

Managing discretionary resources

1. What are discretionary resources?

Discretionary resources are those which are available for use as needed or desired.

Discretionary resources can include

- donated cash or grants held in hospital funds
- donations through third parties ¹
- gifts in kind (including services offered pro bono, corporate gifts, hospitality)
- proceeds from the sale of donated goods
- proceeds from the sale of donated expertise

All discretionary resources including (but not limited to) existing charitable funds are managed by the corporate trustee (CT). Discretionary resources are channelled by the CT through West Herts Hospitals Charity (WHHC) for the benefit of West Hertfordshire Hospitals NHS Trust (WHHT).

Discretionary resources are donated through individual and/or corporate supporters, communities, trusts or grant giving bodies or otherwise raised. Discretionary resources can be solicited or unsolicited.

Discretionary resources are available for use as determined by the CT. In order to enable the financial management of existing reserves, WHHC has established charitable funds which are restricted, unrestricted and designated ².

A strategic objective of the charity (and therefore the CT) is to increase discretionary resources.

Following recent changes in Charity Commission guidance on the responsibility of trustees, the CT is required to have oversight of the use and impact of discretionary resources so that all donors can have confidence in the WHHC's management of resources, including a clear audit trail and information on the impact of their donation.

This paper examines current approaches and sets out actions and revised principles to enable WHHC (acting for the CT) to:

- Disburse discretionary resources by deciding whether to pay for a particular project or piece of equipment
- Raise discretionary resources by choosing to raise money (or request gifts in kind) for a potential project/campaign

¹ Examples of this are; organ donation funding, Drs' Fund (Cremation papers) and the League of Friends

² **Restricted** funding has to be spent as directed by the donor. **Unrestricted** funds are those funds which are given to a charity (whether solicited or unsolicited) without any restrictions imposed by the particular donor or grant maker. **Designated** funds can be spent at the discretion of the CT to set aside part of the unrestricted funds of a charity for designated purposes. Designation of funds may also be used where donors have expressed a preference without imposing a 'trust'. Designated funds remain unrestricted since the trustees can remove the designation at any time.

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- Increase the CT's oversight and insight of disbursement and how funds are raised.

2. Current Approach

• 2a. Disbursing discretionary resources

Decisions to disburse are influenced by the delegated financial authority procedure ³.

The delegation of financial authority means that the impetus to spend designated or restricted funds is based on the financial value of the project rather than its strategic importance to WHHT.

Fund holders are motivated to 'spend small' rather than 'think big'. Ideas that could be of greater strategic significance are overlooked (or not even generated) whilst numerous local interest and often small-scale projects/items are funded. Fund holders' low financial limit may also mean that in developing the budget for the project there is a disincentive to disclose full costs* (see foot note⁴) and explore backfill possibilities (where discretionary resources could be used to support wider aspects of project activity).

A more strategic and collegiate approach would result in donations of pooled money or gifts in kind having a far greater impact – put colloquially – to be more than the sum of its parts. The same logic applies to fundraising as much as fund spending. At present, 'asks' (projects/ideas for which funded is desired) are generated at ward or service level with little cross-fertilisation of ideas or consideration of the wider benefit across the organisation.

Additionally, the very large numbers of fund holders has meant that while their individual spend is small, their aggregated spending is considerable, and often without oversight. This way of working, which is in line with the current procedure, has resulted in a significant portion of restricted and delegated resources being used without input from or oversight by the CFC (as the responsible group with powers delegated by the CT).

Lack of access to exchequer funding (real or perceived) has resulted in a reliance on using discretionary resources for projects that might have had capital funding. This is more likely to be the fall-back for wards/services rather than a collaborative approach with another ward/service who also want the same/similar item, project or outcome. The custom of

³ The CT has delegated financial authority for charitable funds as follows:

- Authority to spend up to £1k of designated and/or restricted funds is delegated to fundholders
- Authority to spend between £1k and up to £5k of designated and/or restricted funds is delegated to fund managers
- Authority to spend between £5k and up to £25k of designated and/or restricted fund is delegated to the director of finance
- Authority to spend between £25k and up to £100K is delegated to the charitable funds committee (CFC)
- Authority to spend above £100k has been passed to the trust board
- Requests for unrestricted funding (up to £100k) are taken either collectively or collaboratively by the members of the CFC

⁴ Full Cost Recovery - the cost of running a service plus the element of support costs that can reasonably be applied to support the service.

