Macfarlane Trust: Projected Movement on Capital 2000-2006

Year	Payments Made £000s*	Investment Income £000s**	Top Up Payment £000s	Trust Fund Balance £000s
Starting Position – 31.03.2000				7,908
2000/2001	2,500	336		5,744
2001/2002	2,600	244	4,000	7,388
2002/2003	2,678	314		5024
2003/2004	2,758	213	4,000	6479
2005/2006	2,841	275		3,913
2005/2006	2,926	166	5,000	6,153
TOTALS	*16,276*	*1,548*	*13,000*	

* payments increase by 3% annually

** investment income estimated at 4.25% of previous capital balance

Proposed Independent Review

8. At a recent meeting between the Trust and Lord Hunt, it was agreed that the Department would commission an independent review of the Trust's activities. The King's Fund have expressed an interest in undertaking this. The review will:

- address the needs of the Trust's registrants;
- make recommendations on how the Trust might best use its resources to meet those needs;
- consider whether there is scope for the Trust to increase its investment income;
- consider what the Trust and the Haemophilia Society might do to ensure that registrants receive the support they are entitled to from other agencies;
- examine the case for the Department providing increased resources.

We will be drawing up a specification in the next couple of weeks.

9. We are asking the Trust not to go ahead with their September payment increases pending the outcome of the review.

Conclusion

10. Even if the Trust don't increase their regular payments from September, the Trust fund will be depleted by around £2-2.3m a year for the foreseeable future. At present we have a commitment to top up the Trust Fund every time it falls close to £4m. But in reality what we are doing is allowing the Trust to invest a minimum of £4m whilst funding the bulk of their annual payments from CFS (their investment income makes up a fairly small proportion of their annual expenditure – often less than 10%).

11. All of this raises questions in my mind about whether this is a sensible way to carry on. Should we continue giving the Trust money up front, and ahead of need, to

invest? Does this cost the Exchequer more than is saved through the contribution made by the Trust's investment income, bearing in mind the admin costs which we fully fund through S64? Would we not be better off with an annual budget for the Trust to cover their expenditure rather than the present arrangement? And, even if the present Trust fund arrangements continue, shouldn't we to regularise the top-up arrangements into an annual contribution with a clear budgetary commitment? Is there anything we should be doing to pick this up in the current budget setting exercise, given that new bids are specifically excluded?

12. The other issue that continues to concern us is whether it is sensible to continue funding the Trust's admin costs through S64 when there is a commitment to fully fund these costs for the life of the Trust.

13. Please let me know if you need any further information at this stage.

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