

BOARD COMMITTEE ASSURANCE REPORT FOR PUBLIC BOARD 28/03/2018

Details of the Committee

Name of Committee	Charitable Funds Committee (CFC)
Committee Chair	Rajiv Jaitly, Non-Executive Director
Meeting date:	28 th February 2018
Was the meeting quorate?	NO
Any specific conflicts of interest?	<p>Rajiv Jaitly (Chair) stated a declaration of interest regarding his investments – he has (immaterial) direct investments in health related businesses and in funds managed by Schrodgers but none in the investments made by the Charitable Funds.</p> <p>Les Broude (Honorary Independent Member) stated a declaration of interest indicating that since his appointment, he had become a non-executive director at South Central Ambulance Trust.</p>
Any apologies	Rachael Devonshire (NED) James Drury (Director of Finance and Information) Sue Smith (Charitable Funds Officer)

KEY AREAS OF DISCUSSION:

1. Investments

The Committee received a portfolio valuation report as at 31st December 2017, presenting the performance of the charity's investment portfolio over the last quarter. The Committee was informed that the total portfolio value was £8.62m which represents an increase of £0.22m compared to the previous valuation of £8.40m as at 30st June 2017 that was presented in the September 2017 meeting. The overall performance of the portfolio market value has been an increment of 6.46% in the last twelve months, due to the market conditions during this period.

2. Financial Reports

The Committee reviewed and noted the financial reports, cash flow, fund balances from 1st April 2017 to 31st December 2017 and the financial dashboard, which has been attached to this report.

3. Bids

The Committee was presented with the following Bid Application with a value under £100,000, which was agreed and it is being presented to the Trust Board for endorsement due to the fact that there was not quorum during the meeting.

- Bid application was seeking funding at a total cost of £70,159 (excluding VAT) from the Amersham Hospital General Amenity Fund (No.5010) in order to purchase an Ultrasound Machine and one Variable Height Examination Couch to provide an Ultrasound Service in the Radiology Department at the Amersham Hospital.

After some questioning and deliberations, the Committee concluded that the Trust is not obliged to use exchequer funding to provide this service at Amersham Hospital. Additionally, the Committee established that by acquiring this equipment through Charitable Funds additional flexibility will be directly given to patients using the Radiology

Services. Therefore, the Committee agreed with the merit and benefits to the patients of the bid presented and its compliance with the charitable funds guidelines and objectives; requesting presentation to the Trust Board for endorsement.

4. Charitable Funds Policies and Terms of Reference.

The Committee was presented with the Reserve Policy, the Investment Policy and the Charitable Funds Committee Terms of Reference (ToR) in order to be reviewed and ensure compliance with the charitable fund annual business cycle.

The Committee reviewed these documents and requested presentation to the Board in order to be endorsed. Refer to:

Appendix 1 - Reserve Policy

Appendix 2 - Investment Policy

Appendix 3 - Charitable Funds Committee Terms of Reference

KEY ACTIONS FOR THE BOARD:

To **NOTE** this report and **ENDORSE** the Bid application, policies and ToR.

AREAS OF RISK TO BRING TO THE ATTENTION OF THE BOARD:

None identified.

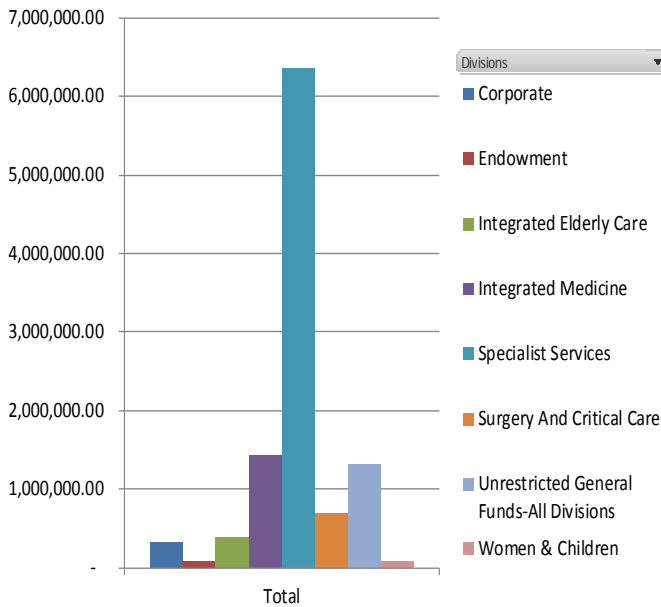
ANY EXAMPLES OF OUTSTANDING PRACTICE OR INNOVATION:

AUTHOR OF PAPER:	Nelson Garcia-Narvaez, Head of Charities Finance & Governance
-------------------------	---

