

Main Report		Health Board Meeting On 30th March 2017
		Agenda Item: 7 (iii)
Subject	Charitable Funds Committee - summary of key decisions, issues considered and matters requiring Board level consideration	
Prepared by	Liz Stauber, Committee Services Manager	
Approved by	Charles Janczewski, Non-Officer Member / Chair of the Charitable Funds Committee	

A. PURPOSE

The purpose of this report is to provide the board with a summary of the matters discussed by the Charitable Funds Committee when it met on 14th March 2017. The full minutes of the committee meeting are available on request from the Director of Corporate Governance.

B. KEY DECISIONS AND ISSUES CONSIDERED BY THE COMMITTEE:

1. Investment Management Report

The investment management report to 31st December 2016 was received. It was noted that the amount of cash being held had increased however this could be as a result of the committee's request to release a proportion of its unrealised gains to increase its general purpose fund. It was agreed to seek clarification if this was the reason, and if so, when the monies would be available.

2. Finance Report for Charitable Funds

A report was received outlining the charitable funds for the period ending 31st December 2016. Previously the committee received the financial update based on the figures for each quarter, however it was agreed that going forward, it would receive the most up-to-date financial position. It was noted that during the period fewer monies were spent than received by £183,000. The investment portfolio performance was 2.9% against a benchmark of 2.4% and the centrally held reserve balance had increased to £1.7m. Interest of £911 had been earned in the fixed-term investment account and the overall fund balance was £7.3m. The committee suggested that a cash flow forecast be included in future iterations of the paper to enable an expenditure plan to be developed.

3. Delegated Funds Income and Expenditure

A report was received outlining the delegated funds income and expenditure for the period ending 31st December 2016. It was noted that there continued to be a lack of expenditure in the delegated funds and the committee agreed to request regular reports from the units outlining performance against the expenditure plans. It was also agreed that a letter should be issued from the trustees to fund managers to encourage them to spend the funds.

4. Arts in Health Project Update

A report was received providing an update on the arts in health project. The committee heard that an arts in health team had been established and a number of schemes were ongoing within the health board, such as storytelling and music therapy. In addition, 40 frontline staff had been trained to record patient stories. A

book of poetry written by renal patients at Morriston Hospital was due to be launched later that week and a dance project was to commence. A capital arts manager was now in post and able to use small donations to create arts in health projects in addition to the 1% capital allocation for new builds and refurbishments. The committee noted the positive work of the programme and suggested it could be expanded to include children and adolescent mental health services.

5. Financial Position of the Charitable Funds Committee Fund

A report was received outlining the financial position of the charitable funds committee fund. An analysis had been undertaken of the unrealised gains for the previous three years at the request of the committee at a previous meeting to determine the percentage of unrealised gains it could potentially release each year. It was highlighted that as well as the £250,000 due to be realised this year, an additional one-off £250,000 could be released, increasing the general fund by £500,000 in 2017/18. The committee agreed that a review of unrealised gains needed to be taken annually to agree the amount it wished to release to spend the following financial year; this would enable it to keep some funds in reserve should the market turn. It also needed to be mindful of its commitments to recurring schemes should be limited to three years as there was no guarantee that the committee would be able to continue to release unrealised gains.

It was noted that a number of schemes for which bids had been successful had yet to ask for the money, and the committee therefore agreed for the requesters to be asked to do so by a set deadline or outline the reasons as to why the scheme had been delayed. If the reasons were just, the deadline would be extended however if was not, the monies would be re-allocated.

6. Charitable Funds Committee Work Plan

The Charitable Funds Committee work plan for 2016/17 was received and noted.

7. Charitable Funds Committee Work Plan 2017/18

The Charitable Funds Committee work plan for 2017/18 was received and approved for recommendation to the trustees. It was agreed that the Golau Cancer Foundation be invited to the June and September 2017 meetings to ensure it was progressing prior to the change in membership of the committee. In addition, following the September 2017 meeting, it was suggested that the non-officer members visit the cancer centre to see the impact the work of the foundation was having.

8. Charitable Funds Committee Terms of Reference

A report outlining the terms of reference for the Charitable Funds Committee for annual review was received. It was agreed that the names of committee members be removed and to list by designation only (**appendix 1**).

