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Mapping community-based financial charitable support for community hospitals in England and Wales [1]: first findings

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Abstract

In this paper we examine the financial support that local community groups and organisations provide to community hospitals and how that support varies between communities and types of institutions. To do that, we have captured financial data from the Charity Commission Charity Register and from the organisations themselves. We also describe the challenges encountered when attempting to identify the charities supporting a particular institution or cause. The sample for this study is 239 community-based charities in England and Wales that directly support their local community hospitals. We examine variations and trends in the likelihood that a hospital receives support through a formal organisational structure.

We found that in 2013 an average charity supporting community hospitals received an income of approximately £45,000. However there were large variations in the income and expenditure across charities: it could be anything from zero to half a million pounds. Most charities received only a modest income: half of the charities had an annual income of less than £18,000, and for three out of five that figure was under £25,000.

Our data suggest that the annual income of charities has significantly declined since 1995. This decline was most pronounced in 2011 and 2012. Moreover, expenditure has declined too, but less sharply than the income. This, and the fact that since 1995 charities have been receiving more than they have been spending, indicates that in some periods charities have been building reserves. The exceptions from this trend are between 1997 and 2011 when an average charity spent more than it received. In these years charities might have been spending their reserves. Overall, within the dataset that we have, it appears that in 2011 the funding position of these charities was at its weakest in charitable history since 1995: income was at its lowest and expenditure was relatively high, exceeding income. Unsurprisingly we found that charities in our sample are most likely to be based in urban areas and while urban hospital charities tend to have higher income, these differences are not statistically significant. These findings are important for the debates on the localism agenda, as well as the broader context of funding pressures on the NHS.

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Rationale

Local communities value the health and social care that their community hospitals provide. Community support for their community hospitals in the form of campaigns and protests often seems most strong when a local community hospital is scheduled for closure or downsizing. However, because of the lack of robust research, little is known of other types of community support, for instance, the number and distribution of charities (usually called Leagues of Friends, or LoFs for short) supporting their local hospitals and the volume, type and variations of financial support they contribute.

There are no systematic studies of fundraising or charitable support for community hospitals. Studies of charitable support for the NHS or specific subsectors of health care (Linck, Tunnage, Hughes, & Edwards, 2008; Cathy Pharoah & Harrow, 2011; Catherina Pharoah & Mocroft, 2001) focus on relatively large institutions and organisations. Older studies have used data for District Health Authorities, therefore support for individuals institutions could not be identified (Lattimer & Holly, 1992; Lowe, 1998). Hospital LoFs are a primary source for charitable support but the only British study of LoFs in an academic journal is more than 50 years old (Cooney, 1960). Consequently there is no clear picture of financial support from communities to community hospitals. Historical evidence relating to the pre-NHS period hospitals suggests that we should expect considerable variations (Mohan, 2003, 2006).

The aim of this study is to examine the levels of charitable financial support from community groups for their community hospitals. To do that we will use financial data from the Charity Commission Charity Register and information provided by the community organisations themselves.

Data and sample

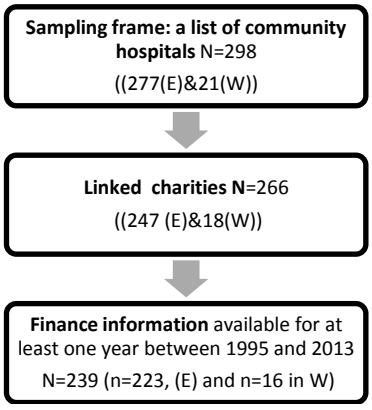
We have captured data on financial contributions from the Charity Commission Register and community organisations themselves. The sample for this study is 239 community-based charities in England and Wales that directly support their local community hospitals[3]. The procedure of selecting this sample is illustrated in Figure 1.

The sampling frame for this study was a list of community hospitals extracted from the Community Hospitals[4] database by other members of the Community Hospitals project team. This list contained 277 hospitals in England and 21 in Wales (a total of 298 community hospitals) (Figure 1).

