



NHS Grampian
endowment fund
Making a difference...

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NHS Grampian Endowment Funds

CHARTER

June 2019

Registered Charity Number SC017296

OUR VISION

The enhancement of healthcare and patient welfare in Grampian.

OUR MISSION

Work in partnership to achieve the greatest impact and promote first class healthcare by delivering:

- improvement of the physical and mental health of the Grampian Health Board's population and our staff;
- prevention, diagnosis and treatment of illness;
- provision of services and facilities in connection to the above; and
- research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or any other matters relating to the health service as the Trustees see fit.

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1. NAME

- 1.1 The legally registered name of the charity is Grampian Health Board Endowment Funds (NHS Grampian).

2. HEADQUARTERS

- 2.1 The headquarters of the charity shall be located in the area covered by Grampian Health Board. The current principal address of the Charity is Summerfield House, 2 Eday Road, Aberdeen AB15 6RE.

2. GRAMPIAN HEALTH BOARD AS TRUSTEES & ROLE OF SCOTTISH MINISTERS

- 3.1 The charity is administered under the terms of sections 82, 83 and 84A of the National Health Service (Scotland) Act 1978. Accordingly the Grampian Health Board holds the funds and property attributable to the charity on trust as a Corporate Trustee and the members of the Grampian Health Board, as those charged with Governance, shall be the Trustees of the charity.
- 3.2 This Charter provides the overall terms of reference for the charity, and the Trustees shall uphold its requirements in the governance and management of the charity's business.
- 3.3 The members of the Grampian Health Board are appointed by the Scottish Ministers, or elected, in accordance with relevant legislation. The co-option of Trustees to the charity by Grampian Health Board is prohibited under the terms of sections 82, 83 and 84A of the National Health Service (Scotland) Act 1978.
- 3.4 No individual shall hold the position of Trustee if he or she meets one of the criteria for disqualification as set out in Section 69 of the Charities and Trustee Investment ("Scotland") Act 2005.
- 3.5 Scottish Ministers have the authority to remove Board members in certain circumstances (Section 77 of the 1978 Act), or may choose not to re-appoint any member of the Grampian Health Board at the end of the term of appointment. Consequently the issue of removal of Trustees is a matter reserved to the Scottish Ministers.
- 3.6 A Trustee may resign office at any time during the period of appointment by giving notice in writing to the Scottish Ministers of their resignation from the Health Board. The appointment as Trustee to the charity would terminate at the date the trustee leaves office.
- 3.7 The Charity shall register with the Office of the Scottish Charity Regulator (OSCR) and accordingly the Trustees must comply with the requirements of the Charities and Trustee Investment ("Scotland") Act 2005 with respect to any proposed changes to the governance or management of the charity.
- 3.8 The Trustees shall approve any amendments to this Charter.

4. DUTIES OF TRUSTEES

- 4.1 The Trustees are responsible for the governance and management administration of the charity.
- 4.2 The Trustees are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment (“Scotland”) Act 2005, and are required to satisfy any other obligations in law required of a Trustee.

Specifically the Trustees must individually and collectively:

- Act in the best interests of the charity,
 - Seek to ensure that the charity acts consistently with its purposes ,
 - Manage the affairs of the charity with the same care and diligence that it is reasonable to expect someone managing the affairs of another person, and
 - In circumstances capable of giving rise to a conflict of interest put the interests of the charity first or where this is not possible, disclose the interest and not take part in any discussion or decision on the matter.
- 4.3 The Trustees shall convene meetings solely to conduct the business of the charity.

5. STATUTORY CONSTITUTION

- 5.1 The founding document of the charity is the National Health Service (Scotland) Act 1978 (‘the 1978 Act’).
- 5.2 Section 82 of the 1978 Act establishes the endowments to be held by the Health Board.
- 5.3 The 1978 Act also sets out the basis of the “purposes relating to services under this Act”, which is of relevance in determining the charity’s purpose.

Section 1: General duty of Secretary of State.

