



# Endowment Operating Instructions

NHS Greater Glasgow & Clyde

# NHS Greater Glasgow & Clyde Endowment Funds Operating Instructions

## Contents

Section	Title	Page
1.	Purpose and definition of endowments	3
2.	Governance	4
	2.1 Setting up a new fund	
	2.2 Fundholders and signatories	
	2.3 Reporting requirements	
	2.4 Reserves policy	
	2.5 Ceasing to be a fundholder	
	2.6 Changes to a fund	
	2.7 Minimum balance	
	2.8 Closure or amalgamation of funds	
3.	Income	8
	3.1 General	
	3.2 Tax position	
	3.3 Income generation	
	3.4 Research	
	3.5 Other gifts	
4.	Expenditure	10
	4.1 General	
	4.2 Procurement	
	4.3 Tax relief on goods ordered	
	4.4 Programme grants (including salary allocations)	
	4.5 Salaries and expenses (in exceptional circumstances only)	
	4.6 Travel, subsistence and accommodation	
	4.7 Employee welfare and development	
	4.8 Hospitality	
	4.9 Patient welfare and amenities	
	4.10 Gifts and presents	
	4.11 Research expenditure	
	4.12 Subscriptions	
	4.13 Conference expenses	
	4.14 Equipment	
	4.15 Building works/refurbishment	
	4.16 Education and training	
	4.17 Community engagement activities	
	4.18 General office expenditure	
5.	Application for Funding	16
6.	Investment of Funds	17

# 1. Definition and purpose of endowments

An endowment is money or property donated to a Health Board. All such endowments shall be held by the Health Board on trust for such purposes relating to services provided under the National Health Service (Scotland) Act 1978 or in relation to hospitals, or to the functions of the Board with respect to research, as the Board may think fit.

The legal framework under which charities operate is the Charities and Trustee Investment (Scotland) Act 2005. Although the NHS Scotland Endowment Funds are not subject to the Charities and Trustee Investment (Scotland) Act 2005 and do not require to be registered with the Office of the Scottish Charities Regulator (OSCR) the Greater Glasgow and Clyde Endowment Funds have registered with OSCR. The Health Board should therefore ensure that the endowment funds comply with the 2005 act.

The legally registered name of the charity is the Greater Glasgow Health Board Endowment Funds. "NHS Greater Glasgow and Clyde Endowment Funds" is the common name used to define the entity/organisation whose legal name is Greater Glasgow Health Board Endowment Funds.

The members of the Health Board, who are also the Trustees of the endowment funds, are appointed by the Scottish ministers, or elected, in accordance with relevant legislation.

The purpose of the endowment funds is the advancement of health through:

- improvement in the physical and mental health of the local population;
- the prevention, diagnosis and treatment of illness;
- the provision of services and facilities in connection to the above;
- research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or into such other matters relating to the health service as the Trustees see fit; and
- education and development in connection to the above.

In addition, the Trustees will observe any conditions attached to a donation or legacy prescribed by a donor to the charity, so far as is reasonably practicable, and which is consistent with the above purpose and the law.

There are three types of endowment fund as defined below:

- **Unrestricted:** these may be used at the discretion of the Trustees for wholly general purposes or restricted to a particular hospital or site.
- **Restricted:** these funds are donated for a specific purpose e.g. for the benefit of a particular ward, or for a particular area of research.
- **Endowment/Permanent:** these are funds whose capital element is preserved and only the income arising from them may be spent.

Fundholders must accept the charitable nature of these funds and the need to observe charity law at all times. The Trustees are legally accountable for the funds and have approved these procedures to give direction and support to the fundholders. By following these procedures fundholders will comply with the law and also ensure that all funds are used in line with their stated purpose.

Whilst this document is intended as a comprehensive guide it is not possible to cover every eventuality or always to give absolute guidance. For further advice or clarification fundholders should in the first instance contact the finance department. In all cases the Trustees decision is final. This document also explains how funds are invested and how the costs associated with such funds are borne.

## 2. Governance

The Trustees are responsible for the general control and management of the charity. Governance arrangements are detailed in the Endowment Funds Charter and these operating instructions approved by the Trustees.