[3] The vast majority of community hospitals in England and Wales also receive financial support from the National Health Service (NHS) Trusts charitable funds (in England) or Health Charities (in Wales). However, these charities usually cover large geographical areas, for example, Lincolnshire, Derbyshire etc. Moreover, unlike local community based charitable groups and organisations, these charities are usually where donations made to the NHS or hospital are deposited. These funds may be trust-wide or hospital specific, depending on the terms of the gift, donation or legacy. Usually these types of charities are not involved in organising fundraising or any other charitable events for hospitals at the local level. Because of the specific focus on community support for community hospitals, this paper examines only local community-based groups and organisations that are specifically targeted to support local hospitals. The NHS Trust charitable funds and Health Charities in Wales are excluded. Four hospitals in our dataset were registered as charities themselves- they have been excluded from the analysis for now.

[4] http://www.communityhospitals.org.uk/welcome/

Figure 1: Constructing a Sample



We linked these hospitals to local community-based charities that support these hospitals using two approaches. Firstly, using the Charity Commissions' Register of Charities we identified registered charities that support each of these hospitals – these are normally charities with an annual income of £5,000 or more. We found these charities by searching by the name of the hospital or locality where the hospital is based.

To locate non-registered charities (usually those with an income below £5,000 a year) and to link them to community hospitals, we employed two methods. Firstly, we involved Attend - a national charity that supports voluntary organisations promoting healthy communities. Secondly, we contacted community hospitals on our list and enquired whether they have a supporting charity and if so, its contact details.

In total 266 hospitals (n=247 in England and n=18 in Wales) were linked with the community-based charities, usually called League of Friends, directly supporting them. In England 246 of these charities were registered and 20 non-registered. In Wales all 18 linked charities were registered.
We extracted the total annual income and expenditure data for registered charities from the Register of Charities. The Register of Charities provides key information on the work and finances of charities in England and Wales based on information supplied by registered charities. Twelve of the charities in England had been dissolved and therefore financial information for them was not available.
We approached non-registered organisations below the £5,000 figure directly for copies of their annual reports in order to capture data from them. However, the response rate was low – only two charities out of eight responded to our request and two charities did not have up to date contact details.
Four community hospitals were supported by local charities that in addition to the community hospitals also supported other hospitals (not community hospitals) and/or other institutions, for example, a care home (which was separate from the hospitals) or the local community in general. Because the financial information for those could not be untangled, these four charities were excluded from our study.

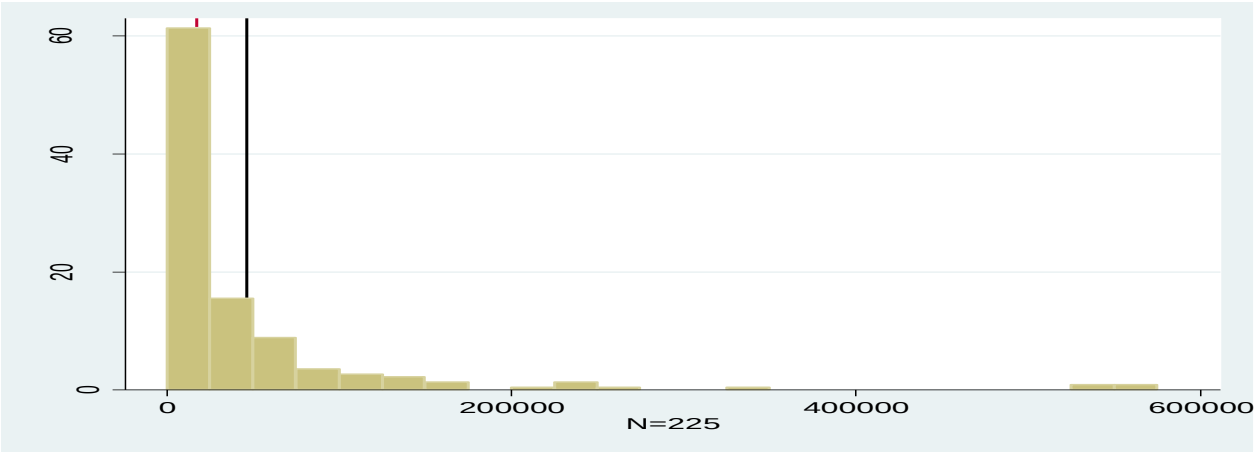
In one case one charity supported three local community hospitals. To avoid counting its financial contribution three times, it was linked to just one of those hospitals and therefore included in our sample only once. As a result, financial information for at least one year between 1995 and 2013 was available for 239 charities and that formed the final sample for this study.

