

**PWYLLGOR CRONFA ELUSENNOL
CHARITABLE FUNDS COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	12 March 2024
TEITL YR ADRODDIAD: TITLE OF REPORT:	Review of Fundraising, Governance and Support Costs and Apportionment methods
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance Sharon Daniel, Interim Director Nursing, Quality & Patient Experience
SWYDDOG ADRODD: REPORTING OFFICER:	Timothy John, Senior Finance Business Partner

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

Discussion was held at the 26 September 2023 Charitable Funds Committee (CFC) meeting regarding the apportionment of governance and support costs and investment income and gains. As a consequence, further work was requested to:

- Review the current level of spend on governance and support costs and
- Explore alternative options for the apportionment of governance and support costs and investment and income gains.

This paper provides information regarding the increase in support costs since 2014/15, together with details of income over the same period. Options for apportioning these costs are also outlined. A proposed budget for 2024/25 is also set out.

The Committee is asked to decide:

- If it is content with the current level of spend on governance and support costs; and if so
- To support the proposed fundraising, governance and support budget for 2024/25
- To agree the preferred apportionment basis for governance and support costs and investment and income gains.

Cefndir / Background

In March 2018 the CFC agreed to create a central unrestricted fund for all the apportionments on unrestricted funds to be charged and credited. The decision on how to manage any surplus funds in this central fund and the level of reserve needed to be maintained was agreed to be reviewed periodically.

The CFC received information at the September 2023 meeting showing that due to the impact of the global recession on investment markets and the increase in fundraising team costs this central fund is being eroded. As a consequence, a review of fundraising costs and overall

governance and support costs was requested together with alternative options for consideration of how to apportion the costs.

Asesiad / Assessment

Review of Fundraising Costs

Fundraising costs consist of the salary costs for the fundraising team, non-pay fundraising costs and an investment management charge. Following the move to CCLA investment advisors in December 2022, the charity no longer incurs a management charge. However, this is deducted from the investment income before it is received.

In 2022/23 the total fundraising costs (pay, non-pay and investment management costs) for the charity were £452,000. A budget of £455,000 was agreed for 2023/24.

The proposed 2024/25 budget remains the same, uplifted by 4% for the estimated pay award. This is £469,000 and can be broken down as follows:

Costs	WTE	2024-25 (£)
Total Pay Costs	8.7	421,713
Non-Pay Costs		46,910
Total Fundraising		468,623

Fundraising pay costs (which include employers national insurance and pension contributions) have increased significantly over the last 10 years due to the appointment of additional staff in 2016/17, 2020/21 (additional 2.6 whole time equivalent (WTE) and 2021/22 (additional 2.8 WTE).

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	000s	000s	000s	000s	000s	000s	000s	000s	000s	ytd M10 000s
Fundraising pay	45	51	105	134	150	168	204	309	371	325
Fundraising non-pay	6	12	13	14	28	28	18	30	37	34
Investment mgt costs	38	36	41	7	43	44	45	49	44	0
Total fundraising costs	89	99	159	155	221	240	267	388	452	359

In prior year accounts the head of charity role has been included as a fundraising cost within the accounts. Going forward we intend to review how this is presented within the accounts and include an element as support and governance to reflect these elements of the role.

Review of Governance and Support Costs

Support and governance costs consist of a recharge from the Health Board towards the cost of the finance function as well as the statutory audit fee.

The Finance Team costs for 2022/23 were £97,000. A budget of £99,000 has been agreed for 2023/24.

This recharge is based on the time spent by staff involved in the finance function, including the full-time charitable funds officer post which deals with queries and fund analysis, as well as a recharge for the time spent by other members of the finance team for the preparation of the accounts, attending meetings and support and a recharge for time spent by procurement, accounts payable and the general office.

The proposed 2024/25 finance team recharge is £103,000, which is the 2023/24 recharge uplifted by 4%.