It shall continue to be the duty of the Secretary of State to promote in Scotland a comprehensive and integrated health service designed to secure;

(a) improvement in the physical and mental health of the people of Scotland,
and,

(b) the prevention, diagnosis and treatment of illness,

and for that purpose to provide or secure the effective provision of services in accordance with the provisions of this Act.

Section 47 (2):

Without prejudice to the general powers and duties conferred or imposed on the Secretary of State under the Scottish Board of Health Act 1919, the Secretary of State may conduct, or assist by grants or otherwise any person to conduct, research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or into such other matters relating to the health service as he thinks fit.

These duties have now been assumed by the Scottish Ministers.

6. PURPOSES

6.1 The purposes of the charity are:

- The enhancement of healthcare and patient welfare in Grampian, through:
 - a) improvement of the physical and mental health of the Grampian Health Board's population and our staff;
 - b) prevention, diagnosis and treatment of illness;
 - c) provision of services and facilities in connection to the above; and
 - d) research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or any other matters relating to the health service as the Trustees see fit..
- To observe any conditions attached to a donation or legacy prescribed by a donor to the charity, so far as is reasonably practicable, and consistent with the above purpose and the law.

6.2 The charity's funds shall only be used for the purposes described at 6.1.

7. AGREED PRINCIPLES FOR THE USE OF ENDOWMENT FUNDS

7.1 The Trustees shall observe the following principles whilst discharging their responsibilities under this Charter and the law.

7.2 The grant of endowment funds should not substitute for a core provision within the Grampian Health Board's local delivery plan. Nor should endowment funds be used to cover a responsibility of the Grampian Health Board that is a direct requirement of health and safety or employment law or a ministerial policy direction. All those requesting approval for the use of endowment funds must evidence enhancement and improved patient benefit. Evaluation of this principle is formally evidenced on each endowment application prior to approval to commit funds.

7.3 An employee of the Grampian Health Board or the Trustees may only benefit from the charity, where the grant or award conferring the benefit satisfies the "public benefit" element of the charity test, as set out in the Charities and Trustee Investment ("Scotland") Act 2005, and the guidance on "Meeting the Charity Test" published by OSCR. The expenditure must be aimed at improving health, welfare or the prevention, diagnosis or treatment of illness for the Grampian Health Boards residents and any benefit to the employee must be incidental to (and necessary for) that public benefit to be realised.

- 7.4 Neither the charity's funds in totality, nor any individual fund (restricted or unrestricted) shall be permitted to go into deficit at any time.
- 7.5 It is solely for the Trustees to determine how the charity is to be administered, and what expenditure is permitted, providing that all decisions are consistent with this Charter. The Trustees shall discharge their responsibilities free from any external direction.
- 7.6 All charity expenditure must comply with this Charter, and have received the direct approval of the Trustees or be within the limits of any expressly delegated authority that the Trustees may have granted to an individual or a Committee.

8. GOVERNANCE AND ADMINISTRATION

8.1 Chair and Vice Chair of Trustees

- 8.1.1 The Chair and Vice Chair of the Trustees shall be elected from within the body of the Trustees. Any Trustee may be nominated. In the event of more than one nomination the Trustees will decide the issue by use of a majority vote.

8.2 Trustee Meetings

- 8.2.1 The Trustees shall hold an annual general meeting to be held at a date, time and venue determined by the Trustees and specified in the notice calling the meeting. Any Trustee may request a matter to be discussed at a meeting of the Endowment Committee. Any such request should be raised and agreed with the Chair of the Endowments Committee.
- 8.2.2 The Chair of the Trustees may call an extraordinary meeting of the Trustees if requested by 1/3 of the Trustees. A notice inviting members to an extraordinary meeting shall be provided not less than 21 days before the meeting, together with copies of all relevant papers.
- 8.2.3 The provisions of the NHS Grampian Standing Orders for Board meetings shall apply to Trustee meetings as far as practicable and appropriate.
- 8.2.4 A quorum will consist of a minimum of 8 Trustees present 4 of which must be Non Executive members of the Grampian Health Board.
- 8.2.5 Meetings of the trustees shall not be open to the public unless the Trustees decide otherwise in respect of a particular meeting.