Findings

Income[5] distribution in 2013

As can be seen in Figure 2, there was a considerable variation in how much charities received annually: in 2013 (in the most recent year data are available for) it was anything between no income to approximately half a million pounds (£555,953). The average charity in our sample had a mean income of £44,672. However, the mean income was skewed by a few cases of very large incomes. Most charities received only a modest income: half of the charities had an annual income of less than £18,000, and three out of five under £25,000. There were very few charities (n=10) with an income over £200,000.

Figure 2. Income distribution in 2013



Notes: Black line- mean (£44,672); Red line – median £17,539)

Charity grouping according to income

Since 2009 charities are not required to send their Trustees' Annual Report and Accounts to the Commission if the charity's income for the financial period was £25,000 or less. Charities with an income between £10,001 and £25,000 are still required to send an Annual Return. Charities with an income over £500,000 provide more detailed information on particular financial streams. In 2013 most (61%, n=138) hospitals were supported by charities with an income under £25,000 a year. Around 37% (n=83) charities received an annual income between £25,000 and 499,000 but very few (2% or n=4) - over £500,000[6].

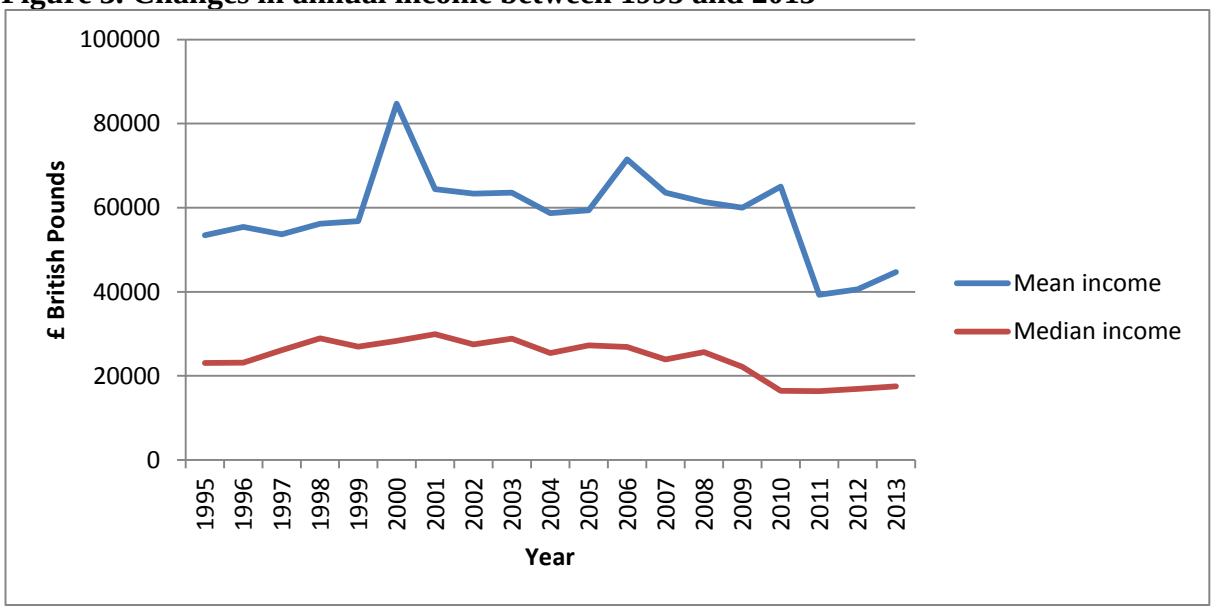
Changes in income over time

According to Figure 3, charity income varied and declined between 1995 and 2013. The overall mean was £58,789: on average charities received this amount annually over the period between 1995 - 2013. The variation in income across charities (SD £129,219) was larger than observed within a charity (SD £85,124) over time, pointing to possible inequalities in the resources available to different charities.

