



HFMA briefing
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NHS trust to NHS charity recharges

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Introduction

It is best practice for NHS bodies to recharge associated NHS charities for any staff or services that they provide. This is for two reasons:

- from the NHS body's perspective – there is no power to make gifts to charities. The Department of Health and Social Care's *Group accounting manual* (the GAM)¹, paragraph 5.265, states that NHS bodies are not expected to make gifts in the normal course of business. There is also the question of value for money as gifts or donations cannot, by definition, benefit the donor and NHS bodies should not make payments with no expectation of any benefit
- from the NHS charity's perspective – the corporate trustee (or trustee board) must act in the best interests of the charity which includes ensuring value for money in transaction processing and it is important to understand the cost of generating charitable funds and this will include the costs of management and administration.

It is therefore expected that NHS charities will agree to recharges from their associated NHS body for support functions such as:

- maintenance of financial accounting systems
- production of annual accounts
- compilation of management information
- assessment and scrutiny of expenditure proposals to ensure propriety.

DHSC guidance² stipulates that 'where administrative services are shared between exchequer functions and trustee funds, the cost of providing those services should be shared on a fair basis'.

Recharging for the cost of services provided by the NHS body

The basis of the recharge will depend, in part, on the NHS body's policy on recharging for services to other third parties.

It is best practice to have a policy/ principle in place for recharging charities. The services included in the recharge will vary from organisation to organisation, but they need to be defensible and calculated on a reasonable basis. Costs that could be recharged include:

- staff time – finance, HR, secretarial/ governance, fundraisers, IT, estates, communications
- office space
- advertising space
- IT – bespoke systems (separate ledger, Gift Aid, Just Giving) and use of the NHS body's networks
- internal and external audit fees directly attributable to the charity's activities
- direct expenses for charitable fund specific training, for example attending HFMA and NHS Charities Together conferences and meetings.

A common method of recharging is to identify the key staff who work for the NHS body, but who undertake support work for the NHS charity. An appropriate proportion of the costs of employing those staff is then charged to the charity based on an agreed assessment of the amount of the time they spend working for the NHS charity. For larger and more complex NHS charities, staff will tend to work full time on charitable business, although for convenience they may well be employed by the NHS body and their salary costs reclaimed from the charity.

It is best practice for the recharge, and how it has been calculated, to be presented to the charitable funds committee for discussion and agreement.

¹ DHSC, [Group accounting manual](#), June 2023

² DHSC, [NHS funds held on trust](#), August 2017

In deciding whether an item of expenditure should be recharged to the charity, the NHS body should ask itself if the expenditure only occurred because of the charity. For example, the NHS body will have a finance and procurement system and, if the cost of the system is a blanket charge for the whole NHS body, the cost of using it for charitable purchasing may be difficult to quantify and negligible. If the costs of the system are dependent on the number of user licenses, then the additional cost of the charity's users is readily identifiable and should be recharged to the charity.

Before the recharges are made, the NHS body should apply a reasonableness test. This is particularly the case where recharges are made based on the amount of funds held by the NHS charity. Long term appeals or one-off gifts can mean that fund balances fluctuate so it may not always be reasonable to recharge a percentage of the fund balance in those circumstances. Also, the manner of transaction processing may mean arrangements for meeting expenditure from charitable funds are set up for ease of administration by the NHS body rather than the most efficient solution for the charity. For example, a third-party charity would normally pay over a grant in instalments rather than being recharged by item for many small value transactions which may be the case for NHS charities. An equitable balance between efficient transaction handling and recharges may need to be struck.

Disclosure in the annual report and accounts

Disclosure of recharges from the NHS body

Disclosure of the recharge for the cost of services provided by the NHS body should be made in the NHS charity's accounts as they are part of support costs. Best practice is that these costs and the basis of apportionment is reviewed on an annual basis to ensure that they are appropriate and fit for purpose.