Charitable Funds Dashboard as at 31st December 2017

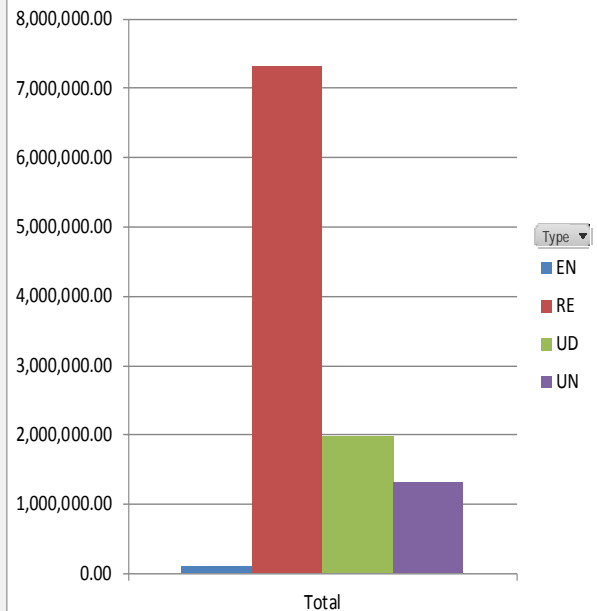
Net Assets £10,705,431.17

Charitable Fund by Trust Divisions



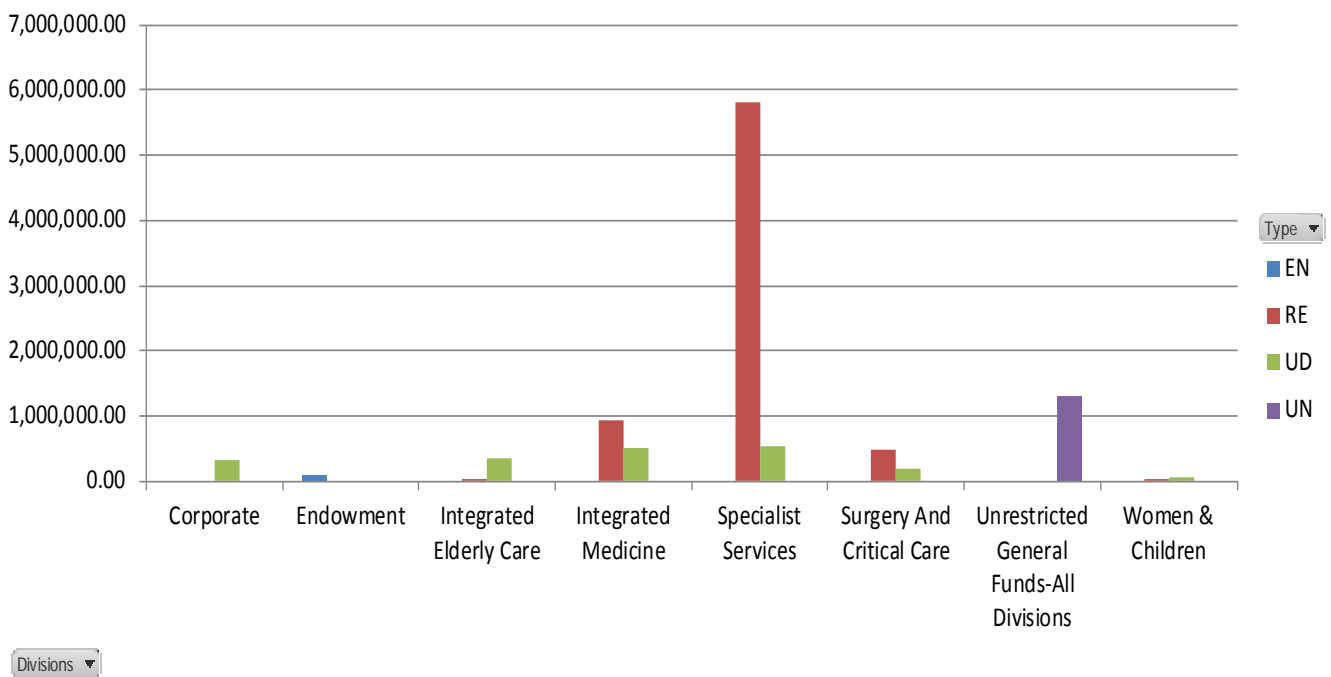
Net Assets £10,705,431.17

Charitable Fund by Type



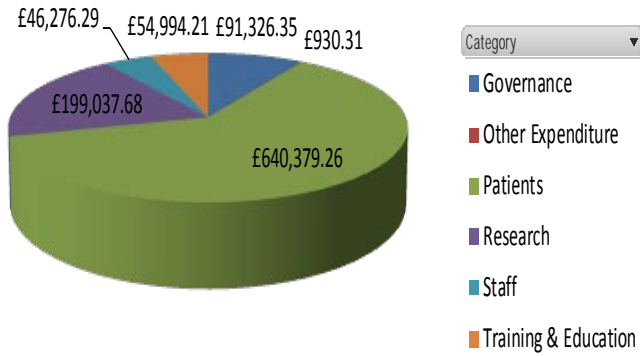
Total expenditure £10,705,431.17

Charitable Funds by Division and Type



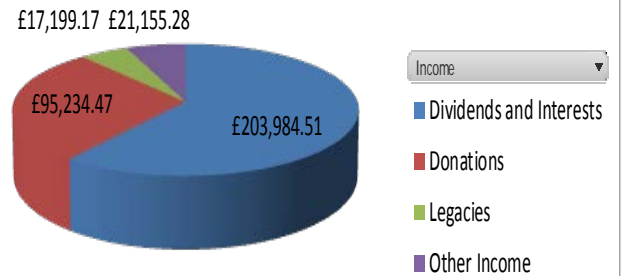
Total Expenditure £1,032,944.10

Charitable Fund Expenditure



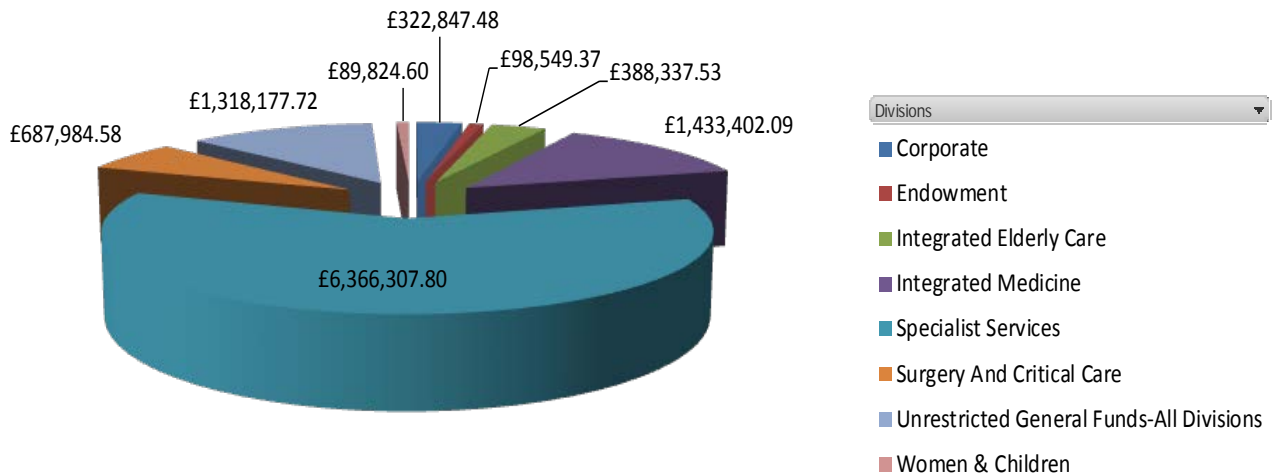
Total Income £337,573.43

Charitable Fund Income



Net Assets £10,705,431.17

Charitable Funds Expenditure by Trust's Divisions



Once printed off this is an uncontrolled document. Please check the intranet for the most up to date version.

February 2018 Version 2.0

UNRESTRICTED RESERVE POLICY

Summary of Changes:

This version has been significantly revised to take into account the Trust's requirements on the writing of Policies

Version:	2.0
Approved by:	Charitable Funds Committee
Date approved:	February 2018
Ratified by:	Trust Board
Date ratified:	28 February 2018
Consultation:	TPSG
Name of originator/author	Originator: Nelson Garcia-Narvaez Charities Head of Finance
Lead Director	James Drury, Director of Finance
Name of responsible committee/individual	Charitable Funds Committee / Charitable Funds Head of Finance
Document Reference	BHT POL 249
Date Issued:	TBC by TPSG
Review date:	February 2019
Target Audience:	Directors, Non-Executive Directors and Fund Managers
Equality Impact Assessment:	May 2016

Document History

Version	Issue	Reason for change	Authorising body	Date
1	0	New Document-Issued	Charitable Funds Committee	May 2016
1.1	0	Annual Review	Charitable Funds Committee	May 2017
2.0	0	Formal Review	Charitable Funds Committee	February 2018

Associated Documents

BHT Ref	Title	Location/Link
n/a	Charity Commission – NHS Charity Guidance	https://www.gov.uk/government/publications/nhs-charities-guidance
n/a	Trustee Act 2000	http://www.legislation.gov.uk/ukpga/2000/29/contents
n/a	SORP 2015 - FRS102	http://www.charitycorp.org/download-a-full-sorp/ http://www.charitycorp.org/media/619101/frs102_complete.pdf

EXECUTIVE SUMMARY

Charitable Funds Policy

Overview	The purpose of this Policy and Procedure is to formalise the responsibilities of Buckinghamshire Healthcare NHS Trust Charitable Funds Trustees in respect of management of the charitable funds.
Who is the policy intended for:	<p>This Policy and Procedure applies to all Buckinghamshire Healthcare NHS Trust Employees and Independent Members, particularly to Charitable Funds Committee Members, Fund Holders and Charitable Fund Officers.</p> <p>The term “Employees” includes all those who have a contract of employment or honorary contract with the Buckinghamshire Healthcare NHS Trust.</p>
Key Messages included within the policy:	<p>A formal Policy on Reserve by Charities is required by the Charity Commission and is an integral part of good charity Governance. This Policy and Procedure has been prepared following the request by Buckinghamshire Healthcare NHS Trust Charitable Funds Committee to ensure that our organisation is managing appropriately and transparently the charitable funds and complying with all the legal regulations, guidance and best practices established by governmental and regulatory bodies.</p> <p>This Policy and Procedure takes into consideration:</p> <ul style="list-style-type: none"> • Extracts of updated regulations and requirements • Required steps in developing a Reserve Policy • The reasons why the charity needs reserves. • What level or range of reserves the trustees believe the charity needs. • What steps the charity is going to take to establish this agreed level or range. • Arrangements for monitoring and reviewing the policy. • Declaration of the actual level of reserves at the year-end in the annual report.