8.3 Decisions Reserved to Trustees

The following matters may only be approved by the Trustees :

- Any strategy or policy matters relevant to the charity including any proposed changes to the Charter
- The arrangements for governance and management administration of the charity's activities including terms of reference of any committee or sub-committee to be established by the Trustees
- The investment strategy
- The reserves policy.
- The annual accounts and report.
- The appointment of external auditors
- The appointment of investment advisors
- Membership and constitution of sub committees

8.4 Delegated Authority

8.4.1 The Trustees shall delegate functions to an Endowment Sub Committee to carry out the day to day business of the charity and shall appoint other sub committees as they think fit to uphold the charter and discharge their responsibilities.

8.4.2 The Trustees agree to adopt NHS Grampians Standing Financial Instructions, Schedule of Reserved Decisions and Operational Scheme of Delegation as the framework for financial governance of the charity.

8.5 Role and Remit of the Endowment Committee

8.5.1 The Trustees delegate the following functions to the Endowment Committee

- To make recommendations to the Trustees on investment strategy and policy.
- To approve the General Endowment Fund income and expenditure budgets annually.
- To agree appropriate distribution and uses of general endowment funds.
- Monitor financial performance against individual Endowment funds and ensure that adequate control arrangements exist to provide assurance to Trustees that:
 - expenditure is consistent with the defined purpose of the fund
 - expenditure is legally permitted and consistent with the charitable status of the fund
 - the expenditure is consistent with Board policy
- To authorise Endowment Fund expenditure in accordance with the NHS Grampian Scheme of Delegation.

- The Committee will consider regular investment reports from the Investment Managers and meet with them as a minimum quarterly. The investment reports should enable the Trustees to monitor investment performance against agreed benchmarks, ensure that the investment portfolio is being managed consistent with the investment policy and strategy and understand any risks to achievement of the objectives of the Trustees in relation to investment performance. The Director of Finance as an Executive Member of the Committee will act as contact with Investment Managers to review investment decisions as required. A list of investment decisions made since the last Committee will be presented to the next Committee for review.
- To monitor, at each meeting, a statement of accounts which includes a balance sheet, an income and expenditure account and a Summary of Fund Performance. A supporting commentary will accompany the financial papers at each meeting.
- To make recommendations to the Trustees for the appointment of External Auditors and Investment advisors.
- To review and recommend the Annual Report and Audited Annual Accounts to the Trustees for approval.

8.5.2 MEMBERSHIP

The Endowment Sub Committee shall comprise of six Non-Executive Directors, one of whom shall be Chair, the Director of Finance and the Grampian Health Board Secretary. The Committee shall also appoint a Vice Chair from the non executive membership of the Committee.

8.5.3 ATTENDANCE

The Assistant Director of Finance and Investment Advisors will be invited to attend the Committee in an advisory capacity.

All Trustees have a right to attend as observers.

Other members of NHS staff in Grampian may also attend by prior arrangement, also as observers. Other staff may be invited to attend Committee meetings to inform and/or report on specific matters.

8.5.4 QUORUM

At least four members of the Committee, including at least two Non-Executives, must be present in order to form a quorum.

8.5.5 MEETINGS

There will be a minimum of four meetings per annum with provision for additional meetings as required.

8.5.6 MINUTES/REPORTS

The minutes of all meetings will be sent to all Trustees on approval by the Committee. In addition the Committee Chairman will send a letter to each Trustee following each Committee meeting covering the key and significant points raised. All minutes will be publicly available.

8.5.8 STANDING ORDERS

The provisions of the NHS Grampian Standing Orders for Board meetings shall apply to the Committee as far as practicable and appropriate.

