

Hospice Accounts

Analysis of the Accounts of UK Charitable Hospices
for the year ended 31 March 2022



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SPECIAL REPORT into Hospice Lotteries.
Supported by Local Hospice Lottery



Introduction

Sayer Vincent is pleased to partner with Hospice UK for the first time in producing the Hospice Accounts Report. This year's report brings together information from the statutory accounts of 189 independent charitable hospices in the UK. It shows a sector with total annual expenditure of £1.6 billion per year.

This report combines information from the 2022 published statutory accounts, a year when the impact of the Covid-19 pandemic continued to have an effect. Hospices faced a range of challenges, most significantly in caring for the most clinically vulnerable patients in difficult circumstances.

Whilst governments across the four nations continued to support hospices, with both regular and one-off funding, the value of this funding dropped in real terms as reported by Hospice UK in September 2023 with data collected from Integrated Care Boards in England*. The outlook, with governance finances coming under pressure, will mean government funding streams remain a cause of concern.

Financial resilience remains front and centre, with the impact of inflation and the cost of living adding further pressure. Particular areas of concern include keeping salaries at a level that attracts and retains talented teams, and energy and other property related capital and maintenance costs.

The need continues for hospices to come up with new and innovative methods of income generation. We expect to see this emerging in accounts in the years to come, for example expansion into catering and cleaning services, plus charity supermarket and pop-up shop retail activities. Income generation remained challenging in the year under review, with covid continuing to affect shop opening times and an ability to carry on all pre-covid fundraising activities. Fundraising and shop operating costs continue their previous upward trends.

We hope that you find this report helpful, both to inform debate and to help local hospice staff and Trustee Boards to benchmark their own figures against similar organisations. Please get in touch if you have any questions about the report.

As we continue to partner with Hospice UK for our second year, we are keen to hear from you. If you have any suggestions on other information and further analysis you would like included in this report or other publications, we'd be keen to hear from you.



Fleur Holden

Partner
020 7841 6360
fleur.holden@sayervincent.co.uk



Judith Miller

Partner
020 7841 6360
judith.miller@sayervincent.co.uk



* [Hospice funding falls short by £47m | Hospice UK](#)

Sayer Vincent LLP is a firm of auditors and advisors working solely with charities and social purpose organisations. Set up 40 years ago, Sayer Vincent's goal remains the same, to support a strong and resilient charity and social purpose sector.



Supporting the sector is what motivates each and every member of the Sayer Vincent team. We are committed to sharing our knowledge and resources with the sector. Find out more about the team and our free resources at www.sayervincent.co.uk



Definitions and scope of report

This report brings together the accounts of charitable hospices in the UK. These hospices are primarily local charities that are governed by voluntary trustees.

The purpose of the report is to:

- ☀ demonstrate the size and operation of hospice care in the UK
- ☀ identify and highlight changes over time in the overall operation of these hospices
- ☀ identify differences between the various sizes of hospice
- ☀ provide hospices with critical figures and benchmarks against which to compare their own accounts.

Scope

This report is based upon the audited accounts of 189, from a total of 191, independent charitable hospices for the financial year ending any time between 1 April 2021 and 31 March 2022. This is two less than last year's report as two of our members merged, and another moved into the NHS. We expect to see more mergers in the coming years due to both financial pressures and opportunities to improve care. For the majority of hospices, this means the accounts for the year ended 31 March 2022.

This report excludes the results of two large national hospice charities, Marie Curie and Sue Ryder. Because these two charities are very different in scale to the other charities, their results have been excluded to make comparisons more useful.

Preparation

The figures are drawn from the Statement of Financial Activities (SOFA), Balance Sheet and Notes included in published, audited financial statements. As far as possible, we have taken information at face value, but we have had to interpret data in some cases where clear information was not given. Where data was not provided in published accounts, we have had to omit it from our calculations.

There are changes in the number of hospices submitting accounts each year; where appropriate, figures from previous years have been amended to ensure like for like comparisons.

Children's and joint services

In some analysis, we have split the figures for children's and adult hospices. This has been done where there are significantly different results in the accounts of children's hospices. In total, there are 24 standalone children's hospices included in this report. There are also 17 joint hospices, serving both adults and children. It has not been possible to split the accounts of the joint hospices into their two components, so they have been included as adult hospices, as this part of their services accounts for a majority of their income and expenditure. Such hospices are treated as a single entity for the purpose of this report, as are hospices that are run by one charity but based in more than one location.

We expect to see more collaboration in the coming years due to both financial pressures and opportunities to improve care.



Definitions used in this report

- ☀ In the published accounts of a hospice, trading income and expenditure are respectively included in gross income and gross expenditure. In some figures in this report, we have excluded trading income and expenditure from both these figures and included trading profit within gross income. Whether trading income and expenditure has been included in the analysis is stated above each relevant figure. This makes no difference to the surplus or deficit, but serves to make for better comparisons. Income includes money raised for capital projects, but expenditure excludes capital payments such as building costs
- ☀ Fundraised income includes donations and legacies, grants from charitable trusts and other fundraising activities
- ☀ Income generation includes income arising from shops and lotteries as well as fundraised income (as defined above)
- ☀ Unrestricted reserves include designated funds
- ☀ Available reserves are taken to mean unrestricted reserves less unrestricted tangible fixed assets
- ☀ Tangible assets are made up of the cost price of the building (or valuation if the hospice has revalued the building in their statutory accounts) and equipment less depreciation
- ☀ Investment gains/losses include both realised and unrealised changes in the value of investments
- ☀ Other gains/losses represent gains and losses on defined benefit pensions schemes and the revaluation of properties
- ☀ Inflation refers to the Consumer Price Index (CPI)

Real time financial benchmarking

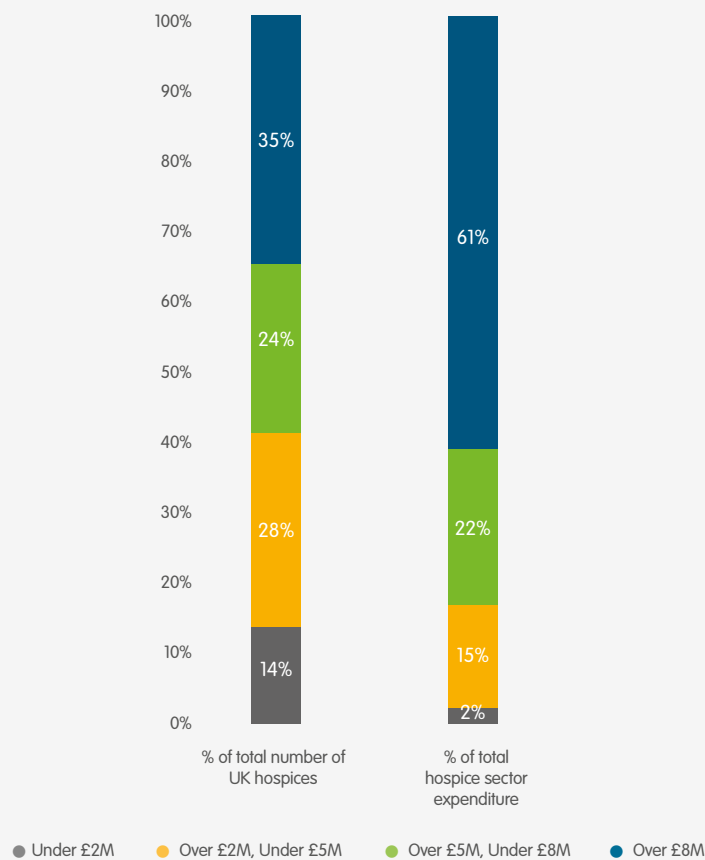
One of the main strengths of this report is that it is based upon independently audited financial information. But as a consequence, it means the information is a little historic. We have also launched a real time quarterly financial benchmarking network for hospices. Information can be found at [Hospice UK's Innovation Hub](https://www.hospiceuk.org/innovation-hub).

Hospice sizes 2022

Throughout this report, hospices are grouped by size of expenditure. Different sized hospices have different trends so it often proves more useful to compare hospices of the same size, rather than those in the same region or similar locations. The bandings are based on 2022 total expenditure, which means that some hospices will have moved between bands since the last report.

FIGURE 1

Proportion of hospices in each expenditure band and the proportion of expenditure attributable to hospices in each expenditure band (including shops, lotteries and other trading expenditure)



Key findings

- ☀️ Average total expenditure (including trading expenditure) per hospice in each size band is shown below

	Under £2M	Over £2M, Under £5M	Over £5M, Under £8M	Over £8M
	£'000	£'000	£'000	£'000
Average total expenditure	983	3,692	7,655	12,174

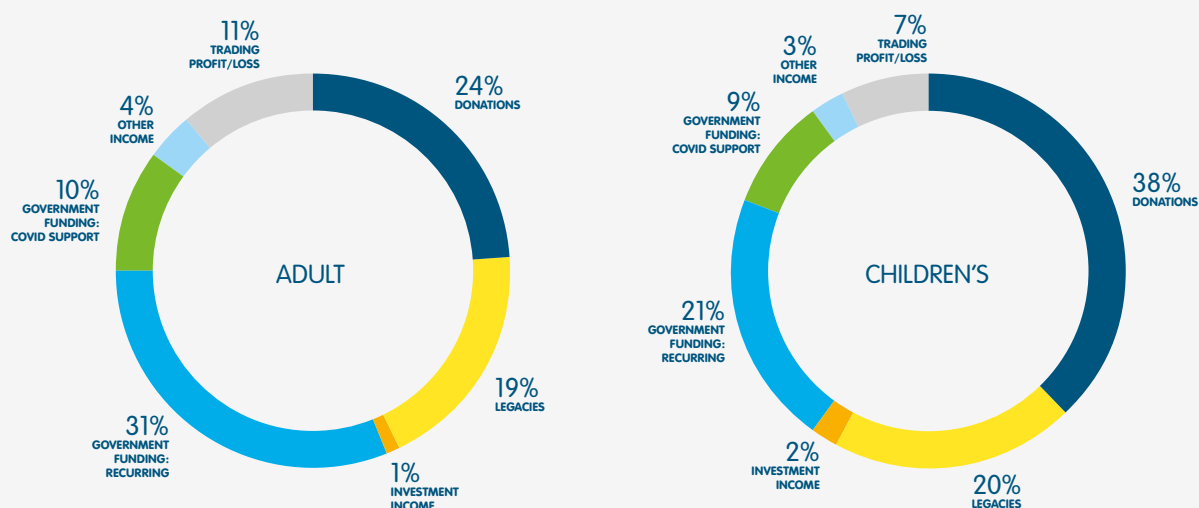
- ☀️ The size of hospices varies throughout the UK, from St Christopher's Hospice with £22.6 million expenditure to those hospices with an annual expenditure under £1 million. Our smallest hospice has annual expenditure of just over £200,000

Income

Total income in 2022 including profits from trading activities for independent hospices was over £1.5 billion.

FIGURE 2

Income type as a percentage of total income (shown separately for adult and children's hospices)



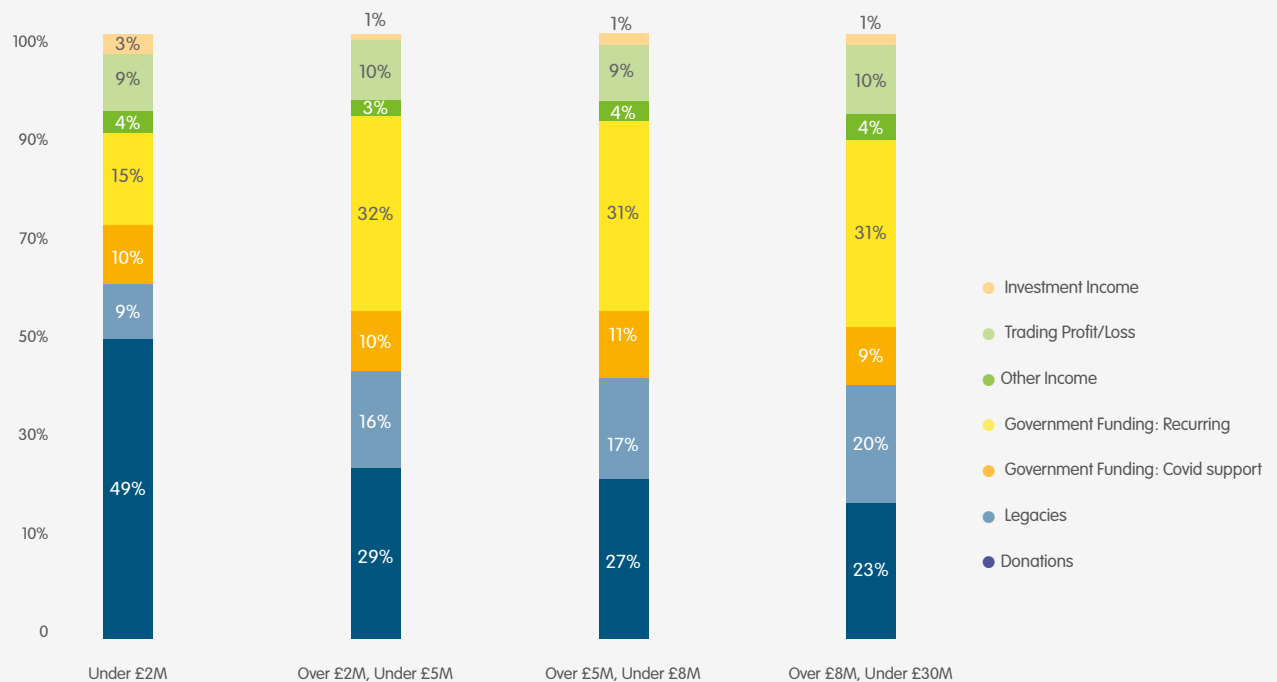
Key findings

- Due to the pandemic, the sources of income for hospices was very different for hospices in 2022 compared to before the pandemic
- Government funding has been split between recurring government funding and one off Covid support. The graph shows that combining the two, the government provided 40% of funding for adult hospices in 2022, and close to 30% funding for children's hospices
- Prior to the pandemic, government funding levels were around 10% less for both adults and children's hospices, and we would expect the figures to revert to their historic levels when we analyse the 2023 results, given the exceptional Covid support funding came to an end in March 2022
- Both adult and children's hospices benefitted equally from emergency Covid support from the government, but ongoing government funding is lower for children's hospices
- Donations represented only 24% of adult hospices income and 38% of children's

The graph below shows the difference in types of funding for adult hospices of different sizes, including profits from trading activities.

