investment Income	5	24,053	0	24,053	22,573
Bank Interest		12	0	12	2
Total receipts		24,066	0	24,065	22,575
Payments					
Disbursements	3	16,453	0	16,453	4,156
Fund Manager Fees	5	2,137	0	2,137	2,020
Service Charges	6	412	0	412	401
Total payments		19,002	0	19,002	6,577
Surplus for the year		5,063	0	5,063	15,997

ZETLAND EDUCATIONAL TRUST
STATEMENT OF BALANCES AS AT 31 MARCH 2022

The Statement of Balances, as required by the Charities Accounts (Scotland) Regulations 2006 (as amended), reconciles the cash and bank balances at the start and end of the financial year with any surpluses shown in the Statement of Receipts and Payments.

Note	Unrestricted Funds £	Restricted Funds £	2021/22 £	2020/21 £
Cash and Bank				
Opening cash balance	42,202	0	42,202	26,205
Surplus for the year	5,063	0	5,063	15,997
Transfer to Investment	(40,000)	0	(40,000)	0
Closing cash balance	7,265	0	7,265	42,202

Note	2021/22 £	2020/21 £
Investments at market value		
Baillie Gifford Corporate Bond	5 674,200	689,458
Total Investments	674,200	689,458

The financial statements were approved by the Board of Trustees on 23 November 2022 and signed on its behalf by:

DocuSigned by:

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 Emma Macdonald - Trustee

1. Basis of Accounting

The financial statements have been prepared on a receipts and payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

2. Nature and purpose of funds

Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity.

Restricted funds may only be used for specific purposes. Restrictions arise when specified by the donor or when funds are raised for specific purposes.

3. Grants and Donations paid

Disbursements: bursaries	2021/22		2020/21	
	Number	£	Number	£
Disbursements				
E & M Gair student bursaries	7	1,400	6	1,200
Arthur Anderson student bursaries	6	1,200	4	800
Total	13	2,600	10	2,000

Disbursements: grants	2021/22		2020/21	
	Number	£	Number	£
Type of activity or project supported				
Educational Excursions	1	1,857	0	0
Promotion of ability and skill in Swimming	1	2,000	0	0
Promotion of knowledge of Shetland	2	4,284	1	374
Special equipment	5	5,712	3	1,782
	9	13,853	4	2,156

All 9 grants awarded in the year were to local clubs and schools. No individuals were awarded grants.

4. Trustee Remuneration, Expenses and Related Party Transactions

- a) No remuneration or expenses were paid during the year to any trustee or persons connected to a trustee during 2021/22 or 2020/21;
- b) Shetland Islands Council has not charged the trust any fees for legal, financial or administrative services provided during the year; and
- c) There were no related party transactions during the year (2020/21: £0).

5. Cash and investments

Investment balances are held in a Baillie Gifford Corporate Bond Fund. An additional sum of £40,000 was invested in the bond during the year. Since the start of 2022 the Baillie Gifford Bond Fund has been falling in value. This is due to rising inflation becoming a major problem for governments and central banks with the attempted control of inflation the priority through increasing interest rates. The Russian invasion of Ukraine in February and its impact on energy prices has only exacerbated the inflationary situation. In a rising inflation and interest rate environment there is much uncertainty in investment markets, which has seen markets and investments fall. The reduction in the ZET's bond investments value is a direct result of the economic inflationary situation causing a fall in market valuations.

Fund manager fees of 0.3% on the daily market value of the fund are charged and invoiced quarterly in arrears.

The trust holds one bank account. In addition to receiving bank interest, income generated from the bond is received by the account. The bank account is used to make payments.

6. Governance Costs

Shetland Islands Council has an agreement with the trust whereby the audit fee is borne by the Council unless the trust earns a minimum income of £10,000 in the year. This income threshold was exceeded in 2021/22 and the trust has paid audit fees of £400 (2020/21: £400).

7. Taxation

The trust is not liable to income or capital gains tax on its activities. Irrecoverable VAT is included in any expense to which it relates.