### 2.1 Setting up a new fund

It is at the Trustees absolute discretion whether or not they will set up and accept responsibility for a particular new fund; in order to promote the most effective use of charitable resources, the creation of new funds is tightly controlled.

An application to set up a new fund form must be completed and submitted to the Health Board Director of Finance who will review the application to determine whether:

- the objectives of the proposed fund can be accommodated within the overall charitable objectives of the endowment funds and are not too specific to unduly restrict the use of donations,
- there is not already a fund serving the same purpose. If such a fund exists a new fund will not normally be opened,
- the level of expected income must be sufficient to justify the creation of a new fund,
- the proposed fundholder has the support of their divisional director or general manager.

A list of requests to open funds that the Health Board Director of Finance considers to be appropriate will be presented to the Trustees with a recommendation for approval at their next meeting after which applicants will be informed of the outcome.

All applications for new specific funds must nominate two fundholders one of whom will be identified as the lead fundholder. All proposed fundholders and any other authorised signatories to the fund must provide sample signatures.

The application form to open a new fund must be counter-signed by the relevant divisional director or general manager.

A full list of current funds is available from the Health Board Director of Finance.

### 2.2 Fundholders and signatories

Fundholders should normally be employees of the Health Board including academic staff holding honorary contracts.

All fundholders and signatories are required to comply with the Board's Code of Conduct and that of any professional body to which they are affiliated, such as the General Medical Council (GMC), as well as observing the guidance set out in these operating instructions.

Under the Board's Scheme of Delegation fundholders and other signatories are directly accountable for ensuring that all expenditure is compatible with both the specific purposes prescribed by them for the fund and the charitable purposes of the endowment funds.

In accordance with the Board's Standing Financial Instructions no employee may open a bank account for the activities of the endowment funds or in the name of the endowment fund.

Appointment of fundholders is at the discretion of the Trustees. New fundholders to specific funds must be proposed by the lead fundholder and must be supported by the divisional director. All applications to amend fundholders must be presented to the Trustees for approval.

All fundholders shall be appointed for a fixed term and may be reappointed after this period. Reappointment requires support from the divisional director.

Fundholders and signatories are permitted to authorise disbursements from their funds to an upper limit of £50,000 or whatever limit may be agreed by the Trustees from time to time. Disbursement over this level requires additional authorisation in accordance with the SFIs. For individual expenditure items in excess of £50,000 (or other agreed amount) up to a ceiling of £250,000, it will be necessary to obtain additional authorisation from two of the following:

- Chief Executive
- Director of Finance
- Chief operating Officer, Acute Division
- Director of Finance, Acute Division

Individual expenditure items in excess of £250,000 must be authorised by the Board of Trustees.

Any reimbursements or expenditure requests to a fundholder or signatory personally (e.g. travel costs; conference fees) must be countersigned by a line manager (who is not also a fundholder). Fundholders and signatories may never authorise payments to themselves or to someone with whom they are closely related.

Fundholders and signatories, or someone with whom they are closely related, may not gain any personal benefit from the endowment funds.

## 2.3 Reporting requirements

Expenditure from funds is the legal responsibility of the Trustees. The Trustees take a proportional approach to reporting requirements so that the larger the fund the more comprehensive the reporting requirements.

To ensure that expenditure is properly monitored the Trustees will require fundholders of funds with larger balances to produce spending plans for their approval. Fundholders will receive notification where a spending plan is required.

Failure to produce a spending plan by the due date will result in a fund being frozen until the information is produced.

An updated spending plan may be requested where a fund receives significant unplanned income during the year.

All fundholders are encouraged to make senior colleagues of the existence of the fund and ensure its use is discussed.

## 2.4 Reserves policy

Normally charitable funds must be spent within a reasonable time; however, the Trustees recognise that flexibility may be appropriate for some funds.

Reserves may only be held in support of specific projects. This might include the need to accumulate funds to purchase a particular piece of equipment by a given date.

A precise reserve figure and a timetable for monitoring and reviewing the policy must be given. The policy should take into account likely future donations to the fund and expenditure plans.

If fundholders wish to keep reserves for more than three years this must be explained giving a clear timetable for their application beyond this period.

