

APPROVED

**Minute of the Endowment Committee Meeting
15th August 2019
Seminar Room, Summerfield House**

Present:

Ms Luan Grugeon, Trustee, NHS Grampian Endowment Funds (Chair)
Ms Rachael Little, Trustee NHS Grampian Endowment Funds
Councillor Douglas Lumsden, Trustee NHS Grampian Endowment Funds
Mr John Tomlinson, Trustee NHS Grampian Endowment Funds
Miss Lesley Hall, Assistant Board Secretary

In Attendance:

Mr Gerry Donald, Head of Property and Asset Development
Mr Garry Kidd, Assistant Director of Finance
Mrs Sheena Lonchay, Operational Manager for NHSG Charities
Ms Else Smaaskjaer, Minuting Secretary

Item	Subject	Action
1.	<p>Apologies</p> <p>Mr Alan Gray, Director of Finance</p>	
	<p>Welcome and Introductions</p> <p>Ms Grugeon welcomed everyone to the meeting.</p>	
2.	<p>Declaration of Interest</p> <p>No pecuniary interests were declared.</p>	
3.	<p>Minute of meeting held on 7th June 2019.</p> <p>Item 6.2 – first sentence amended to “Ms Grugeon suggested that Trustees should have agreed strategic priorities to help guide decision regarding applications for funding.”</p> <p>Item 9.2 – amended to “There should not be any further commitments against the general fund until there is more certainty regarding the income for 2019/20.”</p> <p>The minute of the meeting was then approved as an accurate record.</p>	
4.	<p>Matters arising from meeting held on 7th June 2019</p> <p>4.1 Action Log 7 June 2019</p>	

	<p>The Committee reviewed the action log from the previous meeting and highlighted the following items:</p> <p>Travel and Subsistence Mrs Lonchay confirmed that the revised Operating Instructions, which includes clarification on making arrangements for travel, had been approved at the AGM of Trustees on 25th June 2019.</p> <p>Progress Reports Mr Kidd asked the Committee to consider whether it would be useful to formalise the requirement to submit progress reports on how endowment funds had been used and the outcomes achieved. He highlighted the annual report and the R&D report provided on research projects supported from Endowment funds and suggested that proportionate reporting on substantial and significant projects would help to inform the Committee on what had been delivered and the impact of funding invested.</p> <p>It was agreed that this should be considered by the Working Group at the meeting scheduled on 22nd August.</p> <p>Dr Gray's Hospital Mrs Lonchay reminded members that an application had previously been received for £410k for Dr Gray's Hospital. This had been deferred pending the outcome of wider discussions regarding a masterplan for the whole site. Mr Kidd confirmed that it had now been agreed by both local clinical management and Board Senior management that the services currently provided in Ward 7 at Dr Gray's Hospital would remain permanently located in Ward 7 and the scheme to upgrade this accommodation could proceed. Mr Kidd also explained that the planned works included some mainstream backlog maintenance and statutory compliance issues which would be funded through NHS Grampian's exchequer infrastructure budget and he had requested that the final project costing should clearly identify those elements covered by the Endowment funds in order to provide assurance that Endowment funds had been used only to provide additional features and enhancements to the patient environment.</p> <p>It was agreed that the final project costs should be shared with members for a decision between meetings to minimise any delays in works commencing. Mr Kidd will circulate the original application with the updated costs.</p> <p>National Review of Endowment Funds Ms Little reported that the recent meeting of the Review Group had been hampered by technical issues and a number of representatives had not been able to join by VC. Unfortunately, this had resulted in not every Board being represented at the</p>	<p></p> <p>SL</p> <p>GK</p>
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	<p>meeting. Mr Kidd updated the Committee on the work of the national reference group.</p> <p>The Committee observed it will be important that Trustees seek to ensure their views are taken into account and that the robust governance processes currently in place are not compromised by a quick transition to an alternative system. Mr Kidd noted the Review Group is expected to report back in October 2019.</p> <p>Ms Grugeon suggested members consider the risk of unintended consequences from the potential change to governance arrangements. Mr Tomlinson suggested it would be useful to make enquiries regarding proposed governance arrangements and how risks will be mitigated when changes are implemented. Councillor Lumsden asked if there will be any direct costs to Endowment funds as a result of the potential change to governance arrangements. Mr Kidd confirmed that there will most likely be an additional VAT burden associated with a change to the corporate Trustee. The NHS Endowment Funds share the same VAT registration as the Board and are currently able to recover VAT on contracted out services. Mrs Lonchay also highlighted the cost of training for independent trustees who will not benefit from the corporate induction to NHS services experienced by Board members.</p> <p>It was agreed that Ms Grugeon should write to the Review Group asking for assurances around the mitigation of risks associated with the proposed changes.</p>	<p>LG</p>
<p>5.</p>	<p>Investments</p> <p>5.1 Update on Investment Performance–Report and Briefing from Aberdeen Standard Capital (ASC)</p> <p>Ms Clark and Mr Brisbane were not in attendance. Mr Kidd provided a brief overview of some of the key issues highlighted in their report.</p> <p>The reduced value of £sterling had not impacted negatively on the portfolio as many of the investments are in overseas holdings. However, the current value of the portfolio reported as slightly less than at the end of July due to a general weakening in markets and tensions around global trade arrangements. The estimated annual income of £1.57M remains above the budget figure of £1.25M.</p> <p>Mr Kidd noted that the commitments expected to materialise during the current financial year amount to more than £4M. The timing for the withdrawal of cash will have to be carefully</p>	

