

Shetland Recreational Trust

Trustees' Report and Financial Statements

Registered number SC002179

31 March 2022

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Report of the Trustees for the Year Ended 31 March 2022

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2022.

The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 to the accounts and comply with the Trust Deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (as amended for accounting periods commencing 1 January 2019) (the SORP).

Shetland Recreational Trust also prepares an Annual Report, which sets out details of all the services and activities during the year. The thirty-seventh Annual Report relates to the 2021/22 Accounts. The Annual Report is available on the Trust's web-site at <http://www.srt.org.uk/about>.

The Trust has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a charity registered in Scotland.

Objectives and Activities

The purpose of Shetland Recreational Trust is to provide, or assist in provision of, facilities in the interest of social welfare for recreation and leisure time occupation, with the aim of improving the lives of the inhabitants of Shetland. The Trust does this by running eight leisure centres providing a wide range of leisure and sporting activities, and some outdoor facilities at:

Unst Leisure Centre	West Mainland Leisure Centre
Yell Leisure Centre	Clickimin Leisure Complex
North Mainland Leisure Centre	Scalloway Pool
Whalsay Leisure Centre	South Mainland Pool

The strategic objectives of the Trust are:

1. Facilities

- Ensure physical assets are maintained in a safe and satisfactory condition;
- Retain facilities in eight existing geographic communities; and
- Alter facilities to provide beneficial adaptations within the financial constraints of the Trust.

2. Services

- Increase service offer to customers at home and in other locations;
- Work with partners to improve services to increase levels of activity within Shetland;
- Increase the service offer to reduce health inequalities;
- Provide opportunities for people to participate and influence decisions; and
- Work with partners to provide preventative services that improve the health and wellbeing of Shetland's communities, including any pandemic response.

3. Finance

- Evaluate the strategic risks to ensure the viability of the Trust with mitigating measures and proposals;
- Improve financial sustainability; and
- Provide continuous and on-going assurance through audit functions.

A Review of our Achievements and Performance

At the start of the year, the Trust set out to support the health and wellbeing of the community of Shetland, in its recovery from COVID19. We delivered a Summer of Fun in conjunction with Shetland Islands Council, providing a wide range of free activities for children during the summer break, as well as targeted funding to families in need, which enabled them to purchase items to support their health and wellbeing.

The admissions target for 2021/22 was 490,400. The Trust achieved admissions of 626,999 which is 136,599 (28%) above target. The Trust introduced a new membership scheme MORE4life on 1 November 2021, which provides value for money to all at £25 – individual / £39 – family/household per month, and an Access to Leisure scheme, providing those in receipt of particular benefits with an opportunity to access our services for £1. These schemes alone increased our memberships to 3,724 which is 2,958 (386%) more than we had on the previous subscription model. We officially joined the “Leisure Link” partnership, which allows all SRT members to access participating facilities across Scotland at no extra charge.

We continued to engage with the community on a number of issues including detailed focus groups looking at achieving our vision of “Shetland more active, more often”, the feedback received informed our new membership scheme mentioned above. Ongoing feedback from our customers continues to be very positive.

Services continued throughout the year with varying levels of restriction and social distancing, which flexed and changed in line with circumstances both nationally and locally, and the latest guidance at the time. We are hopeful that we have now moved beyond the need for restrictions, and can look forward to 2022/23 allowing us to provide services as near to normal as possible.

Financial Review

The financial position of the Trust is set out on pages 14 to 16 of the financial statements.

Shetland Recreational Trust receives a significant proportion (about 61%) of its income by way of a grant from Shetland Charitable Trust.

The 2021/22 financial year was a difficult year to budget for with the ongoing COVID19 pandemic. The Trust budgeted to break-even but with lower than expected levels of income and expenditure. The budget included a contingency of £0.6m from the Shetland Charitable Trust to mitigate COVID19 effects. No budget was included for any COVID19 government grants.

The Trust achieved a surplus, before pension charges, of £494,185 for the year. Customer income was £472,642 in excess of budget with expenditure being £61,892 more than budgeted. Income was received from the UK JRS Scheme of £115,862 and £3,356 under the SSP scheme. There were other COVID19 support grants of £25,200 from the SIC Business Support Top Up and £156,000 from the Strategic Framework Business Fund.

A pension fund charge of £1,056,000 has been made against unrestricted funds.

The overall net expenditure, including pension fund charges, on unrestricted funds was £503,492.

A depreciation charge of £792,825 has been made against the restricted fund which was provided for the purpose of the construction of the Trust's tangible fixed assets.