Contents

Section	Item	Page Number
	Executive summary	3
1	Introduction	5
2	Purposes	5
3	Scope	5
3.1	Charity commission	5
3.2	Constitution of The Funds	6
4	Roles and Responsibilities	6
4.1	Trustees – Role and function	6
4.2	Trusteeship and the Board	6
4.3	Charitable Funds Committee (CFC)	7
4.4	Director of Finance	7
4.5	Trust Managers and Staff	7
5	Unrestricted Reserve	7
5.1	Reserve Definition	7
5.2	Importance of a Reserve Policy	8
5.3	Required Level or Range of Reserve	9
5.4	Steps to Maintain and Monitor Reserves	9
5.5	Reserve Policy Requirements	9
5.6	The Essential Steps In Developing A Reserves Policy	9
5.7	Reserve Policy Formulation and Statement	9
6	Consultation and dissemination	10
7	Monitoring Compliance with Policy	10
8	Related Policies	10
9	Glossary of Terms	11
Addendum	Unrestricted Reserve Policy Approved by the Committee.	
1	Policy on reserves for 2018 agreed at the 28th February 2018 meeting of the charitable funds committee.	12
2	Reserve Statement to be included on the Annual Trustees Report.	13

1. Introduction

Buckinghamshire Healthcare NHS Trust Charitable Funds Corporate Trustee recognises its statutory obligation to ensure that funds should be spent effectively and promptly in accordance with the Charity's governing document, objectives and regulations from the Charity Commission and other regulatory bodies.

Accounting and Reporting by Charities: Statement of Recommended Practice ("SORP - FRS 102") requires trustees to include in their annual report a statement of the charity's policy on reserves, including the level of reserves held at the balance sheet date and why they are held. Trustees therefore need to consider the need for reserves in their charity and develop an appropriate policy and statement, which should be reviewed annually.

As part of the Charity's annual business plan process, robust financial management and a positive approach to risk management it is prudent to retain a level of reserves to mitigate the impact of any unforeseen circumstances.

This document reflects charity law and guidance issued to NHS Bodies by the Charity Commissioners for England and Wales. The issue by the Charity Commissioners of the 'NHS Charitable Funds Guide' sets out in some detail the legal requirements and best practice to be followed by NHS Bodies. It can be accessed at <https://www.gov.uk/government/publications/nhs-charities-guidance>

It is essential that authorising officers and fund managers familiarise themselves with these procedures and comply with them at all times. If any member of staff is in any doubt about any matter relating to the receipt, ordering or payment of any item relating to Charitable Funds, then they should contact The Charitable Funds Head of Finance and Governance.

2. Purposes

To provide clear guidance to Buckinghamshire Healthcare NHS Trust's Staff when dealing with charitable funds, especially procedures that should be observed in developing an appropriate Reserve Policy and Statement.

3. Scope

3.1. The Charity Commission

The Charity Commission for England & Wales is the organisation that regulates all charitable organisations. All NHS Charities are within the jurisdiction and regulation of the Charity Commission for England and Wales.

Under the Charities Act 2011 as amended by the Charity Act 2016, the Charity Commission for England and Wales General Functions are:-

- Determining whether institutions are or are not charities.
- Encouraging and facilitating the better administration of charities.
- Identifying and investigating apparent misconduct or mismanagement in the administration of charities and taking remedial or protective action in connection with misconduct or mismanagement in the administration of charities.
- Determining whether public collection certificates should be issued, and remain in force, in respect of public charitable collections.
- Obtaining, evaluating and disseminating information in connection with the performance of any of the Commission's functions or meeting any of its objectives.
- Giving information or advice, or making proposals, to any Minister of the Crown on matters relating to any of the Commission's functions or meeting any of its objectives.

3.2. Constitution of the Funds

All NHS Charities have to be registered with the Charity Commission. Buckinghamshire Healthcare NHS Trust Charitable Funds registration number is 1053113; the current main contacts are Wayne Preston (Deputy Finance Director), Justine Stratfold (Interim Financial Controller) and Nelson Garcia-Narvaez (Charities Head of Finance and Governance) and the registration address is Buckinghamshire Healthcare NHS Trust, Amersham Hospital, Finance Department, Whielden Street, Buckinghamshire, HP7 0JD.

The Buckinghamshire Healthcare NHS Trusts Charitable Funds have been registered with the Charity Commission as an NHS Umbrella Charity.

In the Umbrella Charity, the Trust has registered various linked charities with their Main Special Purposes. Each Purpose includes a variety of “internal” funds, which have been assigned to it. These various funds are a way of allocating donations received in the Trust for a specific purpose and are not separately registered with the Charity Commission.

Apart from registering the Charitable Funds, The Trust is required to present a governing document, which details Buckinghamshire Healthcare NHS Trust Charitable Funds purpose(s);

It is expected that each Charitable Fund has to have its written objectives, which must state the purpose(s) for which the fund is to be used and all expenditure from each fund must be in agreement with these. The objectives for each Charitable Fund must be approved by the Charitable Funds Committee and comply with the definition of charitable purposes.

4. Roles and Responsibilities

This policy has been prepared taking into consideration charity regulations and guidance established by regulatory organisations. Therefore, all Buckinghamshire Healthcare NHS Trust members of staff who deal with charitable funds are responsible for following this policy and must ensure they adhere to it.

An NHS body that has accepted and holds or administers trust property or funds for charitable purposes will be acting as charity trustee in respect of that property or funds. Buckinghamshire Healthcare NHS Trust holds and administers charitable funds as a corporate body known as the Corporate Trustee.

The Charitable Funds Committee reports to the Corporate Trustee and is responsible for the development, management and implementation of the policy, with the assistance of the Charitable Funds Head of Finance and Governance and finance team.

4.1. Trustees – Role and function

Where an NHS body has exercised its powers to accept, hold or administer trust property or funds for exclusively charitable purposes, they will be acting as charity trustees in respect of that property or funds.

Buckinghamshire Healthcare NHS Trust (BHT) holds and administers charitable funds and does so as a corporate body (known as the *corporate trustee*).

4.2. Trusteeship and the Board

The Trust is the sole corporate trustee of the Charity, therefore the persons who are responsible for managing the corporate body, are not themselves trustees of the charity. The responsibilities and liabilities rest in the corporate body.