FIGURE 3

Income type as a percentage of total income (comparison by size of adult hospices)



Key findings

- Government funding comprises a much smaller proportion of total income for the smallest hospices than it does for other hospices
- Total government funding, including emergency Covid Support, represented 25% of all income for the smallest hospices, but to 40% of all income for the largest hospices
- In contrast, donations from the public are a far more significant source of income for the smallest hospices, comprising 49%

of all income for the smallest hospices this year compared to 23% for the largest hospices. This suggests that smaller hospices are most vulnerable to any changes in charitable giving by the public

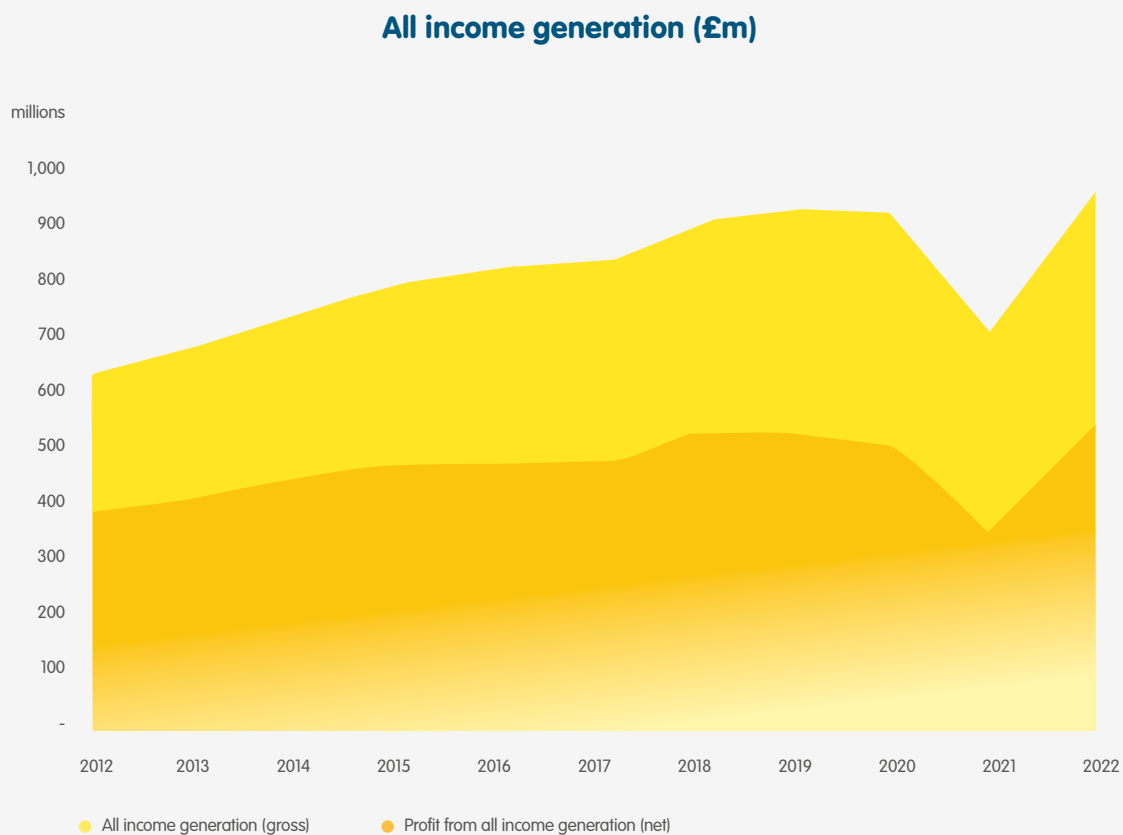
- Overall, exceptional government support was critical in ensuring all hospices were able to continue providing services to the most vulnerable people during the pandemic

Income Generation

The graph below shows the trend in gross and net income generation activities over time. Income generation activities include trading activities (shops and lotteries) as well as other areas of fundraising such as donations, legacies, grants and sponsorship.

FIGURE 4

Income generation over time (including trading activities)



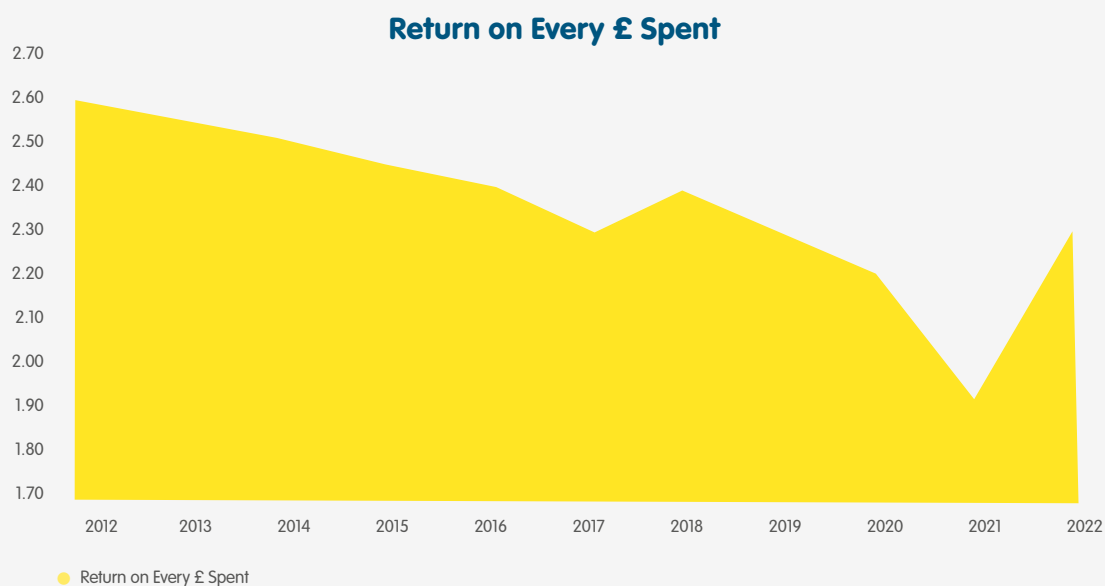
☀ Up until 2020, income generated from voluntary sources had been growing steadily, although costs had also been increasing

☀ The impact of the pandemic on fundraising activities is clearly shown by the sharp downturn in both gross and net income generation in 2021

☀ It is very encouraging to see that both gross and net income generation has bounced back to their pre-Covid levels by the end of 2022

FIGURE 5

Income generation return on investment (including trading activities)



For every £1 spent on generating income, hospices on average generated £2.60 in 2012; this had fallen to £1.93 in 2021. It is encouraging to see that it has risen back to £2.33 by 2022.

The graph above shows that the return on investment for hospice income generation activities has been falling for a number of years.

This overall trend suggests it is becoming more challenging for hospices to generate the income they need from voluntary sources, and that the main reason for the declining long term trend is a reduction in the profitability of hospice shops.

For every £1 spent on generating income, hospices on average generated £2.60 in 2012; this had fallen to £1.93 in 2021. It is encouraging to see that it has risen back to £2.33 by 2022, reversing the most recent drop which was due to the Covid pandemic affecting fundraising events. Reversing the long term trend will be far more challenging.

Innovation in income generation

The majority of hospice's income comes from fundraising, retail, lotteries and other income generation activities. Figures 4 and 5 above show the challenges hospices face in growing this income. Examples of new fundraising ideas being developed by hospices can be found on the [Hospice UK Innovation Hub](#).

Colleagues working in income generation at hospices can join the [H-UK Fundraising Leaders Network](#), and subscribe to our [Fundraising Leaders briefing](#), via Hospice UK's website.

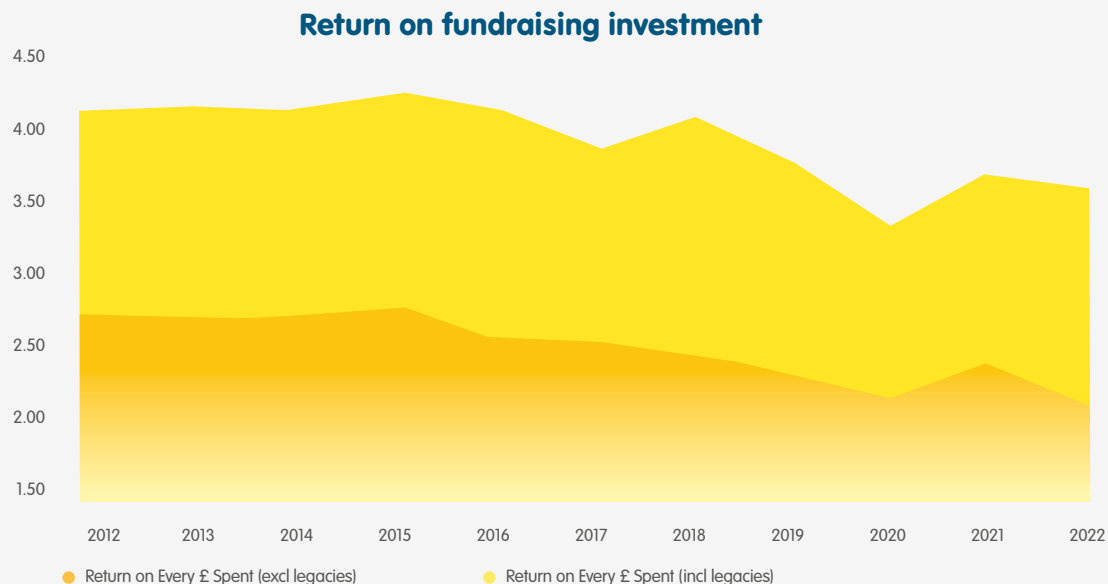
Cost of raising funds

(excluding trading activities)

The graph below shows the fundraising ratio of hospices. This is calculated by dividing fundraised income raised (comprising donations, legacies and income from fundraising activities) by expenditure on fundraising (excluding shop and lottery costs). Note that, unlike the graph above, income and costs relating to shops and lotteries are excluded from the calculation.

FIGURE 6

Cost of raising funds as a percentage of total fundraised income excluding shops and lotteries (adult hospices)



Key findings

- On average, in 2022 hospices generated £3.56 in income for every £1 spent
- Over the last decade there has been a gradual but clear trend towards smaller returns on investment in fundraising as shown in the graph above
- This reflects the more challenging fundraising environment hospices are operating in
- Due to an aging population, patient numbers and complexity are rising, but unless hospices can find a way to reverse this trend, they will not be able to expand capacity to meet this increased need

Legacy income

FIGURE 7

Legacy Income

Legacy income is a critical, but often unpredictable, source of income for hospices.

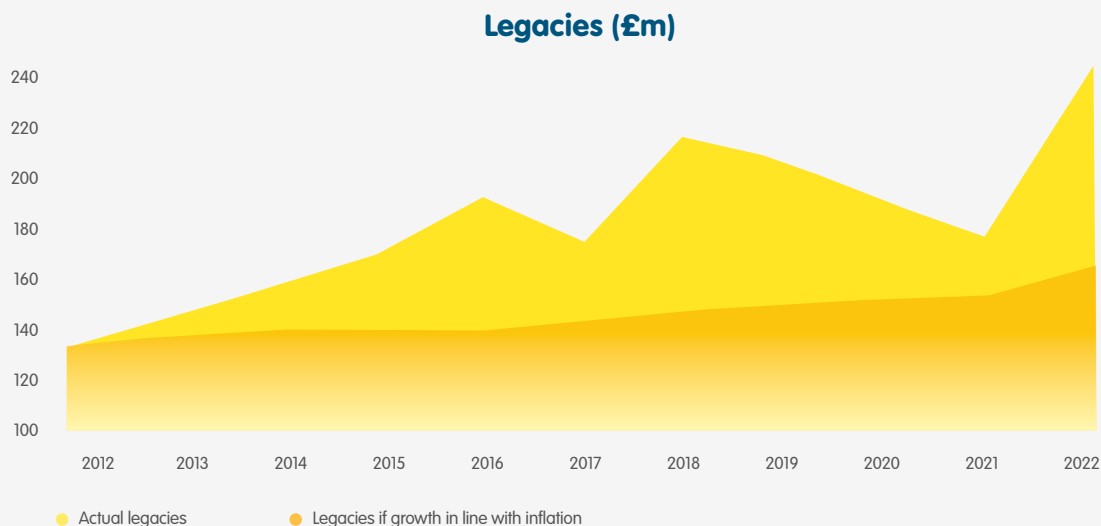
The graph below shows the unpredictable nature of legacy income at an overall level. Fluctuations are likely to be even more pronounced at an individual hospice level.

Overall legacy income has tended to grow at a faster rate than inflation over the last decade, although separate data shows that

the hospice share of the overall legacy market has been declining in recent years.

Legacy income for hospices is significantly affected by the performance of the housing and stock markets, as well as by the number of gifts in wills left by members of the public.

Many hospices have also reported that it is taking longer to process legacies, impacting on their cashflow.



Legacy income

We are about to experience the biggest intergenerational wealth transfer in history as £5.5 trillion worth of assets are passed down from the 14 million baby boomers to the next generation. This represents an enormous opportunity for hospice legacy income over the next few decades and hospices should consider investing in legacy marketing.

Hospice UK is developing a hospice legacy programme to support hospices to grow their legacy income. Hospices can join the group by emailing

Catherine Bosworth
Director of Income Generation and Grants
Hospice UK
c.bosworth@hospiceuk.org



Shops

We have used information available in the hospices' published, consolidated accounts to analyse the profitability of shop activities. In some cases, hospices have not separately disclosed their expenditure on shops in their accounts – in such cases their results have been excluded from the table below.

FIGURE 8

Shop profits as a percentage of shop income



Key findings

- ☀ We have calculated profitability as profit divided by income
- ☀ Of the 163 hospices who have shops, only 130 were able to generate a profit from those activities this year due to the impact of the pandemic, with 33 generating a loss
- ☀ Many of these losses will have been as a result of restrictions in place during the Covid pandemic, rather than due to any underlying profitability issue with the hospice's retail operations

Lotteries

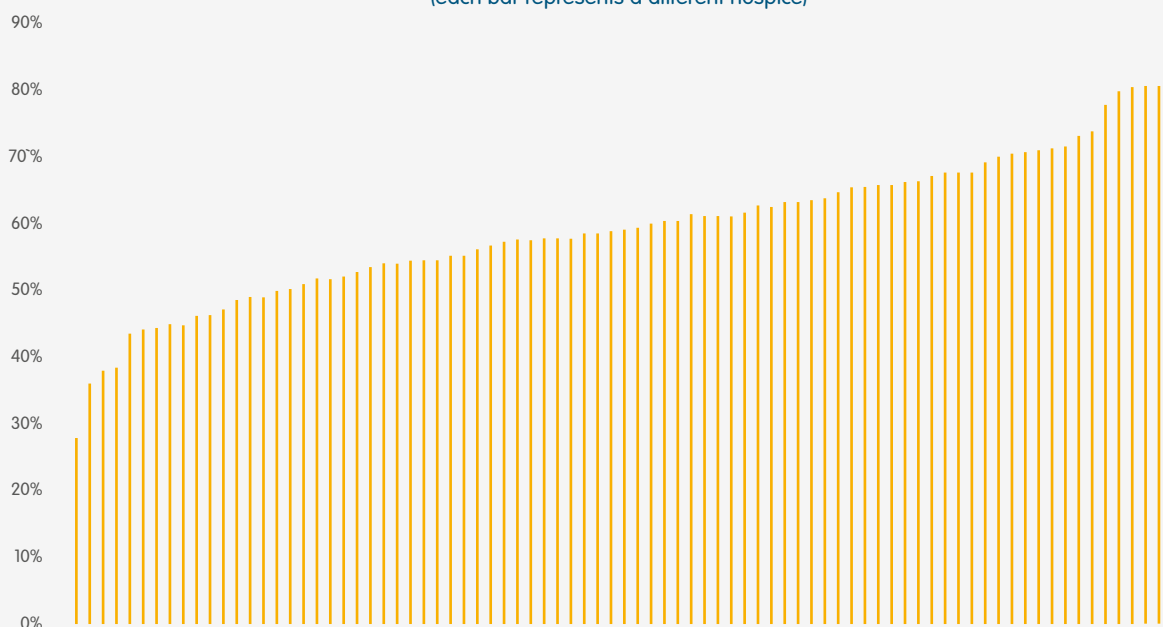
We have used information available in the hospices' published, consolidated accounts to analyse the profitability of lottery activities. In some cases, hospices have not separately disclosed their expenditure on shops in their accounts or have included donated lottery income already accounted

for in a partnership lottery's profits – in both such cases their results have been excluded from the table below.

We have calculated profitability as profit divided by income and included contribution to partner hospice's good causes as profit.