Taking these results together, covering both unrestricted and restricted funds, the net movement in funds for the year was a net expenditure of £1,296,317.

The Trust recognised actuarial gains of £4,116,000 and charges of £1,056,000 on its pension scheme arrangements accounted for in accordance with FRS 102, giving a closing net pension liability of £4,599,000.

At 31 March 2022, the Trust has an overall funds balance, for restricted and unrestricted funds, of £19,099,728.

The financial statements have been prepared on the going concern basis. The Trust agreed a four year funding arrangement with its main funder Shetland Charitable Trust. The grant for 2021/22 has increased for the first time since 2015/16 and with indicative increases of 2.5% in the following years. The Shetland Charitable Trust made available a fund of £0.6m in 2021/22 to compensate for reductions in customer income due to ongoing COVID19 restrictions and the Trust received £0.49m from this fund.

Beyond the strategic risks identified, and set out below, there are no known material uncertainties likely to impact on the continued operation of the Trust. The key assumptions underpinning the forecasts in the event of further closures either due to ongoing inflationary pressures or asset failure at Clickimin are:

- Continued support of our main funders, the Shetland Charitable Trust and Shetland Islands Council; and
- Ability to replace any lost income or reduce costs.

These risks are mitigated by the Risk Management Strategy.

Risk Management

The Trust has a Risk Management Strategy, approved as part of its Business Plan 2021/22-24/25 on 24 February 2021. The strategy identifies the following strategic risks:

- Governance - Failure to ensure effective governance arrangements are in place;
- Financial - Inability to manage the financial activity of the Trust;
- External Factors - Inability to adapt to changes in the working environment, and
- Operational - Failure to effectively manage the operational activity of the Trust.

Trustees regularly review the Risk Register in place to mitigate the identified risks to reassure themselves that the control measures are adequate to a reasonable extent.

Specific policy objectives are in place to promote a positive risk management and health and safety culture. Trustees regularly review performance information on the application of the approved policies and procedures.

The safety of service users is paramount. The Trust has in place a suite of operating policies, procedures, risk assessments and ongoing training to ensure that the Trust operates safely at all times. The Trustees expect that sporting accidents and injuries will occur, due to the nature of the business, and they focus their attention, through regular performance reports, on any lessons learned or improvements required.

The timing and impact on operations associated with the maintenance or alteration of current facilities and/or the construction of new facilities is directly managed by the Head of Assets & Business Development through appropriate project management arrangements.

The age profile of the Trust's assets is set out below.

Facility	Opened	Age
Clickimin Centre	1985	37
Unst Leisure Centre	1988	34
Yell Leisure Centre	1988	34
North Mainland Leisure Centre	1988	34
Whalsay Leisure Centre	1990	32
Scalloway Pool	1993	29
South Mainland Pool	1993	29
Clickimin Pool and Bowls Hall	1995	27
North Mainland Extension	2002	20
West Mainland Leisure Centre	2002	20



The Trust approved its Asset Management Strategy on 19 February 2020. The strategy identifies the following objectives:

- To deliver improvements that are sustainable and represent best value;
- To continue to maintain facilities in line with statutory standards;
- To provide good quality facilities to meet the changing needs of our stakeholders and customers;
- To achieve continuous improvement in all asset-related services through effective performance management and benchmarking;
- To ensure funding is maximised and to deliver value for money and identify efficiency savings wherever possible;
- To improve the energy efficiency of our assets in order to reduce operational costs and contribute to the wider sustainability agenda; and
- To ensure that stakeholder and customer consultation is effective, allowing views to be heard and actions applied accordingly.

The annual maintenance programme is created using information in the 30-year Asset Renewal and Maintenance Plan, which includes comprehensive condition surveys. This complements the knowledge of the staff at each location and the in-house technical services team. The annual programme of work is set in line with budget availability, and is reviewed regularly by Trustees.

Reserves Policy

The Trust's reserves principally consist of its Restricted Fund, known as the Capital Fund, which holds grants received specifically for the purpose of the construction of the Trust's tangible fixed assets, and its Unrestricted Reserves, which consist of the General Fund and the Pension Reserve.

The Trust's Reserves Policy, which relates to the unrestricted reserves was approved In September 2018. The stated intention of this policy is that the Trust is working towards securing adequate reserves to meet current and potential future needs and aspirations as follows:

- To hold in reserve in a General Reserve Fund funds up to the value of £1m, to meet the costs of:
 - in year deficits on the revenue account;
 - unforeseen and unfunded maintenance costs which also impact on the operation of the centres; and
 - fixed costs, likely to be mainly staffing and operational costs, which need to be met in the short term as a result of any significant changes to funding levels from core funders and contracts.
- To hold in reserve in a Facility Reserve funds of between £1.3 and £1.4m, to:
 - assist in the maintenance and development of facilities in line with the condition survey.