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turning to discretionary charitable resources without pursuing capital or restricted funds can lead to funding asks that have limited appeal (ie enabling works, trunking and cabling etc..)

The referral of the highest level of request for funding to the Trust Board rather than the CT is inappropriate and blurs the important boundary between the CT and the Trust Board.

In the past the procedures applied to charitable funds have not been applied to all discretionary resources. The CFC has been largely excluded from the process by which discretionary funding has been disbursed by the Organ Fund, the Drs' Fund (Cremation papers) and the League of Friends.

- **2b Raising discretionary resources**

In recent years WHHC has had a very low profile. It has not generally been the focus of fundraising activity and while Trust staff and the wider community have undertaken fundraising activities, these have often been on behalf of specific projects or departments or for third party charities. WHHC has not had an explicit fundraising programme and currently functions as a banking and finance management function.

- **2c Dealing with donors**

Frontline staff have not been trained on how to receive donations on behalf of WHHC. This has led to a culture which encourages donors to designate the purpose for which their donation can be used rather than staff encouraging donors to entrust the charity to spend it in the best way for maximum impact.

Accepting anonymous donations is often seen as easier than obtaining donors' contact details. However, this is not good practice, compromises the audit trail, places staff who receive donations at risk and prohibits the development of relationships.

There is no process for ensuring that the resources raised in the name of the charity are important to it or align with its strategic objectives.

- **2d Raising funds**

Fundraising has been restricted to small and specific areas of the Trust. Fundraisers have been insular in their approach and legitimately concerned to protect the funds they have raised for the purposes which they have specified to their donors.

The low profile of the WHHC has contributed to 'niche' fundraising, led by areas which traditionally have the highest appeal, such as children's services and SCBU. This is not a criticism of staff in those areas who are great fundraising ambassadors for their services. There has been, however, less activity on behalf of the large and often unseen team of support staff without whom the frontline services cannot function.

3. No central co-ordination

In the absence of a process for raising discretionary resources, frontline staff have managed their own corporate supporters and suppliers, asking for discretionary resources for course fees, raffle prizes, support for events etc. Relationships have been managed at ward or department level with risks that potential donors could be over-asked by several staff or overlooked. There is also the risk that opportunities for large donations are lost because corporate supporters are only being asked for small items for individual services where they might be minded to support WHHC (thereby WHHT) in a bigger way to achieve a significant aim.

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Gifts in kind (which can be used to demonstrate the support for the charity and to lever cash donations) are not tracked by WHHC.

4. Transition from current approach to a strategic use of discretionary resources

The intention is that as WHHC moves forward, more thought is given to the use of discretionary resources as a strategic investment decision. This will require amendments to current systems and processes.

A cultural change will also be required, underpinned by clear communication and training in order to explain the change of approach and to support staff who are in receipt of donations.

Care will be required to shift staff – particularly fund holders and fund managers – to a position of supporting ‘the greater good’ and to share discretionary resources and ideas about future asks. There are no plans for compulsory top-slicing in 2017/18.

5. Proposed approach to managing discretionary resources

In the financial year 2017/18 WHHC will:-

- Move towards becoming the single point of contact for all charities and corporates with whom we have, or wish to have, a relationship
- Introduce a fail-safe process to ensure that where a credible case for discretionary resources has been made, applicants will be supported to access the full range of discretionary resource options
- Amend the existing delegation of financial authority (currently within the charitable funds policy) so that all discretionary resources including (but not limited to) existing charitable funds are managed by WHHC on behalf of the CT.
- Introduce new procedures and delegate authority to take spending and resource raising decisions to the head of charities (HoC), Charity Steering Group and the CFC. This will ensure that discretionary resources are managed within the charities function
- Manage both the disbursement and generation of discretionary resources, ensuring that the CT has the information needed for oversight
- Actively manage WHHC reserves to generate (ie encourage match funding) or pump prime additional discretionary resources
- Provide a range of attractive propositions to fund holders as part of our strategy to ‘make our million count’ and use dormant funds to positive effect
- Coach frontline and provide training so that discretionary resources can be received with confidence and in line with our strategic approach and financial procedures
- Continue to reduce the number of funds through; consolidation where there is synergy; closing funds once they have been spent out; closing funds when fund holders or fund managers leave if there is a suitably similar fund to transfer to or project to invest in
- Devise and implement a policy for third party fundraisers using our sites
- Work with fund holders to help them transition to the role of fund advisors to reflect the shift from holding on to funds to advising on their best use (further details will be presented in a paper at the next CFC meeting)
- Support fund holders to actively engage in the disbursement of their funds and to devise spending plans which will be revisited
- No longer accept anonymous donations