## 2.5 Ceasing to be a fundholder

The Trustees will remove a fundholder or signatory where they believe any of the requirements in this document are not being met. In such cases they will either take direct control of the fund or delegate authority to an alternative fundholder or signatory.

Where funds are not being used and are simply accumulating the fundholder will be asked to provide details of their plans for the use of the funds. If no suitable proposals are received from the fundholder, or the funds have not been used effectively for two years without good reason, the Trustees reserve the right to assume control of the funds.

If a fundholder or signatory retires or leaves the Board's employment they will automatically cease to be a fundholder or signatory. As they approach retirement or departure from the Board they should arrange a smooth handover of their responsibilities to an appropriate individual.

The delegated authority of a fundholder or signatory is at the discretion of the Trustees and will not automatically transfer without the approval of the Trustees.

Donations and fund balances may not be transferred to follow a former fundholder to a new employer or normally to a different clinical department or ward.

## 2.6 Changes to a fund

In addition to changes to the stewardship of a fund (section 2.5 above) and closure or amalgamation of funds (section 2.8 below) there may be other changes that fundholders wish to make to the funds they manage. Any proposed changes to the name and purpose need to be presented to the Trustees for approval.

Expenditure in categories not clearly within the stated purposes of the fund may not be authorised.

## 2.7 Minimum balance

If a fund's balance falls below £100 and there is no evidence of significant new donations to the fund the fundholder may be asked to decide on appropriate application of the remaining funds within six months and the Trustees may act to close the fund.

## 2.8 Closure or amalgamation of funds

If it is evidenced that a restricted fund no longer serves a useful purpose the Trustees could apply to the Court of Session to vary the fund purposes. If the fund was unrestricted, then the Trustees could use the fund for general purposes.

Where the Trustees approve the closure of a fund any remaining balance may be transferred to another fund with similar purposes.

Additionally fundholders of two or more similar funds may agree that it would be beneficial to amalgamate e.g. to focus fundraising activities; to make a strategic purchase or enhancement.

The Trustees retain absolute discretion as to the dissolution and/or amalgamation of funds.

## 3. Income

### 3.1 General

The acceptance of money or property as a charitable donation is entirely at the Trustees' discretion.

It is important that any contributions to the funds do not carry any conditions which fall outside the charitable objectives. Where there is doubt whether the gift falls within the objectives of the endowment funds the trustees should be consulted prior to acceptance. In the absence of any condition being attached at the time of the donation it will be assumed that there are none and it may not subsequently be reassigned.

All charitable donations received by Board staff in the course of their employment must be paid into an endowment fund. All monetary gifts intended only for staff personal benefit are not charitable in nature and must not be accepted.

Donors may specify how their donation is used. Beyond existing specific funds or simple restrictions donors should be dissuaded from complex restrictions that cannot sensibly be met (in particular for specific items of equipment, brands or suppliers)

Donations may be received from several sources including but not limited to:

- individuals
- fundraising groups
- charitable trusts and corporations
- pharmaceutical companies,
- private fees donated by consultants

Individual items of income received over £10,000 will be reported to the Trustees.

### 3.2 Tax position

Donors who are UK taxpayers can make donations using the gift aid scheme. Fundholders should make themselves aware of the gift aid scheme and encourage donors to make a declaration as it adds a great deal to the basic donation.

Gift aid claimed will be credited to the originating fund.

Gift aid cannot be claimed on donations from companies or on the proceeds of fundraising events.

Where a legacy fulfils the charity test it will be more tax efficient to take the legacy to endowments rather than exchequer funding. Capital Gains Tax will not be payable on this part of the estate as it is a charitable donation.

### 3.3 Income generation

Board employees may hold fundraising events in their own time. Such events should be described as being held "in aid of" as neither the Health Board nor the Trustees will accept liability for injury or loss incurred at the event.

Where Board employees generate income through either selling goods, running conferences and training events or providing services e.g. laboratory fees, this income must be paid into the Board's exchequer funds as it is not charitable in nature and normally uses Board facilities and/or resources in its generation.

