Finance and Resources Report

Key Points

1. **Key Points are:**

   a. The draft management accounts for the 12 months to 31st March 2026 show an operating surplus of £98k against a budgeted shortfall of £(331)k before DoC drawdown.

   b. We also received the two grants from DoC; £500k unrestricted and £1.5m restricted.

   c. Cash (including the investment portfolio) at the end of March stood at £4.2m, £550k better than budget – ***plus*** the £2m grant;

Finance

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

The draft management accounts for the 12 months to 31st March 2026 are attached together with the cash movements/balance sheet summary.

Income from NHS of £2.02m is £48k above budget. This included the £48k received for an ICB fast track pilot project in Q4.

Other Income of £1.068m is £218k above budget – £137k of this variance relates to the additional tranche of the Hospice UK Capital Grant programme and spent on fixed assets (see separate schedule). Investment income/gains were £60k above budget (despite dropping £100k in March following the renewed conflict in the Middle East).

Direct costs of service was £24k below budget for the year at £4.7m whilst Support Costs were £18k above budget at £1.2m.

Legacies – Legacy income stands at £1.57m compared to a budget of £1.38m. This figure may change as we sometimes learn of legacies at a later date, which nonetheless relate back to the financial year in question.

As expected, the **donation Income,** which had been above budget for most of the year, returned to the budget level of £1.62m including gift aid by the end of March. However, **fundraising costs** ended the year £50k below the budget on £770k. Given the volatile nature of the year, the team can be thoroughly satisfied with their success in raising the target income with reduced overall spend.

The **lottery** contribution is above budget by £30k at £264k. The income was £41k below budget, and costs £71k below. This is because we did not invest in growing the lottery as was planned. The corollary is that lottery plays have fallen from 8,530 at the end of March 2025 to 7,896 at this year-end. The attrition of 634 gives a rate of 7.4% which is lower than we are anticipating as the background rate going forward.

Retail was budgeted to have opened a new shop in November, yielding £60k income and incurring £55k of costs by the end of March – we also incurred some re-organisation costs as we have commenced a restructure of the Retail approach. If these are stripped out, then the pre-existing shops are £57k *below* income target (3%) and on track for costs. The contribution of £300k is 15% and has drifted off track from the 20% full year target.

3. Management Accounts – Balance Sheet

Overall cash (including the investment fund) stood at £6.2m (including the £2m March Grant from DoC which are on short term deposits) or £4.2m if those are excluded. The latter is which is £550k better than budgeted. The legacy debtor stood at £813k which is £97k better than budget.

Net assets stood at £6.7m at the end of March compared to the budget of £4.6m. Of this total, around £2.8m will be tied up in fixed assets and restricted purpose funds, leaving 'free reserves' of around £3.9m which is 5.4 months expenditure and within our policy level of 3-6 months.

4. Grants from DoC

The Congregation of the Daughters of the Cross of Liege (DoC) have given the first of the three proposed grants of £500k, this being received in March and is given to support the operating costs of 2025-26.

A further £1.5m was given as a cash grant which is restricted to supporting the cost of building a new warehouse facility on site (see Resources Report).

The gift of land and buildings has not yet taken place and is currently 'between lawyers'. A valuation of the property was undertaken and arrived at a total of £4.28m, being two-thirds buildings and one-third land.

5. Budget 2026-27

The budget level is set at an operating shortfall of £1.28m with the second tranche of £500k from Doc reducing the deficit to £728k. That had assumed the land and buildings would have been transacted by 31st March 2026, which is not the case.

We now expect the transaction to take place in Q1 of 2026-27 and we now also have the valuation of £4.28m. We will write off c£1m of hospice building improvements as part of receiving the freeholds which makes the net value around £3.28m.

The valuation also placed greater value on the land and buildings than expected and this translates into a higher depreciation charge for the year than anticipated.

Since the budget was set, we have reviewed the allocation of support costs and found that the 'split' between Clinical activity and Income Generation activity is around 75:25 instead of 67:33. This impacts the presentation of the management accounts but not the quantum. The budget figure has been amended to follow the revised approach.

The hospice remains expectant of shortfalls for several years to come. The unutilised balance of £1.4m from the original DoC grant of £3.6m has therefore been retained for release over those upcoming years. That retains a deferred income creditor on the balance sheet which creates a difference compared to the budget for net assets.

