

# Finance and Resources Report

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## Key Points

### 1. Key Points are:

- a. The management accounts for the 9 months to 31<sup>st</sup> December 2025 show a shortfall of £(178)k against a budgeted loss of £(895)k before DoC drawdown.
- b. Cash (including the investment portfolio) at the end of December stood at £4.2m, £860k better than budget; legacy debtor is £600k v plan of £450k.
- c. These management accounts have been adjusted to reflect the DoC proposal to support the charity with a grant of land, restricted funds and unrestricted funds.

## Finance

### 2. Management Accounts – Income and Expenditure

The management accounts for the 9 months to 30<sup>th</sup> December 2025 are attached together with the cash movements/balance sheet summary.

**Income from NHS** of £1.45m is £24k above budget. This reflects the uplift for 2025-26 of 4.83% which was agreed by ICB in the summer.

**Other Income** of £662k is £122k above budget – £110k of this variance relates to improved performance of our investment account with Sarasin. We have also received £203k of Hospice Capital Grant, in line with budget, (and spent on fixed assets shown on the balance sheet).

**Direct costs of service** was £8k above budget within which the salary costs for IPU + Community (including the medical team) was £35k above budget (1.6%). Support costs are £8k below budget.

**Legacies** – you may recall that some legacies that were recorded earlier in the financial year had to be reversed into the prior year, lowering the current year total. Despite this we have now reached £967k which is £211k above budget and twice the same point last year, which is encouraging. As ever, we do not have visibility for the future and we still need a further £400k to reach budget.

**Donation Income** is above budget by £281k and also above last year's total. That said, the budget was 'back-loaded' so that Q4 has a much higher budget level than the earlier quarters. It is expected that the final quarter will not meet that budget but overall should achieve the total for the year, achieving its target of £1.6m.

**Fundraising costs** are running over £30k below budget at £614k to yield an overall contribution of over £675k (**plus** legacy).

The **lottery** contribution is above budget but income is below budget, as are costs. This is because, at this point, there has not been any use of staff or agency recruiters, other than a telephone approach which has been trialled and has demonstrated a high success rate at a very low cost. This approach is one strand that will be expanded as others develop.

**Retail** was budgeted to have opened a new shop in November, yielding £23k income and incurring £32k of costs by the end of December. If these are stripped out of the budget (as we have not yet found any new premises) then the pre-existing shops are £22k below income target (1.5%) and on track for costs. The contribution of £300k is 20% and on track for the full year target.

The Wimbledon Park shop came close to assignment to a dentist but they withdrew at the last minute. Five further viewings have yielded a new suitor. We provided for the ongoing costs in last years' accounts.

### **3. Management Accounts – Balance Sheet**

Overall cash (including the investment fund) stood at £4.2m which is £865k better than budgeted for this point whilst we also have a slightly higher legacy debtor (cash to come). The legacy debtor level stands at £1.5m compared to a budget of £550k which will result in improved cash in due course.

Net assets stood at £4.4m at the end of June compared to the budget of £3.3m.

### **4. Offer from DoC**

The Congregation of the Daughters of the Cross of Liege (DoC) has made an offer to support the charity with a considerable gift in three key parts noted below: This generous offer is expected to be agreed and implemented and these management accounts seek to reflect the impact that this will have on the finances of the charity:

#### **1. A gift of the three parcels of land (the hospice are, St Bede's area and 759 area) that are currently leased on peppercorn leases of £100 pa each.**

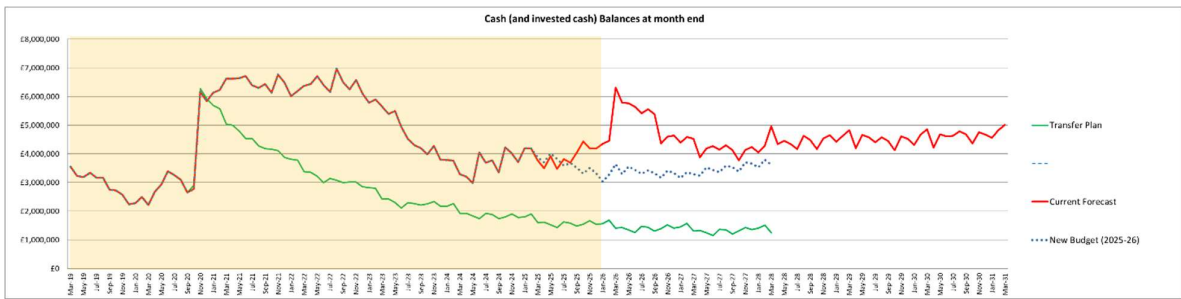
- a. There is no cash impact of this gift of land (other than the £300 per year peppercorn). However, we currently recognise the notional rental value of this in our current accounts (management and published statutory accounts) with a £315k 'rent' charge and a £315k 'gift in kind' donation. Going forward this will cease.
- b. We do not currently show an asset value for the land and buildings in our accounts. This will change. We will obtain a valuation of the estate and introduce that as a one-off donation in income and an introduced asset on the balance sheet. Pending that valuation I have assumed a value of £5m, being £3m for the land (not depreciated) and £2m for buildings (depreciated over 50 years).

