

Finance and Resources Director's Report

Aim

1. To update The Finance and Resources Sub-Committee members on the finance and resources of St Raphael's Hospice at 31st March 2020.

Recommendations

2. It is recommended that the Sub-Committee:
 - a. Notes that the draft management accounts shortfall of £(947,310) for the twelve months to 31st March 2020 which is £406k better than the budget shortfall of £(1,353,012) excluding the grant from DoC.
 - b. This March draft includes a provision of £75k against reduced asset values for legacies receivable.
 - c. Notes that draft income for the year is £238k below plan and £92k below last year, whilst costs are £644k below plan and £296k above last year.

Report

Finance

3. Draft March Accounts

The March 2020 draft management account summary and balance sheet/cash movement summary are attached. These are at an early stage and will be subject to changes as more detailed year-end work is undertaken over the next three weeks.

The shortfall of £947k which has arisen the year which is £406k better than the plan once the DoC grant is excluded (it having been assumed in the budget as a June income).

The key variances to the budget include:

- The direct net cost of running the hospice activity (including support costs) is £427k (13%) *below* the budget at £2.82m (prior year £2.76m).
- Legacy income was boosted by £610k in February, and stands at £1.03m after providing for 25% of outstanding legacies (on the basis that these often comprise property and shares to be liquidated and these asset values may have fallen in value). A legacy of £85k was received in April and this has been included in this draft.

- The *net* effect of all other fundraising activity (£848k) is £49k below budget but £172k below last year of which £124k relates to lower shop and lottery income.

A detailed summary is included in the finance papers and includes some notes.

March was low for donations which reflects the unusual month that it was. Society was very focussed on managing the swiftly changing health environment and events and activities were being cancelled. Nonetheless the total for the year of £1,236k was £50k above that of last year. We also received a further £50k grant (the “Boris” grant) and a £60k grant for the training posts which is shown in Other Hospice Income. Once these are included, the like for like income is £160k above last year.

The **balance sheet** summary shows that Fixed Assets at £4.28m which is £150k below the plan. The plan had assumed that all fixed asset costs would be incurred in the first half and in practice a number of these will have slipped into 2020-21.

Cash stood at £2,190k which is £321k above the plan (excluding the £3.6m grant).

Net assets totalled £6.84m from £7.78m at the year end, following the shortfall of £947k for the year.

4. Forecast 2020-21

Whilst we analyse how the COVID-19 crisis might impact our new financial year we are operating to the plan that was proposed in January 2020 and updated in March 2020. This will be subject to ongoing adjustment as we learn more about how the Govt will support hospices in particular and society in general and hence the potential impacts for the future can be assessed.

At present we are assuming that society will be in a state of lockdown for 6 months and that activity will then gradually begin to return to a form of normality over the ensuing 6 months. Our income assumptions follow these assumptions and will need to remain flexible as the matter becomes more clear.

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Annual
Donation Income	50%	30%	30%	30%	50%	50%	60%	60%	60%	70%	70%	85%	54%
Shop Income	0%	0%	0%	0%	0%	25%	50%	50%	75%	90%	90%	90%	39%
Lottery Income	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

These assumptions give rise to an estimated shortfall of £2m with a £1.6m operating cash decline and £372k of asset purchases.

The impact of the crisis (compared to the previously proposed budget) is £833k after the benefit of 3 months’ Govt grants. If the grants are extended to six months then this might lower to c£200k.

5. Restructure of Teams

The new circumstances have highlighted how we might re-organise some parts of the staffing to improve our efficiency. Current thinks is that this will result in three roles being made redundant over the next three months.

6. Government Grants

Hospice UK has negotiated “up to £200m” per quarter for the hospice sector and this fund is being distributed by them direct to hospices. The calculation of the quantum was on the basis of “potential lost income” which they assessed as 25% legacies (asset diminution), 75% of donor income, 100% of shop income and 25% of lottery income.

SRH received a first tranche of £222k in early April and this was tagged as “April’s instalment”. We may therefore expect to receive a similar sum in May and June. There are no guarantees over future quarters.

However, there remains a technical challenge for HMT, NHS and Hospice UK to find a legal means to distribute the money. At present it is being billed as being in order that the capacity of the hospices is available for NHS use. This is causing some CCGs to assume they can cease their regular support and possibly direct the use of hospice beds. It also puts at risk the separately negotiated contract (for SRH) to open up the extra 6 beds.

Our position is that the grant is made available so that NHS does not need to take responsibility for our pre-existing patient group, as the grant secures our ability to continue to provide the pre-existing service for as long as the grant endures. The additional bed contract is separate to that and should, in our view, be unaffected. It is currently not being significantly utilised by NHS and so they may cease the deal altogether potentially.