The following table shows the support costs since 2014/15

Support and governance costs	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 ytd M10
	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s
Finance Team Costs	85	87	73	67	80	88	91	93	97	82
Audit Fees	10	9	9	9	9	9	9	13	15	13
	95	96	82	76	89	97	100	106	112	95

A large proportion of the work undertaken by the finance team relates to processing of the grants awarded. The following table shows the finance team costs as a percentage of the grants awarded.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 ytd M10
	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s
Grants awarded	739	794	855	819	1,230	2,488	937	1,556	686	1,127
Finance team costs	12%	11%	9%	8%	7%	4%	10%	6%	14%	7%

Review of Income

The following table shows income over the last 10 years. Income levels have increased gradually over the period up until 2020/21. The charity's income reduced significantly in 2021/22 following the COVID-19 pandemic. 2022/23 saw the charity's highest recorded income since its establishment with income of £3.98M. This was as a result of the successful Bronglais Chemo Appeal, as well as significant donations for the Pentre Awel hydrotherapy pool. Income in 2023/24 to date has been reasonable. Legacy income has been particularly strong following the receipt of a £1.3M legacy in November 2023.

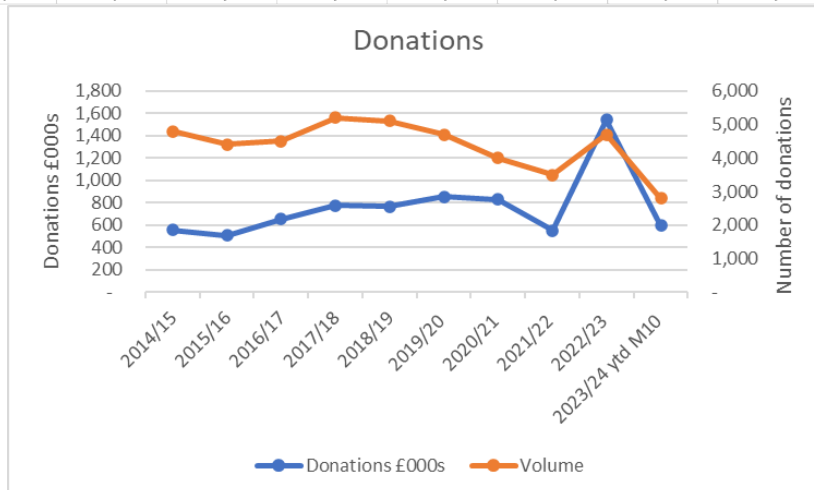
INCOME	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 ytd M10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Donations	558	510	655	778	766	853	831	551	1,542	595
Legacies	273	226	523	444	780	942	841	281	1,921	1,434
Grants	-	-	16	9	18	13	511	24	102	31
Other Trading Activities	-	-	-	-	-	-	-	4	13	12
Investment income	200	212	234	255	317	331	327	315	405	274
	1,031	948	1,428	1,486	1,881	2,139	2,510	1,175	3,983	2,346

Donations

The value of donations has increased steadily since 2015/16 until 2020/21. Again, with a reduction in 2021/22 following the COVID-19 pandemic and a large increase in 2022/23 due to the Bronglais Chemo Appeal and a large donation for the Pentre Awel hydrotherapy pool.

Although the value of donations increased between 2015/16 and 2020/21, the volume of donations has fallen since 2017/18, except for 2022/23 when there were additional donations for the Bronglais Chemo Unit Appeal.

INCOME	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 ytd M10
Donations £000s	558	510	655	778	766	853	831	551	1,542	595
Volume	4,800	4,400	4,500	5,200	5,100	4,700	4,000	3,500	4,700	2,800



For every £1 spent on fundraising costs in 2022/23 £7.92 was generated as income.

The following table shows this trend over the last 10 years.

Review of income generated from fundraising (i.e. excluding investment income)										
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 ytd M10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income (excl. investments)	831	736	1,194	1,231	1,564	1,808	2,183	860	3,578	2,072
Fundraising costs	89	99	159	155	221	240	267	388	452	359
Income earned per £1	9.34	7.43	7.51	7.94	7.08	7.53	8.18	2.22	7.92	5.77

In 2022/23 we raised £3.983M and provided grants totalling £686,000. £564,000 was spent on fundraising and support and governance costs. For every £1 raised or donated, 86 pence is available to be spent on grants, prior to the movement on investments. If the investment loss of £560,000 was factored into the calculation 72 pence was available to be spent on grants.

