Finance and Resources Report

Key Points

1. **Key Points are:**

   a. The draft management accounts for Q1 (3 months to 30th June 2026) show an operating shortfall of £(227)k against a budgeted shortfall of £(617)k before DoC drawdown.

   b. We also received the gift of the freehold land and buildings) valued at £4.28m against which we have offset (previously) leasehold improvements net book value.

   c. Cash (including the investment portfolio) at the end of June stood at £5.9m, £300k better than budget;

Finance

2. **Management Accounts – Income and Expenditure**

The draft management accounts for the 3 months to 30th June 2026 are attached together with the cash movements/balance sheet summary. I would like to register thanks to Neena for navigating the audit preparation and also getting Q1 figures ready in time for this report.

Income from NHS of £529k is on budget. The budget included a 3.5% projected increase plus the monthly allocation from the £75k clinical educator funding plus £9k CHC funding. The actual amount includes the uplift which has been agreed at 10%; the clinical educator income is being coded to Education team (other income) and we have not yet invoiced any CHC.

Other Income of £214k is £170k above budget – £140k of this variance relates to the investment growth in Q1 following a £100k fall in March. A further £18k relates to the education income noted above.

Direct costs of service was £1.12m compared to budget of £1.19m, whilst support costs were £24k below budget at £264k.

Legacies – We have not had any legacies to note (as is not uncommon at this early point of the year). A total of £15k is recorded against a budget of £146k.

The level of **donation Income** is encouraging at £530k compared with a budget of £394k and last year's £472k (including gift aid). F**undraising costs** are £72k below budget at £192k. Lower staff/agency staff costs account for £26k of this variance; Fundraising activity and event costs are £24k below budget on £59k.

The **lottery** contribution is above budget by £33k at £71k. This is subject to income for Q1 being finalised. Costs are £16k below budget with £10k of this due to not yet commencing the agency growth plans

Retail contribution is close to target at £100k for Q1 with income £11k below plan and costs £10k below plan. Royal Trinity Hospice have been commissioned to hothouse a new strategy that will initially add cost before, ideally, adding income. This has not yet impacted the figures.

Gift of Land – the gift of land from the DoC was completed in May and is now recognised in these management accounts. The land and buildings were valued at £4.28m, with one third being land. Leasehold improvements that we had undertaken over the previous years and capitalised in our accounts, were subsumed into the value of the property gifted. We have, therefore, written off the cost and accumulated depreciation, amounting to £980k.

For the purposes of the management accounts these two elements have been 'netted off' and are shown, as £3.3m at the foot, after the operating position is shown.

3. Management Accounts – Balance Sheet

Fixed assets have been boosted by £3.3m (the net effect of the DoC gift of land and buildings) as described above. Cash is not affected.

Overall cash stood at £3.4m of which £2.5m is on short term deposit with Nat West Bank. The Sarasin investment fund stands at £2.5m, bringing the total for the cash graph to £5.9m. The legacy debtor stood at £863k which is £106k better than budget.

Net assets stand at £9.7m after the land and buildings addition, up from £6.7m at the year-end, £423k above budget. Of this total, around £4.6m is tied up in fixed assets and £1.5m as restricted purpose funds, leaving 'free reserves' of around £3.6m which is 5.2 months expenditure and within our policy level of 3-6 months.

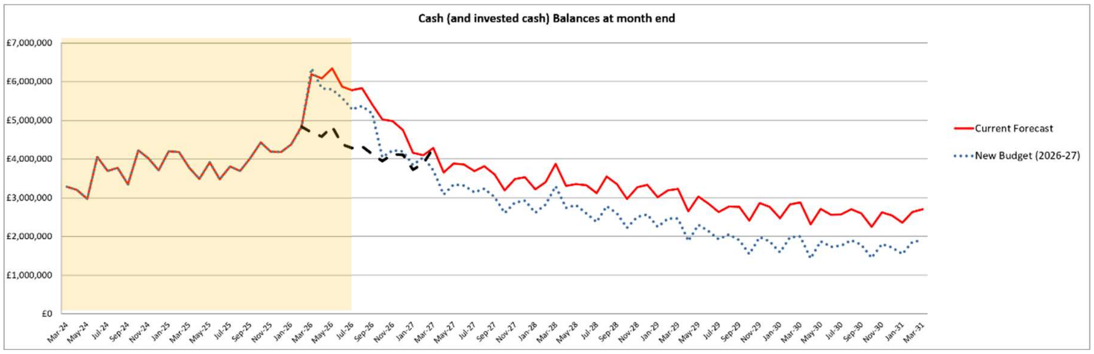
4. NHS Contract

The four local hospices are continuing to work together to press our local ICB for additional support. Following the meeting in May with the new SWL ICB Andrew Bland, it has been confirmed that the 2026-27 contract uplift is 10% (we had planned for 3.5%). This is an additional £120k per year on top of the £67k budgeted.