The unrestricted funds balance, excluding pension liabilities, is £1,243,342, an increase of £494,185, which is made up of the following balances:

Unrestricted Funds Balances	Opening Balance 1 April 2021 £	Movement in Year £	Funding of Capital £	Closing Balance 31 March 2022 £
General Reserve	406,369	460,958	-	867,327
Partnership Development Fund	5,266	-	-	5,266
Facility Reserve	<u>337,522</u>	<u>91,550</u>	<u>(58,323)</u>	<u>370,749</u>
Total	<u>749,157</u>	<u>552,508</u>	<u>(58,323)</u>	<u>1,243,342</u>

The new gym and reception were largely completed in 2018/19 and, after negotiations, final payments were made in 2021/22 totalling £46,947 and were funded from the Facility Reserve.

A project to provide a bike shelter at Clickimin started with an initial payment of £11,376, funded from the Facility Reserve, and there will be further expenditure in 2022/23. The Trust also received grants totalling £73,958 towards providing Sensory Rooms at Clickimin and equipment for use across our rural sites, £1,000 for a Changing Places toilet and £20,800 for digital developments through Digital Boost. The Trust also sold a van and a trailer for £2,779.

The £4,599,000 defined benefit pension scheme liability represents the net deficit on the Trust's share of the assets and liabilities of the Shetland Islands Pension Fund on an FRS 102 valuation basis as at 31 March 2022. This valuation is subject to the actuarial assumptions used, as explained in note 12 to the financial statements. This long-term liability, which does not fall due in any one year, will be serviced by the annual pension contributions which are due at the rate determined by the scheme actuaries every three years.

Plans for the Future

The initial planned objectives for 2021/22 were to safely and confidently transition back to providing a wide range of leisure and sports activities, opportunities and facilities at all eight of our locations throughout Shetland, to introduce a new excellent value membership offer, and to secure significant capital funding from SCT, and maximise any other opportunities to obtain external funding. We have been successful in each of these objectives.

As the COVID19 pandemic has continued to persist, the Trust has taken a cautious approach in planning for 2022/23.

Our objectives for 2022/23 include:

- To improve, innovate and provide attractive and affordable programmes of activity for everyone, ensuring that barriers are removed to allow everyone to join in, get started, stay active and reach their own personal goals;
- To build and maintain connections with Shetland Partnership members, and other community stakeholders;
- To ensure that our physical assets are maintained in a safe and satisfactory condition;
- To ensure the financial sustainability of the Trust; and
- To develop better communication channels and access to our services through investment in on-line and social technology.

Other plans for 2022/23 include:

- Prepare for and undertake capital works at Unst, West Mainland, Scalloway and Clickimin, which are funded through SCT Capital Maintenance Grant funding;
- Going live with our App, making it easy and convenient for our customers to view and book services;
- Continue to review facilities and services to maximise accessibility, inclusion and participation in leisure and recreation in Shetland; and
- Opening our new Sensory Rooms at Clickimin, and promoting the portable sensory equipment for use in rural locations.

Structure, Governance and Management

Shetland Recreational Trust was constituted under a Deed of Trust registered in Edinburgh on 28 April 1982. Charitable status is conferred by HM Revenue & Customs based on the Trust Deed. A Supplementary Deed and Deed of Appointment were also registered in Edinburgh on 12 January 2011. The Trust's charity registration number is SC002179.

New applications for appointment to the position of Trustee are sought through public advertisement and a recruitment process to ensure that the Trustees have the appropriate skills, knowledge and experience to suit the needs of the Trust. The Trustees also have the power to assume new Trustees, if they so wish.

The Board of Trustees administers the charity and they met ten times during the reporting period. The Board agrees the broad strategy and activity for the year ahead including approval of policies, budgets, reserves, risk management and performance arrangements.

Upon appointment, new Trustees discuss their role, responsibilities and training needs with the Chairman and Chief Executive. The overall governance arrangements are contained in a Trustee Handbook which is made available to each Trustee. The Trustee Handbook includes all the legal obligations of Trustees as well as relevant policies and best practice guidance from appropriate sources, such as the Office of the Charity Regulator.