	<p>considered to avoid a negative impact on the portfolio and to ensure that the level of income remains at a high level.</p> <p>The Committee had a general discussion regarding the information required by Trustees from ASC and whether at each meeting the management and make-up of the fund is monitored. Mr Kidd advised that the report from ASC is current and updated on the day of reporting but it may be useful to distil some of the information in the quarterly report and include in the Financial Report provided by colleagues in the Finance Department. Mr Tomlinson asked that this should include a high level overview of any changes made and the impact of those on the portfolio.</p> <p>The Committee agreed that ASC should attend at alternate meetings of the Endowment Sub-Committee and between times regular liaison between NMSG Finance Department and ASC will continue. ASC will retain delegated authority to manage the portfolio and finance colleagues will monitor decisions made and challenge if necessary.</p>	
6.	<p>6.1 Operational Manager's Report</p> <p>The Operational Manager's Report, including an update on activities since June 2019, had been circulated for information.</p> <p>The following items were highlighted:</p> <ul style="list-style-type: none"> • There had been two NHS Big Tea parties which had raised funds for the Alzheimer's Research Fund and Parkinson's Nurses. • Mrs Lonchay had attended meetings with Aberdeen City Nursing and AHP team leaders and with the Senior Nurses Group to raise awareness of Endowment Funds. • Mrs Lonchay reported that the Celebrating Excellence day at Inverurie Town Hall had been a successful event and provided an opportunity to have display boards showing the range of projects supported by Endowment Funds. • Mrs Lonchay informed members that Julie Hutchison, Charity Expert with ASC and Chair of the Endowment Fund Review Group had asked for contact details for fundraisers in NHS Grampian. Ms Hutchison had also offered to attend the NHS Scotland Endowment Network meeting in December and it had been indicated that Trustees may be invited to attend. <p>The Committee noted the report.</p>	

	<p>6.2 Endowment Fund Analysis</p> <p>Mrs Lonchay presented a report providing an overview of Endowment Funds. The report outlined the composition of funds across the different categories and their current value. Mrs Lonchay highlighted that the majority of fund stewards are consultants and members discussed whether it would be helpful to have more involvement from managers who may have a more strategic view of needs across service areas. Mr Kidd advised that fund stewards have delegated authority up to £5k but they have to follow the agreed approval process as outlined in the Operating Instruction for NHS Grampian Endowment Funds.</p> <p>Mr Tomlinson observed that the two main issues would seem to be consolidation of small funds and persuading fund stewards to take more initiative in using funds. Mrs Lonchay advised that progress had been made in consolidating funds but a consensual approach can result in slow progress. She also noted that engagement with staff had been helpful with some recent applications such as supporting a Consultant Psychologist at RACH to push forward the application for the redesign of the Day Case Unit. Mr Kidd informed members that one of the reasons for redesigning the support function in 2013 and appointing to the role of Operational Manager for Endowment Funds following the redesign of the Charity's support services in 2013 had been made to provide capacity to support fund stewards and ensure that applications were strategically managed and monitored. This had also created capacity for increased engagement with fund stewards and encouraging the use of specific funds when applicable. Ms Grugeon asked that consideration should be given to clarifying role definition for fund stewards and providing access to training on the requirements and responsibilities of the position. Mr Kidd advised that there had been an earlier proposal to have a seminar for fund stewards and it may be worthwhile to consider this again.</p> <p>The Committee noted the report and agreed that the Operational Manager should investigate the possibility of having a seminar/conference for fund stewards.</p>	SL
7.	<p>Donations</p> <p>A paper was tabled on all donations and legacies greater than £1,000 received from 1 May to 31 June 2019.</p> <p>During this period £240,694 been received in donations and £314,615 in the form of legacies.</p> <p>The Committee noted the report.</p>	