6. NHS Contract

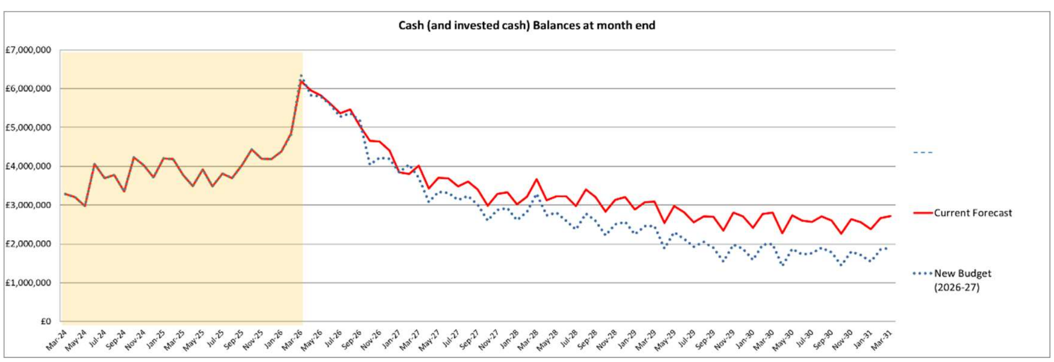
The four local hospices are continuing to work together to press our local ICB for additional support. Becca and the other CEOs met recently with the new SWL ICB Andrew Bland, and were assured that the 2026-27 contract uplift would be 10% (we had planned for 3.5%). This would represent an additional £120k per year on top of the £67k budgeted.

The pilot project to provide additional fast track Continuing Healthcare (CHC) beds for a 12 week period completed at the end of March and SRH were commended on their occupancy as a result. Each of the four local hospices received a one-off £48k. Following this, the CEOs have also been considering the model to provide management of this fast-track element of the CHC budget across SWL ICB. SRH finance modelled the possible financial position and, although at an early stage, it was decided to present the concept to ICB shortly (Andrew Bland having indicated a willingness to entertain the concept).

In January 2026 NHSE has required all ICBs to urgently review the viability of the hospices in their areas. They have now repeated this call and it is an indicator that the real risk to the while sector is being recognised centrally. Our second submission was much like the first in that we have acknowledged that, *if we do not raised significantly more income in the future than we currently raise*, we will face further financial deficits and difficulties across a 24 month + period, although we are not contemplating cuts to staff or services in the upcoming 12 month period.

Hospice UK have been active in promoting the sector needs and have also been working to create a sector-wide model of hospice care. SRH have provided our data for this.

7. Cash Balance Projection



The graph has been updated to remove the original 'EVE' project plan and now shows only the current forecast (bold red) and the current budget (dotted blue). The shaded area shows actual results up to 31st March 2026 (in which month the £2m grant was received from DoC).

The sharp decline in the next 12-18 months reflects the expenditure on the building project and the shortfall budgeted. Thereafter the shortfall begins to lessen as income generation activity begins to make an impact and with the additional 6% NHS funding built in.

8. Capital Grant programme

A summary of the actual expenditure is below, showing the categories that the claim was clustered by: During the year two additional tranches were added the original £397k grant for 2025-26.

Hospice UK Capital Grant	**Total £**
Buildings and Refurbishment	
Installation of french doors and side windows to IPU rooms	£37,904
Door Access System	£20,793
Convert Sluice Room to Dry Storage Room	£4,076
Drugs supply room refit	£46,587
Female Locker Room refit	£22,114
Mortuary converted into a Multi faith Room	£19,121
Insallation of Fire Doors - IPU	£26,936
Installation of White Rock Paneling Protection to IPU Bed Walls	£21,895
Enlarge St Bede's Loft Hatch, Board Loft Space & supply/install Loft Hatch Lader	£3,565
Works at Hospice on Office Extension - Clinical Directors Office	£2,350
Total Buildings and Refurbishment	**£205,342**
Energy Efficiency	
Install bedroom & bathroom lights in room 4,5,8,9	£1,040
LED Lights in 759	£4,929
Installation of new Orangery Boiler	£13,134
Supply & Fit New Hot Water Cylinder in Plant Room - Orangery	£7,280
Installation of new Hospice Boiler	£7,926
Total Energy Efficiency	**£34,309**
Garden and Outdoor Spaces	
Landscaping Project at front of Hospice	£100,234
RUS-01-Works to create 7 new parking bays and 3 concrete bases	£60,289
NWB-Credit Card - The Shed Centre - purchase of shed	£1,966
Total Garden and Outdoor Spaces	**£162,488**
Equipment	
7 x T34 Syringe Drivers for IPU (net of other restricted donations)	£5,900
Bariatric Bed,Mattress with evac base & Pump unit (net of other restricted donations)	£662
Air Conditioning Units for IPU, Wellbeing, Psychological Support Hub, some offices	£64,984
Total Equipment	**£71,546**
Digital	
New website	£52,825
Laptops, Ports and Phones	£6,992
Total Digital	**£59,817**
Total Claim	**£533,502**