The Chief Executive, who is appointed by the Trustees, manages the day to day operations of the Trust on behalf of the Trustees. The Chief Executive has authority, within the terms of delegation approved by the Trustees, for operational matters including finance, employment and programming.

The Trust is part of Scottish and UK based networks of leisure based organisations which means access to expert help and guidance on many aspects of operating leisure centres.

Key Management Personnel Remuneration

The Trustees, Chief Executive, Head of Operations, Head of Assets & Business Development, and Finance Manager make up the key management personnel of the Trust. Trustees are volunteers and give freely of their time. The total employee benefits of the paid key management personnel was £307,030 (2020/21, £300,088). These figures are also included within the totals in Note 5 to the accounts.

Details of trustee expenses and related party transactions are disclosed in Notes 5 and 13 to the accounts.

The Trust has a Conflict of Interest Policy and maintains an up to date register of interests. Trustees withdraw from decisions where a conflict of interest arises.

Staff pay and remuneration, including the senior management team, is set by Trustees. It is based on a national framework for job evaluation, called Croner. Annual pay awards are linked to the Scottish Joint National Council negotiating arrangements.

Reference and Administrative Information

Details of the current Trustees at the date of this report, and changes in Trustees during the year and since the year end, are shown below together with the name of the current Chief Executive and the Trust's current advisers.

Trustees:

- G Barnes (resigned 13 December 2021)
- A S Civico
- I Cluness
- B Cumming
- S Fox
- G P Keith
- A Y Leask
- B J Leask (resigned 19 November 2021)
- D Leask
- K McMillan
- E H Robinson
- M Summers
- D H Thomson

Chief Executive: Steven Laidlaw

Principal address: Clickimin Leisure Complex
Lochside
Lerwick
Shetland
ZE1 0PJ

Bankers: Virgin Money
106 Commercial Street
Lerwick
Shetland
ZE1 0JJ

Solicitors: Harper Macleod LLP
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

Auditor: RSM UK Audit LLP
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

Under charity law, the trustees are responsible for preparing a Trustees' Annual Report and financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period. The trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assess the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

The trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Approved by the Trustees on 26 September 2022 and signed on their behalf by:



D H Thomson
Chairman

26 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF SHETLAND RECREATIONAL TRUST

Opinion

We have audited the financial statements of Shetland Recreational Trust (the 'charity') for the year ended 31 March 2022 which comprise Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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 United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2022 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 FRC's Ethical Standard and we have fulfilled our 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- 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.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 10 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks, that the charity operates in and how the charity is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from internal/external advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Data Protection Act 1998, Employment Law and Health and Safety at Work Act 1974. We performed audit procedures to inquire of management whether the charity is in compliance with these law and regulations and inspected the clients risk register for controls in place as well as relevant policies and procedures. We tested payroll transactions and furlough claims and evaluated the compliance with associated employment and tax legislation.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK Audit LLP

Statutory Auditor

Chartered Accountants

Address

Date 28 September 2022

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of financial activities

for the year ended 31 March 2022 (incorporating the income and expenditure account)

	Note	Unrestricted funds £	Restricted funds £	Total funds 2022 £	Total funds 2021 £
Income From:					
Charitable activities:					
Leisure and recreation services	2	5,519,422	-	5,519,422	3,833,834
HMRC Job Retention Scheme	2	115,862	-	115,862	880,438
Donations and legacies	2	317,681	-	317,681	219,771
Investments		343	-	343	1,372
Other income	2	2,779	-	2,779	103,075
Total		5,956,087	-	5,956,087	5,038,490
Expenditure on:					
Charitable activities					
Leisure and recreation services	3,11	(6,459,579)	(792,825)	(7,252,404)	(5,937,559)
Total		(6,459,579)	(792,825)	(7,252,404)	(5,937,559)
Net Income/(Expenditure)		(503,492)	(792,825)	(1,296,317)	(899,069)
Transfer between Funds		(58,323)	58,323	-	-
Other recognised gains /(losses):					
Actuarial gains/(losses) on defined benefit pension scheme	12	4,116,000	-	4,116,000	(2,583,000)
Net movement in funds		3,554,185	(734,502)	2,819,683	(3,482,069)
Reconciliation of funds					
Total funds brought forward		(6,909,843)	23,189,888	16,280,045	19,762,114
Total funds carried forward	10	(3,355,658)	22,455,386	19,099,728	16,280,045

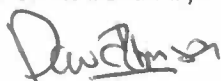
All activities arose from continuing operations. The unrestricted general fund includes the income and expenditure wholly and exclusively related to the running of the Trust's leisure centres. The £1 capital on formation is also included within the unrestricted general funds. The transfer between funds relates to an adjustment in respect of the funding of capital expenditure.

