

Minutes of a Meeting of **Borders NHS Board Endowment Fund Board of Trustees** held on Thursday, 14th May 2020 @ 2 p.m. in the Lecture Theatre, Education Centre / MS Teams.

Present: Mr A Bone, Director of Finance
Mr M Dickson, Non Executive Director
Mrs K Hamilton, Chair
Dr S Mather, Non Executive Director
Cllr D Parker, Non Executive Director
Mr R Roberts, Chief Executive
Mrs F Sandford, Non Executive Director
Dr C Sharp, Medical Director
Mrs A Wilson, Non Executive Director

In Attendance: Mrs B Everitt, PA to Director of Finance (Minutes)
Mr G Reid, Investment Advisor
Mrs S Swan, Deputy Director of Finance
Mrs K Wilson, Fundraising Manager

1. **Introduction, Apologies and Welcome**

Karen Hamilton welcomed those present to the meeting. Apologies had been received from Mrs N Berry, Director of Nursing, Midwifery & Acute Services, Mr J McLaren, Employee Director, Mr T Patterson, Director of Public Health and Ms S Lam, Non Executive Director.

2. **Declaration of Interests**

There were no declarations of interests.

3. **Minutes of Previous Meeting – 20th January 2020**

Karen Hamilton referred to the “Proposals for Full Costs to be Charged to Projects” item under Matters Arising where it had been agreed that future applications should include the full costs of project delivery, and asked if this had been embedded for any future proposals. Susan Swan and Karen Wilson confirmed that this would be incorporated within the application paperwork to ensure these costs are captured going forward.

The minutes were approved as an accurate record.

4. **Matters Arising**

Action Tracker

The action tracker was discussed and the following points noted:

- Financial Services Authority Questionnaire – update to be provided at next meeting.
- Review of Risk Management Policy in regard to adding a risk to the Risk Register relating to non spending of funds – agreed to add a risk to the 2020/21 register and discuss with External Auditors as part of the 2019/20 year end audit their views and any requirement to increase the level of disclosure on this point.

The action tracker was noted.

ARC Performance v NHS Borders Endowment Fund

Graham Reid spoke to this item which related to the sensitivity testing action on the tracker. Graham reminded of previous discussion where Trustees had agreed to hold a medium risk portfolio. Graham referred to the Asset Risk Consultants (ARC) benchmark which has four designated risk categories and highlighted that from the figures presented the NHS Borders portfolio fell within the steady growth category (realised risk level of between 60% and 80% of the risk of equity markets generally). Graham explained that by taking more risk over the longer term brings more reward and referred to the actual performance of the NHS Borders' portfolio which had performed well against the ARC benchmark over the longer term.

Graham explained that it would be difficult to provide a picture of what the portfolio may have looked like had it not been medium risk. Karen Hamilton appreciated the difficulties in doing this and having been discussed at length previously, notwithstanding the current position, suggested we should carry on as previously agreed by Trustees.

The Endowment Fund Board of Trustees noted the update.

5. Funds Management

5.1 *Investment Advisor Report*

Graham Reid spoke to this item, which since the last report, had seen the impact of Covid 19 on the world's markets. Graham reported that towards the end of March 2020 the portfolio value was just below £4m with it having risen by 8% to £4.3m as at 5th May 2020. Graham highlighted that the portfolio had risen by 3.64% on a total return basis since the last quarterly report. Over the same period the comparable benchmark had risen by 4.5%. Graham went on to provide examples of companies who had dropped due to the pandemic and others who had risen. Graham advised that the alternative investments within the portfolio have assumed an equity type performance and he hoped to see the benefit from these when we come out the other side of the current situation. Graham appreciated that the annual performance of the portfolio was not good in the short term, due to the first two quarters of the year being in a recession, however there were quality investments within the portfolio which he expected to see rebound in the future.