[5] All financial figures were adjusted for inflation using the ONS RPI annual index; therefore all financial information in this paper is presented 'in 2013 prices'.

[6] We will conduct a more detailed analysis of income sources and expenditure categories for the latter two groups of charities in the next six months.

Figure 3. Changes in annual income between 1995 and 2013



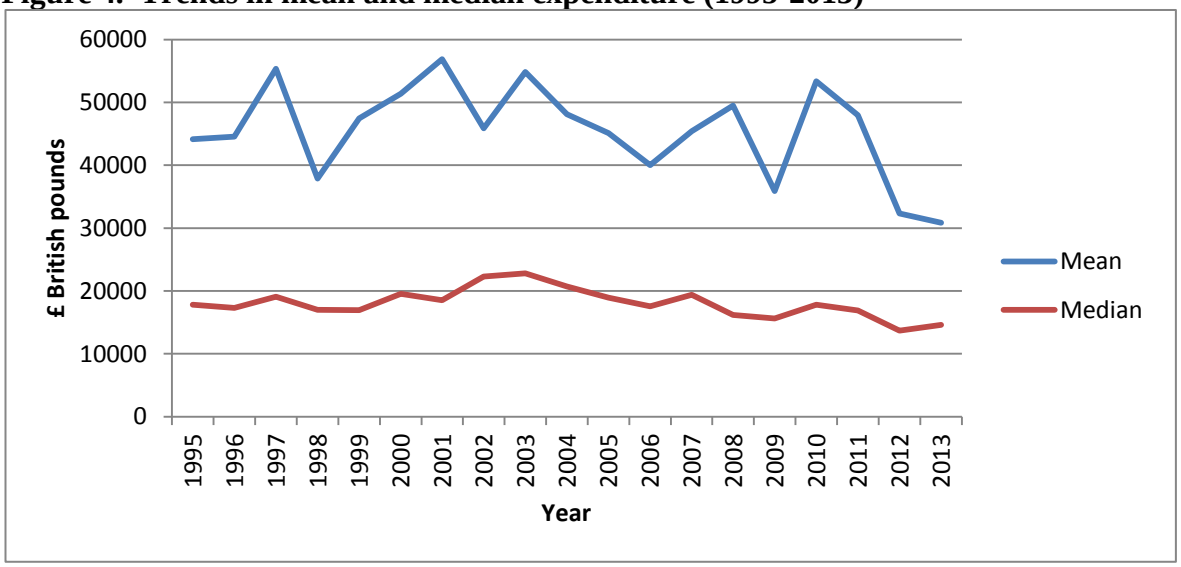
The average annual income was at its peak in 2000, when on average charities received £84,718. In contrast, there were particularly pronounced dips in the income in 2001 and during the recent economic recession in 2011 and 2012 when an average charity received only around £39,000. Although in 2013 that income showed signs of recovery, it was still far from its pre-recession level. The fact that the mean varied considerably more than median suggests that yearly variations in income were mostly due to some charities receiving exceptionally high or low income.

Figure 3 also suggests that in general, the average and median income that charities have received yearly has noticeably declined since 1995. The results of a fixed effects regression analysis with constant and year only indicates that this decline has been statistically significant ($b= -742.2$, $p < .01$). This means that since 1995 the charity income has declined on average by approximately £742 a year. A fixed effect regression analysis with constant and a year as a categorical variable suggests that the decline in income has been statistically significant at $p<0.05$ in two years: 2011 and 2012. Then charities received £18,500 and £17,455 respectively less than in 1995. In other words, these results indicate that 2011 and 2012 were the years when for the first time charity income dropped substantially from the income level of 1995.