Trustees normally only accept voluntary income i.e. donations and legacies. Where a fundholder receives grant income, sponsorship income or income from any commercial, non-charitable activity the Health Board Director of Finance will advise whether such income is acceptable and may be credited to endowment funds or whether it should be regarded as exchequer funding.

Where income has been received which the Trustees do not wish to hold it will either be returned to the donor or credited to exchequer funds as appropriate.

It is at a clinician's discretion whether or not they choose to pay any of their personal income e.g. private patient income; lecture fees etc. into an endowment fund. "Occasional" earnings such as lecture fees may be assigned directly to the endowment funds according to Schedule D case VI, provided that the fees are small in value, infrequent, and for a limited range of services; via an "Annual Declaration for the Assignment of Private Medical/Lecture Fees to a Medical Charity".

### 3.4 Research

Charitable research funds which can be held by the Trustees are those where a donor makes a gift for an area of research. The donor has no rights over the ownership, publication, management or execution of the research. Any research work that is funded from a specific fund must be approved in advance by the appropriate committee such as Ethics or Research Governance. The useful benefits of such research should be published in such a way that the public will benefit from the advancement of medical research. There must be no arrangement to provide preferential access to research findings for funders or any other third party.

Research is defined as commercial if the contributor (normally a pharmaceutical company) does any one of the following:

- enters into any service agreement, understanding or contract;
- retains any rights over the ownership of the results of the research;
- holds the rights over the publication of the results of the research.

The Trustees will not accept commercial research funds or any income from companies as payment for a service which has been provided. Such funds should be held and administered by the Health Board.

The Trustees will not accept research grants receivable from external bodies e.g. MRC, Wellcome Trust, for research activities. These grants should be held and managed by the Health Board.

### 3.5 Other gifts

On occasions donors may wish to gift items rather than make cash donations. There are particular reasons why certain things may be acceptable e.g. artwork; books for the patient library, while others are not e.g. used soft toys which may be an infection risk. The acceptance of such gifts should be discussed and agreed locally.

## 4. Expenditure

### 4.1 General

Expenditure from endowment funds is the legal responsibility of the Trustees who must ensure that it is in accordance with the charitable purpose of the Endowment Funds and, if appropriate, the stated purpose of a specific fund.

All expenditure requests above £50,000, or such other amount as may be agreed by the Trustees from time to time, must be approved by the Trustees.

Funds may not be allowed to go into deficit.

Any reimbursements or expenditure requests to a fundholder or signatory personally (e.g. travel costs; conference fees) must be countersigned by a line manager (who is not also a fundholder). Fundholders and signatories may never authorise payments to themselves or to someone with whom they are closely related.

### 4.2 Procurement

All expenditure must be incurred in accordance with the Board's Standing Financial Instructions. Orders will then be placed using the Health Board's procurement system.

### 4.3 Tax relief on goods ordered

VAT exemption may be available on purchases of scientific, laboratory or medical equipment for use in medical research, training, diagnosis, treatment or patient care. VAT exemption may also be available on equipment and aids specially designed for disabled persons. In addition input tax will be recoverable for contracted out services, business activities etc.

### 4.4 Salaries and expenses (in exceptional circumstances only)

The Trustees do not directly employ people using charitable funds but it is permissible to use a fund to reimburse salary costs to an employer such as the Health Board or a university. All salary recharge requests must have prior approval from the Trustees before a post is advertised.

Salary costs and expenses may only be recharged to a fund if the member of staff is undertaking work which:

- falls within the stated purpose of the fund and is consistent with the charitable purpose of the endowment funds
- enhances statutory provision

The Trustees have a policy of only funding fixed-term contracts up to a strict maximum of 24 months (two years). Where a fixed term contract longer than 24 months is required Human Resources must be consulted. Fixed term contracts may not normally be extended or repeated beyond this period, unless specific approval has been obtained from the Trustees.

The fund must have a balance that exceeds the fully oncosted total of the contract of employment, plus laboratory costs, consumables and expenses where applicable plus any other existing commitments not connected to the post.

In considering funding salary costs Trustees must have a clearly articulated exit strategy after the contract end.

Periods of sickness, maternity or paternity leave may involve costs to be met from the fund during the approved period even though the duties are not being performed by the postholder.

