NHS Charitable Funds

Fourth Edition

shaping healthcare finance...
Practical Guide – NHS Charitable Funds

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Chapter 1
Foreword and Introduction

Welcome to the 2015 version of the HFMA’s Practical Guide – NHS Charitable Funds, which is designed to provide guidance and support to staff responsible for the day-to-day management and administration of NHS charitable funds. Governing body members, senior finance staff and fund trustees will also find the guide of interest as it outlines the strategic and legal context within which they fulfil their responsibilities in relation to charitable funds.

This guide has been developed by the HFMA’s Charitable Funds Special Interest Group and replaces the 2008 edition. Although it has been fully updated to take account of the many changes that the NHS has seen since then, the underlying principles, structure and content of the Guide will be familiar to many. In particular, it continues to provide practitioners with a succinct summary of the key issues affecting NHS charities with signposts to sources of more detailed guidance for those who want to delve into a subject in more detail.

As with previous editions, the guide focuses on the legislative framework and Charity Commission requirements as they apply to England and Wales. Where there are significant differences in either Scotland or Northern Ireland these are mentioned but not dealt with in detail. Much of the practical guidance is relevant across the UK.

For those involved directly in the management of NHS charitable funds, it is important that the official guidance is accessed at source and read in detail. In particular, detailed guidance on many of the specific points covered in this guide is available from the Charity Commission’s website.

Charitable funds play an important role in the NHS in enhancing the provision of healthcare and we hope that you find this Guide of real practical benefit.

If you have any comments or suggestions about how we could develop the Guide in future, please let us know via publications@hfma.org.uk
Chapter 2
History and Background

This chapter looks at:
• Current fund levels
• The historical background
• The role charitable funds play in the modern NHS.

2.1 Current fund levels

In 2012/13 there were around 280 NHS charities that had accumulated largely because of the historical funding of early health services through charitable sources. More recently, these funds have been boosted through capital growth and income from investments, legacies, donations and fundraising appeals. To give some idea of the scale of charitable funds in the NHS, in 2012/13 they had a combined annual income of over £300m a year and £2.1billion of assets. Following the abolition of primary care trusts and strategic health authorities in April 2013, the number of NHS charities dropped to around 150. However, total overall income levels and assets remain unchanged.

2.2 Origins and history

The historical reliance on charitable funds caused health service funding to be unreliable and led to a concentration of services in wealthier areas. These factors, along with a growing feeling that it was morally unacceptable for hospitals to be dependent on charitable income, were among the driving forces behind the creation of the NHS. When the NHS was introduced, most existing charitable assets were pooled into the ‘Hospital Endowments Fund’. The main exceptions were teaching and university hospitals, which retained control of their endowments through boards of governors and management committees respectively.

The funds held by many teaching and university hospitals were subsequently put under the administration of special trustees appointed by the Secretary of State for Health under sections 24 and 29 of the NHS Reorganisation Act 1973. The 1973 Act (later amended by the 1977 NHS Act) also transferred charitable assets held in the Hospital Endowments Fund and assets held by regional hospital boards and hospital management committees to regional health authorities.

The NHS and Community Care Act 1990 created NHS trusts and enabled them to accept charitable assets held by other NHS trustees. Since then there have been several further reorganisations, including the Health and Social Care Act 2012 which abolished strategic health authorities and primary care trusts in England.

Taken together, these legislative changes created the present position (2014/15) with charitable funds being administered either by NHS bodies as corporate trustees or held by trustees appointed specifically for the purpose. There are also a small number of NHS charities that are governed by a charitable company limited by guarantee.

Following the government’s response in March 2014 to the Department of Health’s review of regulation and governance, NHS charities in England now have the option to transfer funds to new independent charities. The government also intends to repeal provisions that allow the Secretary of State in England to appoint independent individuals as trustees although (at the time of writing) no timetable had been set.

See chapter 5 for more about the role of the Department of Health and Welsh Government and chapter 7 for more about trustees.
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