Governance costs are included in expenditure on Leisure and Recreation services.

Balance sheet
as at 31 March 2022

	Note	2022	2022	2021
		£	£	£
Fixed assets				
Tangible assets	6		22,455,386	23,189,888
			<hr/>	<hr/>
Total Fixed Assets			22,455,386	23,189,888
Current assets				
Stocks		11,659		13,466
Debtors	7	681,454		108,194
Cash at bank and in hand		1,212,231		1,033,435
			<hr/>	<hr/>
Total Current Assets		1,905,344		1,155,095
Liabilities				
Creditors: amounts falling due within one year	8	(662,002)		(405,938)
			<hr/>	<hr/>
Net current assets			1,243,342	749,157
			<hr/>	<hr/>
Total assets less current liabilities and net assets excluding pension liability			23,698,728	23,939,045
Defined benefit pension scheme liability	12	(4,599,000)		(7,659,000)
			<hr/>	<hr/>
Total Net Assets			19,099,728	16,280,045
			<hr/> <hr/>	<hr/> <hr/>
Funds				
Unrestricted funds - general fund	10		1,243,342	749,157
- pension fund	10		(4,599,000)	(7,659,000)
			<hr/>	<hr/>
Total unrestricted funds	10		(3,355,658)	(6,909,843)
Restricted fund	11		22,455,386	23,189,888
			<hr/>	<hr/>
Total funds			19,099,728	16,280,045
			<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of Trustees on 26 September 2022 and were signed on its behalf by:



D H Thomson
Chairman

The notes on pages 17 to 29 form part of these financial statements.

Cash flow statement

for the year ended 31 March 2022

	2022	2022	2021	2021
	£	£	£	£
Net cash provided by operating activities		236,776		544,475
Cash Flows from Investing Activities:				
Interest	343		1,372	
Purchase of property, plant and equipment	(58,323)		-	
Net cash from investing activities		(57,980)		1,372
		_____		_____
Net increase in Cash and Cash Equivalents in the reporting period		178,796		545,847
Cash and Cash Equivalents at the beginning of the reporting period		1,033,435		487,588
		_____		_____
Cash and Cash Equivalents at the end of the reporting period		1,212,231		1,033,435
		=====		=====

Notes to the cash flow statement

Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2022	2021
	£	£
Net expenditure for the reporting period (as per the Statement of Financial Activities)	(1,296,317)	(899,069)
Adjustments for:		
Depreciation charges	792,825	865,041
Pension costs less contributions payable	1,056,000	459,000
Interest	(343)	(1,372)
Decrease in stocks	1,807	7,283
Increase in debtors	(573,260)	(42,176)
Increase in creditors	256,064	155,768
	<hr/>	<hr/>
Net cash provided by operating activities	236,776	544,475
	<hr/> <hr/>	<hr/> <hr/>

Analysis of Cash and Cash Equivalents	At 31 March 2021	Cash flow	At 31 March 2022
	£	£	£
Cash at bank and in hand	1,033,435	178,796	1,212,231
	<hr/>	<hr/>	<hr/>
Total Cash and Cash Equivalents	<u>1,033,435</u>	<u>178,796</u>	<u>1,212,231</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Trust's financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. They have been prepared to comply in all other respects with the provisions of the Trust Deed, Statement of Recommended Practice 'Accounting and Reporting by Charities' and the Charities Accounts (Scotland) Regulations 2006.

The functional currency of Shetland Recreational Trust is considered to be pounds sterling because that is the currency of the primary economic environment in which the charity operates. All figures within the financial statements are rounded to the nearest pound. Shetland Recreational Trust meets the definition of a public benefit entity under FRS102. The financial statements have been prepared in compliance with FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Going concern

It is anticipated that the effects of COVID19 will be much reduced in 2022/23, so budgets have been set at near normal trading conditions. The Shetland Charitable Trust continues to make available contingency funds of £0.1m that the Trust can claim during 2022/23 to mitigate lower levels of customer income should they arise.

Our current four year revenue funding arrangement with the Shetland Charitable Trust continues until March 2025, and discussion regarding the next round of funding is expected to begin shortly. In addition, we were successful in gaining £6.1m in Capital Maintenance funding in the current year, reducing the pressures on our asset maintenance plan.