Lottery profit as a percentage of lottery income

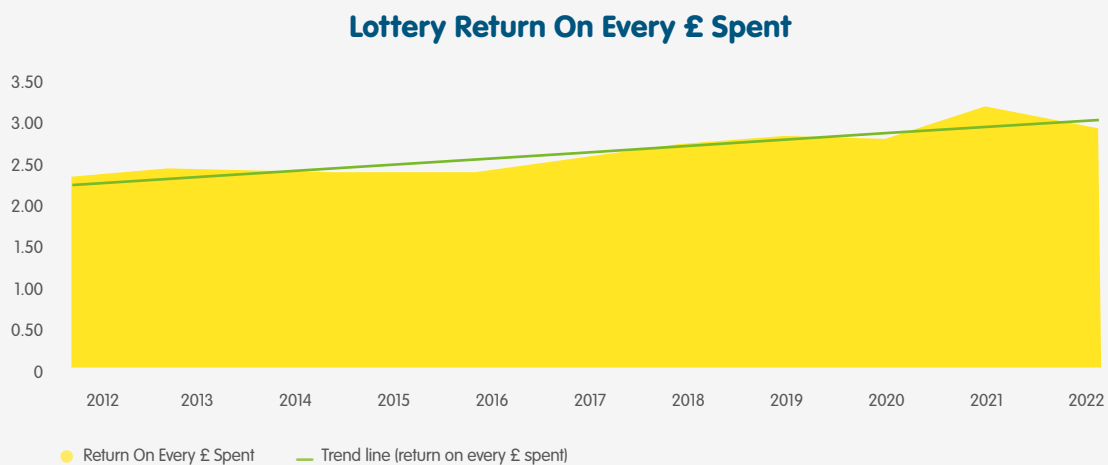
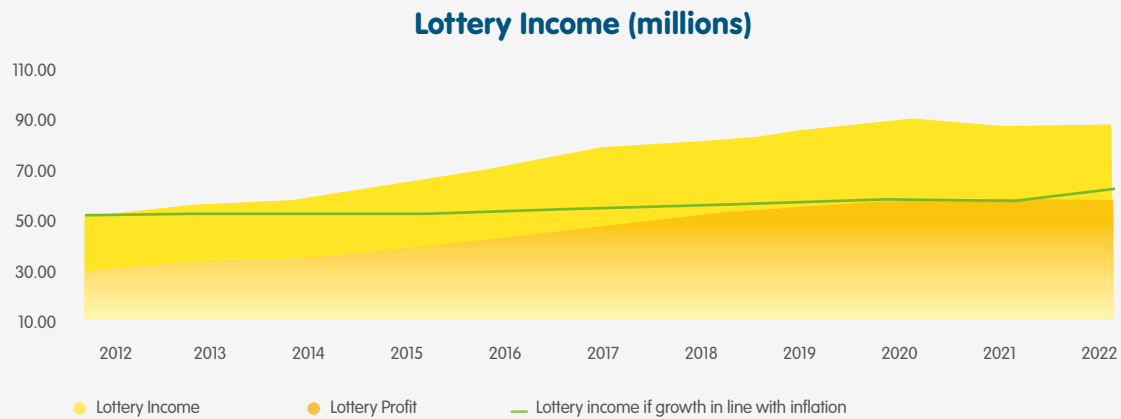
(each bar represents a different hospice)



Key findings

- ☀ Including partnership lotteries, the average profitability of a hospice lottery was 60% and the average profit per hospice is £512,000. When partnership lotteries are excluded the average profit per hospice lottery reduces to £367,000
- ☀ There is greater consistency in profitability among lotteries than shops
- ☀ Four hospices made a profit of over £1 million on their lottery activities, including the two largest partnership lotteries

The graph below shows that total lottery income and profits grew steadily and consistently between 2012 and 2020. The decline in total income in 2021, due to Covid-19, appears to be reversing with growth in 2022. However, net income declined in 2022 as expenditure increased following the pandemic.



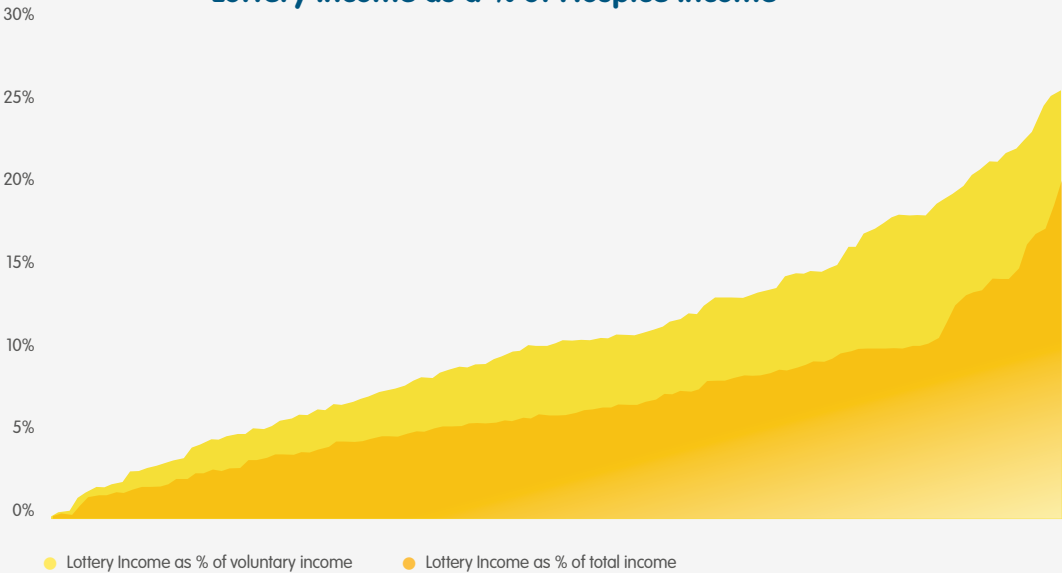
Key findings

- The total reported gross lottery income for independent hospices was £87 million in 2022, an increase of 1% on the prior year
- The return on investment in hospice lotteries has shown an improvement over the time period as demonstrated by the trend line. The fluctuation in ROI over the past two years, with a 14.6% increase followed by a 7.8% decrease, is due to changes in lottery expenditure arising from Covid-19
- The amount of income generated for every £1 a hospice spends on its lottery increased from an average of £2.33 in 2012 to £2.96 in 2022. To aid comparison over time, figures are based on total reported gross lottery income divided by total reported lottery costs but recognising that a number of hospices do not separately disclose lottery costs

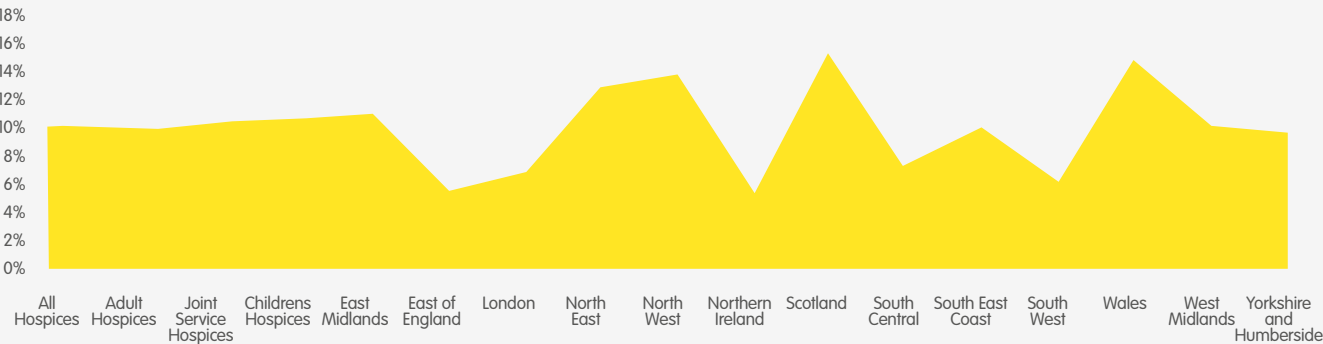
For the second year a further review of lottery data has been undertaken with the support of Local Hospice Lottery. For the first time this considers lottery income as a part of hospice's overall

income and then adds to last year's analysis of any differences in Children's and Adult hospices, reviews regional variances and considers the impact of partnership lotteries on hospices.

Lottery Income as a % of Hospice Income



Lottery Income as a % of Voluntary Income – Variance by Region & Service Type



Key findings

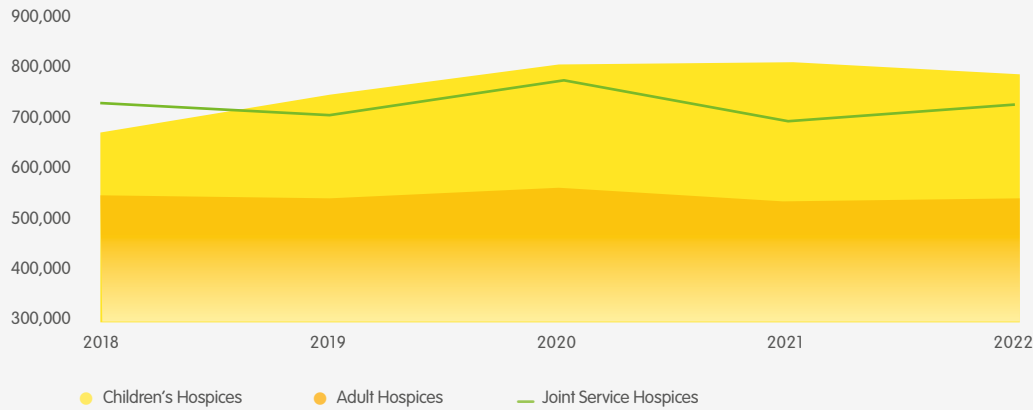
On average hospices received 10% of their voluntary income from lotteries, with children and shared services slightly higher at 11%. The pattern in terms of share of total income was similar with lottery income accounting for 7% overall, with 6% for adults, 7% for shared services and 8% for children's hospices

The regional contribution to voluntary income from lotteries across the UK varied from a low of 5% in Northern Ireland, to a high of 16% in Scotland. This excludes partnership lotteries where the lottery contribution to these 2 hospices averaged 34% of voluntary income

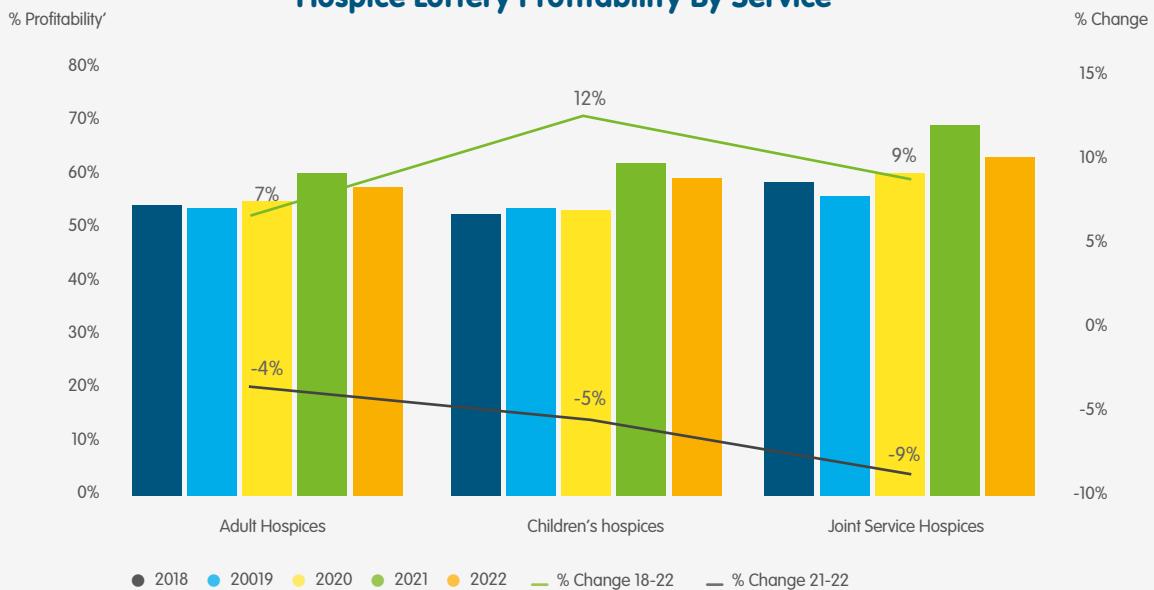
Service Type

The following reviews focus on those hospices where relevant data is available from consolidated accounts for each year in the five-year period from 2018 to 2022

Average Hospice Income By Service



Hospice Lottery Profitability By Service



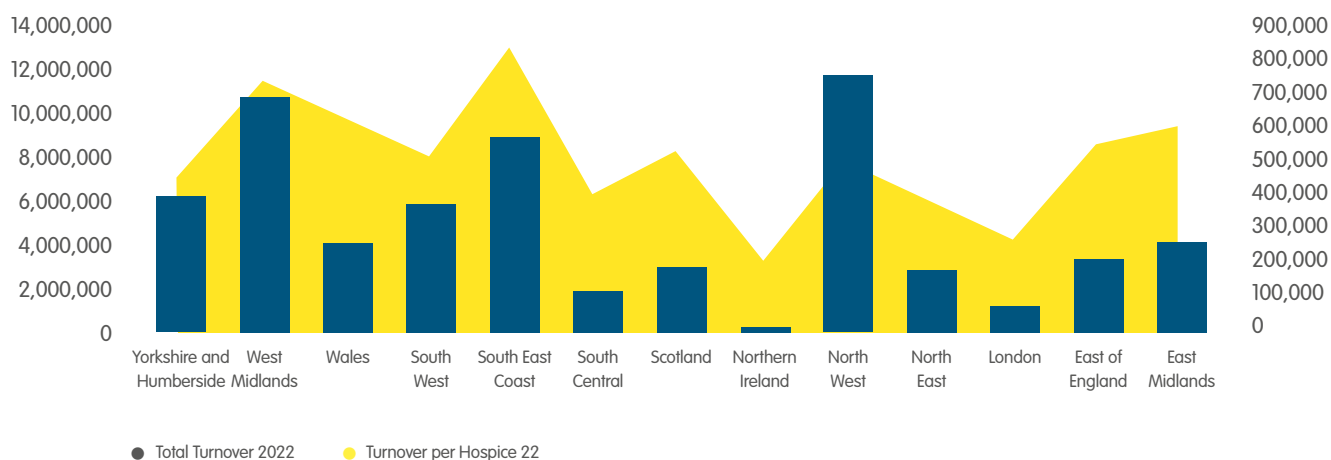
Key findings

The average income of adult and hospices with joint services experienced relatively little change between 2018 and 2022, but children's hospices increased average lottery income by 18% over the same time period

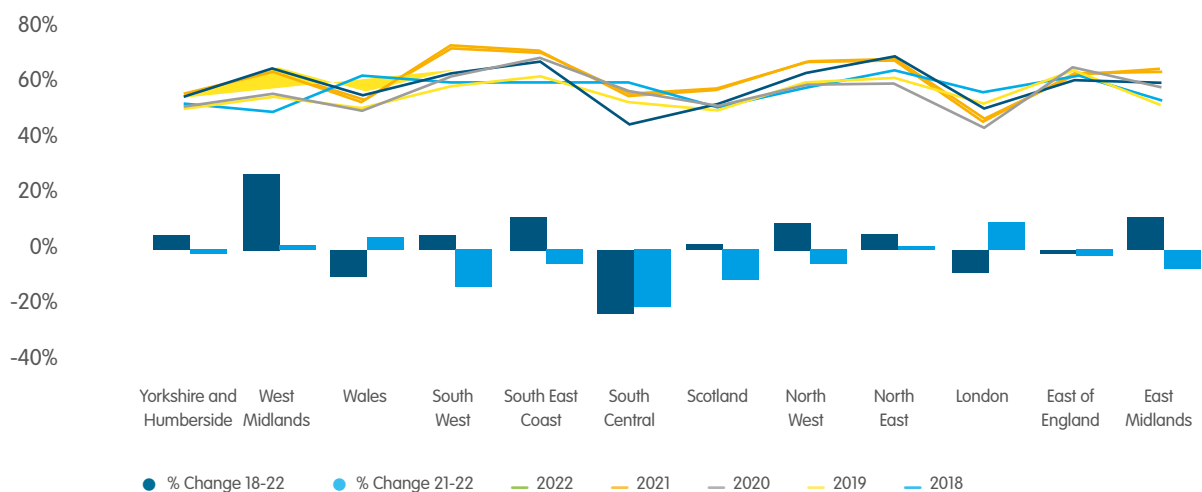
The average profitability of adult hospice lotteries increased by 7% over five years to 59% in 2022, but with a 4% decrease from the previous year. The profitability of Children's Hospice lotteries and Hospices with joint services saw a similar pattern of a 5-year increase and one-year decline. Hospices with joint services continued to have the most profitable lotteries