Appendix A1 Policy on Conflict of Interest

1. Trustees shall observe all their obligations under the Charities and Trustee Investment (Scotland) Act 2005. All Trustees must put the interests of the charity before their own personal interests or other duty they may have, or any other person or organisation.
2. The Trustees shall follow the processes established for members of the Grampian Health Board, for compliance with the Ethical Standards in Public Life Act (Scotland) 2000. Any interests registered or declared as a consequence of observing the associated Code of Conduct, shall be used for the application of this policy. A separate Register of Interests shall be maintained for the Trustees from the Register maintained for Board members.
3. Any Trustee who has a clear and substantial interest in a matter under consideration by the Trustees or a Committee should declare that interest at any meeting where the matter is to be discussed, whether or not that interest is already recorded in the Trustees' register of interests. Such declarations should make clear the interest and whether it is of an either direct or indirect financial nature.
4. Where such an interest is of a direct or indirect financial nature, the member involved should withdraw from any meeting and not speak, participate in or otherwise seek to influence any decision taken by the Trustees or Committee relating to the matter under discussion.
5. Trustees who are also principals or other employees of bodies which receive funds from the charity (other than the NHS Board) may participate in general discussions and decisions regarding such bodies, but should withdraw and not participate in any discussion or decision which relates principally to the particular institution with which they are associated. The Chair should take particular care to ensure that no possible conflict of interest in this area is allowed to arise.
6. Where a Trustee has an interest that is not financial but which is relevant to the Trustees' business, that interest should be declared. Where the interest is substantial, the member involved should withdraw from discussions and decisions relating to that interest. Where an interest arises from membership of a public body and is not of a financial nature, full participation in the discussion and decision is permitted.
7. In all cases, 'Trustees' interests' covers also the interests of any related parties, including family members or members of the same household who may be expected to influence, or be influenced by, Trustees.
8. In all circumstances, Trustees should ask themselves whether members of the public, knowing the facts of the situation, could reasonably conclude that the interest involved might influence the approach taken to the actions of the Trustees. If so, the interest is sufficient to oblige the Trustee to withdraw.
9. In case of doubt as to whether any interest or matter should be the subject of a notice or declaration under the Code, Trustees should err on the side of caution and submit a notice/make a declaration or seek guidance from the Board

Secretary, who for this purpose is also the designated secretary for the Board of Trustees, as to whether a notice/declaration should be made.

10. Where the Code requires an interest to be registered, or an amendment to be made to an existing interest, this shall be notified to the Board Secretary by giving notice in writing using the standard form available from the Board Secretary within one month of the interest or change arising. The nominated secretary will write to Trustees every year to request them to formally review their declaration.
11. Persons appointed as Trustees shall have one month to give notice of any registerable interests under the Code, or to make a declaration that they have no registerable interest in each relevant category as specified in the standard form to be supplied by the Board secretary.
12. The Board secretary shall be responsible for maintaining the Register of Interests and for ensuring it is available for public inspection at the principal offices of the charity at all reasonable times.
13. The Register shall include information on:-
 - the date of receipt of every notice;
 - the name of the person who gave the notice which forms the entry in the Register;
 - a statement of the information contained in the notice, or a copy of, that notice.
14. Trustees shall make a declaration of any gifts or hospitality received in their capacity as a Trustee. Such declarations shall be made to the Board Secretary, and they shall be made available for public inspection at all reasonable times at the Principal Offices of the Grampian Health Board

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Appendix A2POLICY ON ACCEPTANCE OF DONATIONS

It is essential that, when accepting donations, consideration is given to the charity's ability to fulfil the wishes of the donor as well as any potential impact on the charity's reputation.

Acceptable

The following donations are considered acceptable provided they are in keeping with the objectives of the Grampian Health Board Endowment Fund.

- From patients, relatives or visitors of patients.
- From charitable organisations
- From members of the general public.
- From employees.
- From local authorities.
- From the local business community.
- From special fundraising activities approved by the Trustees.

Unacceptable

The following donations may be considered unacceptable.