The Trust has extensive constitutional powers to assign administration of its trusts to committees, sub committees or officers. Where such powers are executed the corporate body will remain as sole trustee and will be answerable for actions taken on its behalf.

Since the corporate body acts through individuals; any action that brings as a consequence that the corporate body commits a breach of duty as trustee, it will have done so as a result of a breach by the directors or other officers carrying on their duties to the corporate body.

In order to administer and manage these charitable funds the Trust Board has created a Charitable Funds Committee (CFC) to provide advice and recommendations to the Trust Board.

The Corporate Trustee is under a general duty to expend income from donations within a reasonable period after it is received. With this in mind donations should not be accumulated for an indefinite period. There are occasions when donations are accumulated over a period of time with the aim of meeting a specific project or equipment. In such circumstances it is appropriate for income to accumulate, provided this is clearly reflected in the spending plan of the fund.

4.3. Charitable Funds Committee (CFC)

The Charitable Funds Committee manages, on behalf of the Trust Board, all aspects of control, investment and expenditure of the Trust's charitable funds.

The Charitable Funds Committee may delegate authority to commit expenditure but cannot delegate accountability.

4.4. Director of Finance

The Director of Finance has executive responsibility for the management and control of the charitable funds and reports to the Charitable Funds Committee. The Director of Finance has particular responsibility to ensure that the spending is in accordance with the objectives and priorities agreed by the Charitable Funds Committee and the Board; that the criteria for spending charitable monies are fully met; that full accounting records are maintained and that devolved decision making or delegated arrangements are in accordance within the policies and procedures set out by the Corporate Trustee.

4.5. Trust managers and staff

For each Charitable Fund within the Trust, day to day responsibility must be vested with at least two members of Trust staff (fund managers). These must be staff members with a reasonable level of responsibility and have delegated authority to make spending decisions within the ward/department where the charitable fund is allocated. The Charity Commission allows delegation but only to the extent that responsibility for exchequer budgets is delegated.

An up to date record of these members of staff must be held by the Charitable Funds Head of Finance and Governance, who must be informed of required changes to fund signatories before a new signatory starts authorising expenditure. This should include the names, designation and sample signatures. The Charitable Funds Head of Finance and Governance simply verifies expenditure (see Addendum) and is NOT a Fund Manager or Authorising Officer.

5. Unrestricted Reserves

5.1. Reserve Definition

Reserves are part of a charity's unrestricted funds that are freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds. Reserve will also normally exclude tangible fixed assets held for the charity's use and amounts designated for

essential future spending. In such cases the reserves policy should explain the nature and amount of the designation and when the funds set aside are likely to be spent.

Designated funds should be considered when considering the charity's reserves, although these are not part of the general reserves. Funds need to be properly designated for a defined purpose, which should be explained in the notes to the accounts. Charity Commission guidance in CC19 makes it clear that charities may not designate funds in order to present their reserves levels as lower than they really are. "We expect charities to follow this recommendation and to ensure that the amount of any funds held as designated funds is appropriate to the purpose or use for which the funds have been designated.

A charity will not be justified in creating, or transferring resources to a designated fund where the main purpose of doing that is to allow the charity to show a reduced level of reserves." (CC19 – Charities' Reserves)

Trustees are under a duty to balance the needs of current and future beneficiaries of the charity. A charity needs to have sufficient reserves to allow it to cover known liabilities and contingencies, absorb setbacks and take advantage of change and opportunity. However, charities holding reserves that are greater than their needs will be subject to scrutiny and possible investigation by the Charity Commission.

5.2. Importance of a Reserve Policy

A reserves policy explains to existing and potential funders, donors and other stakeholders why a charity is holding a particular amount of reserves. A good reserves policy gives confidence to stakeholders that a charity's finances are being managed and can also provide an indicator of future funding needs.

Deciding the level of reserves that a charity needs to hold is an important part of financial management and forward financial planning. Reserve levels which are higher than necessary may tie up money unnecessarily. Holding excessive reserves can limit the amount spent on charitable activities, reducing potential benefits a charity can provide. However, if reserves are too low then the charity's solvency and its future activities are put at risk.

The benefits of developing a reserves policy:

- It is a key element of the strategic plan – without a clear idea of the reserves that the charity needs; it may not be able to meet its commitments or start new activities.
- It feeds into the budgeting and decision-making process – the policy will act as a benchmark to ensure that the charity uses its funds to good effect. Without this the danger is that if the charity has high reserves it may take on projects without detailed planning and with low funds it may be forced to be reactive rather than plan constructively.
- It focuses the fundraising activities – the reserves policy will identify the charity's level of need for funds and what they are needed for. This can be fed into the fundraising plans as it is often easier to fundraise for specific items or amounts.
- It is necessary for communication with those external to the charity – the reserves policy helps to demonstrate that the charity's money is being used to good effect. Funders, beneficiaries, members of the charity and the wider public are entitled to know this and that the charity has good reasons for maintaining or seeking the certain levels of reserves.

5.3. Required Level or Range of Reserve

There is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity.

Once a reserve policy is set, it should not be regarded as a static policy. The circumstances of the charity will change with time and it is recommended that the policy should be reviewed at least annually as part of the charity's planning processes.

5.4. Steps to Maintain and Monitor Reserves at the Target Level

Reserves are held to help the charity to operate effectively. Trustees should keep their reserves policy and level of reserves held under review. Trustees should also monitor the level of reserves held throughout the year. In this way trustees will be aware of the build-up of excessive reserves or of reserves being unexpectedly or rapidly depleted.

5.5. Reserve Policy Requirements

The reserves policy should be based on:

- Forecast of income, taking into account the reliability of each source of income and the prospects for opening up new sources.
- Forecast for expenditure on the basis of planned activity.
- Analysis of any future need opportunities, commitments, contingencies or risks, the effects of which are not likely to be able to be met out of income.
- Assessment of the likelihood of each of those needs arising and the potential consequences for the charity of not being able to meet them.

5.6. The Essential Steps In Developing A Reserves Policy Are As Follows:

- 5.6.1. Review existing funds
- 5.6.2. Analyse income streams
- 5.6.3. Analyse expenditure and cash flows
- 5.6.4. Analyse the need for reserves
- 5.6.5. Calculate the reserves level
- 5.6.6. Formulate reserves policy
- 5.6.7. Disclosure of Reserves Policy in the Annual Report

Reserve can be invested. However, by their nature, reserves tend to be resources that may be needed in the short to medium term. Trustees therefore should ensure that reserves are invested in a way can be readily realised as cash, when needed.

5.7. Reserve Policy Formulation and Statement

In order to comply with Charity Commission Guidance the Reserve Policy formulation MUST contain the following information:

- The amount of reserves as at report date
- Reserves level the Corporate Trustee agrees the charity needs and the reasons why the charity needs this level

- Steps the charity is going to take to establish or maintain reserves at the agreed level
- Arrangements for monitoring and reviewing the policy on a regular basis

6. Consultation and Dissemination

This Policy has been formulated by taking into account the guidance issued by the Charity Commission. It was presented to the Charitable Funds Committee on **28th February 2018** for their comments before ratification. This policy will then be sent to the Board for endorsement.

Once ratified by the Corporate Trustee, this Policy will be published on the Trust's intranet within the Finance Policies section.