Regional Analysis

Hospice Lottery Regional Turnover 2022



Hospice Lottery Regional Profitability



Key findings

- The profitability of hospice lotteries decreased in 2022 in eight of twelve regions as expenditure increased following the pandemic. Profitability varied considerably by region in 2022, from a low of 45% in South Central to a high of 67% in the North East
- The North West's hospices continued to experience the highest collective lottery turnover in 2022, whilst the South East Coast

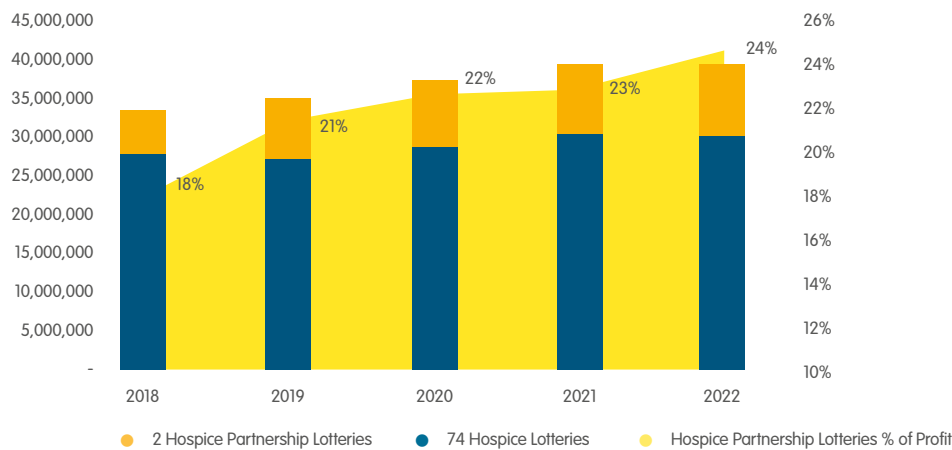
continuing to experience the highest average turnover per hospice. Similarly, London and Northern Ireland's hospices continued to experience the lowest regional lottery turnover

- Information on individual hospices' catchment areas and population sizes would provide additional richness to the analysis, enhancing comparisons and enabling greater understanding of potential lottery fundraising opportunities for both individual hospices and the sector

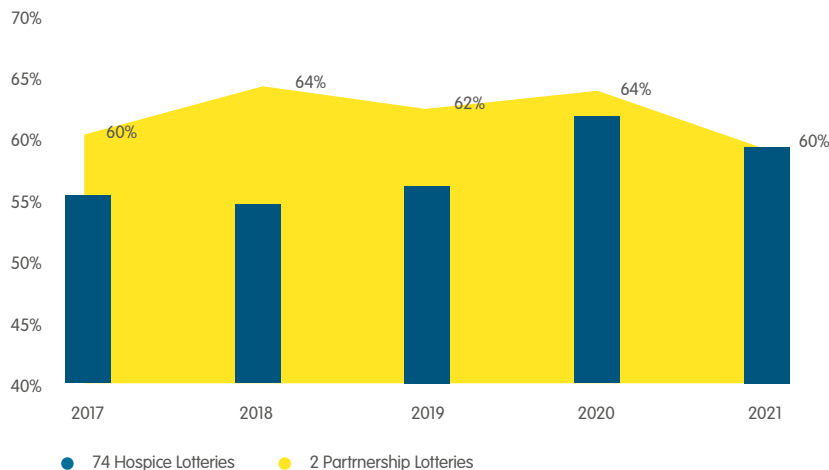
Partnership Lotteries

A small number of hospice owned partnership lotteries, including Local Hospice Lottery, work collaboratively to gain economies of scale in order to contribute more to hospice care.

Partnership Lotteries Contribution to Profit



Relative Profitability of Partnership Lotteries



Key findings



The two largest partnership lotteries had a combined income of £15.9 million in 2022



Whilst the average hospice lottery experienced no percentage increase in profits between 2018 and 2022, partnership lotteries increased their profits by 56% over the same time period, contributing £9.5 million to charity in 2022

Lottery section supported by:

Local Hospice Lottery exists to be the leading lottery for hospices, providing additional funding and opportunities for growth by inspiring people to support their local hospice in a fair, open and affordable way. For further details visit www.localhospicelottery.org/become-a-partner/



Government Funding

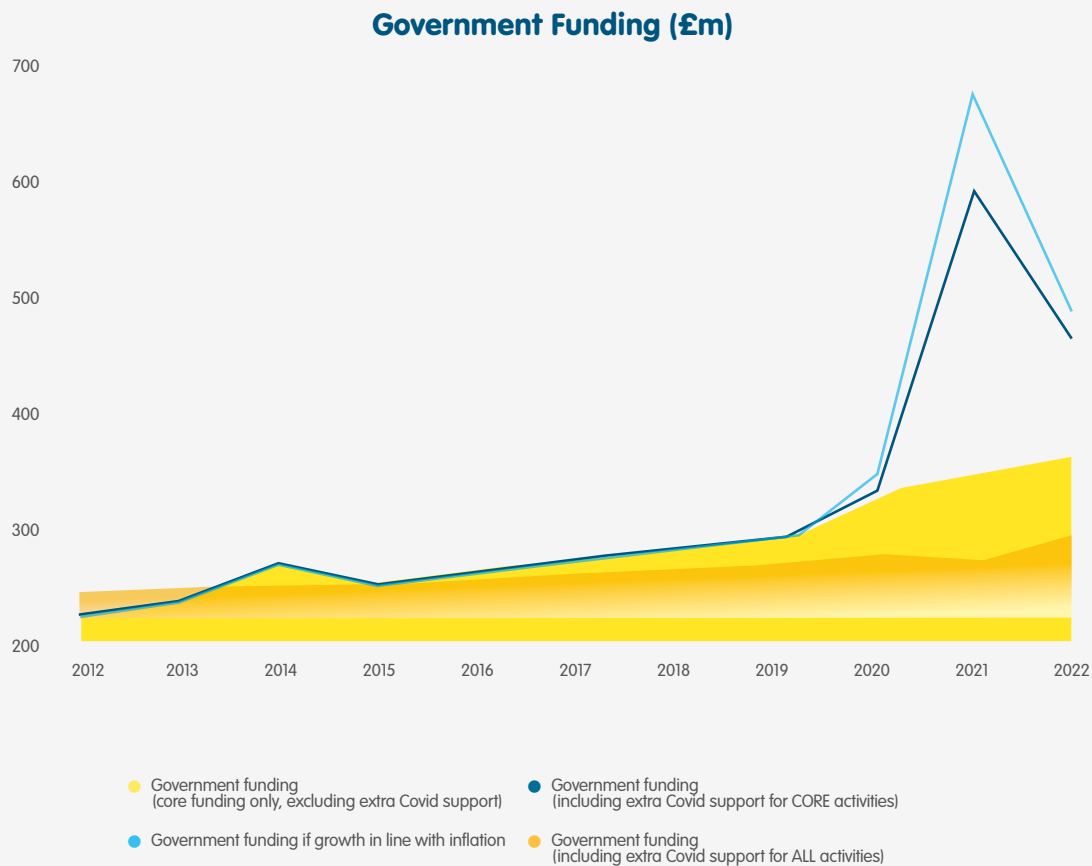
Hospices in different nations are funded differently, as are hospices for children and hospices for adults.

In analysing government funding, we have split hospices by nation as well as into adult and children's hospices. We have excluded the cost of trading activities (i.e. shops & lotteries) from expenditure.

We have also sought to distinguish between recurring funding and exceptional one off support given during the Covid pandemic.

FIGURE 9

Government funding of independent hospices (comparison by year)



The graph on page 10 shows the massive increase in government funding in 2021 in order to sustain the hospice sector during the pandemic and ensure hospices could provide additional support to the NHS

The governments of each of the four nations continued to give exceptional central support to hospices in 2022, though at reduced levels. This support came to an end at the end in 2022

The blue statutory income line shows statutory income for recurring activities; the purple broken line also adds in emergency funding provided specifically to the hospice sector during the pandemic, and the blue broken line also includes more general government support that all organisations were eligible for



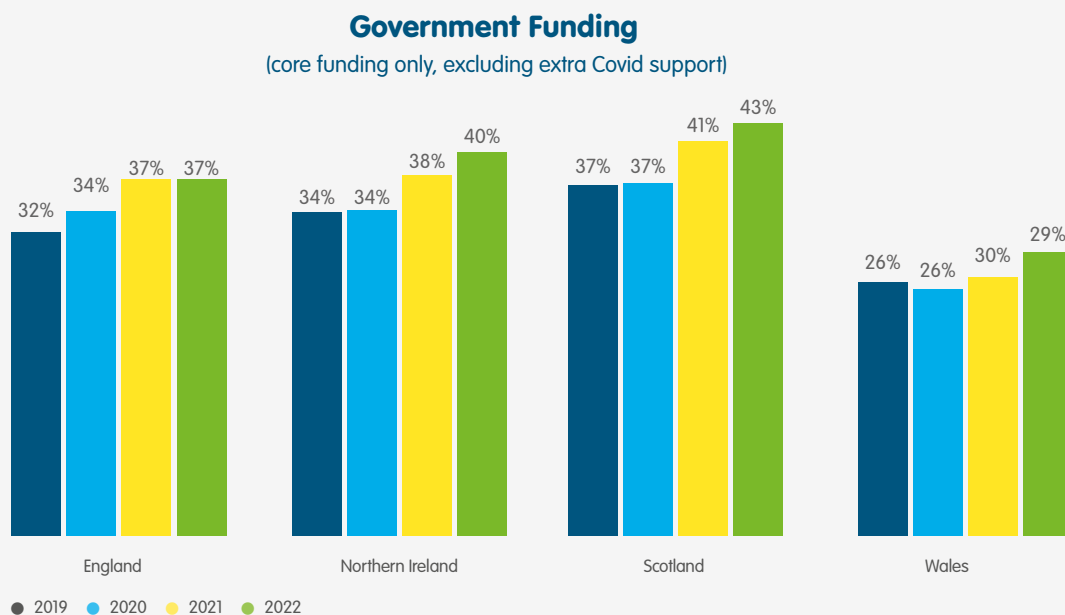
There was obviously a massive increase in government funding in 2021 in order to sustain the hospice sector during the pandemic.

The governments of each of the four nations continued to give exceptional central support to hospices in 2022, though at reduced levels. This support came to an end at the end in 2022.

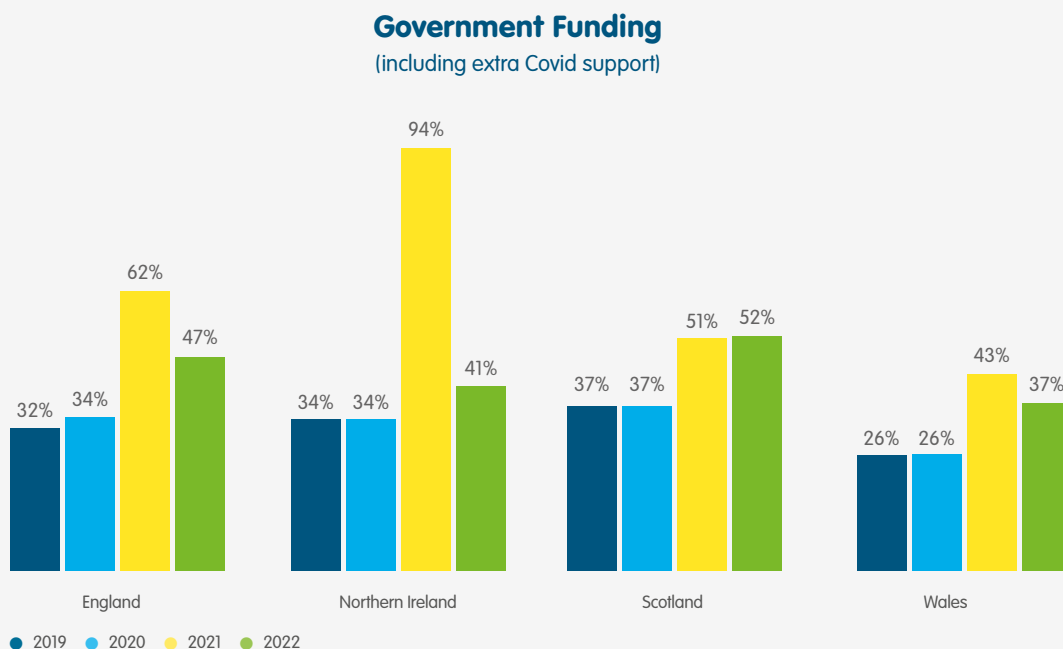


FIGURE 10

Government funding as a percentage of expenditure by nation (adult hospices comparison by year)



- ☀ The graph above measures recurring government funding only compared to the total expenditure of hospices (excluding retail and lottery costs)
- ☀ The graphs shows that, as well as the significant one off funding that the government provided, recurring government funding was also more significant for hospices in 2021 and 2022 than it has been previously in all four nations
- ☀ Most of this income relates to grant funding by local and national NHS bodies to contribute towards the work of hospices



- ☀ This second graphs shows statutory income from all sources as a proportion of expenditure in the last 4 years
- ☀ The significant increase in the proportion of government funding in the year to March 2021 is due to additional emergency funding that hospices – along with many other businesses – were able to access from March 2020 due to the Covid-19 emergency. This continued, but at a lower level, in 2022, when it came to an end

Key findings

- Before taking into account exceptional Covid support, the government funded 37% of the expenditure incurred by independent charitable hospices in the UK. This rises to 44% once the exceptional Covid support is included
- If only recurring funding (i.e. non covid emergency funding) is considered, 30 hospices receive less than 20% funding from Government sources while at the other extreme 18 received more than 50% funding
- The amount received by each hospice varies significantly. There is no obvious cluster of results around the average, showing the inequitable funding for hospices throughout the country

Statutory Funding

Statutory funding levels vary greatly between hospices and there is normally no link between the level of funding that a hospice gets and the needs of the population it serves, and no consistency as to how funding allocations are made.

Healthcare in the UK is a devolved issue, and further information to help hospices understand the health and care system can be found [here](#), or by searching 'Understanding the healthcare system' on Hospice UK's website.

