

END(M)05/1
Minutes: 1 - 5

GREATER GLASGOW NHS BOARD

**Minutes of a Meeting of the
Endowment Fund Trustees
held in the Board Room, Dalian House,
350 St Vincent Street, Glasgow
on Tuesday, 22 February at 12.45 pm**

P R E S E N T

Mr A O Robertson OBE (in the Chair)

Dr F Angell	Dr R Groden
Mr J Bannon MBE	Mrs S Kuenssberg CBE
Mr J Best	Mr G McLaughlin
Dr H Burns	Mrs J S Murray
Councillor D Collins	Mrs R K Nijjar
Ms R Dhir MBE	Mrs E Smith
Councillor R Duncan	Mrs A Stewart MBE

I N A T T E N D A N C E

Mr J C Hamilton	..	Head of Board Administration
Mr J M Hamilton	..	Assistant Director of Finance
Mr R Mackenzie	..	Endowments Accountant
Mr B Steven	..	Director of Finance, North Glasgow Division
Mr W S Marshall	..	Secretariat Officer

ACTION

1. INTRODUCTORY REMARKS

In the absence of the Chairman, it was agreed that the Vice Chairman, Mr A O Robertson take the chair.

2. APOLOGIES

Apologies for absence were intimated on behalf of Sir J Arbuthnott, Professor D Barlow, Mr R Calderwood, Mr R Cleland, Councillor J Coleman, Dr B Cowan, Ms R Crockett, Mr T P Davison, Mr T A Divers OBE, Mr W Goudie, Mr P Hamilton, Councillor J Handibode, Miss A Paul and Councillor A White.

3. MINUTES

The Minutes of the meeting of the Endowment Fund Trustees held on Tuesday 16 December 2003 [END(M)03/2] were approved as a correct record.

NOTED

4. ENDOWMENT FUNDS – ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

A report of the Director of Finance [Endowment Paper No 05/1] comprising the Annual Report and Accounts of the Board's Endowment Fund for the year to 31 March 2004 was presented for consideration and approval by the Trustees.

The documentation had been prepared in a format which complied with the Charities Accounts (Scotland) Regulations 1992 and the Charities S.O.R.P.

The Assistant Director of Finance pointed out that the Board continued to participate, along with three of the NHS Trusts in the Board's area, in an investment pooling arrangement with respect to its Endowment Funds assets, administered via Greater Glasgow Health Nominees Investment Committee. Yorkhill NHS Trust had over the years operated with separate investment management and accounting arrangements and utilised different auditors.

Following the abolition of NHS Trusts, all Endowment Funds transferred to the Board as Trustees from 1 April 2004 and it was in this context that Endowment Funds Annual Accounts for the various NHS Trusts as well as the Board itself were presented to the Trustees for approval.

The Assistant Director of Finance pointed out that PricewaterhouseCoopers LLP, the Endowment Funds auditors for the Board and the various NHS Trusts with the exception of Yorkhill, had completed their audit work. They had advised that it was their intention to issue a clear audit certificate on the various accounts, apart from those for North Glasgow University Hospitals NHS Trust, once they had been approved by Board Members as Trustees. The qualification with respect to North Glasgow's accounts as set out in the auditors' report and in note 11 to the accounts arose from the absence of a cash-flow statement. A similar situation arose in 2002-03 as the operation of a shared investment portfolio also involved shared cash management arrangements for the various NHS Trusts participating in the pooling arrangements. This would not be an issue for 2004-05 as the Trustees would only be approving one set of Annual Accounts for all of the Board's Endowment Funds.

The auditors for Yorkhill NHS Trust's Endowment Funds, KPMG, had also completed their audit work and had indicated that it was their intention to issue a clear audit certificate for the Yorkhill accounts.

The appropriate number of copies of the accounts, signed off by the Director of Finance on behalf of the Board, would be forwarded to the respective auditors for their formal signature.

Councillor Collins whilst noting the contents and probity of the accounts submitted wondered whether in future there should be a bit more commentary around the various figures presented. This would make it easier for Board Members not fully acquainted with the management of Endowment Funds to grasp a better understanding of what the various figures supported and delivered. The Acting Chairman agreed that this was a matter which should be pursued and he intended coming back to it himself in the next item.

The Acting Chairman took Trustees through the various papers and pointed out that their approval was sought for the various accounts submitted and the two signed letters of representation to the auditors.