Illustrative disclosures are included at note 9 of the HFMA's example charitable fund accounts³.

Disclosure of support costs allocation

In respect of allocating support costs to individual funds, the *Charities statement of recommended practice, FRS 102* (the SORP)⁴ states that charities should ensure that the method(s) of cost allocation adopted are reasonable and consistently applied.

Recharges from the NHS body to the NHS charity can be allocated to restricted and unrestricted funds – this is covered by paragraph 2.15 of the SORP. The exception to this is if the trusts of the restricted fund do not permit recharging of support costs, for example as is the case with endowment funds (paragraphs 2.21 and 2.22 of the SORP).

In attributing costs to activities, the following principles must be applied:

- direct costs attributable to a single activity must be allocated directly to that activity (for example the salary cost of someone solely employed on a particular activity or the cost of running a vehicle used wholly for a particular activity)
- shared costs which contribute directly to more than one activity must be apportioned between those activities (for example, the cost of a staff member whose time is divided between a fundraising activity and working on a charitable project)
- support costs which are not attributable to a single activity must also be apportioned between the activities being supported.

Paragraph 8.13 of the SORP requires that details of the accounting policy for the apportionment of costs are provided and that the basis of apportionment should be given in the note to the accounts. As with the recharge from the NHS body, the reasonableness of the allocation should be kept under review, particularly when it is based on fund balances that can fluctuate year-on-year.

The HFMA's example charitable fund accounts³ show a suggested presentation at note 1(i), accounting policies and note 12, allocation of support costs and overheads.

³ HFMA, [Example charity annual report and accounts 2022/23](#), March 2023

⁴ Charity Commission for England and Wales, Charity Commission for Northern Ireland and Scottish Charity Regulator (OSCR), [Charities SORP \(FRS 102\)](#), October 2019

Independent charities

In its guidance *NHS charities - conversion to independent status*⁵ the DHSC expects that, after the transfer of the NHS charity's assets to the new charity is complete, any new permanent staff will be recruited directly by the new charity. It may, however, still be possible for the NHS body to provide services to the new charity under a contract for services.

The contract for services may include, for example, office space (if the new charity uses part of a hospital building), IT networks and staff recharges for those who work for the NHS body but undertake support work for the new charity.

Recharges for corporate trustee cost

The Charity Commission for England and Wales' guidance on payments to charity trustees⁶ is clear that, generally, charities cannot pay their trustees for simply being a trustee. Some can only do so because it is allowed by their governing document, by the Charity Commission or by the courts. The position is similar in Scotland⁷ and Northern Ireland⁸:

This means that NHS bodies should not recharge part of their board members' salaries to an NHS charity, simply for being part of the corporate trustee. However, executive directors such as the director of finance, will work for some of their time for the NHS charity. Some NHS bodies, therefore, recharge part of the director of finance's salary to the NHS charity to reflect the time spent on operational matters such as reviewing business cases and undertaking financial management. This is acceptable as these duties are distinct and separate from the trustee role – the time that the director of finance spends in board meetings, even where the meeting relates solely to the NHS charity, should not be recharged to the NHS charity.

Paragraph 9.6 of the SORP requires that all charities disclose:

- either that no trustees are paid any remuneration or receive any other benefits from employment with the charity
- or that one or more trustees have been paid.

For NHS charities with a corporate trustee, there will not be remuneration for their role in relation to the charity, although NHS bodies may want to explain that the board members are remunerated for that role.

NHS board members' expenses should be recharged to the charity if, and only if, they were incurred solely on the charity's business (for example, travel costs to attend a meeting of or regarding the charity).

⁵ DHSC, *NHS charities guidance conversion to independent status*, February 2020

⁶ Charity Commission for England and Wales, *Payments to charity trustees: what the rules are*, October 2022

⁷ OSCR, *Remuneration (paying charity trustees and connected persons)*, April 2016

⁸ Charity Commission for Northern Ireland, *Making payments to trustees*, May 2018

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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