David Parker felt that a 60% investment in one asset class was an unnecessary risk and although it may be too late to change this asked if there was any alternative way forward. Graham explained that in terms of equities the portfolio currently holds 57%, which at its highest was 62%, and is consistent with a medium risk approach. Graham reiterated that the ARC data for a steady growth medium risk portfolio assumes between 60% and 80% of an element of risk investment within the market. Graham added that the current 57% held was not all within the UK and highlighted that these equities have delivered a good return previously and hoped that we would see this again in future. Stephen Mather stated that we have no control over this and as it had previously been agreed by Trustees to hold a medium risk portfolio then he saw no reason to change this. Andrew Bone appreciated that a judgement was made at a point in time but due to the uncertainty of the market suggested that the risk category be reviewed on a regular basis. Malcolm Dickson suggested a six monthly review as part of the work plan. Ralph Roberts enquired how often this was currently undertaken. Susan Swan confirmed this was reviewed on an annual basis. Ralph stressed the need to understand what the impact would be by reviewing this more regularly to ensure there was no damage to the portfolio. Andrew felt that given the current climate the trustees should consider whether they would wish to review the risk level in advance of the normal cycle (January 2020). Graham stressed that the risk appetite of the portfolio

could not be changed every six months but agreed that the appropriateness of the risk level should be reviewed regularly due to the current turbulence and was happy to work with Trustees to do this. It was agreed that Andrew and Ralph would discuss how this might be progressed and bring a recommendation to the next meeting.

The Board of Trustees noted the report and update.

5.2 *Update on Covid 19 Impact on Investment Portfolio Valuation and Level of Designated Funds Held*

Susan Swan spoke to this item. Susan felt that it was important to provide Trustees with an update on the decrease in the Investment Portfolio valuation due to the Covid 19 pandemic as well as to propose how the impact is reflected in the level of designated funds held in support of the planned Children's Centre project and in the general unrestricted fund. Susan reminded Trustees that they had previously agreed for £1m to be added to the Children's Centre designated fund as an underwrite should fundraising efforts not achieve the level of project costs required. Susan proposed that, due to the continuing market volatility and fluctuations in the Investment Portfolio value, a new designated fund be created earmarking a balance of £1m to be used in the first instance to cover the final overall Investment Portfolio reduction resulting from the pandemic. This would mean that the level of funding held in the Designated Fund – Children's Centre would be reduced to £0.5m. Fiona Sandford commented that she did not feel comfortable with this proposal due to previous fundraising efforts being undertaken to go towards the Children's Centre. Susan assured that the monies identified did not include any fundraising money, these were a mix of unrestricted funds from income and dividends from the portfolio. Andrew Bone explained that in terms of the Children's Centre there is £1.5m held in a designated fund, with £0.5m being committed specifically for the project and a £1m underwrite should the required levels of fundraising not be achieved. The proposal being put forward would be to use the £1m as a risk contingency and if the market recovered and this was not required it would continue to be held in the Children's Centre designated fund.

Stephen Mather appreciated that Trustees had made a commitment towards the Children's Centre, however as this has been ongoing for a number of years, he asked if it would be appropriate for Trustees to write officially to NHS Borders to request an update. This was agreed. Alison Wilson enquired whether a timeline should also be requested. Stephen did not feel this was necessary due to a variety of factors, i.e. impact of paediatric medicine going forward and the opening of the new Sick Children's Hospital in Edinburgh. Ralph Roberts proposed that the Chair wrote formally to June Smyth, in her planning role, requesting an update. This was agreed.

The Board of Trustees noted the decrease in the Investment Portfolio as a result of the Covid 19 pandemic.

The Board of Trustees agreed the proposed treatment across the balance of Designated Funds to reserve an earmarked sum of £1m to be held as funding prioritised to cover the final overall Investment Portfolio reduction resulting from the impact of the Covid 19 pandemic.

6. **Endowment Fund Annual Accounts 2019/20**

6.1 *Year End Timeline for Production of 2019/20 Trustees Annual Report and Accounts*

Susan Swan provided an update on the revised timeline for the production of the Annual Report and Accounts for 2019/20. Susan explained that the draft Annual

Report and Accounts would normally have come to this meeting, however these had been delayed due to the work the Finance Department had undertaken on behalf of the organisation during the Covid 19 pandemic. It was noted that the revised timeline was being firmed up and potentially the accounts would come forward in July. Susan confirmed that both Geoghegans, the External Auditor for Endowments and Audit Scotland, the Board's External Auditor were content with this. Stephen Mather enquired if OSCR had been consulted. Susan confirmed that they had been and were also content in these exceptional circumstances.

The Board of Trustees noted the update.