DECIDED:

- | | |
|---|---------------------------------------|
| (i) That the signed letter of representation addressed to PricewaterhouseCoopers LLP be approved. | Acting Director
of Finance |
| (ii) That the signed letter of representation addressed to KPMG LLP be approved. | Acting Director
of Finance |
| (iii) That the Annual Report and Accounts for the Board's Endowment Fund for the year to 31 March 2004 be approved. | Acting Director
of Finance |
| (iv) That the Annual Report and Accounts for the North Glasgow University Hospitals NHS Trust Endowment Fund for the year to 31 March 2004 be approved. | Acting Director
of Finance |
| (v) That the Annual Report and Accounts for the South Glasgow University Hospitals NHS Trust Endowment Fund for the year to 31 March 2004 be approved. | Acting Director
of Finance |
| (vi) That the Annual Report and Accounts for the Greater Glasgow Primary Care NHS Trust Endowment Fund for the year to 31 March 2004 be approved. | Acting Director
of Finance |
| (vii) That the Annual Report and Accounts for the Yorkhill NHS Trust Endowment Fund for the year to 31 March 2004 be approved. | Acting Director
of Finance |

5. SHORT-LIFE WORKING GROUP : CHARITABLE FUNDS

A report of the Director of Finance, North Glasgow Division [Endowment Paper No 05/2] comprising a discussion paper on the activities of the short-life working group was submitted for the attention of the Trustees.

The Finance Director of the North Glasgow Division pointed out that the overall objective was to ensure that the best use was made of the Endowment Funds (estimated value £57m) managed by the Trustees within a sound financial framework. To this aim, the following was considered by the short-life working group: reviewing the procedures for making funds available within the aim to improving both access and openness; establishing a budget for the Board's element of the Endowment Funds for 2004-05, taking into account existing commitments and considering the treatment of funds transferred to the Board arising from dissolution of the Scottish Hospitals Trust (SHT).

Following lengthy and comprehensive debate, the short-life working group had agreed that, for the foreseeable future, the distribution of Endowment Funds should continue as at present. Much attention was focussed on the proposed budgetary arrangements which needed to reflect the revised administrative structure taking effect from 1 April 2005. The emphasis, however, should be on continuity with the responsibility for preparation of budgets, subject to the Trustees approval, resting with Divisions with respect to the unrestricted funds. Responsibility for control and monitoring of restricted funds would also be delegated to Divisions. However, the current ceiling of £100,000 for individual allocations imposed by the Board's current Standing Financial Instructions was deemed to be impracticable. It was, therefore, proposed to increase the Divisions' authority level to £250,000.

The Divisional Directors of Finance would be responsible for the preparation and submission of the budget prior to the beginning of the new financial year within both the limits of available funds and the prescribed use of funds. The Divisions would ratify the proposed budgets and submit to the NHS Board Trustees for approval.

The Director of Finance, North Glasgow Division, referred to the proposed investment arrangements and focussed in particular on the role of the Greater Glasgow Health Nominees Investment Committee which was charged with the appointment of investment managers, the regular review of their contract and the ongoing monitoring of their performance. Merrill Lynch replaced Schroeder and Company as investment managers with effect from July 2003 by virtue of a periodic retendering exercise. The former Yorkhill NHS Trust utilised Gerrards as investment managers. Gerrards contractual agreement was now, of course, with Greater Glasgow NHS Board by virtue of the legislation covering the abolition of NHS Trusts and the transfer of the legal obligations to NHS Boards. There was no particular justification for the continuation of this arrangement. The agreement with Gerrards should be terminated after appropriate liaison between Divisional management at Yorkhill and the other parties involved. Merrill Lynch would thereafter operate as the appointed managers for all of the Board's Endowment Funds investment assets.

The Director of Finance, North Glasgow Division, pointed out that the Greater Glasgow Health Nominees Investment Committee ceased to function after 31 March 2004 as its membership comprised nominated Trustee representatives from the participating NHS Trusts. He advised that a successor subgroup/subcommittee of Endowment Trustees needed to be established by the Board to assume the former role of the Greater Glasgow Health Nominees Investment Committee. This was agreed

The Acting Chairman thanked the Director of Finance, North Glasgow Division, for his very comprehensive report on the activities of the short-life working group. Following on from the comments made by Councillor Collins at the previous item, the Chairman suggested that it would be helpful if a background paper could be submitted to a future meeting of the Endowment Fund Trustees as a way of introducing them into the rather complex nature of these funds. It was clear that a number of the Trustees were having difficulty in understanding the complexity of the issues they were being asked to approve.

The Chairman suggested that the Endowment Fund Trustees meet in approximately two months time and have before them a paper outlining the proposed management arrangements for and structure of the various Endowment Funds as a means to assisting clarity and transparency. It was thought that the Acting Director of Finance should arrange for this paper to be prepared.

DECIDED:

- (i) That a future meeting of the Endowment Fund Trustees be arranged for two months time.
- (ii) That the Endowments Accountant obtain detailed budget proposals from the Divisions for 2005/06 for submission to the Trustees for approval.
- (iii) That the Acting Director of Finance prepare a background paper on the management of Endowment Funds for this meeting.

**Assistant
Director of
Finance
Endowments
Accountant**

**Acting Director
of Finance**

The meeting ended at 1.20 pm