



Hospice Financial Benchmarking Report

Nine months from April-
December 2023

hospice^{uk}



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Executive Summary

The purpose of the benchmarking project is twofold:

- The primary purpose is to provide information for hospices to enable them to compare their performance to others
- An additional benefit will be to provide Hospice UK with more real time information about financial trends in the sector.

All information about individual hospice results is anonymous unless they choose to share it.

The information collected has been set by hospice finance directors based on what is most useful and practical for them to provide, and will evolve based on feedback from the group.

The number of hospices participating in the benchmarking project continues to grow, with 86 hospices submitting data for this third quarter.

The hospices participating in the survey collectively recorded a deficit of £23.5M. This is significantly better than budget (due primarily savings in expenditure versus budget, especially on staff costs) but worse than last year (due primarily due to inflation, especially wage inflation).

The overall results show a sector facing significant financial challenge.

In addition to this summary report, all participating hospices will receive a confidential individual report showing where they rank in comparison to their peers on all metrics included in the report.

Overall results

Distribution of surplus/(deficit) by individual hospice



The average deficit of hospices participating in the survey is £283k after nine months. 57 of the 85 hospices (i.e. two thirds) recorded a deficit. Of these, thirteen recorded a deficit of over £1M in the first nine months of the year, with the highest recorded deficit being £3M.

In contrast, only 28 hospices recorded a surplus. The highest surplus recorded was £1.8M which was by a hospice who received an exceptional charitable donation.

Estimated results for whole sector

With so many hospices participating in the benchmarking, we have a statistically robust sample from which to estimate results for the whole sector. If we assume results are even throughout the year (which they may not be) then we can also estimate the full year performance for the sector.

The table below is for the independent hospice sector for the nine months to December:

ACTUAL 9 MONTHS TO 31/12/23			
	ACTUAL	BUDGET	PRIOR YEAR
INCOME	1,127,593,450	1,104,005,399	1,051,933,746
EXPENDITURE	(1,175,990,229)	(1,222,615,363)	(1,059,195,883)
SURPLUS/(DEFICIT)	(48,396,779)	(118,609,965)	(7,262,137)

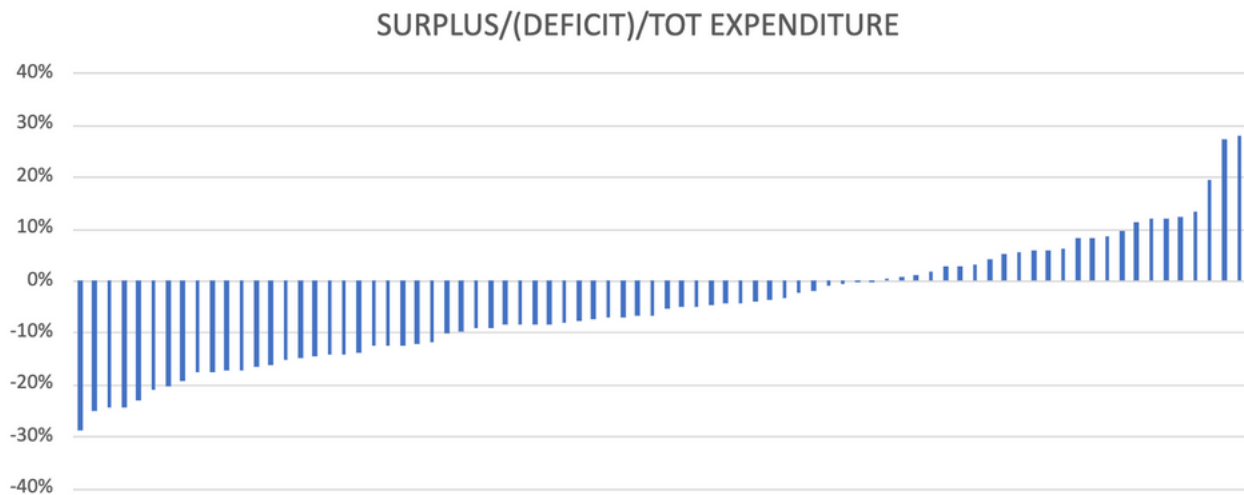
Extrapolating the results for the final three months of the year suggests the independent hospice sector is set for a deficit of £64.5M. We can have high confidence in the nine month figures in the table above, and reasonable confidence in the twelve month forecasts.

The table below shows the same info, but extrapolating the results to include the two national hospice chains. We should have slightly less confidence in this data, since it is not certain the two national chains' finances will exactly mirror those of local hospices.

ACTUAL 9 MONTHS TO 31/12/23			
	ACTUAL	BUDGET	PRIOR YEAR
INCOME	1,351,903,917	1,351,903,917	1,261,193,341
EXPENDITURE	(1,409,928,194)	(1,465,828,396)	(1,269,900,125)
SURPLUS/(DEFICIT)	(58,024,277)	(113,924,479)	(8,706,783)

The twelve month forecast for the whole sector is a deficit of £77M.