7. **Fundraising**

7.1 *Covid 19 Endowment Fund*

Karen Wilson spoke to this item. Karen advised that “the Difference” had been a member of NHS Charities Together for a number of years. This was formerly known as NHS Association of Charities and had recently changed its name to be a more collective body of charities. It was noted that to date a total of £103m had been raised for distribution amongst its members. Karen confirmed that the first two grants had been received, totalling just under £60k and were to enhance the wellbeing of NHS staff, volunteers and patients impacted by Covid 19. Karen explained that there were two further stages to apply for funds, namely stage 2 for the purpose of strategic integrated community and social care pathway and stage 3 for recovery and post pandemic. Karen advised that she was also looking at how to appropriately access further funding from this charity whilst following the governance structure in place for restricted funds. In addition to these grants it was noted that the Covid 19 Response Fund had now received £15k, primarily from Just Giving pages set up and fundraising efforts. Karen highlighted the expenditure which had been committed to purchase iPads for use across the organisation, refuelling stations providing tea, coffee, fruit and biscuits, WiFi in the community and Sat Navs for volunteer patient drivers. Karen referred to the next steps, which amongst others, was to communicate with staff and the public on the support provided to date and consider what role the charity can play to support the organisation and staff post pandemic.

The Board of Trustees noted the update report.

Learning from Covid : Organisational Support to Put Staff at the Heart of Developing our New Health Service

Karen Hamilton referred to a further paper that had been circulated regarding learning from Covid and organisational support in developing our new health service. Karen highlighted the recommendations within the paper, namely to note the proposed work on staff support and build staff's resilience and approve the use of Covid Response Charitable Funds to a limit of £25k to fund the work, with final costings being developed once the full plan is developed. Karen advised that the paper had been approved outwith the meeting as per the Code of Corporate Governance and had been brought today for noting. It was also noted that following approval there had been further discussion where it had been agreed the costs would be split 50/50 with £12.5k now to be funded from core funding. The paper would be amended to reflect this change.

The Board of Trustees noted the report and that final costs would be split 50/50 from the Covid Response Charitable Fund and core funding.

7.2 *Fundraising Update*

Karen Wilson spoke to this item. Karen explained that due to the impact of the Covid 19 pandemic some planned work had been paused. Karen went on to report that a structure had been set up around the Endowment Advisory Group (EAG) to encourage and review funding applications to come forward to the EAG. In regard to the re-organisation of funds objective Karen was confident they would be able to get this back on track within the Fundraising Team. Karen Hamilton suggested that it might be advisable to revise the deadlines/target dates for the next meeting as the majority of those listed would not be met. Karen confirmed that as part of the recovery plan she would be revising these and bringing back to Trustees.

The Board of Trustees noted the update report.

8. Capital Spend

8.1 *Capital Projects Update*

Susan Swan provided an update on the three Capital projects which had previously been reported on. Susan explained that the Adult Changing Facility, Macmillan Centre extension and Mammography reconfiguration were all on hold due to the Covid 19 pandemic but it was hoped to start work on these again, however a steer on prioritisation whilst noting potential constraints, would be required. The following update was noted for each project:

Adult Changing Facility – project is fully scoped and feasibility assessed and all within financial envelope.

Macmillan Centre Extension – work is ongoing to review this but may potentially require additional resource. Further detail would come forward to Trustees when known.

Mammography Reconfiguration – it would be challenging to reconfigure the department to what is required. At the present time it was not possible to confirm if the Walk the Walk charity donation would be sufficient to cover the costs and it was unlikely there would any additional funds to add to this at the present time.

Karen Wilson advised that the funding streams for Mammography and the Macmillan Centre come with significant risks. Karen advised that for Mammography, Walk the Walk charity were keen to see this project progress so funds could be drawn down and if there was an additional delay the funding may be at risk. For the Macmillan Centre a source of this funding was from a public appeal which had been sitting for more than 18 months, therefore there was an obligation to the public and Trustees would need to be mindful if there was going to be a further delay.

Ralph Roberts also advised that an exercise was about to be undertaken on how to make buildings safe across the organisation due to social distancing and felt the outcomes from this would require to be looked at before any decisions could be made. Andrew Bone appreciated this but felt it would still be helpful to have ranked priorities for the broader capital plan.

Susan advised that she would be pulling together further documentation on the projects to allow Trustees to prioritise these.

The Board of Trustees noted the update.

9. **Any Other Business**

Endowment Advisory Group

Karen Hamilton referred to the Endowment Advisory Group meeting on the 29th May 2020 which appeared to be out of sequence with today's meeting, however suggested that it still take place as she was aware of at least one application waiting to come forward. Karen Wilson explained that the meeting had been scheduled in advance of the June Board of Trustees' meeting which had subsequently been cancelled and confirmed that she would review any new applications for the meeting on 29th May 2020.

10. **Date and Time of Next Meeting**

To be arranged.

BE
21.5.20