

CHARITABLE FUNDS COMMITTEE MEETING

Date:	Tuesday 4 July 2023	Time:	16:00-17:30
Venue:	MS Teams Meeting	Chair:	Ataf Sadique, Non-Executive Director
Present:	<p>Non-Executive Directors:</p> <ul style="list-style-type: none"> - Ataf Sadique, Non-Executive Director (AS) (Deputy Chair) - Karen Walker, Non-Executive Director (KW) - Julie Lawreniuk, Non-Executive Director (JL) <p>Executive Directors:</p> <ul style="list-style-type: none"> - Prof Mel Pickup, Chief Executive (MP) - John Holden, Director of Strategy and Integration (JH) 		
In Attendance:	<ul style="list-style-type: none"> - Michael Quinlan, Deputy Director of Finance (MQ) - Laura Parsons, Associate Director of Corporate Governance (LP) - Sharon Milner, Charity Director (SM) - Adrian Maxwell, Investment Director, Rathbones, for agenda item C.7.23.5 (AM) - Amy Stevens, Chief Executive, Gifted Philanthropy, for agenda item C.7.23.11 (ASt) 		
Minutes:	<ul style="list-style-type: none"> - Katie Shepherd, Corporate Governance Manager (minutes via recording) 		

No.	Agenda Item	Action
C.7.23.1	<p>Apologies for Absence</p> <ul style="list-style-type: none"> - Dr Maxwell Mclean, Chairman - Matthew Horner, Director of Finance - Mohammed Hussain, Non-Executive Director 	
C.7.23.2	<p>Declarations of Interest</p> <p>No interests were declared.</p>	
C.7.23.3	<p>Minutes of the Meeting Held on the 25 April 2023</p> <p>The minutes were accepted as an accurate record of the meeting held on 25 April 2023.</p> <p>The Committee noted that there were no outstanding actions from the previous meeting.</p>	
C.7.23.4	<p>Matters Arising</p> <p>There were no matters arising.</p>	
C.7.23.5	<p>Rathbones Investment Update</p> <p>The Committee welcomed AM who reminded those present of the mandate which included the return objective, risk profile, income payment frequency and restrictions. The investment policy statement was reviewed on 11 April 2023.</p> <p>Year-to-date performance (30 June 2023) reported a positive return on investment of 1.3%, against a benchmark of 2.1%. Performance over the previous 12-months reported a positive return of 2.2%, with three-year performance reported as 15.0% return on investment. The main driver of this was reported as overseas equity performance.</p>	

	<p>Recent trades were outlined which indicated where sales and purchases had been made.</p> <p>Market expectations for interest rates had been exceptionally volatile. Increases for the period 2022 to 23 were more than double those seen during the period 2016 to 2020. This had led to a revaluation of bond prices resulting in the opportunity to invest in gilts at different durations and levels of exposure.</p> <p>Asset allocation was broadly in line with benchmarking. Liquidity was reported at 20.4% against a benchmark of 19%. Equity-type risk was 59.3% against a benchmark of 64.0%, and diversifiers were 20.4% against a benchmark of 17%. The total yield of the portfolio was 3.0%, against a benchmark of 2.9%.</p> <p>Following a query from SM in relation to a lower risk portfolio leading to a better performance; AM explained the numeric scale of 1-6 (6 being the highest). During the previous six-months, due to the market, had the risk profile been higher the investments would have performed better as opposed to those at a lower risk. Currently there was flexibility around where the portfolio could be positioned tactfully. The level of risk was determined based on the Charity's willingness to take risk.</p> <p>In response to a question from SM in relation to exclusions on investments, and the potential for gambling to be added, AM advised that if the Charity restricted investments in gambling, then this would not have a major impact, as the gambling industry accounts for less than 1% of the FTSE 100 index. SM advised that an opportunity had arisen to apply to become Sky Bet's Charity of the Year which would see a significant donation made to the chosen charity.</p> <p>In response to a question from MQ relating to the growth attitude of other charities and how this impacted their risk profile; AM explained that typically charitable investments were longer-term and therefore were structured with an expectation that the funds could be left for a significant period of time, unless there was a particular need to draw down funds in the event of a material change to circumstances. It was those circumstances which could trigger a potential change to the risk profile as opposed to economic or political circumstances.</p> <p>MP expressed her preference for the exclusion of gambling from the investment portfolio as the as the NHS treats people as a result of gambling problems.</p> <p>AM highlighted the Charity Commission guidance on ethical restrictions for the charity portfolio which stated that "where an investment directly conflicts with the charitable objectives, by owning or being involved with particular organisations which can cause reputational damage, and anything deemed inappropriate as long as it didn't undermine the financial return on the portfolio, can be excluded".</p> <p>Alongside the restrictions placed on investments with regard to alcohol, tobacco and armaments, the Committee also unanimously agreed to exclude any investments associated with gambling.</p>	
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	<p>AM asked for clarification surrounding the potential move of the charity to independence and the impact this may have on the current strategy being adopted. JH advised that the Board had agreed to undertake an investigation process on independence, but nothing had been agreed upon as the due diligence process was underway. Rathbones would be kept abreast of any updates.</p> <p>The Committee noted the update.</p> <p>AM left the meeting.</p>	
C.7.23.6	<p>Investment Tender</p> <p>MQ advised that the Charity had entered into a three-year contract with Rathbones in 2019, with an option to extend for a further two years. The proposal was to extend the contract for the final year of the additional two-year period which would commence on 1 September 2023 and cease on 31 August 2024 which would be the end of the 3+2-year contract option. It was noted that performance had been reasonable to date and was generating a better return than if funds were held in cash.</p> <p>The Committee approved the extension of the contract with Rathbones until 31 August 2024.</p>	
C.7.23.7	<p>Draft 2022/23 BHC Accounts and Annual Report</p> <p>MQ advised that due to the delay seen in the production of the Trust Annual Accounts 2022/23; this has delayed the production of the Charity Annual Accounts. MQ advised that he would circulate the draft 2022/23 BHC Accounts and Annual Report to members of the Committee at the end of July 2023 via email for their review.</p> <p>The Committee noted the report.</p>	<p>Deputy Director of Finance C23001</p>
C.7.23.8	<p>External Audit of 2022/23 BHC Accounts and Annual Report</p> <p>MQ presented the report which highlighted that the Charity had utilised the Trust's appointed audit firm, Deloitte LLP for the previous 15-years. The cost to audit the Charity's Annual Report and Accounts had increased and may continue to rise. Continuing to use the Trust's appointed auditor was no longer considered to offer value for money, due to a number of factors. It was discussed and agreed that the Committee would recommend to the Board of Directors that the Charity appoints an external auditor in line with the Charity Commission guidelines that provides more value for money.</p> <p>MQ advised that if the Charity income was less than £1m but more than £25k during the financial year, an independent examination could take place (as was the case in 2021/22). This would involve less administrative work less work for the Finance Team and, would provide better value for money. It was discussed and agreed that the Committee would recommend to the Board, where possible, and in line with the Charity Commission guidelines, that the Charity's external auditor carries out an independent evaluation. Where gross income exceeded £1m, then an audit would take place.</p> <p>The Committee agreed to recommend to the Board of Directors that the final decision on the appointment of an external auditor and the type of</p>	