- From organisations where any association may bring the NHS into disrepute.
- From any organisation which may seek to gain publicity or use the fact of a donation in any advertising campaign that is not consistent with the aims and values of the NHS endowment fund.
- Any donation where it would appear that the NHS is endorsing or promoting any particular medicinal or other product.

Guidance

The following guidance on donations is given.

- Consideration must be given to donations from existing or future suppliers to the NHS. Such donations may be acceptable but it should be made clear that any such arrangements are completely separate from normal commercial transactions.
- Special attention should be given to donations from patients or relatives. In particular nothing should be done which might appear to either put pressure on or offer inducements to patients or their relatives to contribute.
- Donations should not be accepted from a commercial organisation during any tender negotiating process.
- Donors should be encouraged to donate funds on as general a basis as possible in order to maximise the flexibility and the benefit that can be derived from their deployment.

- There needs to be appropriate consideration as to whether any specific wishes of the donor are consistent with the charitable purposes of the fund or are for a purpose which the Trustees are likely to support or are for a Board service or facility which the Grampian Health Board is likely to be able to deliver
- Because of the above the members of the Endowment Committee are required to decide on the acceptance of Bequests and legacies over £0.5million.
- If a donation is deemed to be unacceptable, it will be returned to the donor.
- Any donations that carry future additional revenue consequences which will fall to be met by Grampian Health Board exchequer funding must be agreed prior to acceptance by the Director of Finance.

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Responsible Investment Policy

1. Purpose

This policy sets out the principles governing investment criteria regarding the investment of the assets of the NHS Grampian Endowment Fund.

2. Investment Powers

The Trustees have the power to invest the monies of the NHS Grampian Endowment Funds not immediately required for its purposes in or upon such investments, securities or property as may be thought fit.

In accordance with the obligations of Charity Trustees as set out by the Office of the Scottish Charity Regulator, all the Endowment Fund Trustees have a duty to protect the Endowment Fund's beneficiaries, assets and reputation.

3. Investment Management

Other than cash required in the short-term, the Trustees rely on professional fund managers for the day-to-day management of the assets of the Endowment Fund.

4. Delegation to Fund Managers

The fund managers, currently Standard Life Wealth, are responsible for the allocation of assets between types of investments and for the selection of individual stocks within each type of investment. The funds are managed on a discretionary basis where the fund manager makes all investment decisions in line with the agreed investment objectives and benchmark. The Endowment Committee receives quarterly reports, in retrospect, from the fund managers.

5. Investment Objectives

The fund managers have been instructed to achieve a balance between capital growth and the generation of income. The objective of the Fund is to generate annual income in the region of £1.25 million per annum.

In the long term, considering a period of at least ten years, the objective is to increase the capital growth of the fund in line with inflation and with the expenditure objectives of the charity.

6. Risk

In order to achieve the stated objective a medium risk approach will be adopted that corresponds to a diversified portfolio invested in a broad spread of UK and international investments, both directly and indirectly through pooled funds but also including a proportion of fixed interest securities and cash.

7. Custody

Platform Securities acts as custodian for the assets managed by the fund manager.

8. Responsible Investment

It is recognised that investment of the NHS Grampian Endowment Funds should reflect the aims of its Charter to enhance healthcare and wellbeing of the population of Grampian whilst fulfilling the Trustees' obligation to act in the best interests of the Charity.

NHS Grampian's Tobacco Policy confirms tobacco smoking as the largest, single preventable cause of illness and early death in Scotland. Acknowledging this, the Endowment Funds will have no direct investment in tobacco production (i.e. exclude tobacco manufacture).

The trustees acknowledge the public health priorities of Grampian Health Board noting that these change and evolve over time. Trustees will notify the fund managers of any updates to this investment policy statement arising in connection with changing public health priorities.

The fund manager is expected to update the Trustees on any technological advances in ethical screening which can contribute to its agenda to promote positive health outcomes. Trustees will continue to receive quarterly reports of stocks held to inform any discussion at Endowment Committee meetings.