At the end of the contract period it is the fundholders responsibility to provide a brief report or evaluation of the work carried out by the funded individual.

All salaries or payments to employees need to be paid via the employing organisation's payroll so that the appropriate PAYE and NIC deductions can be made and accounted for. Charging a salary to a fund does not affect the obligation to make these statutory deductions.

For new appointments it is the responsibility of the fundholder to make the necessary arrangements regarding recruitment and appointment with HR and Payroll. The employing organisation will then recharge the cost of the salary to the fund.

For secondments and contractual changes it is the responsibility of the fundholder to ensure that the notification of change form is completed and actioned.

#### 4.5 Travel, subsistence and accommodation

Expenses must fall within the charitable purpose of the fund from which they are claimed.

Expenses will be reimbursed in accordance with the relevant regulations and the Board's policy on travel expenses, subsistence and accommodation.

Where the claimant is employed by another organisation the expenses will be reimbursed in accordance with that organisations policy on travel expenses, subsistence and accommodation.

Expense claims will be authorised by the fundholder. Where the claimant is the fundholder the claim must be countersigned by their line manager (who is also not a co-signatory of the fund). Fundholders and other signatories may never authorise payments to themselves or to someone with whom they are closely related.

#### 4.6 Employee welfare and development

Endowment funds should not generally be used to pay for staff entertainment e.g. Christmas parties, nights out, sports and social activities, as this does not meet the charitable purpose of the funds. Donations to staff should be used for more tangible benefits such as improved ward facilities for staff and patients. The Trustees have discretion to approve staff functions where considered appropriate.

Where the specific purpose of a fund is to provide for employee welfare and development it may be used for this purpose.

Endowment funds may only be used where the benefit is to a group of staff rather than to specific individuals.

Under no circumstances should endowment funds be used to pay for alcohol as part of employee welfare and development.

Long service awards, retirement awards and associated hospitality may only be paid from endowments where a specific fund exists for those purposes.

It is not appropriate to hold specific funds within endowments for employees sporting activities e.g. hillwalking, golf etc. as these are not classified as charitable for NHS purposes.

The use of endowment funding for services which improve staff health e.g. staff physiotherapy service, is at the discretion of the Trustees. Permissible services should encourage an earlier return to work or lead to an improvement in performance.

A subsidy may be provided, at the Trustees discretion, towards use of a hospital based gym. Subsidised membership of other gyms may be provided from specific funds where the purpose of the fund is the improvement of staff health.

## 4.7 Hospitality

Hospitality is here defined as the friendly reception and entertainment of guests, visitors, volunteers or carers. It covers expenditure relating to a person who is not a Board employee and whose work might fall within the objects of the fund.

As a general rule hospitality will only be allowable if it can be shown to provide tangible benefits in furtherance of the objects of the funds.

Any hospitality provided should be reasonable and in line with the relevant regulations for subsistence and the Board's policy on hospitality.

Under no circumstances should endowment funds be used to pay for alcohol as part of hospitality expenses.

## 4.8 Patient welfare and amenities

Anything which might make a patient's stay in hospital more comfortable or give more support to families and visitors can be considered for support. This includes items such as toys, TVs and books. However this will not include ongoing commitments such as television subscriptions or TV licences.

## 4.9 Gifts and presents

In the case of certain funds such as those which include patient welfare/amenities it may be appropriate to use funds for the purchase of gifts for patients.

In the case of patients modest gifts may be purchased for, for example, Christmas or birthdays.

Gifts for Board employees, including retirement or leaving gifts, may only be purchased from endowment funds where that is the specific purpose of the fund.

## 4.10 Research expenditure

Unrestricted contributions towards research expenditure will only be allowed if the research is within the objects of the fund.

As long as the equipment, materials and services (e.g. chemicals; analysis of samples etc) for which payment is being requested are applied to the primary objective of the fund they will be allowable expenditure.

Costs such as attendance at training courses and conferences and subscriptions can be included within research expenditure as they are a means of increasing knowledge which can be applied in carrying out research.

#### 4.11 Subscriptions

Subscriptions fall into two categories: publications and subscriptions to institutions.