In addition SRH has received £130k from the local authorities (£95k from Sutton, £25k from Kingston and £10k from Merton) as a supportive grant for businesses which operate in the retail sector.

SRH has furloughed 44 staff which is around 25% of the total active workforce. This is made up of Retail staff/Wellbeing Centre/Fundraising/HR and includes 6 members of staff who are shielding. We continue to pay 100% of their salary and will recover 80% of their gross salary from the Govt. scheme. We expect this to be of the order of £30k per month.

7. DoC grant

Currently SRH holds £2.1m in the bank. This will hold up fairly well as whilst the HNT grant continues (assumed as being 3 months) but it is expected to fall to around £160k by end of this financial year.

The paused agreement included the transfer of £3.6m to SRH from DoC. It could be that this sum is now ring-fenced within the existing DoC portfolio for SRH enabling it

to be shown in SRH cash-flows and grow as investments improve to offset these shortfalls.

8. Audit 2019-20

The Buzzacott team are working from home and conducting audits from off-site. They will interrogate the data and request scans of relevant supporting documents.

The fieldwork will take place in the first week of June and may last an additional few days (perhaps an 8 working day audit). The clearance meeting is scheduled for 29th June and the final accounts will be passed to DoC for 24th July.

The new charity is legally a separate entity and hence will need a set of accounts and an audit/independent review and this will be undertaken by Buzzacott. The question of how to treat these accounts was discussed and it is possible that the expenditure (arising through a grant from DoC/SRH) might fairly be presented as part of the DoC at this point. The rationale would be that, up until the point of “launch”, it remained fairly integrated into the DoC structure with finances, company secretarial and meetings managed by DoC and the registered office being at the Doc.

Such treatment would simplify the SRH accounts in that it would include all expenditure incurred as it does in the management accounts.

IT

9. John Groom has worked from home as much as possible (his wife is expecting in the coming days or weeks) and the team have had one representative on site by rota. They have been involved in numerous mobile-working projects.
10. The new servers have been built and tested and gremlins are being ironed out. The final roll-out will be delayed (partly now by John’s paternity leave). We have contracted with the Citrix consultant who has worked with JG on the new system to provide cover in case the IT team cannot resolve an issue whilst JG is on leave.

Facilities

11. David Linsdell left the team with effect from March 25th 2020. The role will not be replaced.
12. Lesley Elsdon has been furloughed for the time being and the rest of the team (Steve, Mervin and Pete) are working as usual on site.

Nick Stevens

Joint CEO – Finance and Resources

21st April 2020

SAINT RAPHAEL'S HOSPICE

MINUTES OF THE 9th MEETING OF THE FINANCE AND RESOURCES SUB-COMMITTEE Held on Wednesday 19th February 2020 in St Bede's Conference Centre

Members: Mr Joe Ryan (JR)– Chair
Mr Paul Holmes (PH)

In Attendance: Mr Nick Stevens – Director of Finance and Resources (NS)
Mr Ed Cook (EC) – DoC
Mrs Neena Vadgama – Finance Manager (NV)
Mr Alex Rudkin – Quality Development Manager & Minutes (AR)

ITEM 1: Apologies for Absence / Chair's Address

- 1.1 Apologies had been received from Mr Alan Cogbill (AC), Sr Kathleen O'Reilly (SrKO), Mr Mike Roycroft – Chief Executive Officer.

ITEM 2: Review of Minutes and Matters Arising from 18th December 2019 meeting

- 2.1 The minutes of the meeting held on 18th December 2019 were accepted noting the following amendments under 3.6, page 3:-

11 lines down "...may call against the £2.7m contingency fund **against the three identified risks.**"

16 lines down : replace "put in" with "**made available against the three identified risks**".

23 lines down : "in order to **advise the DoC**" replaces "in order to accept the position stated".

- 08/01 & 08/02 : Sr Kathleen O'Reilly has kindly accepted invitation to join this Sub-committee.
- 08/03 : KPIs have been drafted for consideration.
- 08/04 : Aim remains as per [Hospice Gift Aid policy](#) to deliver regular quarterly claims. Most recent claim for Shops gift aid should return £40k.
- 08/05 : Raynes Park shop performance has still not improved. An external consultancy – Skyline Business Services, a leading charity consultancy, has been commissioned to undertake a full appraisal of the Shops by the end of March 2020. They have indicated that they would expect the Shops to be performing better than they are. EC's suggestion to rotate successful managers across the Shops that are struggling hasn't been progressed. Skyline report awaited.
- Item 2, 4.2 : NS confirmed that both existing and new bank accounts are in

09/01 (NS)

use.