8.	<p>Financial Report</p> <p>Mr Kidd reported that there were no areas of concern. Income and expenditure to date were broadly consistent with that for 2018/19.</p> <p>Mr Tomlinson asked if making a cash withdrawal from the portfolio is an operational decision. Mr Kidd confirmed that following the approval process for all applications, withdrawal of cash is dealt with as an operational matter. He explained that the endowments team and key finance colleagues meet regularly to review when funds will be required. Following this there is consultation with ASC to ensure that withdrawals are timed to avoid any negative impact on the portfolio. This reflects the aims of Trustees to use funds whilst retaining the overall value of the portfolio</p> <p>Councillor Lumsden asked if investment income is distributed across all funds. Mr Kidd confirmed that investment income was previously distributed in this way but following advice from the fund's auditors the policy had been amended to allow an increased allocation to the General Endowment Fund. Trustees had agreed the change to enable recovery of Unrestricted or General Endowment Funds in line with the agreed policy that General Funds should be maintained at a value of at least £3M.</p> <p>The Committee noted the report.</p>	
9.	<p>Funding Requests</p>	
	<p>9.1 Expenditure requests over £2,000 approved from 1 May to 31 July 2019</p> <p>A paper was tabled listing approval of expenditure of over £2,000. During the period, applications amounting to £541,044.33 had been approved.</p> <p>Members noted the significant contribution to the refurbishment of the City Hospital in providing accommodation for CAMHS.</p> <p>The Committee noted the report and agreed that a visit should be arranged to see the refurbished premises for CAMHS.</p>	SL
	<p>General Endowment Funds</p>	
	<p>There were no applications to consider at this meeting.</p>	

	Restricted Funds	
	There were no applications to consider at this meeting.	
10.	<p>Review of Risk Control Plan</p> <p>The Endowments Committee Risk Control Plan was tabled. There are currently 13 items on the register – four amber and nine green. The following risks were discussed:</p> <p>Risk 2 – Poor performance by fund’s investment managers. Mr Tomlinson suggested that the controls in place should reflect that ASC will attend alternate meetings of the Endowment Sub-Committee. It was also suggested that the appointment of investment managers is considered at the AGM in 2020. Mrs Lonchay observed that a recent benchmarking exercise by the Endowments Network had concluded that there was not much variance in performance between investment managers.</p> <p>Risk 9 – Under-utilisation of endowment funding by fund holders. Ms Grugeon advised that the action plan should confirm that development and support for fund stewards will be reviewed.</p> <p>New Risk – Mr Kidd suggested that a new risk relating to the national review should be added to the risk control plan</p> <p>The Committee agreed:</p> <ul style="list-style-type: none"> • controls in place for Risk 2 will reflect attendance by investment managers at alternate meetings of the endowment Sub-Committee; • the action plan for Risk 9 will include a review of development and support for fund stewards; • a new risk relating to the national review will be added to the risk control plan; and • the appointment of investment managers will be reviewed at the AGM in 2020. <p>The Committee agreed that all other items on the Endowments Risk Control Plan should remain at their current level and it will be reviewed again at the next meeting in November.</p>	
11.	<p>Update to NHSG Board</p> <p>It was agreed that the following information should go to the next Board Meeting.</p>	

	<ul style="list-style-type: none"> • National Review. • Seminar/Conference for Fund Stewards. • Feedback from meeting of the Sub-Group on 22nd November. 	
12	<p>AOCB</p> <p>Scottish Charity Air Ambulance (SCAA) – Mr Tomlinson asked if there was an update on the application from SCAA considered at previous meetings. Mr Kidd confirmed that there would be a presentation by SCAA, with input from clinicians, at the Board Meeting on 3rd October. The intention will be to address all the questions raised by Trustees at the AGM in June. Ms Grugeon advised that given the significant amount requested she will ask the Board, as Trustees of the Endowment Fund, to make any final decision on the application.</p>	
13	<p>Date of Next Endowment Committee Meeting</p> <p>Friday 8th November 2019 at 09.30 am Conference Room, Summerfield House.</p>	