Expenditure

Charities can only spend as much money as they receive. In general, charities are receiving less and spending less but they have not been spending all they have been receiving. The results in Figure 3 and Figure 4 suggest that charities have been receiving less and spending less but income has been declining slightly faster than expenditure. As income has declined, so has expenditure (see Figure 4). The average expenditure has declined from £44,125 in 1995 to £30,829 in 2013. The fixed effects regression analysis with a constant and year only suggests that this decline was significant at $p=0.05$ and that on average the expenditure declined by £555 a year.

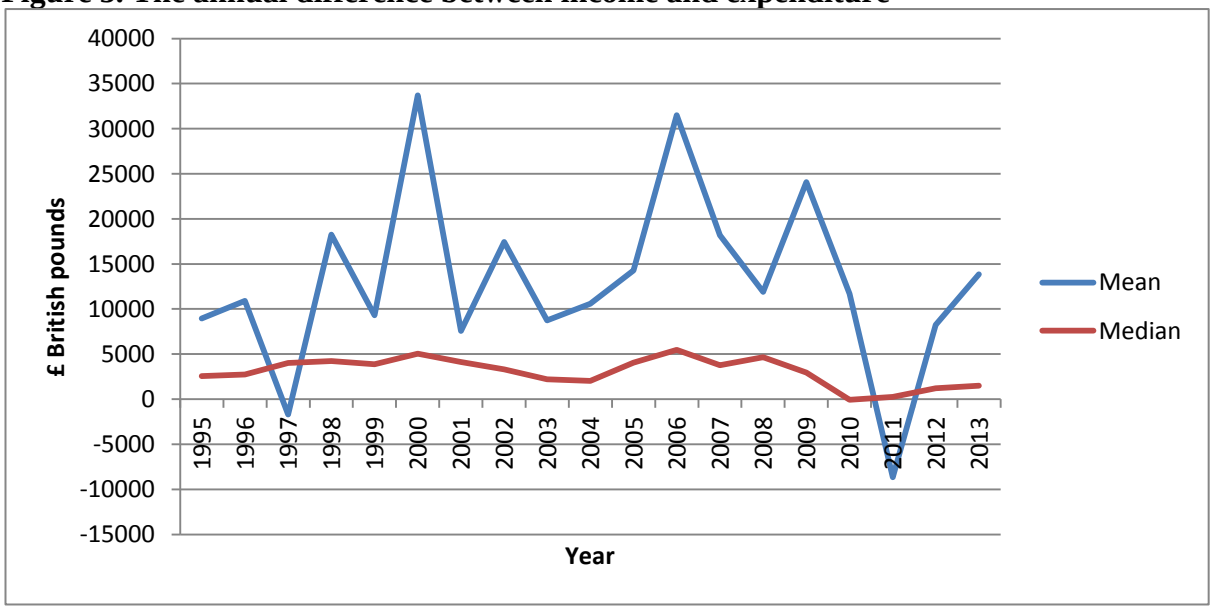
Figure 4. Trends in mean and median expenditure (1995-2013)



Trends in financial health

A very rough measure of the financial health of charities is the difference between the income and expenditure[7]. According to Figure 5, charities supporting community hospitals have been in good financial health. In most years between 1995 and 2013 they have spent less than they have received. The exception from this pattern is the years 1997 and 2011 when an average charity was likely to spend more than it received, which might indicate charities spending reserves accumulated during previous years. In addition in 2010, half of the charities had a shortfall of £54 or more. Never before 2010 has the median income of charities been negative.