	audit work to be undertaken should be delegated to the Charitable Funds Committee.	
C.7.23.9	<p>2023/24 Budget</p> <p>MQ presented the Charity budget for 2023/24. During March 2022, the Committee approved the 5-year Charity plan. The existing budget approved by the Committee included additional allocations for the Neonatal Unit appeal, which would see an aim to raise £1m+ additional fundraising income, an increase in pay costs by £87.5k and additional non-pay costs of £24.2k.</p> <p>The Committee was reminded that the budget may be amended for 2023/24 following the development and approval of the new Charity Strategy which will help in setting realistic projections.</p> <p>The Committee noted the report.</p>	
C.7.23.10	<p>2023/24 Finance Report – Month 2</p> <p>MQ presented the Month 2 2023/24 Finance Report which highlighted:</p> <ul style="list-style-type: none"> The total value of the fund was £2,584k which was £225k less than plan. £174k related to income and expenditure, mainly due to low income raised as part of the Neonatal Unit Appeal, and £51k related to investment gains and losses. The forecast total value of the Charity funds was £1,715k, which was £923k less than plan. £683k was related to income and expenditure, mainly due to low income raised as part of the Neonatal Unit Appeal, and £240k was due to indicative investment gains and losses. <p>The Committee noted that a thorough review is taking place to look at the projections and assumptions on which the finance report is based. In particular the Neo-Natal Unit appeal costs are in the process of being revised. The Committee heard that the Charity also needed to be realistic about its expectations with regard to other areas of funding (both large and small). This work was almost complete and as mentioned above would also be informed by the strategy.</p> <p>The Committee noted the report.</p>	
C.7.23.11	<p>Bradford Hospitals' Charity Strategy Development</p> <p>The Committee welcomed ASt, Chief Executive of Gifted Philanthropy to provide an update on the development of the Charity Strategy. JH reminded the Committee that the Charity had been in receipt of NHS Charities Together monies to support the development of a new strategy, and Gifted Philanthropy was supporting the Charity to do this. The update highlights were:</p> <ul style="list-style-type: none"> 18 consultation meetings had taken place to date, with a further two booked. It was hoped that a further five meetings would take place. The meetings were with key internal people and external people such as business leaders and community leaders outside of the hospital environment. The Funder Research was complete. This had provided good insight into the Trust staff and Charity relationship and how this could be developed further. One piece of feedback had identified that Trust staff 	