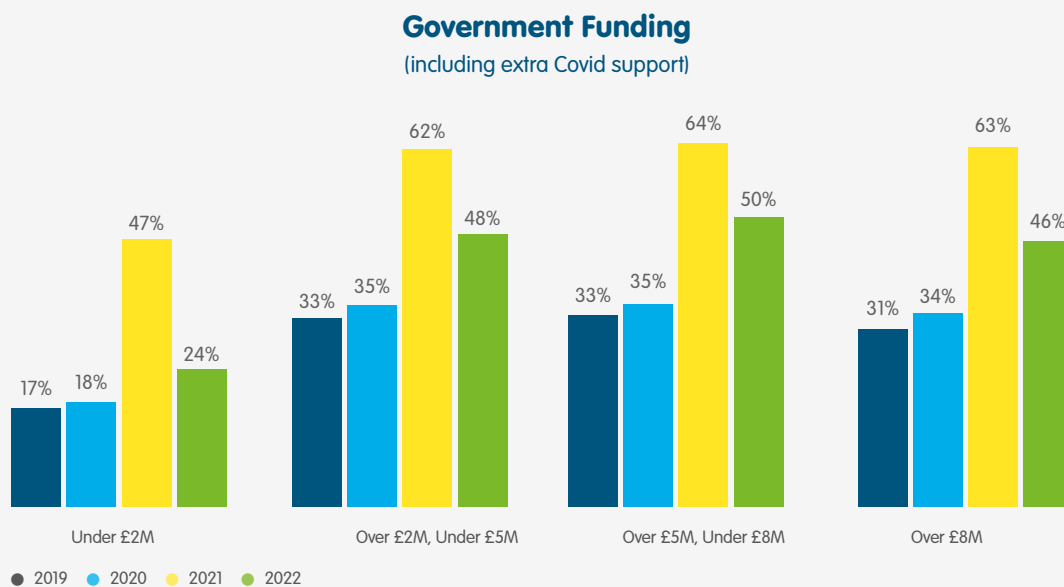
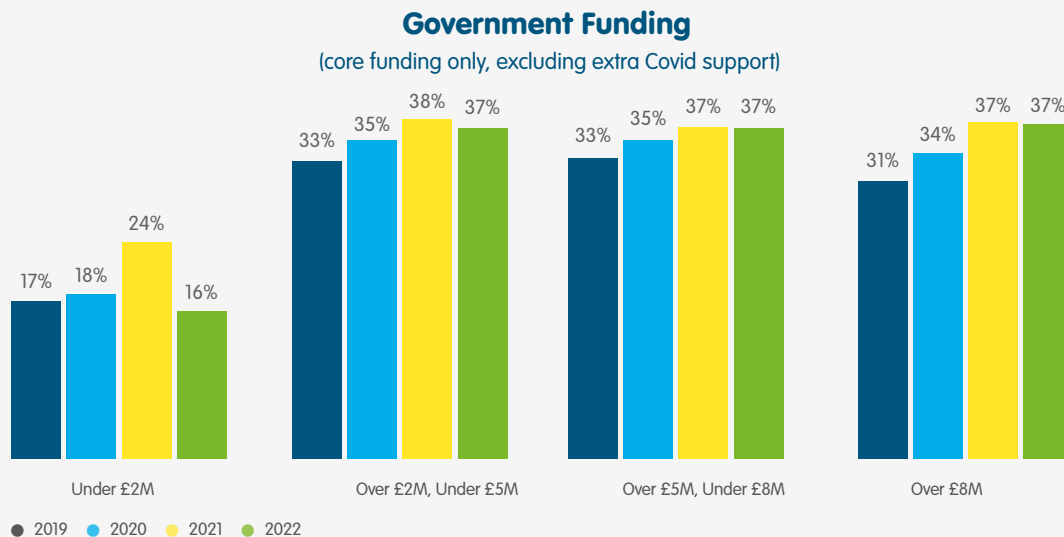
Guidance as to how hospices can influence local decision makers and ensure end of life care is prioritised at a local level can be found [here](#), or by searching 'Influence local decision makers' on Hospice UK's website.



Government funding - England

FIGURE 11

Government funding as a percentage of expenditure in England (comparison by size of adult hospices)



Key findings

 In total, the government funded 37% of the expenditure incurred by adult hospices in England if only recurring funding is considered and 47% when additional Covid support is taken into consideration


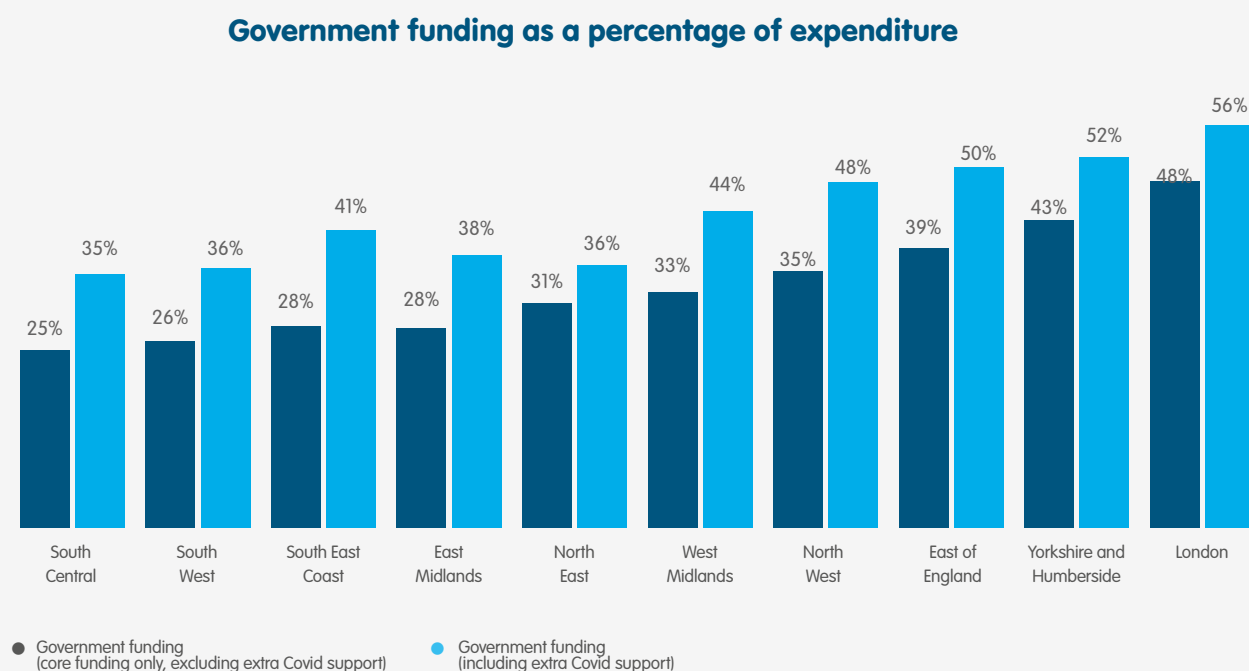
 However, there is great divergence in the proportion of funding received by different hospices. Smaller hospices in particular tend to receive significantly lower government funding than medium sized or larger hospices

FIGURE 12

Government funding as a percentage of expenditure in England adult hospices (comparison by region)



- ☀ Average levels of government funding vary significantly between regions in England
- ☀ On average, levels of funding are lowest in the South of England
- ☀ On average, hospices in London receive twice as much statutory funding as those in the South Central region, but it

is important to note that there are also equally big differences within these and all regions

- ☀ Levels of government funding are typically based on historic arrangements rather than by a specific tariff or assessment of need
- ☀ As a consequence of this, there will also be substantial differences in funding levels within regions

Levels of government funding are typically based on historic arrangements rather than by a specific tariff or assessment of need.

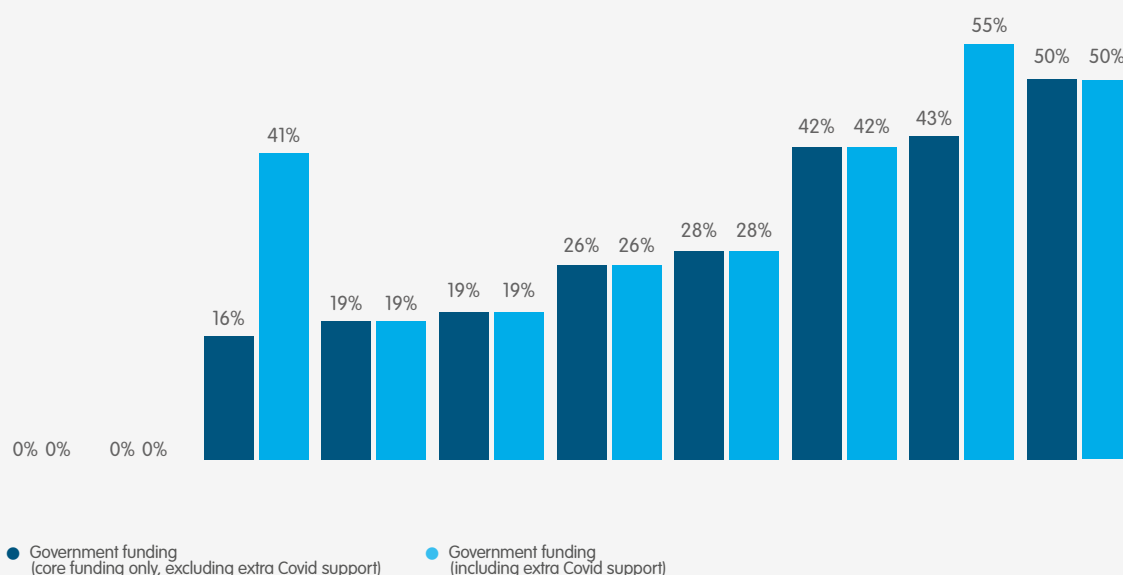
Government funding - Wales

The graph below shows government funding as a percentage of expenditure (excluding trading activities) for Welsh adult hospices, with each line representing a different hospice.

FIGURE 13

Government funding as a percentage of expenditure in Wales adult hospices

(each bar represents a different hospice)



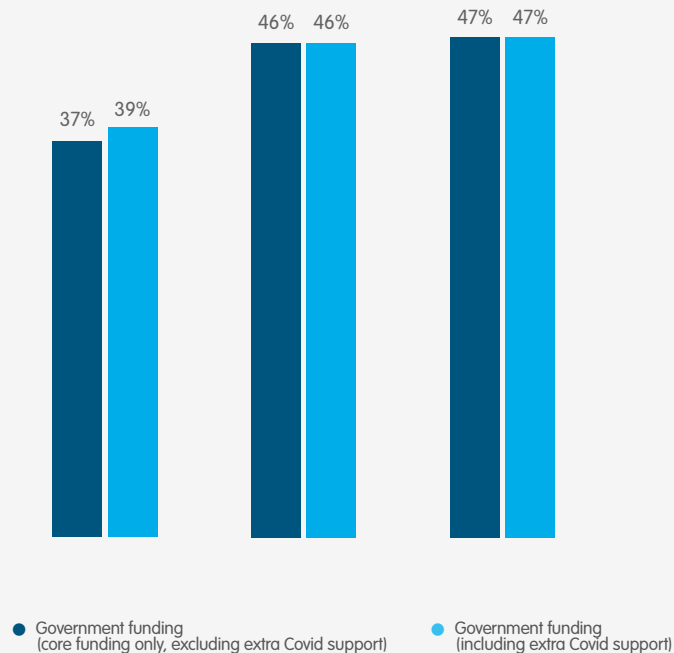
Key findings

- In total, the government funded 29% of the expenditure incurred by adult hospices in Wales if only recurring grants are considered, and 37% if the exceptional grants for Covid support are taken into account
- There is significant variation between the funding levels of different hospices, from no funding up to 55%
- Overall, hospices in Wales receive less government funding as a proportion of expenditure than those in England and Scotland – however this is partly as a result of a different funding system, with more costs being borne directly by the NHS so it is not possible to make direct comparisons

Government funding - Northern Ireland

FIGURE 14

Government funding as a percentage of expenditure in Northern Ireland (comparison by size of adult hospices)
(each bar represents a different hospice)



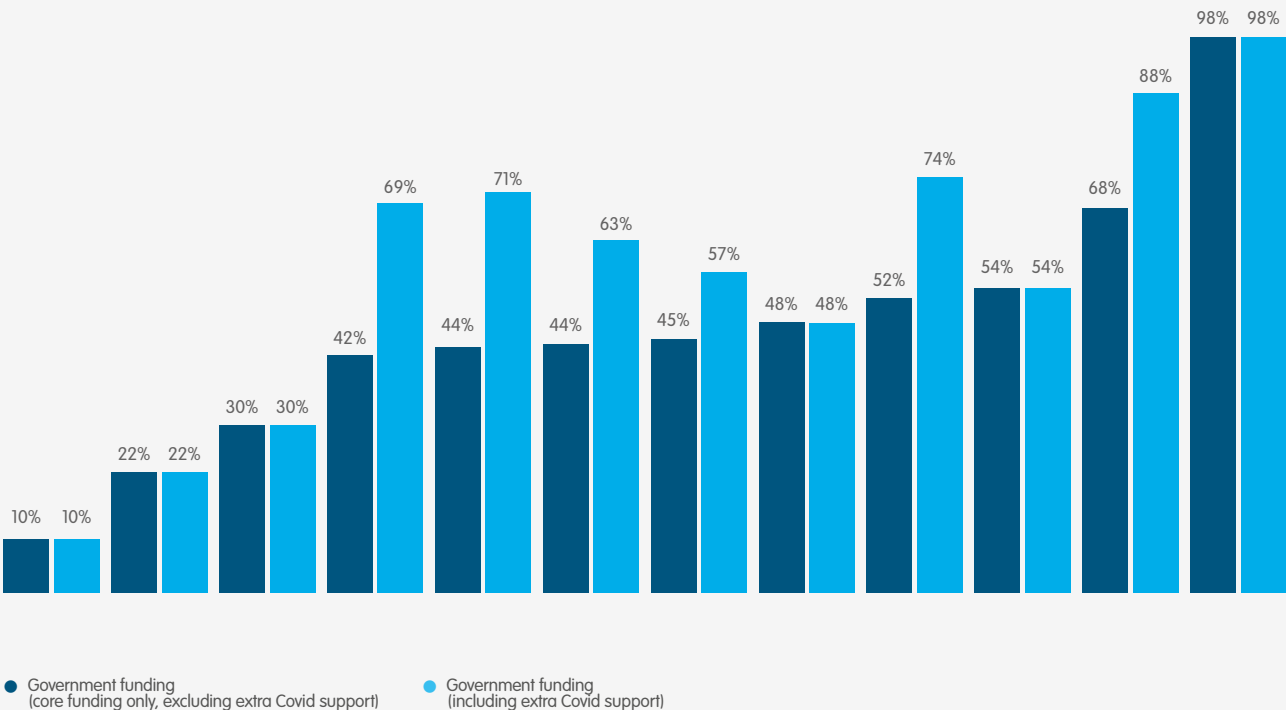
Key findings

- ☀ In total, the government funded 40% of expenditure incurred by adult hospices in Northern Ireland, rising to 41% when the one off Covid support is also taken into account
- ☀ Unlike in the other nations, there was limited additional government support for hospices in Northern Ireland as a result of the Covid pandemic in 2022
- ☀ There are only three independent, charitable adult hospices in Northern Ireland, and funding levels are reasonably consistent

Government funding - Scotland

FIGURE 15

Government funding as a percentage of expenditure in Scotland (comparison by size of adult hospices)
(each bar represents a different hospice)



Key findings

☀ In total, the government funded 43% (recurring grants) and 52% (when government Covid support for core activities were included within calculation) of the expenditure incurred by adult hospices in Scotland