Figure 5. The annual difference between income and expenditure



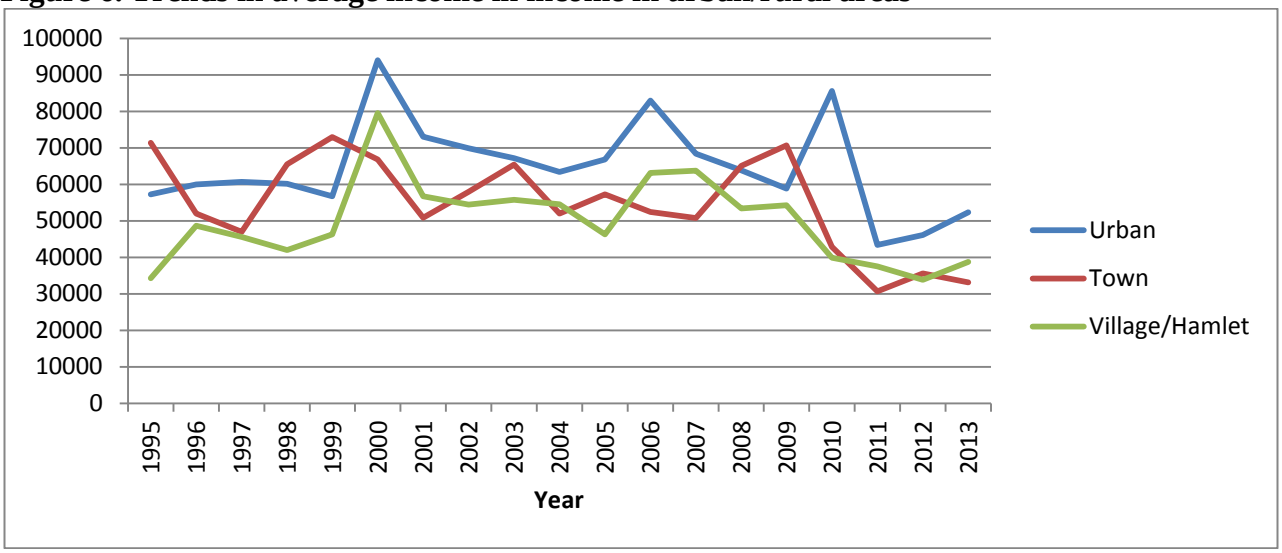
[7] The limit of this measurement is that if a charity has received more income than it has spent year after year, it would not be in financial difficulties if in one occasional year it spends more than it receives in that year.

Urban/rural differences in charitable funding

One of possible reasons for the variations in charitable income might be the location of charities. Slightly more than half of charities (56%) were located in urban areas, 25% were in rural areas, such as villages and hamlets, and 19% were in towns.

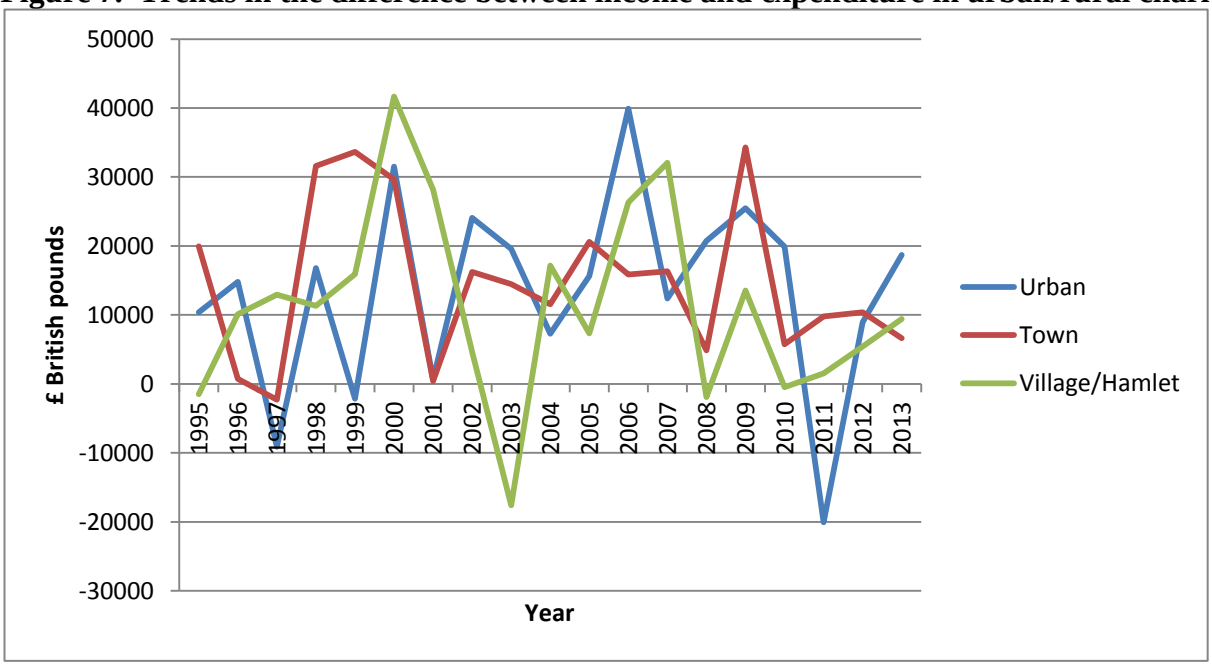
Unsurprisingly, charities in the more urbanised areas received a higher income than charities in rural areas. In general, according to Figure 6, since 2000 (with exception of years 2008/9) urban charities have continuously received higher income than charities based in towns, villages and hamlets. However, these differences were not statistically significant.