The level of trading income earned and expenditure required, particularly with current inflationary cost pressures (though they are expected to reduce in 12-18 months), and some continued ongoing support from Shetland Charitable Trust for reductions in trading income have been assessed, and Trustees have taken into account the additional funding and support indicated to 2025. Based on the Trust's current financial position and budgets prepared, the Trustees have concluded that there is a reasonable expectation that the Trust has adequate financial resources to operate for the foreseeable future. Accordingly, the financial statements of the Trust have been prepared on a going concern basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	over 50 years
Plant and equipment	over 3 – 5 years
Artificial Pitch, Containers	over 20 years
Clickimin 60:40 facility	over 25 years
Climbing Wall	over 15 years

Notes (continued)

No depreciation is charged on land.

Expenditure incurred on the acquisition of tangible fixed assets is capitalised irrespective of its value, except in respect of plant and equipment which is only capitalised above £5,000 with no grouping applied to purchases below this value. Gains and losses arising on disposals of fixed assets purchased from capital grants are credited or charged to construction capital.

Grants receivable

Grants receivable for the construction of tangible fixed assets, and the interest receivable on those grants pending deployment, with the exception of interest applied in meeting the mobilisation cost of fixed assets, are treated as construction capital. Grants receivable for specific revenue purposes, mainly running costs grants, are recognised as incoming resources to match the related running costs. Deferred income at the year end represents revenue grants receivable for which authority has been received from the donor to retain to be used against expenditure incurred in future periods. It is released to incoming resources only when the related expenditure has been incurred.

Centre operating income and investment income

Income generated from the operation of the Trust's leisure centres and investment income is recognised in the year in which it is receivable.

Expenditure

All expenditure is accounted for on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All of the expenditure incurred in connection with the operation of the Trust's leisure centres, including related support and governance costs, is recorded as charitable activities.

Fund accounting

Unrestricted income funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the Trust's charitable objects.

Restricted income funds are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the provider of grant funding.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Pension costs

The Trust participates in the local government pension scheme operated by Shetland Islands Council. This scheme provides benefits based on career average pay. The assets of the scheme are held separately from those of the Trust in an independently administered fund.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. Current service costs are recorded within centre operating expenditure within resources expended. The net return obtained on scheme assets is recorded as investment income. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Notes (continued)

Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. There is no similar exemption for VAT.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable within three months, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

Measurement of Financial Assets and Liabilities

The measurement bases and accounting policies used for financial instruments are:

Cash is measured at the value of the cash held and Bank deposits are measured as the cash amount of the deposit.

Debtors and creditors, including trade debtors (trade accounts and notes receivable) and trade creditors (trade accounts and notes payable), are measured at their settlement amount after any trade discounts (provided normal credit terms apply).

Critical Accounting Estimates and Areas of Judgement

The following judgements and estimates have had the most significant effect on the amount recognised in the financial statements.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. These are re-assessed and amended when necessary.

Notes (continued)

2 Income

	2022	2021
	£	£
Restricted Funds		
Other Grants and Donations	-	-
	<hr/>	<hr/>
Sub Total: Restricted Funds	-	-
	<hr/>	<hr/>
Unrestricted Funds		
Income from Charitable Activity:		
Grants from Shetland Charitable Trust	3,636,718	2,972,802
Operating income	1,866,141	844,973
HMRC Job Retention Scheme	115,862	880,438
Other grants – COVID19 support	184,556	194,000
Other – Insurance claim	-	103,075
Other	152,467	41,830
	<hr/>	<hr/>
Sub Total: Income from Charitable Activity	5,955,744	5,037,118
	<hr/>	<hr/>
Investment Income	343	1,372
	<hr/>	<hr/>
Sub Total: Unrestricted Funds	5,956,087	5,038,490
	<hr/>	<hr/>
Total Income	5,956,087	5,038,490
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

3 Expenditure

Unrestricted funds	2022	2021
	£	£
Centre operating expenditure is analysed by type as follows:		
Staff costs	3,310,893	3,200,864
Property management costs (including repairs and maintenance)	923,257	651,570
Heat, light and power	446,072	481,557
Other expenditure	723,357	279,527
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	5,403,579	4,613,518
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Centre operating expenditure is analysed by activity as follows:		
Clickimin Leisure Complex	2,865,215	2,430,704
Rural leisure centres	1,610,783	1,312,955
Planned maintenance programme	914,115	866,518
Other specific purposes	13,466	3,341
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	5,403,579	4,613,518
Net pension cost less contributions paid	890,000	349,000
Pension finance costs	166,000	110,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total expenditure on unrestricted funds	6,459,579	5,072,518
Total expenditure on restricted funds	792,825	865,041
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total expenditure on charitable activities	7,252,404	5,937,559
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Notes (continued)

4 Governance costs

	Unrestricted Fund 2022 £	Restricted Fund 2022 £	Total 2022 £	Total 2021 £
Allocation of staff and support costs	60,563	-	60,563	60,225
External auditors' remuneration: Audit of these financial statements	15,597	-	15,597	12,500
	<u>76,160</u>	<u>-</u>	<u>76,160</u>	<u>72,725</u>

Governance costs of £60,563 (2021 £60,225) are included within staff costs (note 3).