At a subsequent meeting with Andrew Bland and the ICB CFO it was acknowledged that 10% will not be enough for next year and there is a strong sense that the risk to the sector that was noted in the January 2026 NHSE missive to ICBs is being taken very seriously by SWL ICB new leadership.

Work is underway to establish the correct scope of the sector's specialist end of life and palliative care service in order to cost it transparently and to achieve the aim of 50% funding. This prospect – being discussed in a 3-5 year time-frame would be transformative to SRH, and the other hospices.

5. Cash Balance Projection



The graph shows only the current forecast (bold red) and the current budget (dotted blue). The shaded area shows actual results up to 30th June 2026,

At present we have the £1.5m restricted fund for the building of a warehouse facility on site. It is assumed that this will be undertaken in the next 12 months and is the reason for the spike in funds. I have marked in the black dashes the level excluding that restricted fund.

Using that black dashed line and then the red forecast line illustrates the, relatively gentle, decline in funds that is projected over the coming years. That includes the assumptions for growth in all our income sources (retail, lottery and donations) and assumes a 4% annual increase in the ICB contribution.

If ICB did contribute a growth of 10% instead of 4% then the 50% of cost level would be achieved by 2030-31)on our existing, reduced, cost base) and an extra £650k generated annually. This would release the pressure on other income growth.

6. Sarasin Investment

Following a fall of £100k in March, the investment fund has rallied and now shows growth of £154k in period, more than reversing the fall. At this high level, we may not choose to return the cash to funds at present, perhaps awaiting a fall.

For now, we retain the cash and the analysis is as follows:

Sarasin Investment Accounts	As at 1st April 2025	Movement in Period	As at 30th June 2026	Growth in period %	Annualised Growth %
Investment Balance managed by Sarasin	£1,819,182	£148,703	£1,967,885	8.2%	32.7%
Cash Balance managed by Sarasin	£547,920	£4,996	£552,916	0.9%	3.6%
	£2,367,102	**£153,699**	**£2,520,801**	**6.5%**	**26.0%**

7. Audit of 2025-26 Annual Report and Financial Statements

The draft 1 2025-26 Annual Report and Financial Statements are attached. These have one or two areas remaining to be completed in the Trustees' Report and are unaudited.

Overall the charity had a surplus of £2.13m for the year compared with a surplus of £334k last year.

Total Income rose by 12% to £10.7m (2024-25: 27% to £9.5m). Donation income rose by 25% to £3.6m (2024-25: 74% to £2.9m) while legacies were level at £1.6m (2024-25: level at £1.6m). Commercial income (retail and lottery) grew by 1% to reach £2.4m (2024-25: 14% to £2.37m). Income from NHS funding grew 3% to £2.02m (2024-25: 16% to £1.96m), within this, the core contract was increased by 5% to £1.92m (2024-25: 10% to £1.83m).

The Hospice was also grateful to receive £534k (2024-25: £132k) from the UK Government Hospice Capital Grant Scheme which is administered by Hospice UK. The grant was fully utilised and a breakdown of the capital additions is shown at note 15.

Clinical costs fell 4% to £5.6m (2024-25: level at £5.84m), with savings arising from the 2024 cost reductions being partly offset by increased NIC costs and Agenda for Change pay rises. The fundraising team and costs (part of our Income Generation costs) fell £55k to £914k (2024-25: up £60k to £969k). Lottery costs fell £169k as we ended investment in the campaign to increase players (2024-25: rose £100k). Retail costs, fell £134k to £1.9m compared to the previous year when a £110k one-off provision for dilapidations had been made. The underlying costs fell 1% despite the increases in Er's NIC and the National Minimum wage that impacted this team in particular. Overall total costs were £8.6m which amounts to an 6% reduction over the previous year (2024-25: £9.2m, 4% increase).

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the balance sheet.

The charity's cash balance at the end of the year amounted to £4.4m (2024-25: £2.0m) of which £1.4m related to the deferred income creditor (2024-25: £1.4m) and £1.5m to a restricted fund (2024-25: Nil). In addition the charity held liquid investments valued at £1.8m (2024-25: £1.7m).

Neena has been working on the schedules and reconciliations for all the elements of these accounts and we will welcome the Crowe audit team on Monday 13th July for fieldwork expected to take up to two weeks.

Nick Stevens, Finance Consultant **11th July 2026**