



**NHS
Highland
Charity**

**Carthannas
NHS na
Gàidhealtachd**

NHS Highland Charity Investment Policy

Status	Approved
Author	Catherine Myles, Charity Lead Officer
Approval	NHS Highland Charity Trustees
Date of Last Review	31 August 2026
Date of Next Review	Not more than 24 months from date of last review

Introduction

NHS Highland Charity (the Charity) known formally as Highland Health Board Endowment Funds, is the corporate trustee body for NHS Highland Health Board. It is a registered Scottish charity, number SC016791. Its purpose is the advancement of health, through:

- a) improvement in the physical and mental health of the Board's population;
- b) the prevention, diagnosis and treatment of illness;
- c) the provision of services and facilities in connection to the above; and
- d) the 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.
- e) to observe any conditions attached to a donation or legacy prescribed by a donor to the charity, so far as is reasonably practicable, and consistent with the above purpose and the law.

The financial objective of the Charity is to maintain the real value of the funds held over the long term, and at the same time generate a stable and sustainable income to support expenditure on charitable objects: i.e. grant making and programme delivery, and governance and management. The Charity does this through prudent management of its investment assets and by raising money through fundraising and from legacies received.

The Trustees' power of investment is governed by the Charities and Trustee Investment (Scotland) Act 2005. This confers a general power of investment and in addition requires the Trustees to:

- Invest in a diversified range of suitable instruments
- From time to time to review the investments
- Consider the need for advice.

Further, the Act provides a default power to appoint an appropriate nominee (i.e. an investment manager) for the purpose of investment.

The governing document of the Charity (the National Health Service (Scotland) Act 1978) makes no additional specific provision for investments.

The Charity's Trustees have delegated oversight of investment matters to the Charitable Funds Committee (CFC). Investment management is delegated to an authorised professional investment manager, regulated by the Financial Conduct Authority (FCA).

The Charity Trustees have agreed to maintain the Unrestricted Fund investment portfolio or 'reserve' valued at £2.5m, below which it will not knowingly allow this portion of the investment portfolio to fall by the end of any future two-year period. This is designed to maintain sufficient capital assets to enable it to achieve its financial objective, now and in the future.



The Committee will determine, annually, the income required from investments to cover the budgeted expenditure. Restricted funds should be utilised as soon as practicable and in line with the donors wishes.

Definitions

Assets: everything the Charity owns (heritable property, cash, investments).

Benchmarking: measuring investment performance by comparing against a comparable index or target.

Total return: the amount of value an investor earns from a security over a specific period, combining income and capital.

Capital Growth: an increase in the value of an asset or investment over time.

Income / Yield: the income returned on an investment asset such as interest or dividend income from bonds and equities, expressed as a percentage.

Capital Value: the value of an asset or investment.

Risk: the chance that an outcome or investment's actual gains will differ from an expected outcome or return.

Negative Screening/Avoidance/Exclusion: excluding companies from investment consideration based on social or environmental criteria.

ESG: Environmental, Social and Governance.

Liquidity: the ease with which an asset or security can be converted into ready cash without affecting its market price.

Portfolio: a collection of different types of financial investments (e.g. stocks, bonds, commodities, cash).

Ethical Investment

The Trustees have reviewed their investment policy with regard to their duties and guidance on ethical and responsible investment and believe that responsible investment can enhance long-term portfolio performance. In particular, capturing investment opportunities driven by environmental, social and governance (ESG) integration and active ownership may have a material positive impact on investment returns and mitigate ESG risks.

The investment manager is encouraged to take an active approach to engagement in these areas when considering both existing and prospective investments. The trustees also encourage their investment manager to discharge its responsibilities in accordance

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with current best practice including the UK Stewardship Code, and the UN Principles of Responsible Investment.

When reviewing existing or appointing new investment managers, a panel will review their ESG policies to ensure that they meet the Trustees requirements in this area.

Investment Protocol

Trustees have a duty, when exercising their powers of investment, to consider the need for diversification, in order to reduce the risk of loss should an investment fail.

As Corporate Trustee, NHS Highland, in line with the ethos of promoting patient care, attempts to ensure that all investments are ethically and environmentally sound, and are not opposed to the “purpose” of the charity.

The Trustees have agreed to the following investment restrictions which they believe would be in conflict with the Charity and NHS Highland Health Board objectives:

- Arms: No direct or indirect investments in armaments.
- Alcohol: No direct or indirect investments in companies involved in the production of alcoholic products.
- Tobacco: No direct or indirect investments in companies involved in the production of tobacco products.
- Predatory lending: No direct or indirect investments in companies involved in the selling of predatory lending such as pay day loans.
- Gambling: No direct or indirect investments in companies involved in the gambling industry.
- Pornography: No direct or indirect investments in companies involved in the production of pornography.
- Fossil fuels: No direct or indirect investments in companies involved in the extraction, production and refining of coal, oil and gas.

The trustees may consider options to invest in capital schemes, where the return on investment and risks involved are fully evaluated, in addition to investing in the stock market through advisors/brokers.

Investment in health-related research and development opportunities may also be considered by the trustees.

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Risk

Investments will be subject to the following maximum division in order to minimise the risk of loss; this does not include liquid resources retained to meet forecast expenditure:

- Up to 80% in UK equities together with selected overseas investment
- Up to 20% in fixed interest securities, predominantly UK government investments.

This asset allocation allows for both a dividend return and possible gains/loss on the sale of investments due to an increase/decrease in the value of the share fund.

Fees and Dividends

Interest and reclaimable tax on dividends will be received on investments on a quarterly basis. Fees are payable for external advice and management of investment funds.

All investment income received, together with all operational costs for the charity will be apportioned to the unrestricted General Fund on a quarterly basis or as required.

Liquidity Requirements

While Trustees have not set a specific annual income target, as an important component of the operational activities, there must be sufficient liquid resources to meet routine payment requirements at all times.

Bank and cash balances, will be subject to the following in order to maximise income:

- Based on income and payments, a working 'bank/cash' balance of no greater than £100,000 should be maintained, in the local bank account.
- Any material balance above this will be transferred to a short-term investment account where a greater rate of return can be earned and access is easily available.
- Where it is known that payments are to be made and insufficient resources are available, funds should be transferred from the investment account into the bank account.

Where it becomes apparent that excessive balances are held in the combined local bank and investment account, an analysis should be undertaken to identify whether it would be more prudent for the excess funds to be transferred to our investment advisors.

Should these funds subsequently be required a written request should be made to the investment advisors. Funds will then be transferred back to the Charity in 10 working days.

Time Horizon

The Charity is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability. Therefore the Charity can adopt a long-term investment time horizon.

Management, Monitoring and Reporting

The Charitable Funds Committee has the delegated authority to appoint investment advisors. If an external advisor is appointed, the advisor will be required to submit quarterly performance reports, and to attend the Committee on an annual basis (where required) to advise on current performance, investment trends, opportunities and possible concerns. External advisors will be reviewed and subject to re-appointment on a 5 yearly basis.

A summary statement of the value of funds invested and the returns on this investment will be presented to each meeting of the Charitable Funds Committee. This will detail any movements in and out of the investments. All relevant details on fixed asset investments will be included in the annual accounts of the Charity.

Approval and Review

The Trustees may amend this policy at any time and will advise the fund managers accordingly. In any event, the policy will be reviewed at intervals of no more than 24 months and the fund managers advised of the outcome of the review.