As a further commitment to meeting positive standards on environmental, social and governance matters, it is noted that Standard Life Wealth, through its parent company, is a signatory to the UN Principles for Responsible Investment as well as the UK Stewardship Code. Standard Life Investments supports the 1997 Mine Ban Treaty and the 2008 Convention on Cluster Bombs. The Standard Life Investments Board has determined that Standard Life Investments will not knowingly invest directly in companies which produce anti-personnel mines and/or cluster munitions or their wholly owned subsidiaries."

9. Other Restrictions

- No investment in futures, options or derivatives;
- Investment in Standard Life Wealth funds is limited to 6% of the total portfolio value at the time of purchase.

10. Manager Controls

Powers of investment delegated to the fund managers must be exercised with a view to giving effect to the principles contained in this statement so far as is reasonably practicable. The fund managers will also ensure that suitable internal operating procedures are in place to monitor individuals making investment decisions in relation to the Fund.

11. Frequency of Review

The Trustees will review this statement annually at the Endowment Fund's AGM or sooner if there is a change in the policy or any of the areas covered by the statement.

12. Performance Measurement Information

The Endowment Committee will monitor the portfolio and its performance of the portfolio against its objectives on a quarterly basis, considering both short and longer term results. Standard Life Wealth will attend all meetings of the Endowment Committee and present a report on the performance of the portfolio. The performance will be measured against a benchmark, the components of which are noted below.

Asset Class	SLW Benchmarks	Benchmark Indices
UK Fixed Interest	25%	FTSE All Stocks Gilt Index
UK Equities	47%	FTSE All Share Index
Overseas Equities	25%	FTSE World (ex UK) Index
Cash	3%	LIBID 7 Day Notice
Total	100%	

The individual asset classes will be measured against the relevant index as noted above and a composite benchmark figure will be produced on a quarterly basis. The suitability of the above benchmark will be reviewed annually by the Trustees, noting that our responsible investment criteria cannot be accommodated in this benchmark.

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Appendix A4 Reserves Policy

Reserves Policy

Definition

The Charity Commission define “reserves” as that part of a charity’s unrestricted funds that is freely available to spend on any of the charities purposes.

The Charities Statement of recommended Practice (SORP) 2015 further also states that this definition of reserves normally excludes:

- (a) permanent endowment funds;
- (b) expendable endowment funds;
- (c) restricted funds;

and any part of unrestricted funds not readily available for spending.

Unrestricted Funds

For each unrestricted fund which is maintained for the benefit of a particular hospital the capital balance on each fund will be retained to ensure sufficient income is generated to meet the planned future expenditure needs of the fund.

Where the capital balances on an unrestricted fund is insufficient to generate the required level of income to meet the fund’s planned expenditure, the income shortfall will be met from the HQ General Fund, with the exception of the Royal Aberdeen Children’s Hospital which will cover any in year shortfall within the overall balance of the Fund due to the large amount held for this hospital.

The HQ Fund is used to fund general expenditure which is for the benefit of NHS Grampian, but which cannot readily be allocated to a particular hospital. The Endowment Sub Committee has reviewed the capital balance on this fund and the Committee Fund and considers the current level of reserve of £7.027 million to be sufficient to meet the future needs for at least the next three years. The Trustees have agreed that the value of these Reserves will not drop below £3m.

Both realised and unrealised losses on the capital value of the investment portfolio are charged to the Endowment Committee Fund and offset against realised gains on the sale of investments. A net surplus on this fund can be applied towards the general purposes of the charity.

Unrealised gains from capital growth in the investment portfolio are credited to a revaluation reserve. They are not available to be applied towards the general purposes of the charity until realised through the sale of an investment and credited to the Endowment Committee Fund.

Restricted Funds

There are in excess of 1,000 restricted funds, which are excluded from this policy, as such funds do not come within the definition of 'reserves', as detailed above. However, the Trustees are aware of the general legal duty to apply these funds within a reasonable time of receiving them. The Trustees actively encourage fund-stewards to plan proactively to utilise these funds within the funds' charitable purposes and in a manner that as far as possible meet donors' wishes.

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