- Item 3, 3.2 : Good interest in the Clinical Director position advertised.
- Item 3, 3.4: Little further to add on legacy work owing to staff sickness in Fundraising department. Next step is to chase for update on declared legacies over 2 years old that haven't materialised.
- Item 3, 3.6: Responding to JR's question, EC advised that the declared monies (£3.6mn) will be deposited in SRH's account on or very close to 31st March 2020 once the agreement has been signed.
- 08/06 : Update on the PR and Communications Plan and use of external PR firm pended.
- 08/07 : Letter of comfort has been revised and approved.
- 08/08 : Reassignment of the Shop leases under the new Charity remains to be actioned. EC also advised that contracts with Suppliers also need to be changed over to the new Charity. NV to send EC details to effect.
- Item 3, 3.9: GL and NS are receiving coaching from a qualified professional (PH) and a planning day has been set aside in February 2020. NS remarked that they are moving in the right direction and are getting ready. 1st April 2020 is launch date for the new SRH.

09/02 (NS)

09/03 (NS)

09/04(NV)

ITEM 3: Director of Finance and Resources Report

- 3.1 NS advised that January 2020 has been a slightly better month with income from donations (£192k) being the highest recorded since October 2015 and legacy income of £135k. However, the shortfall of £1.15m is £73k worse than the budgeted shortfall.
- 3.2 Responding to JR's question NS broke down the constituent elements that construct the 'Donor Income' figure; these being 'Other Donations', 'Regular Donors', 'In Memory', 'Support Groups', 'Trusts', 'Corporates' and 'Events'.
- 3.3 NS explained that January's figures were buoyed by £75k from the Harris Trust. February's figures are likely to be lower as has been seen in past years but the Fundraising team seem to be embracing improvement initiatives.
- 3.4 Details of planned refurbishment works will be relayed to the corporate fundraiser to support approach for corporate donations.
- 3.5 NS explained the net effect of all other fundraising activity being £44k above budget but £89k below last year and reported that he had held a positive meeting with Fundraising earlier today, agreeing the way forward for the Lottery which isn't tracking anyway near the budget.

- 3.6 Budget 2020/21 is under review and is expected for sign off in March.
- 3.7 Responding to JR's question, the PAS system is the Patient Administration System - Crosscare.
- 3.8 NS advised that a lot of IT time is currently being deployed on the build of new servers.

ITEM 4: Financial Targets

- 4.1 Financial targets had been drawn up by EC and had been populated by NS.
- 4.2 JR questioned the achievability of bringing on 2/3 new shops per year over the next 4 years. NS stated that it was ambitious but supported the drive to achieve the 20 shop target which fits with the 400k population that SRH serves.
- 4.3 NS stated that Ashford Hospice in the north of England has achieved increased income from £4mn to >£7mn with a really strong Shops' base.
- 4.4 Responding to PH's question, NS advised that improving the corporate income was the chief objective of the corporate fundraiser.
- 4.5 NS advised that our approach for a potential new Hospice Shop site at Wimbledon Ridgeway hadn't been successful but that a new High Street location had been identified and the Wimbledon Chase opportunity remained in sight.
- 4.6 EC remarked that the industry standard was to achieve a 25-30% margin in Shops profitability. NS felt that the reasons for us not achieving this standard are multi-faceted and that the review of Retail by Skyline consultancy will highlight the reasons and steps to address them.
- 4.7 **Bank Accounts** : Transfer documents are being processed. Authorisation levels will need to be brought back to the Board for sign-off. 09/05
- 4.8 **Investments** : NS stated that a strategy for the investment of the £3.6mn was needed. Blackrock and contacts that JR has will be explored. 09/06

ITEM 5: Any Other Business

- 5.1 NV advised of a new legacy donation received today for £100,000.

ITEM 6: Future Dates

- 6.1 Dates of future Finance & Resources Sub-Committee meetings were agreed as per agenda.

Event	Date	Start	End	Room
Sub-Committee Meeting	Wed 22 Apr 2020	14:00	16:00	2
Sub-Committee Meeting	Wed 17 Jun 2020	14:00	16:00	2
Sub-Committee Meeting	Wed 19 Aug 2020	14:00	16:00	2
Sub-Committee Meeting	Wed 21 st Oct 2020	14:00	16:00	2

DRAFT

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DRAFT

St Raphael's Hospice
Meeting of the Finance and Resources Sub-Committee
To be held using Microsoft Teams Video Conferencing
at 14:00 on 22nd April 2020

Members: Mr Joe Ryan (JR)– Chair
 Mr Alan Cogbill (AC)
 Mr Paul Holmes (PH)
 Sr Kathleen O'Reilly (KR)