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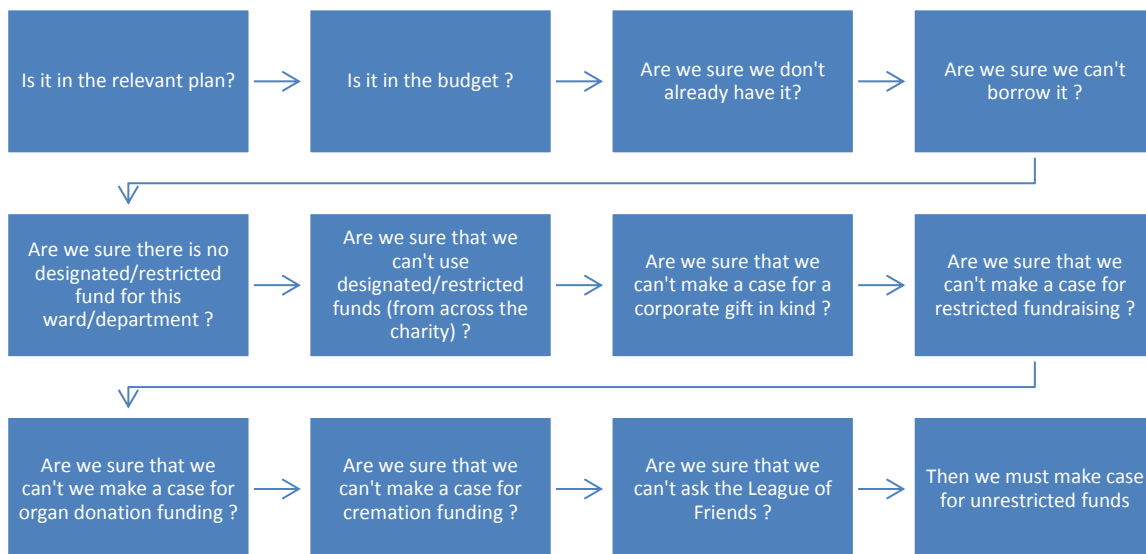
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- Incorporate any new Charity Commission guidance regarding discretionary funds
- Support the establishment of a steering group to aid the generation of fundraising asks, to assist with shortlisting and to advise on policy development – more detail on these points is in WHHC's strategy.

6. Process flowchart to aid decisions for managing discretionary resources

This chart shows the process by which the appropriate discretionary resource can be identified. It works on the basis that the easier options are eliminated first.

An injection of discretionary resources will be treated as investment in the future rather than a subsidy, and will be thus subject to the scrutiny and evaluation as any other investment. To enable this to succeed clear business models and project plans following the principles of full cost recovery will be needed together with a clear exit strategy.



7. Guiding principles

- Discretionary resources will be disbursed according to a process which ensures that funds are only used for items which align with strategic objectives
- Decisions on the best way to disburse resources and the most appropriate projects to support will be informed by cross Trust staff engagement
- Requests for discretionary resources will be channelled systematically to the most appropriate of a range of discretionary resource options
- Restricted and designated funds will be used before unrestricted funds
- Where funding is requested for an item which has fundraising appeal (and where timing is not an issue) new funds will be raised
- Fund advisors are expected to advise on the active management and spending of their funds to achieve a benefit in line with WHHC's aims and objectives
- Discretionary resources such as those held by the League of Friends or within the general fund, will not be used for items which can be funded through restricted funds.

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