9. Dormant Funds

A report was received providing an update regarding dormant funds. It was noted that there had been some movement with regard to some of the dormant funds however 20 had undertaken no expenditure in 18 months. In addition there were a number of funds which had not used any monies within 12 months. The committee agreed that managers of dormant funds without an expenditure plan would be asked to submit one by a set deadline and those who did not would have their funds transferred to the control of the unit service director. With regard to dormant funds with expenditure plans, fund managers would be asked to outline the reasons why

progress had not been made, and if this continued, the funds would transfer to the service directors. In both instances, fund managers would have 14 days to appeal.

10. Bids for Funding

(i) Risk Management Training

A bid was received in relation to funding for risk management training for non-officer members and service directors. While the committee was supportive of the bid, it felt it needed further information before it could be approved, including what would be the benefit derived from the investment, the optimal number of attendees and the relevant timing for such an event. It agreed to support the bid subject to the clarifications.

(ii) 3rd Sector Strategic Framework Project Manager

A bid was received for funding for a 3rd sector strategic framework project manager who would progress the service level agreements with the voluntary services and implement the strategic framework. The committee was unclear whether the contract of employment would reside with ABMU or the voluntary sector. In addition, concerns were raised as to whether the salary was correct for the skillset required and required assurance that the post would not be required once the two-year contract expired. It was agreed that further clarification as to the timescales of the project, the employing body and whether the post would cover the three councils for voluntary services, before it could approve the bid.

(iii) HMP Parc Prison

A bid was received to support a public health initiative within Parc Prison. The scheme worked with the British Red Cross to provide health education sessions to a cohort of prisoners which would then provide advice, support and education to fellow prisoners. On completion of the course, they would be qualified Red Cross volunteers and could assist with appropriate events upon release. The committee approved the request but asked if more work could be undertaken with the facility for younger people and feedback provided as to the outcome.

11. Expenditure Model to Reduce Level of Charitable Funds Balances

A report was received outlining options to reduce the level of charitable funds balances. The committee agreed to remove unrealised gains and losses from the calculation as a temporary measure to bring the fund balances down to a manageable level. It was agreed consideration could be given to reducing the number of fund managers by allocating a number of funds to senior staff which were a part of their areas of service. A letter was also to be drafted from the chair of the committee to the units to seek ideas as to how expenditure could be increased as well as asking colleagues in other health boards how they managed large funds.

12. Proposal for the Future Tendering of Investment Management Services

A report outlining the proposed specification and timelines for the future tendering of investment management services was received and approved.

13. Charitable Funds Committee Self-Assessment

A report was received outlining the results of the committee's self-assessment. It was agreed that the committee chair should discuss with the Chairman of the health board adding a fourth non-officer member to the committee to facilitate a smooth

handover as the current members were due to complete their terms of office with the health board in September 2017.

14. New Fund Approvals

A report outlining one new fund approval was received and noted. The committee asked that in future, new funds were not approved until an expenditure plan including milestones and a monitoring report had been submitted, with confirmation by the Director of Finance that these had been completed.

15. Closed Fund Approvals

A report outlining two closed fund approvals was received and noted.

16. Expenditure Request Ratifications over £50,000

Reports outlining expenditure requests totalling more than £50,000 agreed by the committee via e-mail which required ratification were received and approved for:

- Purchase of specimen equipment for breast surgery at Neath Port Talbot Hospital;
- Refurbishment of wards 11 and 12, Singleton Hospital

17. Wales Audit Office Report on Lap of Wales and Betsi Cadwaladr University Health Board Response

A report was received outlining the Wales Audit Office review of the Lap of Wales and the Betsi Cadwaladr University Health Board response. It was agreed that the chair of the committee would share the report with the trustees for information and discuss the issues with the service directors.

C. MATTERS REQUIRING BOARD LEVEL CONSIDERATION / APPROVAL

The chair of the Charitable Funds Committee wishes to draw the following matters to the attention of the board:

For noting:

- The agreement to issue a letter from the trustees to fund managers to encourage spending (point three);
- The action to be taken in relation to dormant funds (point nine) and to reduce the level of charitable funds (point 11).

For approval:

- The amendments to the terms of reference (appendix 1).

D. RECOMMENDATION

The board is asked to note the issues set out in this report.

Charitable Funds Committee

Terms of Reference & Operating
Arrangements

1. INTRODUCTION

- 1.1 The Local Health Board (LHB)'s standing orders provide that "*The Board may and, where directed by the Assembly Government must, appoint Committees of the LHB either to undertake specific functions on the Board's behalf or to provide advice and assurance to the Board in the exercise of its functions. The Board's commitment to openness and transparency in the conduct of all its business extends equally to the work carried out on its behalf by committees*".
- 1.2 In accordance with standing orders (and the LHB's scheme of delegation), the Board shall nominate annually a committee to be known as the **Charitable Funds Committee** "the Committee". The detailed terms of reference and operating arrangements set by the Board in respect of this committee are set out below.