7. Monitoring Compliance with Policy

The Charitable Funds Committee, Director of Finance, Financial Controller and Head of Charity Finance and Governance have responsibility for the overall monitoring of the policy.

The Charitable Funds Committee meets on a quarterly basis, receives information regarding the unrestricted reserve level and reviews annually the amount of reserves that are required to ensure that they are adequate to fulfil our continuing obligations. The Corporate Trustee receives the Committee summary activities report and has the general responsibility for taking any action required to protect the Charitable Funds and guarantee the efficient running of the charity.

Additionally; Buckinghamshire Healthcare NHS Trust Charitable Funds are subject to an annual Internal Audit Review and External Audit .

8. Related Policies

The following related policies & guidance are available on the Trust Intranet and external websites

	Document
(a)	Standing Orders / Standing Financial Instructions (BHT Pol 089)
(b)	Limits of Delegation Policy (BHT Pol 061)
(c)	Code of Conduct (BHT Pol 019)
(d)	Standards of Business Conduct (Corporate Policies)
(e)	Charitable Funds Investment Policy (BHT Pol 041)
(f)	Charitable Funds Committee Terms of Reference
(g)	Management of Charitable Funds (BHT Pol 063)

9. Glossary of Terms

Refer to SORP 2015 FRS 102

Unrestricted Income Funds (Including Designated Funds)

Nearly all charities have a fund which is available to the trustees to apply for the general purposes of the charity, as set out in its governing document. This is the charity's "unrestricted" fund (sometimes called a "**general**" fund) because the trustees are free to use it for any of the charity's purposes. Income generated from assets held in an unrestricted fund will be unrestricted income. The trustees may earmark part of the charity's unrestricted funds to be used for particular purposes in the future. Such sums are described as "**designated funds**" and should be accounted for as part of the charity's unrestricted funds. The trustees have the power to re-designate such funds within unrestricted funds and then include in the reserves. When a designation has been made at the balance sheet date, the amount of the designation may be adjusted subsequent to the year-end if more accurate information becomes available.

Restricted Funds

Many charities hold funds that can only be used for particular purposes within their objectives. These are restricted funds and have to be separately accounted for. The restriction may apply to the use of income or capital or both. Income generated from assets held in a restricted fund (eg interest) will be legally subject to the same restriction as the original fund unless either:

- (a) The terms of the original restriction specifically say otherwise (for example, the expressed wishes of a donor or the terms of an appeal), **or**
- (b) The restricted fund is an endowment fund, the income of which is expendable at the discretion of the trustees.

Endowment Funds

One form of restricted fund is an "endowment", which is held on trust to be retained for the benefit of the charity as a capital fund. Where the trustees must permanently maintain the whole of the fund it is known as **permanent endowment**. Such a fund may consist of investment assets and/or assets that are used for the purposes of the charity. Such a fund cannot normally be spent as if it were income. In some instances the trustees may have the power of discretion to convert endowed capital into income in which case the fund is known as **expendable endowment**. The initial gift and subsequent increases and decreases in the amount of any endowment funds should be shown in the Statement of Financial Activities as part of those funds.

The Policy on reserves for 2017/18 agreed at the 28th February 2018 meeting of the charitable fund committee. It states:

The trustees have set a reserves policy which requires:

- Reserves are **maintained** at a level which ensures that **3** months of organisation's core activity could continue during a period of unforeseen difficulty. For the current year this is estimated to equate to £811K. (Total expenditure and Commitments £3,245K)
- Reserves have been invested are maintained in a readily realisable form.

The current reserves position on 31 December 2017 is as follows:

Total Cash at Bank	£1,541k
Total Investment (Short Term Conversion)	£8,628k
Total Current Debtors and Creditors (net)	£536k
Net Assets	£10,705k

Of which:

(a) Restricted Funds	£7,413k
(b) Unrestricted Fund - General Amenity Funds	£1,319k
(C) Unrestricted Fund - Designated	£1,973k
(D) Total Free Reserve (b+c,)	£3,292k
(E) Prior Year Turnover 2016/2017	£2,848k

Free Reserve (D) as a % of Prior Year Income (E)	1.16x
--	-------

The current level of **free reserves** at £3,292k is adequate to provide 3 month's core activity taking into account:

- Risks associated with each stream of income and expenditure being different from that expected;
- Planned activity level;
- Organisation's commitments.

This is a reasonable level of free reserve and the organisation will seek to maintain the level over the next 12 months by **31st March 2018**.

Reserve Statement to be included on the Annual Trustees Report

Reserves are that part of a charity's unrestricted funds that are available to spend on any of the charity's purposes. Reserves need to be maintained at a level which is sufficient to meet planned commitments and any unforeseen or unexpected expenditure in advance of the receipt of investment income and charitable donations. This assessment of the required level of reserves excludes those funds classified as restricted as they are only available for a specified purpose.

The Trustees consider that reserves should be set at a level which is equivalent to estimated planned commitments' in the next financial year covering a period of **3** months. At this level, and in the event of a significant reduction in charitable funding, Trustees feel that they would be able to continue with the current programme of activity for such time as is necessary to allow for a properly planned and managed change in the activity programme and/or the generation of additional income streams.

In the light of the above, a reserves target has been set at **£811K** which is some **24.64%** of the balance shown in the Unrestricted Charitable Funds Accounts as at 31 December 2017 of **£3,292K**. Whilst the Charity has met its reserves policy it will continue to monitor its future funding strategies and detailed expenditure and commitments plans yearly to ensure this continues. The reserves are maintained in a readily realisable form within the Portfolio Investments.

Once printed off this is an uncontrolled document. Please check the intranet for the most up to date version.

February 2018 Version 8.2

CHARITABLE FUNDS INVESTMENT POLICY

Summary of Changes:

This version has been significantly revised to take into account the Trust's requirements on the writing of Policies

Version:	8.2
Approved by:	Charitable Funds Committee
Date approved:	February 2018
Ratified by:	Executive Management Committee
Date ratified:	TBC
Consultation:	TPSG
Name of originator/author	Revision: Nelson Garcia-Narvaez / Charities Head of Finance Original Policy: Nelson Garcia-Narvaez / Charities Head of Finance
Lead Director	James Drury – Director of Finance
Name of responsible committee/individual	Charitable Funds Committee / Charitable Funds Head of Finance
Document Reference	BHT POL 147
Date Issued:	TBC by TPSG
Review date:	February 2018
Target Audience:	Directors, Non Executive Directors and Fund managers
Equality Impact Assessment:	June 2016

Document History

Version	Issue	Reason for change	Authorising body	Date
1	0	New Document-Issued		
2	0	Update		
3	0	Formal Review		Nov 2008
4	0	Formal Review		July 2010
5	0	September 2012	Charitable Funds Committee 08.08.12 Trust Board 29.09.12	Sept 2012
6	0	Formal Review – Sept 2014	Charitable Funds Committee Trust Management Committee Trust Board	29.07.14 Sept 14
7	0	Formal Review – July 2016	Charitable Funds Committee Executive Management Committee	25/05/16 22/07/16
8	0	Formal Review – August 2016	Charitable Funds Committee Executive Management Committee	25 th August 2016
8.1	0	Update	Charitable Funds Committee Executive Management Committee Board	May 2017
8.2	0	Update	Charitable Funds Committee	28/02/2018