The Trust also paid the external auditor £7,182 (2021 £840) in respect of tax advisory services.

5 Staff numbers and costs

	Unrestricted Fund £	Restricted Fund £	Total 2022 £	2021 £
Wages and salaries	2,710,254	-	2,710,254	2,504,990
Social Security	204,883	-	204,883	193,039
Pension costs	1,437,432	-	1,437,432	925,364
Other	14,324	-	14,324	36,471
	<u>4,366,893</u>	<u>-</u>	<u>4,366,893</u>	<u>3,659,864</u>

The average number of employees paid during the year was 162 (2021: 165) who carried out the administration and operation of the Trust.

One employee (2021: none) received emoluments between £70,000 and £79,999 and none (2021: one) between £60,000 and £69,999. Retirement benefits are accruing to these employees under a defined benefit pension scheme.

Trustees' remuneration

The Trustees received no remuneration from the Trust during the year (2021: nil).

Two Trustees, D Thomson and D Leask, each received another benefit valued at £50 (2021: nil).

No travel expenses (2021: nil) were paid to Trustees (2021: none) during the year.

Key Management Personnel

Information on key management personnel is given on page 8.

Notes (continued)

6 Tangible fixed assets

	Freehold land and buildings £	Equipment and Vehicles £	Total £
Cost			
At 1 April 2021	37,508,800	2,312,334	39,821,134
Additions	58,323	-	-
At 31 March 2022	37,567,123	2,312,334	39,879,457
Depreciation			
At 1 April 2021	14,350,920	2,280,326	16,631,246
Charge for the year	789,915	2,910	792,825
At 31 March 2022	15,140,835	2,283,236	17,424,071
Net book value			
At 31 March 2022	22,426,288	29,098	22,455,386
At 31 March 2021	23,157,880	32,008	23,189,888

All fixed assets are used for charitable purposes. The assets comprising Clickimin Phase II, Scalloway Pool, South Mainland Pool and West Mainland Leisure Centre may not be disposed of without the permission of Shetland Charitable Trust and, if permission is forthcoming, these assets must be offered in the first instance to Shetland Charitable Trust, or their nominee, for nominal consideration.

Notes (continued)

7 Debtors

	2022	2021
	£	£
Trade debtors	76,695	23,786
Recoverable VAT	77,828	20,148
Prepayments and accrued income	526,931	64,260
	681,454	108,194
	681,454	108,194

8 Creditors

	2022	2021
	£	£
Amounts falling due within one year		
Trade creditors	352,557	159,388
Social security costs and other taxes	53,061	41,554
Accruals and deferred income	256,384	204,996
	662,002	405,938
	662,002	405,938

9 Analysis of net funds

	Unrestricted Funds £	Restricted Funds £	Total £
Fund balances at 31 March 2022 are represented by:			
Tangible fixed assets	-	22,455,386	22,455,385
Current assets	1,905,344	-	1,905,344
Current liabilities	(662,002)	-	(662,001)
Net pension liability	(4,599,000)	-	(4,599,000)
	(3,355,658)	22,455,386	19,099,728
Total net assets (liabilities)	(3,355,658)	22,455,386	19,099,728

Notes (continued)

10 Unrestricted funds

	General Fund £	Pension Reserve £	Total Unrestricted Income Funds £
At 1 April 2021	749,157	(7,659,000)	(6,909,843)
Net Expenditure	(503,492)	-	(503,492)
Actuarial gains for the year	-	4,116,000	4,116,000
Transfer between unrestricted funds	1,056,000	(1,056,000)	-
Transfer to Restricted fund – fund capital exp.	(58,323)	-	(58,323)
	<u>1,243,342</u>	<u>(4,599,000)</u>	<u>(3,355,658)</u>
At 31 March 2022	<u>1,243,342</u>	<u>(4,599,000)</u>	<u>(3,355,658)</u>