So long as the subscription is related to the main objective of the fund and is not a personal subscription, it will be allowable expenditure. The publication must be made available to all members of the department.

Personal subscriptions to publications (at reduced rates) which are then shared across departments are not permitted as this infringes copyright law.

Institutions to which subscriptions are made must provide some form of educational assistance and fall within the main purpose of the fund.

Personal subscriptions to institutions e.g. to a Royal College, which are accepted by HMRC as tax allowable deductions from an employee's income are not permitted to be claimed from a fund.

#### 4.12 Conference expenses

Cost of an individual's attendance at a conference or seminar and necessary and reasonable expenses for travel, accommodation and subsistence may be covered by endowment funding, but only when the topic of the conference is related to the purpose of the funds.

The Board's procurement system will be used to book conference places, travel and accommodation.

Any claims relating to attendance at a conference should also be accompanied by a copy of the conference programme as well as a copy of the authorised study leave form.

Fundholders are strongly advised to seek advice on payment/reimbursement of conference expenses before making a financial commitment on behalf of the fund.

If attendance at the conference or seminar is by the fundholder or signatory themselves, requests for payment/reimbursement must be countersigned by a line manager (who is not also a fund cosignatory). Fundholders and signatories must never authorise payments to themselves or to someone with whom they are closely related.

Payments in respect of friends, spouses, family members or accompanying Board employees will not be met by the fund.

## 4.13 Equipment

The use of endowment funding is permitted if it allows the purchase of an item with enhanced functionality or with benefits additional to those required for basic service provision.

However the purchase must not involve buying or replacing a routine piece of equipment which is essential for the maintenance of a standard, safe clinical service. For example funds could not be used to buy a standard bed but might be permitted to purchase an advanced electronic bed with specific features that improve the patient experience.

Under NHS regulations equipment costing over £5,000 purchased with endowment funding will be entered into the Board's asset register. It becomes the property of the Board which will be responsible for revenue implications, ongoing maintenance and ultimate replacement of the equipment.

Any proceeds from the future sale of items originally funded from endowments will be credited to exchequer funds.

Where contributions are made to a university for the purchase of equipment, the equipment will become the property of the university. Equipment which does not become the property of the Board or a university is not allowable expenditure.

The procurement of any equipment will be in accordance with the Board's SFIs.

The equipment must be used solely for the purpose of the specific fund and equipment purchased for other purposes cannot be charged to the fund.

NHS regulations require all electrical equipment to be PAT tested in-house before use.

## 4.14 Building works/refurbishment

All building works and refurbishments charged to a fund must be carried out through the board's Capital Planning and Estates Departments and in accordance with the Board's SFIs.

Fundholders should acknowledge the use of endowment funding and/or major donors for building and refurbishment works by affixing a plaque in areas which have been improved.

## 4.15 Education and training

Provided the expenditure falls within the fund's purpose, costs related to education and training will be allowed. This includes course fees, cost of travel, subsistence etc. Copies of authorised study leave forms should be provided alongside requests for funding.

Mandatory training (for example in order to maintain the safe running of a clinical service or to maintain professional qualifications) is not permissible. Courses which educate the trainee with no wider benefit to the Board are also not permissible.

Education of patients and their families or carers is a legitimate activity for funding from endowments and may include the production of materials developed elsewhere.

## 4.16 Community engagement activities

Community engagement activities may be funded from restricted or unrestricted funds if the benefit is for the wider community.

#### 4.17 General office expenditure

Costs incurred which are incidental to the main purpose of the fund will be allowable.

## 5. Applications for Funding

The Trustees will consider applications for endowment funding where the proposed expenditure falls within the charitable purpose of the endowment funds (Section 1). All applications for funding must be submitted to the Assistant Head of Financial Services using the Application Form available on Staffnet.

The Trustees will assess all submissions against standard criteria to ensure that funding is allocated in a transparent and fair manner.

Successful applicants will be required to submit a final report on the funded project. Where the project will be funded on a phased basis the applicant will be required to provide the Trustees with a progress report prior to release of the next instalment.

## 6. Investment of funds

Funds will be invested in accordance with investment policy approved by the Trustees.