Figure 6. Trends in average income in income in urban/rural areas



According to Figure 7, there were variations in financial health of urban/rural charities; however, these variations were not statistically significant. In general, with very few exceptions in 1995, 1997, 2003, 2008 and 2011, charities in all areas have been in good financial health. Interestingly, most recently in 2011, it was urban charities that spent more than they received while charities in towns and villages still received more than they spent.

Figure 7. Trends in the difference between income and expenditure in urban/rural charities



Urban/rural differences were not significant: the random coefficient regression analyses did not find a significant effect of urban/town and village/hamlet division on the trends in annual income, expenditure or difference between income and expenditure.

Conclusions and discussion

We found that local community-based charities make a sizeable financial contribution to the community hospitals they are supporting. This contribution currently allows charities to supplement facilities and services already provided by the hospitals, for example, by planting a garden or providing a snack trolley service for patients.

Our results also highlight large variations in the charitable income and expenditure. Some of these variations are due to different models of attracting charitable funding employed in various community hospitals. For example, in some hospitals, all charitable funding is raised and donated only through the League of Friends, while in others a benefactor has a choice of donating to the charity, to the hospital itself or to the NHS Charitable Trust. However, based on the findings from other studies (Clifford, Geyne-Rahme, & Mohan, 2013; Lindsey, 2013) we also expect that these variations are also related to the levels of deprivation in the areas that these charities and hospitals are located. We will explore these differences in the next stage of our study.

The findings from this analysis also highlight that charitable finance has been steadily declining since the 1990s. Charities supporting local community hospitals are receiving less and less income. At this point of our study we can only speculate about possible reasons for this decline, such as changing values and attitudes, population change and reduction in disposable personal income. These findings also raise a question as to what extent the decline for this specific group of charities is representative of what is happening to the income in the field of health and care charities or the voluntary sector in general.

Moreover, our findings also show how financially vulnerable charities can be during periods of economic recession and austerity. We found that the economic downturn has had a big negative impact on the income of charities supporting local community hospitals. This puts charities in danger of philanthropic insufficiency, that is, not being able to generate funds for their operation and meet the needs they are catering for (Jones, Meegan, Kennett, & Croft, 2015; Salamon & Anheier, 1998). One of the most likely reasons for this downturn may be large reductions in donations from the public; a trend experienced in the voluntary sector as a whole. (NCVO & CAF, 2012).
To sum up, community hospitals receive a substantial financial support from their communities; however, this support has been declining is sensitive to macroeconomic changes - while it is generous during economic growth, it can substantially decline during economic recessions.

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