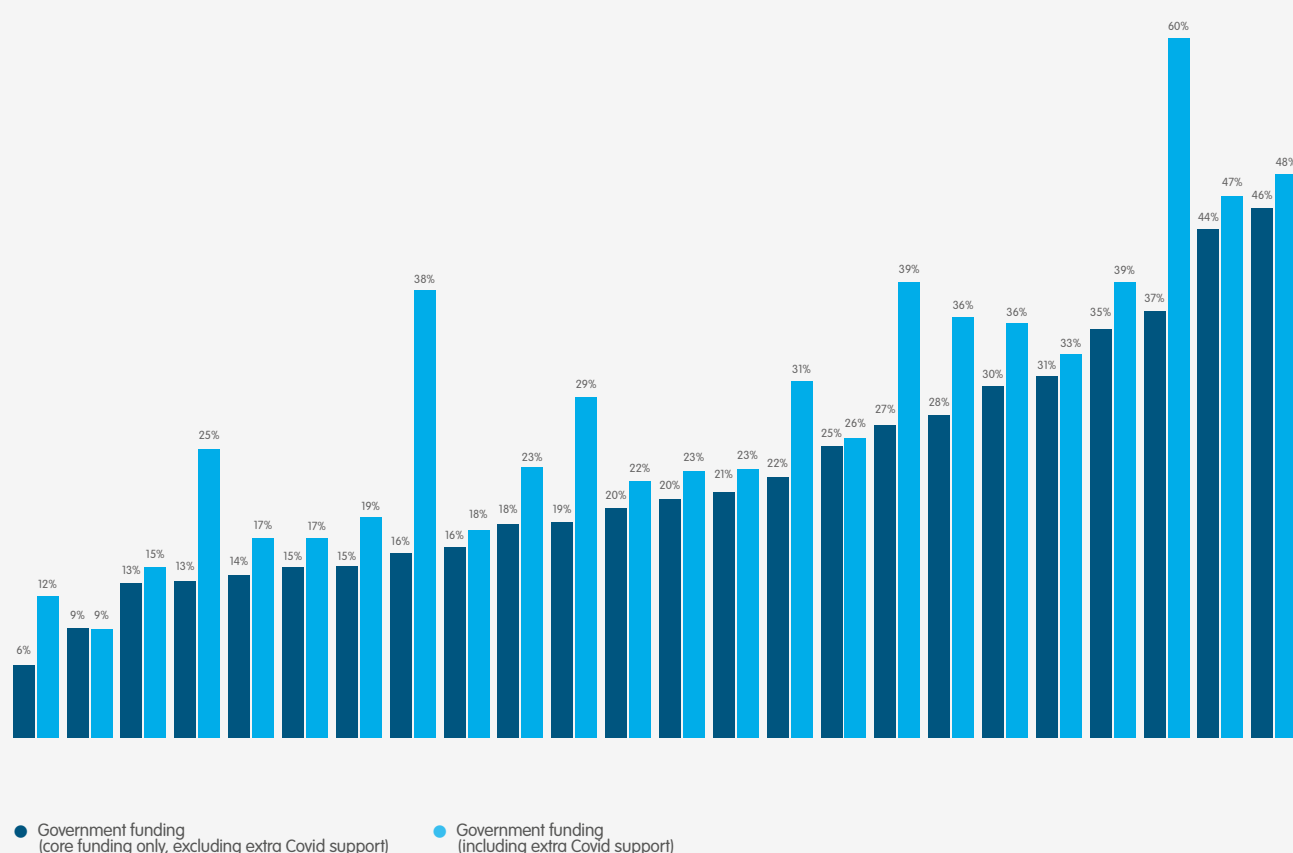
☀ Government funding for hospices in Scotland is typically higher than in other parts of the UK, although there remains significant variation between individual hospices

Government funding - Children's hospices (all nations)

The graph below shows government funding as a percentage of expenditure (excluding trading activities) for UK children's hospices, with each line representing a different hospice.

FIGURE 16

Government funding as a percentage of expenditure (children's hospices)
(each bar represents a different hospice)



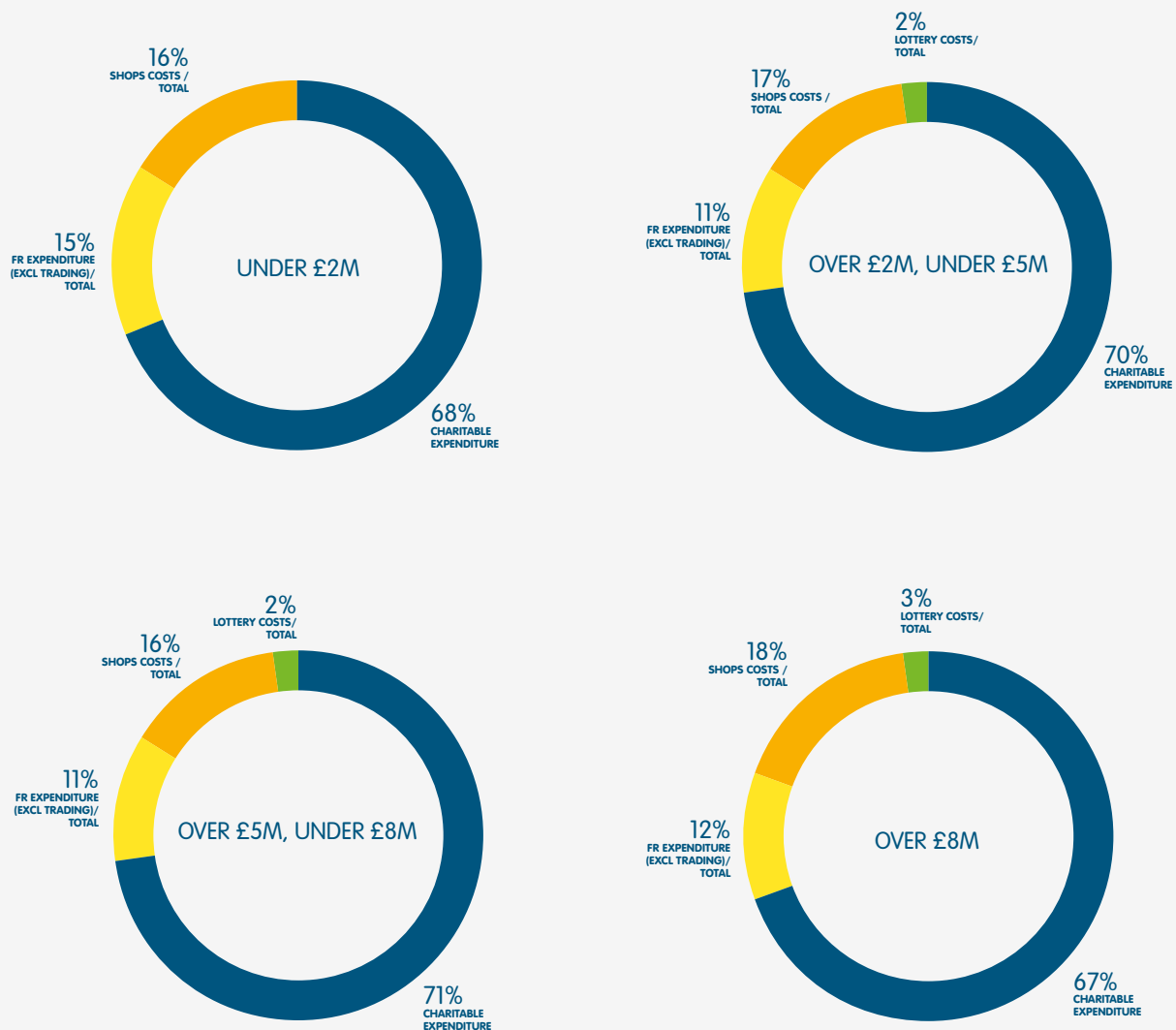
Key findings

- Most children's hospices are located in England, and on average, government funding in 2022 amounted to 24% based on recurring grants
- Once emergency covid grants are taken into account this figure rises to 29%
- These figures are for hospices which only care for children, and exclude those who care for both children and adults
- Children's hospices receive significantly less funding as a proportion of their total expenditure than adult hospices
- As with adult hospices, there is a wide variation in how children's hospices are funded

Expenditure

FIGURE 17

Breakdown of total expenditure (including Trading) for all independent hospices



Key findings

- On average, hospices spend more than two thirds of their total expenditure on charitable activities
- There are no clear differences in how hospices spend their funds based on the respective size of the hospices
- 17% of total hospice spend is on retail activities, 12% on fundraising activities and 2% on lotteries

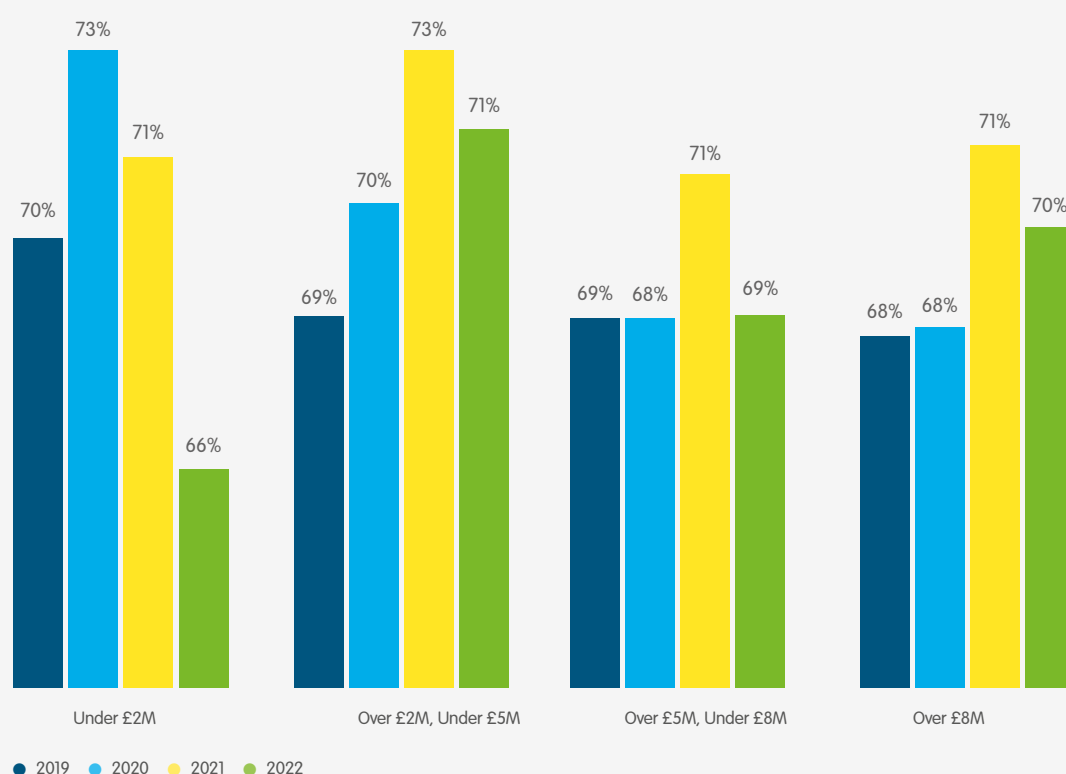
Staff costs

In common with many charities, staff costs make up a majority of the expenditure within hospices. The graph below shows staff costs (including salaries, national insurance and pensions) as a percentage of total expenditure (including shops and lotteries).

Staff costs represent 69% of a hospice's total expenditure, on average.

FIGURE 18

Staff costs as a proportion of total expenditure



Key findings

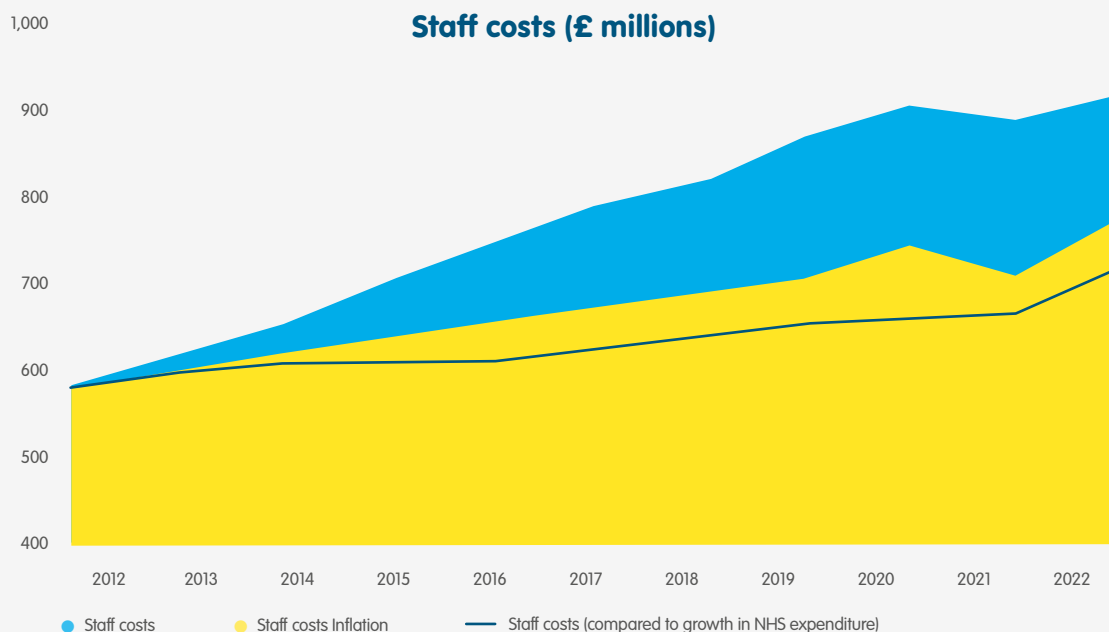
- Staff costs represent 69% of a hospice's total expenditure, on average
- This is broadly consistent across hospices of all sizes
- Total staff costs for independent hospices are now £917 million, which was 3% higher than in the previous year
- Post 2022, salary costs are expected to grow much more rapidly due to the need to keep up with NHS pay increases

This will put a major strain on hospice finances unless the NHS provides additional funding for hospices to match the increased wage bill

- The value of volunteer time is not shown in the financial statements and therefore is also excluded from these figures. Volunteer time is a major contribution to the activities of hospices

FIGURE 19

Staff costs over time



Staff costs have increased by significantly more than the rate of inflation since 2012.

Given that this is the largest cost, it highlights the budgetary pressures facing hospices.

Our historic data is incomplete with regard to staff numbers, but from the information we do have, it appears this growth up to 2020 was driven by an increase in the number of staff employed to meet rising demand.

In 2021 they shrunk for the first time. Analysis of the underlying data shows this was due to a fall in retail (and to a lesser extent other support and income generation staff) during the pandemic.

In 2022 the numbers rose again post pandemic, and as mentioned above, it is expected to increase much more steeply beyond 2022 as a result of wage inflation.

The independent hospice sector employs 32,477 staff or 24,646 full time equivalent staff. These numbers include staff working in hospice shops and other fundraising activities as well as those directly involved in care. They do not include the thousands of volunteers who are critically important for the delivery of hospice care in the UK.

If staff employed by the two large national charities, Marie Curie and Sue Ryder are included, then these figures rise to 36,626 staff or 27,684 full time equivalent staff.

Reserves

Available reserves are defined in this report as unrestricted reserves, including designated funds, less unrestricted tangible fixed assets. Available reserves are held by hospices for a number of reasons:

- ☀ Hospices rely on voluntary donations and fundraising for on average two-thirds of their income, and most have to renegotiate their NHS funding every year. Hospices must hold sufficient free reserves to enable the hospice to continue to provide its essential services if income levels were to fall
- ☀ To fund future capital projects, such as building or refurbishment work
- ☀ To contribute to general expenditure in times of growth or change, to respond quickly to new demands and take on innovative projects
- ☀ With the UK expected to be in a challenging economic climate for a number of years, which is likely to impact all areas of income generation, most hospices are planning deficit budgets for the foreseeable future
- ☀ The detailed analysis of hospices financial reserves in this section gives an indication of how long they will be able to maintain that strategy before they have to make cuts to patient services

It is the responsibility of the trustees to balance the above considerations and determine how much a charity should hold in reserves. In the graphs below, the value of available reserves is compared to each hospice's annual total expenditure (including trading activities).

Hospices must hold sufficient free reserves to enable the hospice to continue to provide its essential services if income levels were to fall.