In Attendance: Mr Nick Stevens – Joint CEO (NS)
 Mrs Neena Vadgama – Finance Manager (NV)
 Mr Ed Cook – DoC (EC)
 Mr Alex Rudkin

Agenda

Item	Description	Purpose¹	Lead
1.	Apologies for absence	I	Chair
2.	Review of Minutes and Matters Arising from last meeting	D	Chair
3.	Review of Director of Finance and Resources Report	I	NS
4.	Restructure of Retail and Donor Care teams	I	NS
5.	Audit Plan and Timetable	I	NS
6.	Any Other Business		ALL
7.	Future Dates: 17 th June 2020 19 th August 2020 21 st October 2020	I	Chair

¹ Purpose: PIDS - Policy/ Information/ Decision/ Signoff

St Raphael's Management Accounts 31 March 2020	Year To Date				
	YTD 2019-20	Budget YTD 2019-20	variance	2020-21	Variance to Forecast 2019-20
Income from NHS	1,543,987	1,507,913	36,074	1,550,399	6,412
Other Income	183,208	154,258	28,950	914,319	731,111
Direct Cost of Services	(3,419,610)	(3,682,053)	262,443	(3,756,268)	(336,658)
Hospice Depreciation	(210,006)	(260,759)	50,754	(254,763)	(44,758)
Net Service Cost	(1,902,420)	(2,280,642)	378,222	(1,546,313)	356,107
Support Costs	(920,856)	(969,431)	48,574	(1,040,505)	(119,649)
Net cost of Service to be funded	(2,823,277)	(3,250,072)	426,796	(2,586,818)	236,458
Fundraising Activity					
Legacy Income	1,027,768	1,000,000	27,768	750,000	(277,768)
Donor Income	1,235,701	1,336,615	(100,914)	772,760	(462,941)
Fundraising Costs	(665,873)	(822,979)	157,107	(741,489)	(75,616)
	1,597,597	1,513,636	83,961	781,271	(816,326)
Lottery Income	456,597	549,386	(92,789)	454,896	(1,702)
Lottery Costs	(172,006)	(225,024)	53,018	(222,096)	(50,090)
	284,591	324,362	(39,771)	232,799	(51,792)
Shop Income	945,784	1,083,609	(137,825)	504,828	(440,955)
Shop Costs	(952,005)	(1,024,546)	72,541	(1,008,744)	(56,739)
	(6,222)	59,063	(65,285)	(503,916)	(497,694)
	-1%	5%		-100%	
Shortfall before DOC Funding	(947,310)	(1,353,012)	405,702	(2,076,663)	(1,129,353)
DOC Funding	0	1,800,000	(1,800,000)	0	0
	(947,310)	446,988	(1,394,298)	(2,076,663)	(1,129,353)

	YTD 2019-20	Budget YTD 2018-9	variance	2020-21	Variance
Total Income	5,393,046	7,431,781	(2,038,735)	4,947,202	(445,844)
Total Cost	(6,340,356)	(6,984,793)	644,437	(7,023,866)	(683,510)
Shortfall for period	(947,310)	446,988	(1,394,298)	(2,076,663)	(1,129,353)

St Raphael's Management Accounts 31 March 2020					
Net Movement in Funds	YTD 2019-20	Budget YTD 2018-9	variance	2020-21	Variance
Surplus/(Loss) from Operations	(947,310)	446,988	(1,394,298)	(2,076,663)	(1,129,353)
Depreciation	233,035	298,922	(65,888)	334,550	101,515
Decrease/(Increase) in Debtors	(141,132)	5,295	(146,427)	46,960	188,092
(Decrease)/Increase in Creditors	(53,493)	1,836,604	(1,890,097)	19,951	73,444
Net cash (expended)/ generated by operations	(908,900)	2,587,809	(3,496,709)	(1,675,203)	(766,303)
Purchase of Fixed Assets	(445,856)	(664,124)	218,268	(372,550)	73,306
Increase / (Decrease) in Cash	(1,354,756)	1,923,685	(3,278,441)	(2,047,752)	(692,996)

St Raphael's Management Accounts 31 March 2020					
Balance Sheet	YTD 2019-20	Budget YTD 2018-9	variance	2020-21	Variance
Fixed Assets	4,276,470	4,426,186	(149,716)	4,314,470	38,000
Debtors	713,010	551,486	161,523	666,050	(46,960)
Cash at Bank	2,190,392	5,469,343	(3,278,951)	143,096	(2,047,296)
Creditors	(342,527)	(2,217,527)	1,875,000	(362,934)	(20,407)
Net Assets	6,837,345	8,229,488	(1,392,143)	4,760,681	(2,076,663)