9. Sarasin Investment

Following the last Committee meeting, contact was made with Sarasin to follow up on the agreement to return £500k that had been separated as a cash balance within our investment holding, back into the investment ‘proper’.

Sarasin advised discussion of the risk and reward of this and, soon afterwards, the new conflict arose in the Middle East which has resulted in a 5%+ fall in the investment value!

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

Sarasin Investment Accounts	As at 1st April 2025	Movement in Year	As at 31st March 2026	Growth %
Investment Balance managed by Sarasin	£1,735,384	£83,798	£1,819,182	4.8%
Cash Balance managed by Sarasin	£526,876	£21,044	£547,920	4.0%
Total	**£2,262,260**	**£104,842**	**£2,367,102**	**4.6%**

Had we taken these figures at the end of February, the investment would have shown £183k increase (10.5%) which aptly demonstrates the riskiness of the investment and the solid return on the cash!

10. Audit

Since the last Committee, Alan, Neena and I met with the Audit team from Crowe, including Dipesh Chhatralia, partner, and Josh Fleet, the new manager (maternity cover for Charlene Wilson).

We agreed on the time-table with interim work in April and fieldwork in July in readiness for approvals at our October meetings. Their planning document is attached.

There were over 60 lines of enquiry that SRH finance were required to provide information in advance of the interim two days. This ranged from going-concern analysis to detailed transaction reporting. All items were attended to but the response related to the 'Governing Body's answers to the Fraud Review' requires ratification or amendment by this Committee. It is in the papers.

Neena has been working on the year-end figures and has a few areas still to complete before we begin the process of preparing the statutory format accounts, the notes and the Annual Report. There are a further 62 lines of enquiry to provide data and details for in advance of the July attendance.

11. Corporation Tax

We were glad to use Crowe Corporation Tax team to complete our Corporation Tax return. This is a 'NIL' return, but that result is subsequent to multiple detailed schedules being compiled in order to cover off all aspects of our work and ensure it is correctly declared.

The return is demanded irregularly by HMRC and was last done (by Haymacintyre) in 2021. We might expect a repeat requirement in 2030.

12. VAT Review

We had become aware of a number of matters relating to our VAT returns that would need advice and, in some cases, correction. Crowe Vat team have been on site to review our workings and operations and are currently compiling their report. Whilst there may be some areas where we can amend to our advantage, we are aware that two areas have not been correctly dealt with to date:

1. **Retail Gift Aid scheme** – we will need to recognise 1% of the gift aided income as an agency fee for selling the goods prior to the proceeds being donated. That 1% will be subject to VAT. We will need to correct this going forward and pay four years of historic omission, likely to amount to c£2k.

2. **Orangery Income** – the Orangery income should be subject to VAT when hot food is sold, or where food or beverages are consumed in the cafeteria. This is likely to be most of the sales. To correct this we will need to treat the income as gross (including VAT) and account for the VAT to HMRC. We estimate that this will require a payment of c£20k and will cost us £7k per annum going forward.

13. Retail Review

We have engaged the retail consultant from Royal Trinty Hospice to undertake a review of our retail function (see attachments) and they have made a number of suggestions to show how we can maximise the return we get from our existing portfolio of shops. The proposal document and a few notes from a finance perspective are attached.

In essence there is a proposal to recruit additional resource as an Area Manager, adding £48k to cost, though this may be offset by a role saved at £32k. We will also test out the principle by 'hot-housing' three stores at a cost of c.£60k for a 6 month trial. This is likely to incur some capital cost to prepare the shops for the change. Whilst this testing will cost investment money, we may see swift improvements in some areas of income that, by six months will be repaying the expenditure with additional income.

If successful, the proposal could deliver the same level of growth in contribution at, arguably, lower risk. It would not prevent additional shops if the ideal location arose, but would not rely on that.

Authorisation levels

The authorisation levels are attached for your review. These have been updated to reflect the recent structural changes within the SRH team.

Nick Stevens, Finance Consultant **29th April 2026**