2. CONSTITUTION

- 2.1 The ABMU University LHB was appointed as corporate trustee of the charitable funds and its Board serves as its agent in the administration of the charitable funds held by the LHB.
- 2.2 The purpose of the Committee is to make and monitor arrangements for the control and management of the LHB's Charitable Funds.

3. SCOPE AND DUTIES

- 3.1 Within the budget, priorities and spending criteria determined by the LHB as trustee and consistent with the requirements of the Charities Act 1993, Charities Act 2006 (or any modification of these acts) to apply the charitable funds in accordance with their respective governing documents.
- 3.2 To ensure that the LHB policies and procedures for charitable funds investments are followed. To make decisions involving the sound investment of charitable funds in a way that both preserves their value and produces a proper return consistent with prudent investment and ensuring compliance with:–
- Trustee Act 2000

- The Charities Act 1993
 - The Charities Act 2006
 - Terms of the fund's governing documents
- 3.3 To receive at least twice a year reports for ratification from the Director of Finance and investment decisions and action taken through delegated powers upon the advice of the LHB's investment adviser.
- 3.4 To oversee and monitor the functions performed by the Director of Finance as defined in Standing Financial Instructions.
- 3.5 To monitor the progress of Charitable Appeal Funds where these are in place and considered to be material.
- 3.6 To monitor and review the LHB's scheme of delegation for Charitable Funds expenditure and to set and reflect in Financial Procedures the approved delegated limits for expenditure from Charitable Funds.

4. DELEGATED POWERS AND DUTIES OF THE DIRECTOR OF FINANCE

- 4.1 The Director of Finance has prime responsibility for the LHB's Charitable Funds as defined in the LHB's Standing Financial Instructions. The specific powers, duties and responsibilities delegated to the Director of Finance are:-
- Administration of all existing charitable funds
 - To identify any new charity that may be created (of which the LHB is trustee) and to deal with any legal steps that may be required to formalise the trusts of any such charity
 - Provide guidelines with respect to donations, legacies and bequests, fundraising and trading income.
 - Responsibility for the management of investment of funds held on trust
 - Ensure appropriate banking services are available to the LHB
 - Prepare reports to the LHB Board including the Annual Account

5. AUTHORITY

5.1 The Committee is empowered with the responsibility for:-

- Overseeing the day to day management of the investments of the charitable funds in accordance with the investment strategy set down from time to time by the trustee and the requirements of the LHB's Standing Financial Instructions.
- The appointment of an investment manager (where appropriate) to advise it on investment matters and may delegate day-to-day management of some or all of the investments to that investment manager. In exercising this power the Committee must ensure that:
 - a) The scope of the power delegated is clearly set out in writing and communicated with the person or persons who will exercise it
 - b) There are in place adequate internal controls and procedures which will ensure that the power is being exercised properly and prudently
 - c) The performance of the person or persons exercising the delegated power is regularly reviewed
 - d) Where an investment manager is appointed, that the person is regulated under the Financial Services Act 1986
 - e) Acquisitions or disposal of a material nature must always have written authority of the Committee or the Chair of the Committee in conjunction with the Director of Finance
- Ensuring that the banking arrangements for the charitable funds should be kept entirely distinct from the LHB's NHS funds.
- Ensuring that arrangements are in place to maintain current account balances at minimum operational levels consistent with meeting expenditure obligations, the balance of funds being invested in interest bearing deposit accounts
- The amount to be invested or redeemed from the sale of investments shall have regard to the requirements for immediate and future expenditure commitments
- The operation of an investment pool when this is considered appropriate to the charity in accordance with charity law and the

directions and guidance of the Charity Commission. The Committee shall propose the basis to the LHB Board for applying accrued income to individual funds in line with charity law and Charity Commissioner guidance

- Obtaining appropriate professional advice to support its investment activities
- Regularly reviewing investments to see if other opportunities or investment services offer a better return.