Associated Documents

BHT Ref	Title	Location/Link
n/a	Investing charity funds: regulatory perspective	https://www.gov.uk/government/publications/investing-charitable-funds https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14
n/a	Trustee Act 2000	http://www.legislation.gov.uk/ukpga/2000/29/contents
n/a	Charity Act 2011	https://www.legislation.gov.uk/ukpga/2011/25/contents
n/a	Charity Act 2016	www.legislation.gov.uk/ukpga/2016/4/contents/enacted
n/a	SORP 2015 – FRS 102	https://www.gov.uk/government/publications/charities-sorp-2005
n/a	Regulations 2008	www.legislation.gov.uk/uksi/2008/629/contents/made

CONTENTS

Section	Title	Page
1	Introduction	1
2	Scope and Purpose	1
3	References and Definitions	2
4	Roles and Responsibilities	3
	4.1 The Board	3
	4.2 Charitable Funds Committee	3
	4.3 Investment Manager	3
	4.4 Trust finance staff	3
5	Consultation and dissemination	3
6	Monitoring compliance with the Policy	4
7	Investment Strategy	4
	7.1 Investment Objectives	4
	7.2 Risk Profile and asset allocation	5
	7.3 Ethical considerations	5
	7.4 Investment powers	6
	7.5 Review of Policy	6
8	Related Policies	6
Annex 1	Currently Approved Asset Allocation	7

Charitable Funds Investment Policy Document

1. Introduction

This policy governs the investment strategy of the Trust's charitable funds.

Under the Trustee Act 2000 it is a legal requirement that, if the investment function is delegated to an investment manager, the Trustees have a written investment policy which is kept formally under review.

The Health Services Act 1977 gives NHS bodies the authority to hold charitable funds. The Trust's charitable funds are derived from donations, legacies and investment returns. The charity's objectives are to utilise the charitable funds for the benefit of the National Health Service rather than to accumulate funds with which to achieve investment returns.

For some time, new gifts of a charitable nature have been encouraged to be made to a general fund, which can be used for any general charitable purposes of the Trust. However there are some funds which have specific 'restricted' purposes. These general and restricted funds are held under one 'umbrella' charity for Buckinghamshire Healthcare NHS Trust. Although there is a distinction between the funds for administrative purposes, from an investment perspective the assets of all underlying funds are pooled and then managed as a single coherent whole.

Charitable fund trustees are under a duty to ensure that the funds are appropriately utilised and this means that the funds should not remain unused for a long period of time, particularly when there are no future plans for spending. However, in relation to the Trust's charitable funds, as with most NHS charitable funds, resources are only expended slowly. After allocating funds that are likely to be required to fund identified expenditure ('short term monies') the balance will be invested in an investment portfolio designed to be long term in nature ('long term monies').

This policy should be read in conjunction with the Management of Charitable Funds Policy (**BHT Pol 063**) to cover complementary information regarding the way in which the Trust's charitable funds are managed and utilised.

2. Scope and Purpose

This policy applies to the investment of all funds of the Buckinghamshire Healthcare NHS Trust Charitable Fund.

The purpose of this policy is to facilitate effective management of funds, whether these are invested or held as liquid assets, to achieve the objectives of the Charity in the immediate and longer term in conjunction with identification and understanding of the risks to the Charity.

3. References and Definitions

The main Charities Commission website provides further details on the responsibilities of Charities and Trustees for investment policies and can be found at www.charity-commission.gov.uk/Charity_requirements_guidance/Charity_governance/Managing_resources. Only elements of the guidance that is relevant to this Charity have been produced here.

Legal requirements covered within this Policy are outlined in the Charities Act 2011 as amended by Charity Act 2016 and the Trustee Act 2000.

Definitions:

The Charity: the Buckinghamshire Healthcare NHS Trust Charitable Fund, registered charity number 1053113, a separate legal entity from Buckinghamshire Healthcare NHS Trust NHS Trust.

Trustee: Charity Trustees are responsible for the general control and management of the administration of the charity. The Charity has a corporate trustee – the Board of Buckinghamshire Healthcare NHS Trust.

Investment Manager: an individual or corporate body appointed by the Charity's Trustees to advise and make investment decisions on behalf of the charity.

Charitable Funds Committee: a sub-committee of the Board whose responsibility it is to oversee the management of Charitable Funds.

Common Investment Fund: an arrangement whereby the money invested by a number of charities is pooled and invested in a range of investments in accordance with the published policy of the scheme. The size of each share is determined by the number of 'units' each contributor owns and investment returns (or losses) are allocated in the same proportion.

'Umbrella' Charity: a charity registered under a single name and number under which several funds are held and administered. These funds may have separate purposes and objectives and the balance will be managed by different fund holders. Income and expenditure is allocated to these fund balances individually, whereas investment returns will be allocated in proportion to the fund balances held.

Volatility of returns: there is a link between the rate of return that can be expected on an investment and the risk inherent in that type of investment. This is separate from the systematic or market rate of return, where a whole class of investments will be affected by an upturn or downturn in the market caused by macro-economic trends. The more risky an investment is seen to be the higher the return that would be expected to be achieved. However there is also a potential for large losses on this type of investment, where safer investments would have much lower rates of returns. This link between levels of risk and the rate of returns is known as the volatility of returns.

4. Roles and Responsibilities

4.1 The Board

The Board as corporate Trustee of the Charity has the overall responsibility for setting the investment policy for the Charity through setting an overarching set of objectives that need to be taken into account when deciding on specific investment allocations. It is responsible for appointing the investment manager. It has delegated responsibility for monitoring and making amendments to the portfolio of investments to meet the overarching objectives to the Charitable Funds Committee.

4.2 Charitable Funds Committee

The Committee has the responsibility to monitor performance of the portfolio of investments through the receipt and review of reports from the investment manager. The investment manager will attend each quarterly Charitable Funds Committee in order to give the members the opportunity to raise questions about the performance of the investments and the appropriateness of moving investments into other areas. The Committee will update the Board with regard to significant changes or issues with performance of the investments.

4.3 Investment Manager

The investment managers appointed will be responsible for investing the available funds as far as possible to fulfil the investment objectives laid out below. They will provide quarterly reports to the Charitable Funds Committee. They will take into account any concerns raised by the Committee in the allocation or performance of the funds. They will take into account the Trustees stance on ethical investment.

4.4 Trust finance staff

The Trust, through its finance staff, carries out financial administration of the Charity. It is the responsibility of the appropriate finance staff to ensure that the invitations to attend the Committees are sent to the investment manager and that investment information provided is passed onto the Committee members. It is their responsibility to ensure that the Charity keeps accurate records of its investments, properly accounts for investment returns and movements in the value of investments.

5. Consultation and dissemination

This Policy has been formulated by taking into account the guidance issued by the Charities Commission as well as the previously documented objectives of the Trustees in achieving investment returns. It was presented to the Charitable Funds Committee on TBA for their comments before they ratified it.

The Policy will be published on the Trust's intranet within the Finance Policies section.

6. Monitoring compliance with the Policy

The Trustees wish to monitor the performance of the investments carefully and will seek quarterly valuations and reviews of performance. Whilst the precise mechanics will depend on the independent professional advice given to the Trustees, it is proposed that performance should be measured against one of the industry standard measures such as the WM Charity Survey.