Apportionment of Support and Governance costs, Investment Income, Gains and Losses

In September 2023 a paper was presented to the CFC which explained the current process used for apportioning Support and Governance costs, Investment Income, Gains and Losses. These are apportioned across the funds based on the average monthly fund balance on each fund. The apportionment relating to unrestricted funds is applied to a central unrestricted fund (T610).

As of 1 April 2023 the balance on the central unrestricted fund was £194,000.

As shown in the Integrated Performance report, for the 10-month period to 31 January 2024, significant unrealised gains have been generated on the charity's investments of £547,000. These gains, along with the investment income exceed the charity's fundraising and support and governance costs. Overall, a surplus of £367,000 has been generated. £65,000 of which

relates to unrestricted funds. Adding this surplus to the brought forward figure would result in a balance of £259,000 on the central unrestricted fund.

The value of investments however can fluctuate significantly. Although the charity has generated a surplus of £547,000 for the period to 31 January 2024, this will change by the year end depending on the market conditions. Significant losses are also possible, as seen in 2022/23 when a loss of £560,000 was generated.

NHS Wales health board charities approach this matter in different ways. For instance, another Local Health Board retains one central fund for all investment income, gains and losses, fundraising and support and governance costs. The individual funds do not receive the net benefit or cost. This fund is depleting therefore they are now considering introducing a management charge across each of the funds.

The following options are proposed for consideration:

Option 1

Continue with the current method and retain the central unrestricted fund (T610). If investment income and unrealised investment gains on the unrestricted funds are greater than the fundraising, support and governance costs in a year, the surplus would increase the value of the fund. These funds would be available to meet the costs in any years where the investment income and gains do not cover these costs. However, if a deficit was significantly large in one year, there is a risk that there would be insufficient funds to cover the deficit. In which case it would need to be apportioned across the individual unrestricted funds. If market conditions continue to generate large gains, this would result in a large central unrestricted fund that would not be available to be spent on grants.

Option 2

Continue with the current method and retain the central unrestricted fund (T610) up to a maximum level of 5% of the year end investment fund balance. Once this level is reached then any excess would be distributed to the individual unrestricted funds at the year end. This will ensure that more funds are available to be spent on grants. However, if a particularly large investment loss occurred in a year, the central funds may not be sufficient to meet it. In which case the loss would need to be apportioned across the individual funds.

Option 3

Apportion all investment income, gains and losses as well as fundraising and support and governance costs directly to the unrestricted funds, removing the central fund. The individual funds will therefore receive the impact in immediately and in full. This will either increase or decrease the value of the individual funds depending on whether a surplus or deficit has been generated in the year.

Argymhelliad / Recommendation

The Committee is asked to decide:

- To **CONSIDER** whether it is content with the current level of spend on governance and support costs; and if so:
- To **DETERMINE** its preferred apportionment basis for governance and support costs and investment and income gains;

- To **SUPPORT** and **ENDORSE** for the approval of the Corporate Trustee the proposed fundraising, governance and support costs budget for 2024/25.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	3.1 To make and monitor arrangements for the control and management of the Board's Charitable Funds, within the budget, priorities and spending criteria determined by the Board and consistent with the legislative framework.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Ledger reports and investment reports.
Rhestr Termiau: Glossary of Terms:	Included within the body of the report.

Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cronfa Elusennol: Parties / Committees consulted prior to Charitable Funds Committee:	Director of Finance Fundraising Team
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Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	The report sets out the financial position of the charity. Income generated from fundraising activities is a key source of income for Hywel Dda Health Charities. The charity is therefore duty bound to ensure that the correct controls and governance arrangements exist with regards to all aspects of fundraising.
Ansawdd / Gofal Claf: Quality / Patient Care:	Charity objects are in support of NHS services locally.
Gweithlu: Workforce:	Governance and support costs included in Section 4.2 of Annex 1.
Risg: Risk:	Reputational risk if associated with unethical fundraising.
Cyfreithiol: Legal:	The charity's financial reporting is in line with charity law and guidance.
Enw Da: Reputational:	Reputational risk if associated with unethical fundraising.
Gyfrinachedd: Privacy:	No impact.

**Cydraddoldeb:
Equality:**

No EqIA is considered necessary for a report of this type.