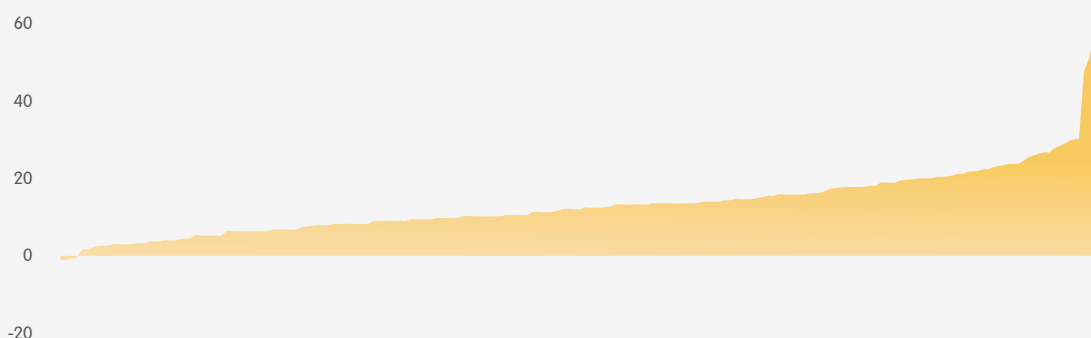
It is the responsibility of the trustees to determine how much their hospice should hold in reserves.



FIGURE 20

Available reserves as months of expenditure (adult hospices)
(each bar represents a different hospice)

Core reserves excluding restricted TFA based on gross expenditure



Hospices generally hold their free reserves in a mixture of cash and listed investments. At 31 March 2022 hospices were holding £488 million in cash and had investments valued at £716 million. There was one hospice which has reserves of almost 107 months as a result of an exceptional windfall in the previous year. That hospice has been excluded from both Fig 20 and Fig 21 to avoid distorting the results.

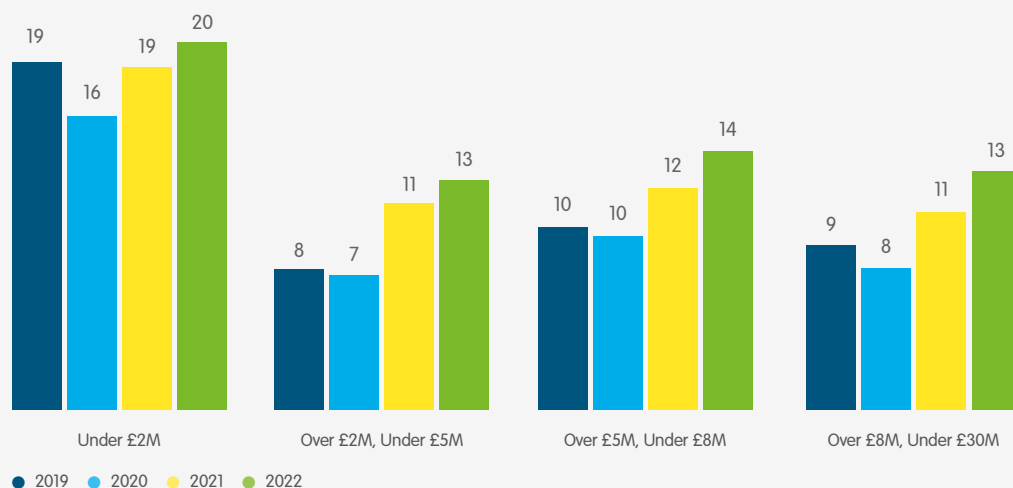
Investments

Hospices hold a substantial proportion of their free reserves in the form of investments. The Charity Commission has provided guidance on how trustees responsibilities with regard to investments. These were updated in August 2023 so please do check them out [here](#) or by searching 'Investing charity money' on the gov.uk website.

Hospice UK have worked with abrdn to develop a guide to how to develop investment policies for a hospice which can be found [here](#) or by searching 'Investment Policy Statements' on the Hospice UK website.

FIGURE 21

Average available reserves as months of expenditure by expenditure banding (adult hospices)



Key findings

- Adult hospices hold the equivalent of 15 months of expenditure in available reserves, on average
- 16% of hospices hold less than six months of expenditure in available reserves
- There are 2 adult hospices with negative available reserves, which means that they are using the value of their fixed assets to enable them to remain solvent
- At the other end of the scale 12 hospices have available reserves of more than two years expenditure. It may be that these hospices are saving funds for a new building or other major capital project

Reserves

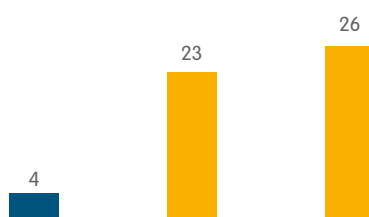
For further guidance on how to set a reserves policy for a hospice, please refer to this guidance produced by Sayer Vincent at <https://www.sayervincent.co.uk/publications/reserves-policies-made-simple/>

Right now, the average hospice has healthy reserves levels, but almost all are facing large structural deficits which look set to erode these reserves in the coming years. For more thoughts on how to manage this challenge, please click [here](#), or search 'Hospice Financial Sustainability' on Hospice UK's website.

We have provided additional analysis of reserves by nation and region. In all cases, reserves are measured by excluding the value of any freehold property or restricted funds, and taking the remaining free reserves in comparison to the annual running costs of the hospice.

Northern Ireland

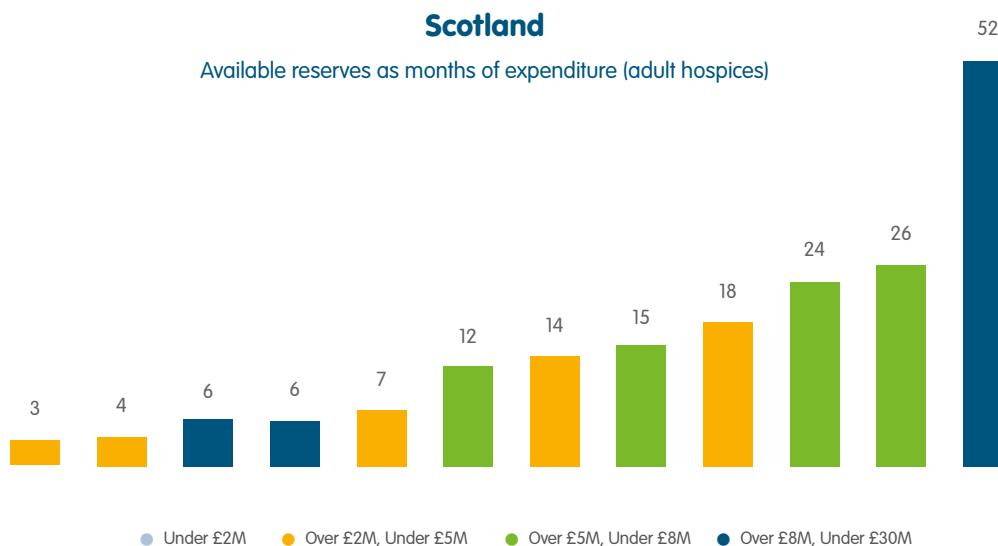
Available reserves as months of expenditure (adult hospices)



There is a significant variance in the level of reserves held by the three Northern Irish hospices.

Scotland

Available reserves as months of expenditure (adult hospices)

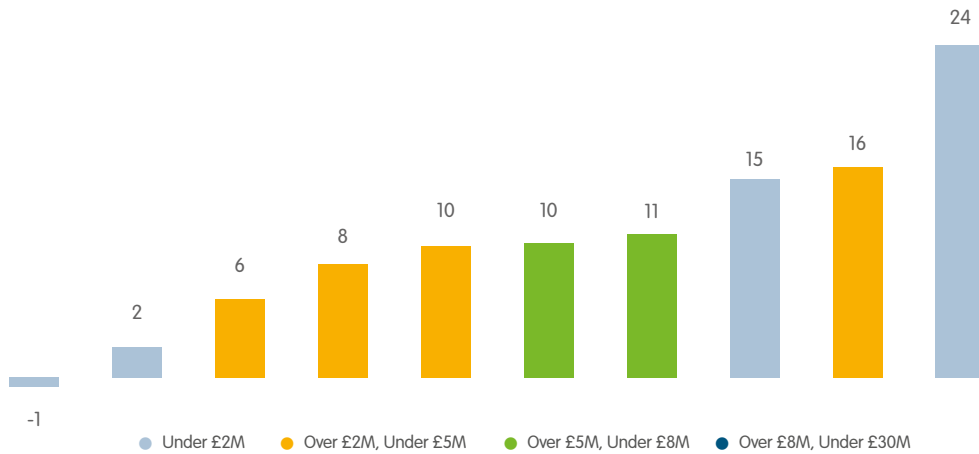


Five of the twelve Scottish hospices included in our survey are holding relatively low level of reserves, which may leave them vulnerable to any fall in income.

In contrast, there are two that are holding around two years' worth of free reserves, and one which is holding more than four years.

Wales

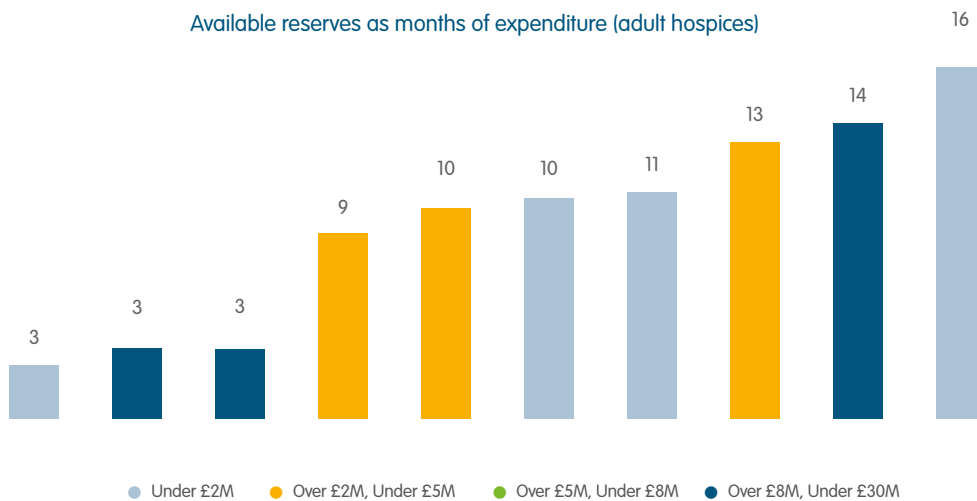
Available reserves as months of expenditure (adult hospices)



As in other nations, there is a wide variation in the level of free reserves held by Welsh hospices, ranging from negative available reserves to two years' worth of running costs

England - East Midlands

Available reserves as months of expenditure (adult hospices)

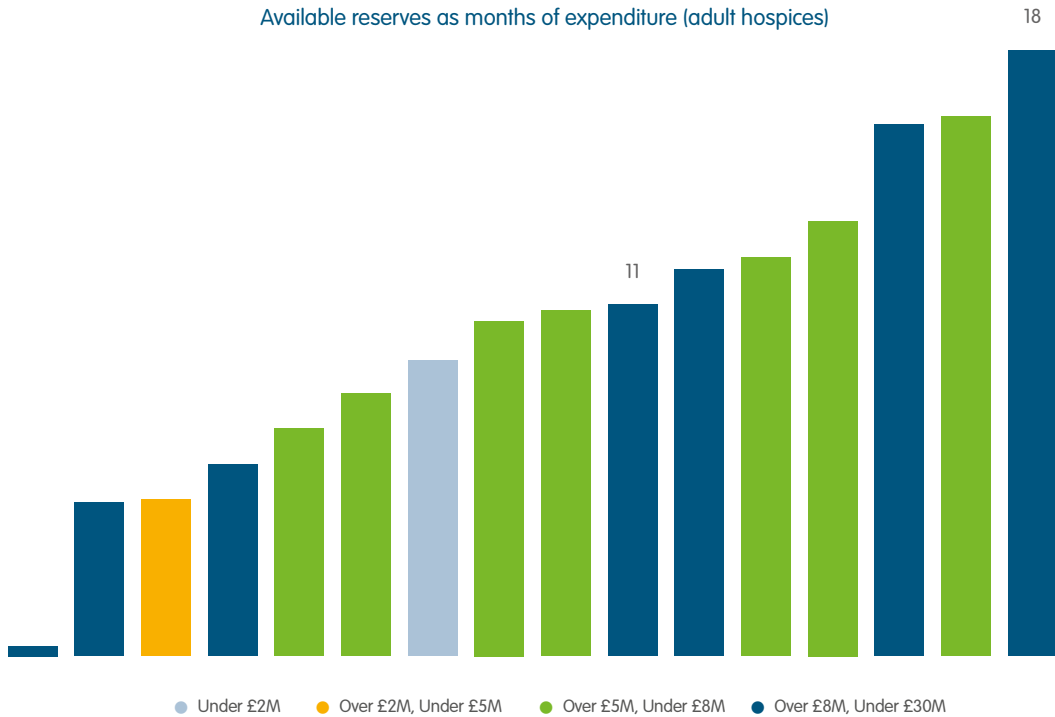


In general, reserves levels amongst the East Midlands hospices tend to be lower than in other parts of England, with three hospices having only three months reserves.

In contrast, three hospices in the region are holding over a years' worth of funds in reserve.

England - East of England

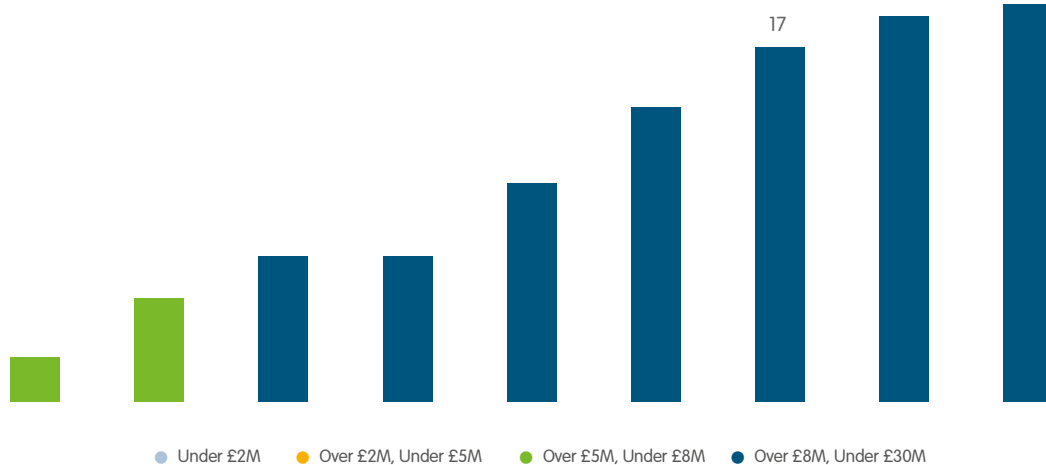
Available reserves as months of expenditure (adult hospices)



Reserves held by hospices in the East of England range from zero (once the value of the building and restricted funds is excluded) to eighteen months.

England - London

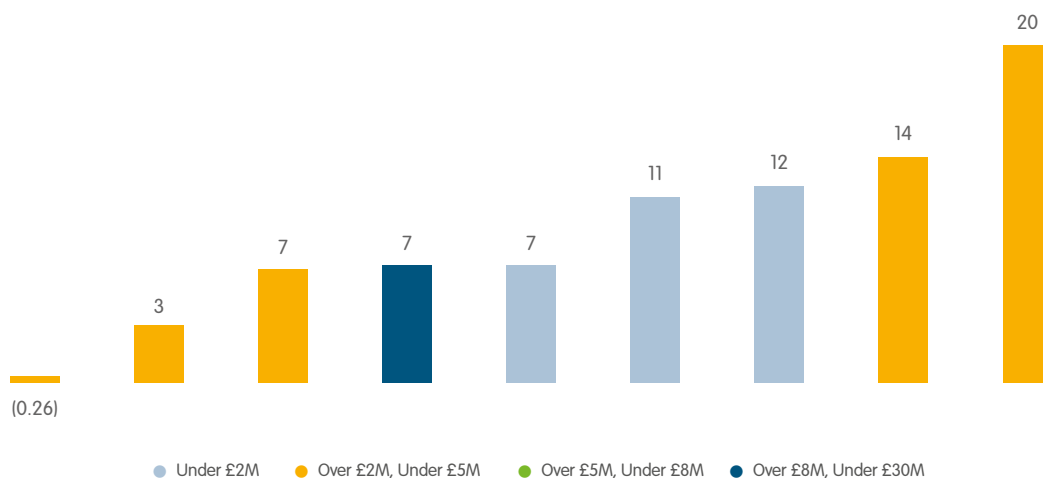
Available reserves as months of expenditure (adult hospices)



Most adult hospices in London have a pretty strong level of reserves, although there is one that is only holding one month's funds in reserve.