11 Restricted fund

	Capital £	2022 Total £	2021 Total £
At 1 April	23,189,888	23,189,888	24,069,952
Income	-	-	-
Expenditure	(792,825)	(792,825)	(865,041)
Transfer- Unrestricted fund	58,323	58,323	(15,023)
	<u>22,455,386</u>	<u>22,455,386</u>	<u>23,189,888</u>
At 31 March	<u>22,455,386</u>	<u>22,455,386</u>	<u>23,189,888</u>

12 Employee Benefits

The Trust participates in the Shetland Islands Pension Fund which provides benefits based on career average pay. The assets of the scheme are held separately from those of the Trust. The information disclosed below in respect of the Trust's share of the assets and liabilities throughout the periods shown. The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2022 by a qualified independent actuary.

	2022 £000	2021 £000
Present value of funded defined benefit obligations	(24,853)	(25,593)
Fair value of plan assets	20,310	17,994
	<u>(4,543)</u>	<u>(7,599)</u>
Present value of unfunded defined benefit obligations	(56)	(60)
	<u>(4,599)</u>	<u>(7,659)</u>

Notes (continued)

12 Employee Benefits (continued)

Movement in the present value of defined benefit obligation

	2022	2021
	£	£
At 1 April	25,653	19,044
Current service cost	1,273	721
Interest Cost	537	444
Actuarial (gains)/losses	(2,395)	5,591
Contributions by members	133	129
Benefits paid	(292)	(276)
	<hr/>	<hr/>
At 31 March	24,909	25,653
	<hr/> <hr/>	<hr/> <hr/>

Movement in the fair value of plan assets

	2022	2021
	£	£
At 1 April	17,994	14,427
Expected return on plan assets	371	334
Actuarial (losses)/gains	1,721	3,008
Contributions by employer	383	372
Contributions by members	133	129
Benefits paid	(292)	(276)
	<hr/>	<hr/>
At 31 March	20,310	17,994
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Employee Benefits (continued)

The expense is recognised in the following line items in the statement of financial activities:

	2022	2021
	£000	£000
Charitable activities: Leisure and recreational services	(537)	(444)

The total actuarial gain recognised in the other recognised gains and losses section of the statement of financial activities is a gain of £4,116,000 (2021: loss of £2,583,000).

The fair value and breakdown of plan assets was as follows:

	2022	2021
	£000	£000
Equities	16,451	14,575
Corporate bonds	1,422	1,440
Property	2,234	1,799
Cash	203	180
	<hr/>	<hr/>
	20,310	17,994
	<hr/> <hr/>	<hr/> <hr/>

The expected rates of return on plan assets are determined by reference to the historical actual returns on the Fund as provided by the administering authority and index returns where necessary.

Principal actuarial assumptions (expressed as long term weighted averages) at the year end were as follows:

	2022	2021
	%	%
Discount rate	2.75	2.05
Expected rate of return on plan assets	11.6	28.4
Future salary increase rate	3.15	2.80
Consumer Price Index (CPI) - pension increase rate	3.15	2.80
Retail Price Index (RPI)	3.55	3.20

Notes (continued)

12 Employee Benefits (continued)

In valuing the liabilities of the pension fund at 31 March 2022, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.7 years (male), 22.9 years (female); and
- Future retiree upon reaching 65: 22.1 years (male), 25.1 years (female).

The assumptions in the previous accounting period were as follows:

- Current pensioner aged 65: 20.8 years (male), 23.1 years (female); and
- Future retiree upon reaching 65: 22.3 years (male), 25.3 years (female).

The Trust expects to contribute approximately £496,000 to its defined benefit plans in the next financial year to 31 March 2023.

13 Related parties

Transactions with Trustees are disclosed in note 5.

Two Trustees are involved in businesses which provide goods and services to the Trust in line with normal commercial trading activity. During 2021/22:

- a company, Anderson & Cluness, to which a Trustee, Mr I Cluness, is related had no payments in the year. In 20/21, the company was paid £130 for painting materials from 9 December 2020 when Mr Cluness commenced as a trustee, and
- a company, Beervana Ltd T/A The Dowry, to which a Trustee, Mr S Fox, is related was paid £500 (2021: nil) for gift vouchers.

No amount was due to or owed to Anderson & Cluness and Beervana Ltd. at the year end.

These transactions were managed through a specific decision of the Trust, taken in December 2014.

14 Leases

At the 31 March 2022, the Trust had outstanding commitments for future lease payments under operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	4,996	4,690
Between one and five years	8,914	12,931

The payments made in 2021/22 totalled £4,640 (2021 £7,912).