5.2 The Committee is authorised by the Board to:

- investigate or have investigated any activity within its Terms of Reference and in performing these duties shall have the right, at all reasonable times, to inspect any books, records or documents of the LHB relevant to the Committee's remit. It can seek any relevant information it requires from any employee and all employees are directed to co-operate with any reasonable request made by the Committee;
- obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, subject to the Board's budgetary and other requirements; and
- by giving reasonable notice, require the attendance of any of the officers or employees and auditors of the Board at any meeting of the Committee.

6. MEMBERSHIP

Members

6.1 A minimum of five (5) members, comprising:

Chair Independent member of the Board

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Vice Chair Independent member of the Board

Members A minimum of 1 other Independent member of the Board and 2 Executive Directors, to include the LHB's Director of Strategy and Director of Finance. There may also be additional independent 'external' members¹ which have yet to be confirmed.

Attendees

6.2 In attendance The Committee may require the attendance for advice, support and information routinely at meetings from:

E.g., Charitable Funds Accountant *[or equivalent]*
LHB Investment Advisor

Secretariat

6.3 Secretary As determined by the Director of Corporate Governance

Member Appointments

6.4 The membership of the Committee shall be determined by the Board, based on the recommendation of the LHB Chair – but should always include the Chairman of the Audit Committee. The LHB chair shall also appoint any other independent members of the Board taking account of the balance of skills and expertise necessary to deliver the committee's remit and subject to any specific requirements or directions made by the Welsh Government.

6.5 The Chairman of the Audit Committee should be a permanent member of the Committee with any other Independent members appointed to hold office for a period of one year at a time, up to a maximum of 3 consecutive years. During this time a member may resign or be removed by the Board.

6.6 Terms and conditions of appointment, (including any remuneration and reimbursement) in respect of co-opted independent external

¹ In order to demonstrate that there is a visible independence in the consideration of decisions and management of charitable funds from the LHB's core functions, the Board should consider extending membership to the Committee to independent members outside of the Board. For LHBs, one option might be to seek nominations from the Stakeholder Reference Group.

members are determined by the Board, based upon the recommendation of the LHB Chair {and, where appropriate, on the basis of advice from the LHB's Remuneration and Terms of Service Committee}.

Support to Committee Members

- 6.7 The Board Secretary, on behalf of the Committee Chair, shall:
- Arrange the provision of advice and support to committee members on any aspect related to the conduct of their role; and
 - ensure the provision of a programme of organisational development for committee members as part of the LHB's overall OD programme developed by the Director of Workforce & Organisational Development.

7. COMMITTEE MEETINGS

Quorum

- 7.1 At least three members must be present to ensure the quorum of the Committee. Of these three, two must be independent members (one of whom is the Chair or Vice Chair) and one must be the Director of Finance or his representative.

Frequency of meetings

- 7.2 Meetings shall be held no less than twice a year and otherwise as the Committee Chairs deems necessary – consistent with the LHB's annual plan of Board Business.

Withdrawal of individuals in attendance

- 7.3 The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

8. RELATIONSHIP & ACCOUNTABILITIES WITH THE BOARD AND ITS COMMITTEES/GROUPS

- 8.1 The Committee is directly accountable to the Board for its performance in exercising the functions set out in these terms of reference.
- 8.2 The Committee, through its Chair and members, shall work closely with the Board and, [*where appropriate, its committees and groups*], through the:
- joint planning and co-ordination of Board and Committee business; and
 - appropriate sharing of information in doing so, contributing to the integration of good governance across the organisation, ensuring that all sources of assurance are incorporated into the Board's overall risk and assurance framework.
- 8.3 The Committee shall embed the LHB's corporate standards, priorities and requirements, e.g., equality and human rights through the conduct of its business.

9. REPORTING AND ASSURANCE ARRANGEMENTS

- 9.1 The Committee Chair shall agree arrangements with the LHB's Chair to report to the board in their capacity as trustees. This may include, where appropriate, a separate meeting with the Board.
- 9.2 The Board Secretary, on behalf of the Board, shall oversee a process of regular and rigorous self assessment and evaluation of the Committee's performance and operation.

10. APPLICABILITY OF STANDING ORDERS TO COMMITTEE BUSINESS

- 10.1 The requirements for the conduct of business as set out in the LHB's Standing Orders are equally applicable to the operation of the Committee, except in the following areas :
- Quorum
 - Notice of meetings
 - Notifying the public of Meetings
 - Admission of the public, the press and other observers

11. REVIEW

- 11.1 These terms of reference and operating arrangements shall be reviewed annually by the Committee with reference to the Board.

Approved by CFC 03/2017