	<p>found the application process for funds relatively easy, but found the receipt of money process to be lengthy due to the processes in place. It had also provided information on health inequalities and how the Charity could help to tackle this. It had also provided excellent engagement from South Asian communities.</p> <p>The Committee noted the update.</p>	
C.7.23.12	<p>Bradford Hospitals' Charity Case for Change – Progress Update</p> <p>JH provided an update which highlighted that a team of lawyers from Wrigleys Solicitors had been commissioned to undertake the due diligence and rationalisation work. A due diligence checklist had been devised and completed, with initial feedback and advice received from Wrigleys. A due diligence action plan had been developed and would be discussed with finance colleagues during July to confirm the full scope of the work, goals, tasks and deadlines.</p> <p>Work to rationalise the charitable trust funds had commenced however it was noted that this did not need to be completed in order for the Committee to make a decision on whether to go forward with Charity independence or not.</p> <p>The Committee discussed and supported the need to hold an extraordinary Committee meeting in September 2023 to discuss the proposal before its submission to Board for a final decision.</p> <p>A decision would be made closer to September 2023 on whether any further information was required based on the findings of the commissioned work.</p> <p>The Committee noted the update.</p>	
C.7.23.13	<p>Operational Committee Report</p> <p>JH advised that the Operational Committee met in April and June 2023 and provided an update on the highlights from the meetings:</p> <ul style="list-style-type: none"> • The meeting cycle had been changed to mirror that of this Committee. • Discussions had taken place regarding the Neo Natal Unit Appeal with the relevant Clinical Team, the designers and potential charity partners. • Discussions had taken place regarding the case for change to Charity independence. • A meeting took place in early June 2023 with the Sick Children's Trust, who undertook a walk around of the Neonatal Unit and a discussion with colleagues about operating models, preferences, Charity ambitions and timescales. • A new Head of Fundraising had commenced in post. Lisa Williams was a very experienced fundraiser, and the team were excited to have Lisa on board. • There had been a rebrand of the Charity, which included a newly designed logo in the shape of a 'B' which could be interpreted as a heart. The newly branded website would be launched during July 2023. The Committee concurred that they really liked the rebranding. <p>The Committee noted the update.</p>	

C.7.23.14	<p>Committee Effectiveness Review</p> <p>LP advised that the time had come to undertake a Committee effectiveness review and wished to gain views on how best to proceed. Historically a questionnaire had been circulated electronically, collated and then presented at the subsequent meeting. The Academy Chairs were meeting on 6 July 2023 to discuss their evaluation processes. LP agreed to provide an update at the next meeting.</p> <p>The Committee agreed that a consistent approach should be undertaken across Committees and Academies, including the Charitable Funds Committee.</p>	Board Secretary C23002
C.7.23.15	<p>Investment and Treasury Management Policy</p> <p>MQ presented the revised policy which was reviewed by the Operational Committee the previous week. There was one minor amendment made to page 7, paragraph 9.1 with the word 'least' added to the last sentence.</p> <p>The Investment and Treasury Management Policy was approved subject to the addition of a clause that reflected the intent not to accept or seek funds related to gambling - in line with the decision made earlier in the meeting to exclude any investments associated with gambling from the investment portfolio.</p> <p>The updated policy would be circulated to Committee members for approval. MQ reminded the Committee that they were both direct and indirect investments. JH advised that the wording within the Investment and Treasury Management Policy would need to be worded as such to support that the Charity's intention would be not to knowingly make investments linked to gambling.</p> <p>The Committee approved the policy, subject to the required amendment relating to the removal of gambling from its investment portfolio.</p>	Deputy Director of Finance C23003
C.7.23.16	<p>Reserves Policy</p> <p>MQ presented the Reserves Policy which was due for review.</p> <p>The Committee reviewed and approved the Reserves Policy.</p>	
C.7.23.17	<p>Any Other Business</p> <p>AS thanked JH, on behalf of the Charitable Funds Committee, who will be retiring at the end of August, for all the work he has undertaken in leading the Charity to a good and exciting place. JH had been a member of the Trust Board since 2016, and supported the Charity as responsible director for several years.</p>	
C.7.23.12	<p>Date and time of the next meeting:</p> <p>An extraordinary meeting would take place on 19th September 2023.</p> <p>Next meeting - 7 November 2023, 15:30 – 17:00, Via MS Teams</p>	

Actions From BTHFT Charitable Funds Committee 4 July 2023

Action ID	Date	Agenda Item	Required Action	Lead	Timescale	Comments/Progress
C23001	4.7.23	C.7.23.7	Draft 2022/23 BHC Accounts and Annual Report MQ advised that he would circulate the draft 2022/23 BHC Accounts and Annual Report to members of the Committee at the end of July 2023 via email for their review.	Deputy Director of Finance	November 2023	Closed. Complete.
C23002	4.7.23	C.7.23.14	Committee Effectiveness Review LP to provide an update at the next meeting in November 2023.	Associate Director of Corporate Governance/Board Secretary	November 2023	A verbal update will be provided at the meeting.
C23003	4.7.23	C.7.23.15	Investment and Treasury Management Policy MQ would liaise with Rathbones on the wording required for inclusion within the Investment and Treasury Management Policy relating to the exclusion of gambling from the Charity's investment portfolio.	Deputy Director of Finance	November 2023	Closed. Complete.
C23004			Next action ID number			

Appendix 1: Actions Closed at Previous Meeting

Action ID	Date	Agenda Item	Required Action	Lead	Timescale	Comments/Progress