England - North East

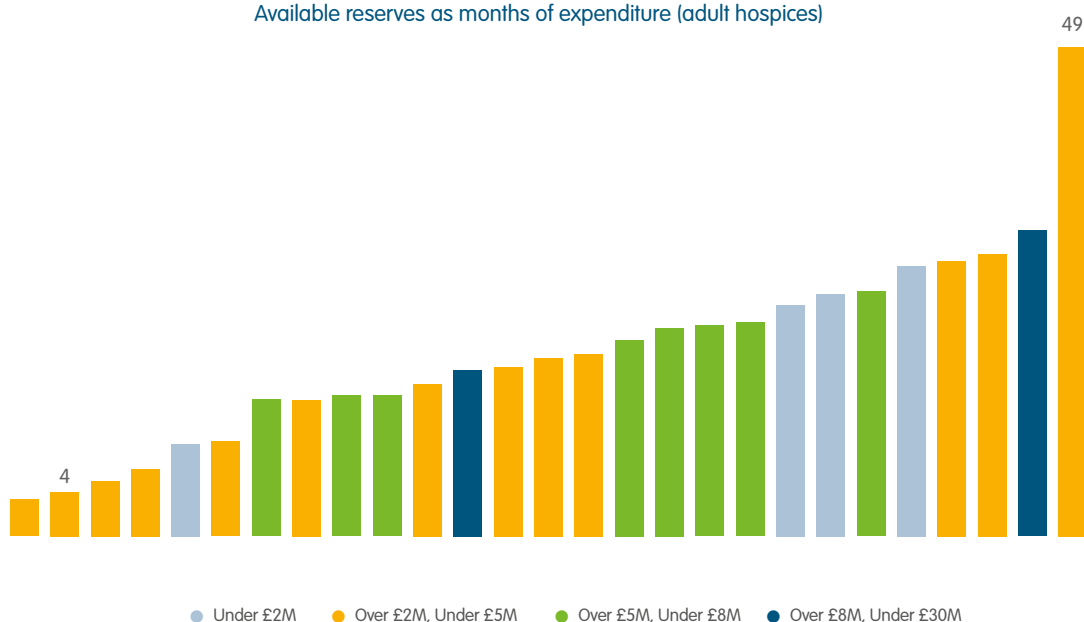
Available reserves as months of expenditure (adult hospices)



Most hospices in the North East are holding funds of between three and twelve months, but there is one that is holding no reserves and another than has around a year and a half's worth of reserves.

England - North West

Available reserves as months of expenditure (adult hospices)



There are more hospices in the North West than any other region.

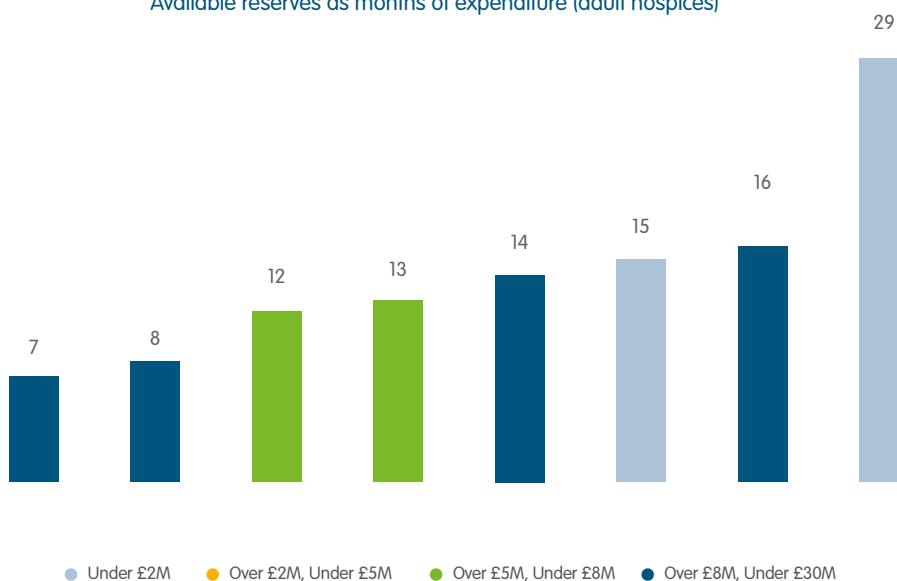
There is a cluster of hospices who are holding reserves around the fourteen to eighteen months mark.

There are also fourteen hospices in the North West who can be said to be in a strong financial position, holding reserves of eighteen months or more.

In contrast, three hospices in the region are holding reserves of six months or less.

England - South Central

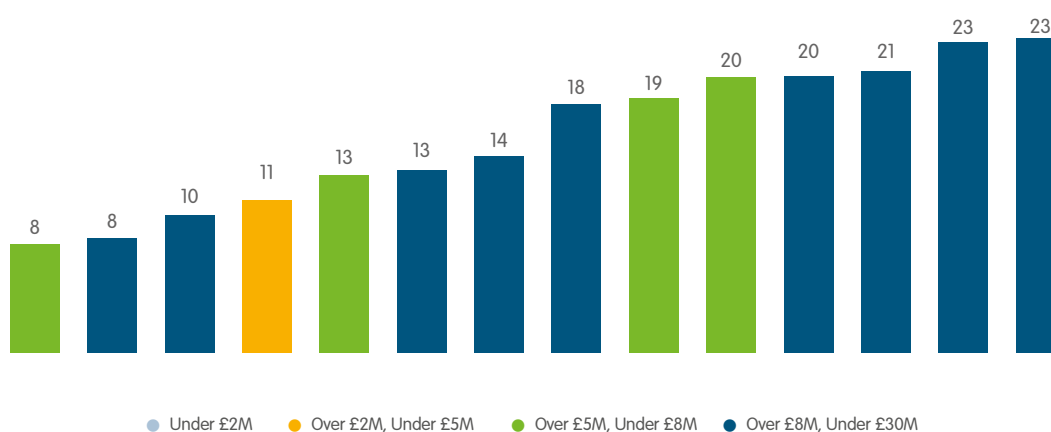
Available reserves as months of expenditure (adult hospices)



As in other regions, there is a significant variation in reserve levels held in the South Central region, ranging from seven months to twenty-nine months.

England - South East Coast

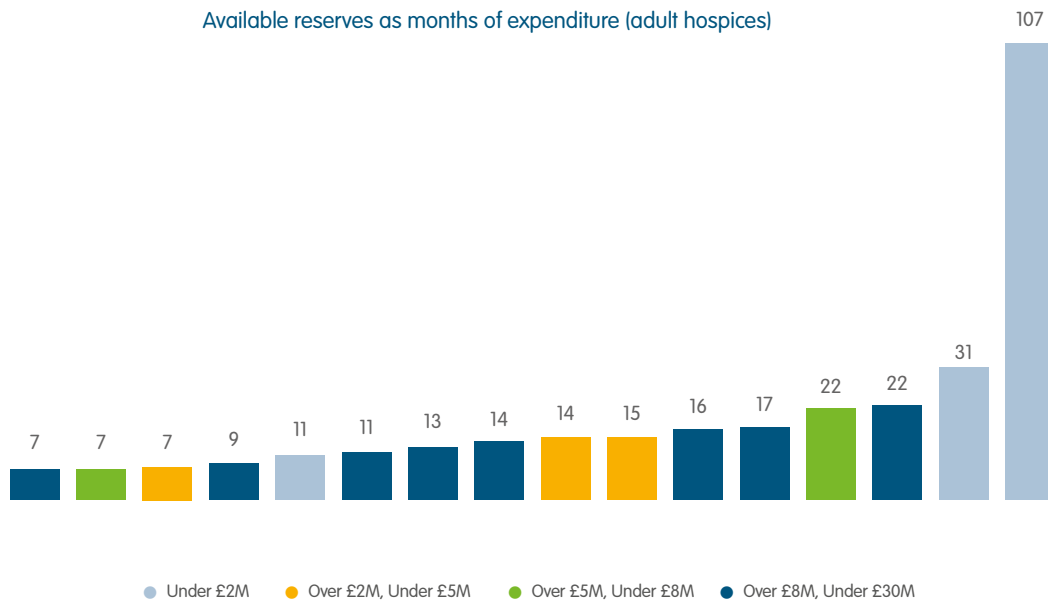
Available reserves as months of expenditure (adult hospices)



All hospices in the south east have a healthy or reasonably healthy level of reserves.

England - South West

Available reserves as months of expenditure (adult hospices)

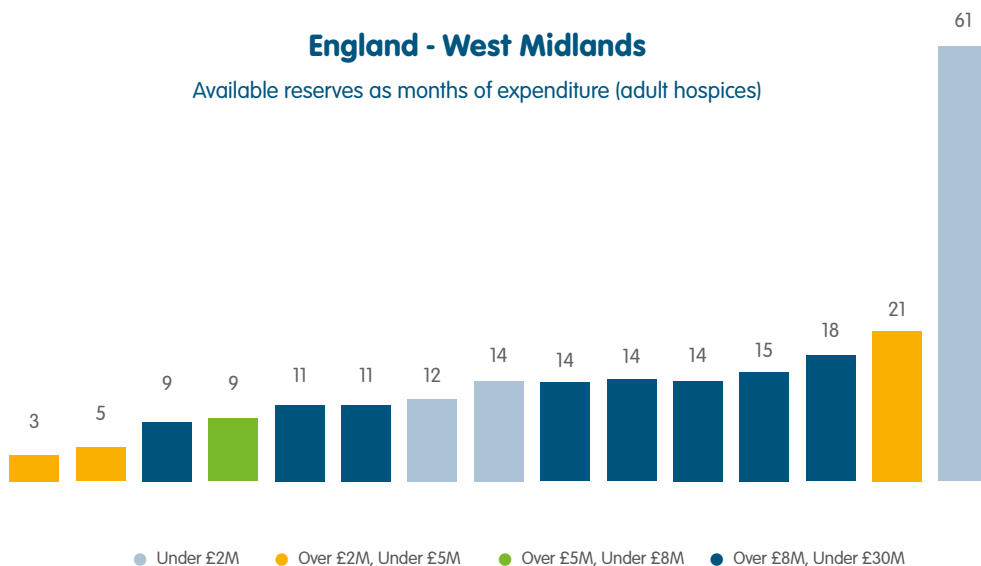


Hospices in the South West generally seem to have a reasonable level of reserves.

One organisation is showing an exceptional level of reserves following a significant unexpected legacy in the previous financial year.

England - West Midlands

Available reserves as months of expenditure (adult hospices)

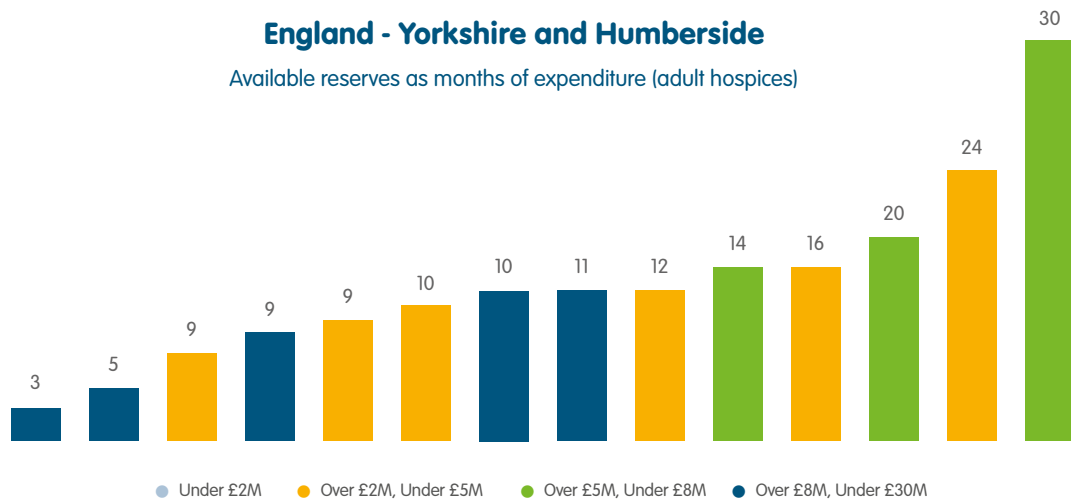


In the West Midlands, there is a cluster of hospices holding between nine and fifteen months of reserves.

Two hospices in the region are holding less than six months reserves which may leave them vulnerable to any downturn in income.

England - Yorkshire and Humberside

Available reserves as months of expenditure (adult hospices)

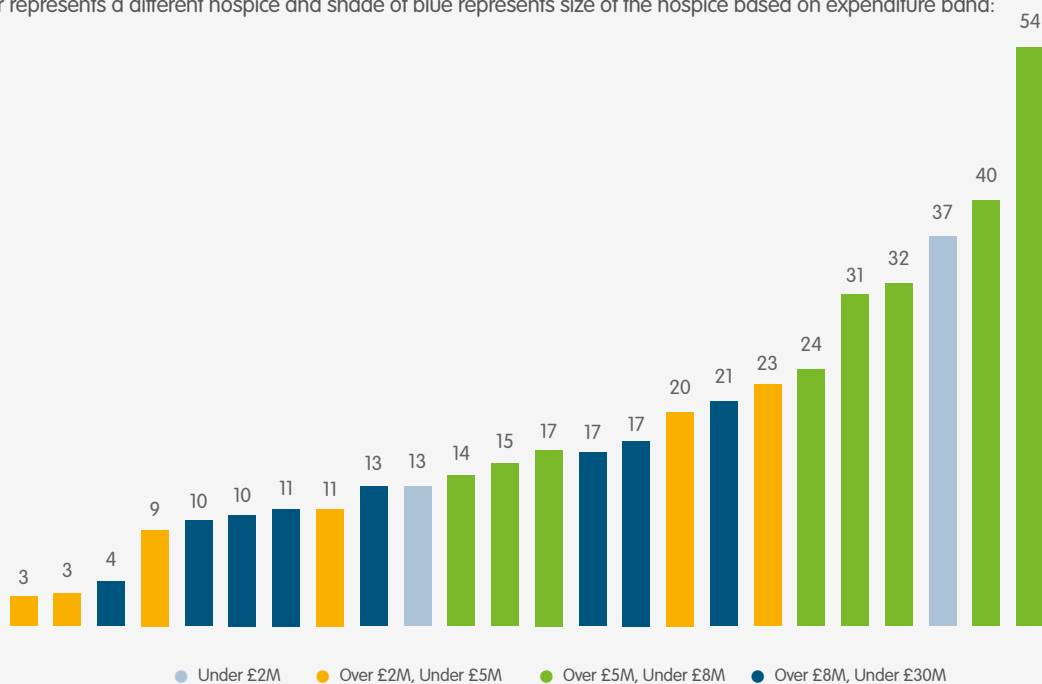


Yorkshire hospice reserves levels range from only three months to up to thirty months.

FIGURE 22

Available reserves as months of expenditure (children's hospices)

Each bar represents a different hospice and shade of blue represents size of the hospice based on expenditure band:



Key findings

On average, children's hospices hold available reserves representing 19 months' expenditure. This is higher than adult hospices, which may reflect the differences in sources of funding noted in Figure 2 - Income type as a percentage of total income. (If income sources are believed to be less secure in the long term, then charities would be expected to hold

higher levels of reserves so that their services are not affected by short term fluctuations in income)

Once again, there is a significant variation in reserves, with three hospices holding less than six months' worth of reserves and three holding more than three years reserves