- c. Hitherto, improvements to the Capital infrastructure of the leased land and buildings has been treated as 'leasehold improvements. With the ending of the lease, these improvements cease to exist as such – they become part of the gifted freehold asset at valuation. Therefore these will be written off to NIL in the current accounts (replaced by the freehold asset).
- d. Care will need to be taken to explain this within the financial statements, particularly because their presence in the audited accounts are required to satisfy the monitoring of the Capital Grant which amounts to over £500k. Discussion with our auditors concluded that the additions will be shown and described within the accounts, satisfying the Grant. They will then be written off and notes will provide the explanation. This approach will also be discussed with Hospice UK in advance, to ensure it will be acceptable.
- e. Please note that the land and buildings will be subject to a clawback clause that would be activated if the freeholds were sold within a ten-year timeframe. This is expected to take the form of a repayment equivalent to 10% of the value achieved for each remaining year of the ten-year period.

**2. A grant of £1.5m to fund the development of land behind 759 to provide warehousing and office space which releases the charity from the rental costs of Capitol House from Spring 2027.**

- a. Quotes have been received for £1.2m to create a large warehouse and office space, also creating a small reflective garden to link with our Psychological Support hub which is housed in 759. In addition, we will have fit-out costs and contingency.
  - b. The grant is expected to be received in full in advance and will be a restricted donation in the 2025-26 accounts. That will create a restricted fund on the balance sheet to offset the expenditure in 2026-27.
  - c. As the grant is assumed to be gifted in the current year there will be a cash boost (very visible on the graph below) followed by a full expending (also visible).
3. A grant of £500k per year for three years to support the operating costs of the charity in each of those three years.
- a. In full satisfaction of previously described discretionary gifts (ie the contingency fund noted in the Letter of Comfort of 2020), a sum of £500k will be donated in cash in 2025-26 to offset the costs of that year; two further sums of £500k will be donated in the ensuing two years to support the operating costs of each of those two years. These will be treated as donations in the year received.

## 5. Cash Balance Projection



The graph reflects the expected impacts of the gifts noted above. The restricted grant can be seen received and then sent over the ensuing year. The three gifts of £500k have the effect of lifting the overall level to above £4m in this scenario.

The graph also assumes success in the ambitious growth of all our income sources that formed part of the EVE project and which will now need to be reviewed and revised as we move to a new strategy. Relatively small reductions in these totals can lead to very significant direction changes in the cash projection. Keeping levels as they currently are is not a viable option.

That said, we can be satisfied that the charity has been cash positive this financial year (and, indeed, since June 2024) without any DoC interventions.

The shaded area shows the actual history to date with the red line being the levels achieved and forecast into the future. The blue dash line shows the 2025-26 budget. The staff cost projection has now been increased to reflect a 4% salary rise in 2026 as has been recommended by the Remuneration Committee (the planning level was 2%).

The original green line was the level we were aiming to achieve when we became independent.

## 6. Budget 2026-27

The budget work has commenced and a short presentation will be prepared for discussion at the Committee.

## 7. Capital Grant programme

This is covered in the IT and Estates report. Expenditure of £203k was incurred up to the end of December 2025 and this was claimed and has been received at today's date. We are on track to complete the £393k grant by the end of March with qualifying expenditure. A further tranche of £25m has been authorised by the Government and this has resulted in a further £137k grant allowance that we are confident we will use effectively for the benefit of the patients and families and the hospice charity itself. As with the other tranches, the fund cannot be used for fund-raising related expenditure.

## 8. NHS Contract

The four local hospices are continuing to work together to press our local ICB for additional support. The variation to the contract to provide a 4.83% increase for 2025-26 has been signed and we expect the cash to be received in January or February. We have also signed an agreement for a £75k contract to provide a Digital Educator service to Care homes. This will cover 100% of the costs of the newly recruited role which will sit with the Community team.

A pilot project to provide additional fast track Continuing Healthcare (CHC) beds for a 12 week period has commenced. Each of the four local hospices will receive £48k and will set aside two beds for these patients for this period. Alongside this pilot the four hospices are working on a model to provide management of this fast track element of the CHC budget across SWL ICB. The model is based upon a successful venture in Essex which embraced that ICB's £11-15m budget.

NHSE has required all ICBs to urgently review the viability of the hospices in their areas. This is a first strong indicator that the real risk to the whole sector is being recognised centrally. We have acknowledged that, *if we do not raise significantly more income in the future than we currently raise, we will face further financial deficits and difficulties across a 24 month period.* Our 'free reserves' remain very low by comparison with most hospices at around 4 months. Although this is within charity commission guidance, we are not an average charity because we rely very heavily on uncertain income streams such as legacy and donation (as opposed to rather more reliable Govt contracts. Growing our free reserves can only occur if we make consistent surpluses. Ultimately, we, and the sector, will need additional and substantial Govt funding to be truly secured for the future.

**Nick Stevens, FD and Joint CEO**

**15<sup>th</sup> January 2026**