The Charitable Funds Committee will provide information in its Annual Report to the Board on its actions in managing the investments. If the Committee identifies that there are shortfalls in the performance of its investments, and that these shortfalls are not being remedied by the investment manager, the Committee will report this to the Board together with its proposals on remedying the situation. This may include a change of investment manager.

The Committee will, in turn, monitor compliance with this Policy by the investment managers and finance staff.

7. Investment Strategy

7.1 Investment Objectives

As stated above, it is not the Trustee's primary aim to accumulate funds and the investment strategy set out below is written with this in mind. Accordingly, a portion of the total funds will be held back as short term monies or working capital (assets which are capable of being released to generate cash quickly, or cash) with the rest constituting the investible portfolio (long-term monies), which is the subject of this policy paper, being invested.

The Trustees objectives are:

- To maintain the value of the capital in real terms over the medium term (3-5 years).
- To realise capital gains (i.e. returns on the investments achieved) only if there is a bona fide charitable purpose for them
- To receive dividends and interest from the investments as income to the charity and utilise it as such.
- To reinvest capital gains where no immediate charitable purpose exists
- To take normal charitable expenditure from ongoing donations and interest from investments that is surplus to administrative expenditure
- To fund unusual major capital projects on a case-by-case basis from one-off reductions in investment capital.

That part of the portfolio which must, as a minimum, be kept in liquid funds should be sufficient to cover three months of anticipated charitable expenditure. However the investment advisers have discretion to increase the liquid element of the portfolio if market conditions should so dictate.

Subject to the recommendations of our independent adviser, the funds will be invested on a discretionary basis by the purchase of pooled funds, ordinarily Common Investment Funds [CIFs] or others where they are not available.

The investment principles of the Trustees are to ensure: -

- (a) A balance between income (interest or dividends) and capital growth whilst adopting an appropriate medium to long-term risk profile, accepting that this will impose *a degree of volatility* in performance (*A)
- (b) The maintenance of the 'real' value of the capital within the portfolio after allowing for the effects of inflation but before any strategic change in historic expenditure levels.
- (c) That they are prepared to realise capital gains if achieved and if there is a bona fide charitable purpose for them.
- (d) An income of approximately £250,000 p.a. from the portfolio, which is currently equivalent to a yield of about 3.39% p.a.
- (e) That the administrative burden on the Trustees is kept to an acceptable minimum.
- (f) That they receive independent professional advice on the set up and monitoring of the performance of the investments.

7.2 Risk Profile and asset allocation

The Trustees are bound by the rules for Charities on investments and have adopted a strategy, which avoids speculation and high risk, while accepting *a reasonable degree of volatility of returns* (*B). They will spread the investments over a number of different investment classes such as UK Equities, overseas Equities, Bonds, Property and cash and have considered and agreed a limited amount of exposure to non-traditional assets like hedge funds and absolute return funds, subject to clear restrictions.

The trustee will define a range for each asset class as set out in annex 1. Within that range the Charitable Funds Committee will agree with the Investment Manager the actual allocation to each class. Movements outside of the range will be explicitly approved by the trustee.

7.3 Ethical Considerations

The Trustees have considered whether to impose any ethical restriction on the investment of the Trust's assets by their investment managers and are mindful that their primary duty is to seek the best returns within the limits of the overall investment policy.

The Trustees have decided to avoid direct investment in certain types of stocks and to this end they will specifically avoid direct investment in stock adverse to health (e.g. Tobacco). They will also seek to minimise investments in areas where conflicts of interest could be seen to occur, such as with pharmaceutical companies.

The Trustees accept that the investment in common investment funds (and similar products) may give the charity indirect exposure to such stocks. Any indirect exposure is monitored and will not exceed 5% of the total portfolio value.

7.4 Investment Powers

The appointed fund managers or funds will be given discretionary powers and empowered to buy and sell securities on behalf of the trustees, subject to the overall investment policy as set out in this document. All such transactions must be reported to the Trustees in the next quarterly review.

7.5 Review of Policy

The Charities Committee will review this policy annually and the Trustees will approve any proposed changes.

A* This is defined as movements in performance of 5%

B* This is defined as movements in performance of not more than 10%

1. Related Policies

The following related policies & guidance are available on the Trust Intranet and external websites

	Document
(a)	Standing Orders / Standing Financial Instructions (BHT Pol 089)
(b)	Limits of Delegation Policy (BHT Pol 061)
(c)	Code of Conduct (BHT Pol 019)
(d)	Standards of Business Conduct (Corporate Policies)
(e)	Charitable Funds Committee Terms of Reference
(f)	Management of Charitable Funds (BHT Pol 063)

Annex 1

Currently Approved Range of Asset Allocations

In line with the current professional advice to the Charitable Funds Committee, the agreed ranges for each asset allocations are as follows:-

	Asset Type	Agreed %
1	Equities: UK Global	30-70% 0-20%
2	Fixed Interest Bonds	0-30%
3	Property Funds	0-20%
4	Non-traditional investments, including Hedge Funds and Absolute Return Funds	5-25%
5	Cash	0-10%

These approved ranges of asset allocation are approved by the trustee (Trust board) and can only be amended by the Board. Within each range the Charitable Funds Committee can agree specific asset allocations upon advice from the Investment Manager.

The Committee takes the view in order to cover eventualities regarding a variation in the asset allocations agreed with the investment manager to accept a margin of fluctuation of 2% of the % stated in each category, where there is a proven benefit to the charity.

In any case this variation should be corrected in a period no longer than 6 months without formally changing the investment policy. The decision to vary must be reconsidered and the case represented at each meeting of the committee."

The Committee requires that any fluctuation to the agreed asset allocations is reported as soon as the information is disclosed by the Investment Management.

Buckinghamshire Healthcare NHS Trust

Charitable Funds Committee Terms of Reference (ToR)

INDEX

Index	Page
1. Background	3
2. Purpose	3
3. Constitution	3
4. Membership	4
5. Quorum	4
6. Meetings	4
7. Authority	5
8. Duties	5
9. Reporting	6
10. Review	7
11. Support	7
12. Monitoring Compliance and Effectiveness	7
13. Document Control	7

Charitable Funds Committee

Terms of Reference

1. Background

- 1.1 The Charitable Funds Committee (CFC) has been established to exercise the Trust's functions as sole corporate trustee of Buckinghamshire Healthcare NHS Trust Charitable Fund (registered charity number 1053113).
- 1.2 The Trust Board is regarded as having responsibility for exercising the functions of the Trustee. The Trust Board delegates these functions to the CFC, within any limits set out in these Terms of Reference and the charitable funds section of Standing Financial Instructions.

2. Purpose

- 2.1 The overall purpose of the Committee is to assist the Board as the Corporate Trustee in the performance of their duties through providing assurance the Trust's charitable activities are within the law and regulations set by the Charity Commissioners for England and Wales, the Charities Act 2011 *as amended by* Charity Act 2016, the Statement of Recommended Practice on Accounting and Reporting for Charities (SORP), the Charity's Trust Deed and applicable United Kingdom guidance and regulations for NHS charities.
- 2.2 The Committee will approve charitable funds expenditure in accordance with standing orders and standing financial instructions as well as approve investment policy and monitor investments on a regular basis.
- 2.3 These terms of reference establish formal and transparent arrangements for the oversight of the appropriate use of charitable funds within the Trust and provide a vehicle to ensure the independence of the decision-making process for the Charity from that of the Trust as a whole.

3. Constitution

- 3.1 The Board resolves to establish a standing Committee of the Board to be known as Charitable Funds Committee (the Committee). The Committee is a Non-Executive committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference.
- 3.2 The Trust was appointed as corporate trustee of the charitable funds by virtue of Statutory Instrument 2002 (2271) and that its Charitable Funds Committee serves as its agent in the administration of the charitable funds held by the Trust. The Committee has been formally constituted by the Board in accordance with its Standing Orders, with delegated responsibility to make and monitor arrangements for the control and management of the charitable funds and will report through the Board.

4. Membership

4.1 The Committee shall be appointed by the Board from amongst the non-executive or executive directors of the Trust and shall include up to three directors who have the personal and professional characteristics necessary to be effective

4.2 The CFC comprises:

- (Two) non-executive Directors, where one of them preferably should be financially literate
- (One) executive Directors, normally the Director of Finance.
- (One) Honorary Independent Member

4.3 The CFC's structure is:

- Chair: a non-executive Director
- Finance Director
- Honorary Independent Member
- The Trust executive assigned responsibility for charitable funds (Currently a non-executive Director)
- Operational Leads: Trust's Head of Financial Controls and Head of Charities Finance
- CFC Administrator: Head of Charities Finance

4.4 When a member is unable to attend a meeting they may appoint a deputy to attend on their behalf. The nominated deputy of a Board member will have the same voting rights as the member; any other deputies will have no vote.

4.5 Other Charity and/or Trust officers may be asked to attend when the CFC is discussing areas that are the responsibility of that individual. The CFC may also invite external advisors to attend for appropriate items, especially if items require detailed knowledge in areas such as investments.

5. Quorum

5.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. In the absence of the Committee Chairman and/or an appointed Deputy, the remaining non-executive members present shall elect one of themselves to chair the meeting.

5.2 Where a Committee meeting is not quorate under paragraph 5.1 within one half hour from the time appointed for the meeting; or becomes inquorate during the course of the meeting, the Committee members present may determine to adjourn the meeting to such time, place and date as may be determined by the members present.

6. Meetings

6.1 The Committee shall meet at least two times per year and at such other times as the Chairman of the Committee shall require. Meetings of the Committee shall be

summoned by the CFC Administrator of the Committee at the request of the Chairman of the Committee.

- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than ten days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate seven days ahead of the date of the meeting.
- 6.3 The Committee must consider the frequency and timing of meetings needed to allow it to discharge all of its responsibilities.

7. Authority

- 7.1 The Board of Directors has delegated to the Committee the authority to deal with the matters set out in paragraphs below.
- 7.2 The Charitable Funds Committee is an advisory body with no executive powers; it is not the duty of the Committee to carry out any function that properly belongs to the Board of Directors or the Management Board.
- 7.3 The Committee is, however, authorised by the Board to investigate any activity within its duties as set out below and to seek any information it requires from any employee, who are directed to co-operate with any request made by the Committee.
- 7.4 The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This shall be authorised by the Chairman of the Committee and shall be within any budgetary constraints imposed by the Board of Directors.
- 7.5 The Charitable Funds Committee has the authority to require any member of staff to attend its meetings.

8. Duties

- 8.1 The Charitable Funds Committee shall be responsible for the following duties:
- Ensure the Charity complies with current legislation;
 - Determine the charitable fund's investment policy, including the selection of appropriate investment advisers and banking service provider;
 - Review the performance of the Charity's investments;
 - Set and review an expenditure policy, including the use of investment gains;
 - To monitor the Trust's scheme of delegation for expenditure for the levels:

Up to £5,000	Fund Holders
Over £5,000 up to £20,000	Finance Director
Over £20,000 up to £50,000	Chief Executive
Over £50,000 up to £100,000	Charitable Funds Committee
Over £100,000	Trust Board

- Approving expenditure over £5,000. This responsibility may be discharged by the Chair of the Committee and Director of Finance acting together. All approved expenditure of over £5,000 will be reported to the next meeting of the Committee.
- Review individual fund balances within the overall Charity on a regular basis;
- Review a regular report of all expenditure from charitable funds
- Agree guidance and procedures for fundraising and expenditure;
- Agree expenditure plans from individual fund holders in accordance with funds objectives.
- Review and ensure audit recommendations are auctioned;
- To approve annual accounts for the Charity and ensure relevant information is disclosed;
- Produce an annual report for the Charity in accordance with section 45 of the Charities Act 1993 and Charities Act 2011 *as amended by* Charity Act 2016;
- Encourage where appropriate a culture of fundraising and raise the profile of the Charity within the Trust and local population;
- Develop and approve promotional material of the Charity on behalf of the Trustees to ensure that material used will promote the charitable funds purposes and not place the Charity's reputation at risk;
- To ensure that all fund raising and expenditure is clinically and ethically appropriate;
- To ensure funding decisions are appropriate and consistent with objectives, and to ensure said funding provides added value and benefit to patients and staff above those afforded by income for commissioned services;
- To receive regular reports on the Charitable Trust fundraising activities;
- To provide regular Internal and External Audit reports to the Audit Committee to enable it to provide assurance to the Board that the Charity is properly governed and well managed across the full range of activities; and
- To implement appropriate policies and procedures to ensure that accounting systems are robust, donations received are acknowledged and that all expenditure is reasonable and in accordance with donors wishes.

9. Reporting

9.1 The minutes of all meetings shall be formally recorded and a summary report regarding the Committee's activities should be submitted, together with recommendations where appropriate, to the Board of Directors.

9.2 The Charity's Annual report shall include a section describing the work of the Committee in discharging its responsibilities.

10. Review

10.1 The Committee shall carry out an annual review of these terms of reference and the effectiveness of the Committee in meeting its purpose. It is expected that Committee members shall attend each meeting, attendance shall be recorded and form part of the annual review.

11. Support

11.1 The Committee shall be supported administratively. This support shall ensure:

- The Agreement of the agenda with Chairman and attendees and collation of papers. Papers will be distributed seven days before the meeting electronically. Advice to the committee on pertinent areas is provided

That Minutes are taken and a record of matters arising and issues to be carried forward is made.

12. Monitoring Compliance and Effectiveness

In order to support the continual improvement of governance standards, sub-committees of the Trust Board are required to annually:

- Complete a self-assessment of the effectiveness of the CFC
- Prepare an annual work plan, where appropriate
- Maintain an up to date Risk Register
- Present a written report to the Trust Board.

13. Document Control

Version	Date	Author	Comments
1.0	1 Dec 2013	E. Hollman	Draft for Committee Chair
2.0	30 th Jan 2014	Nelson Garcia-Narvaez E. Holman	Approved by CFC and the Board
3.0	29 th May 2016	Nelson Garcia-Narvaez	Approved at EMC 22/07/16
4.0	12 th January 2017	Nelson Garcia-Narvaez	Approved at CFC 12 th January 2017 Approved at Trust Board 31 st May 2017
5.0	28 th February 2018	Nelson Garcia-Narvaez	Approved at CFC 28 February 2018 Approved at Trust Board 28 March 2018