Surplus/(deficit) as a proportion of expenditure



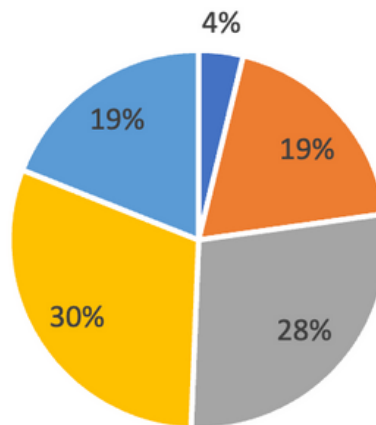
Comparing actual surplus and deficit has some limitations, as larger hospices are always going to record bigger figures than smaller organisations (e.g. a £100k deficit may not be concerning for one of the largest hospices, but could represent a major challenge for a small community-only service).

An alternative way of comparing results, to negate the impact of hospice size, is to look at overall surplus or deficit as a proportion of expenditure. So, in this example, a hospice which spends £1M in six months and recorded a deficit of £100k would show a result of -10% on this measure.

The graph above shows the breakdown of all hospices results based on this measure. The graph shows that while only two hospices are recording a surplus representing more than 20% of their expenditure, eight hospices are recording a deficit representing more than 20% of their expenditure.

Long term financial outlook

How long into the future will you be budgeting for a deficit



■ No more deficits ■ One year ■ Two to three years ■ Three years plus ■ Don't know

We asked hospices how long into the future they anticipated running a deficit budget:

- Just 4% thought they would not be budgeting for deficits in future.
- The highest number (30%) anticipated deficits for a minimum of three more years.
- More than half anticipated deficits for at least another two years.

Statutory funding as a proportion of expenditure

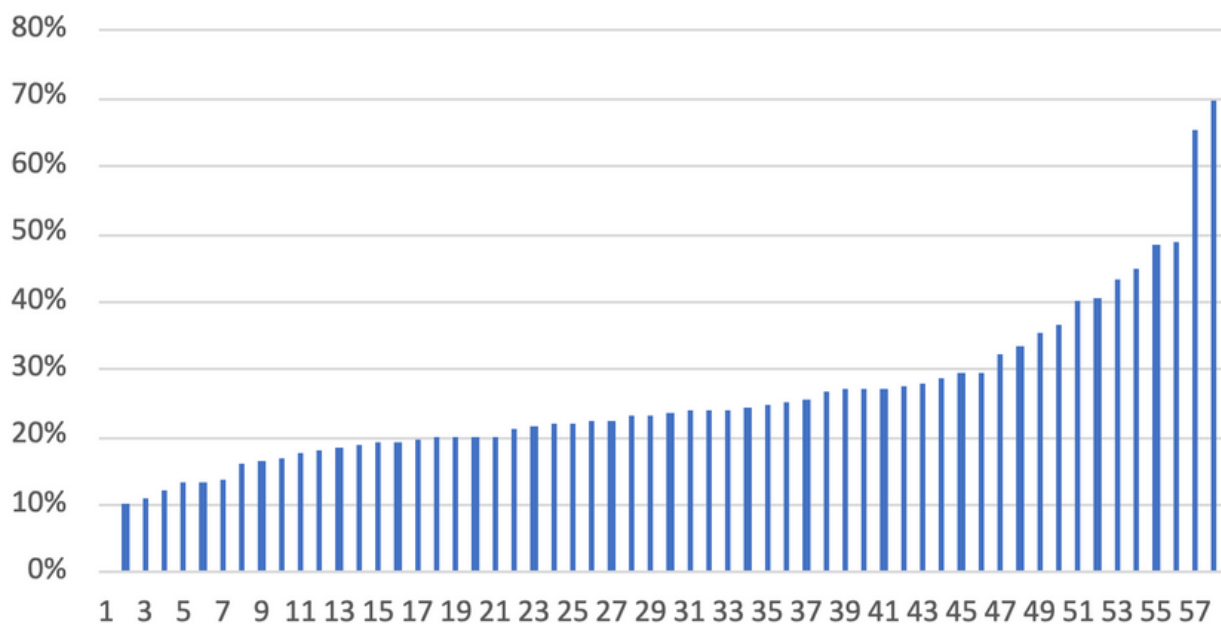
Note that for the purpose of this benchmarking report, the method of calculating the government funding percentage is slightly different to that which we use in our annual hospice accounts report, due to the level of information available to us.

In the hospice accounts report, we divide statutory funding by all expenditure excluding retail and lottery expenditure. In this benchmarking report, we have divided statutory funding by all expenditure including retail and lottery expenditure.

We would therefore expect the reported government funding percentage to be a little lower than the one third that we have historically reported in the hospice accounts report.

The overall average level of statutory funding for all hospices is 24%, but it is more useful to consider the different types of hospice separately.

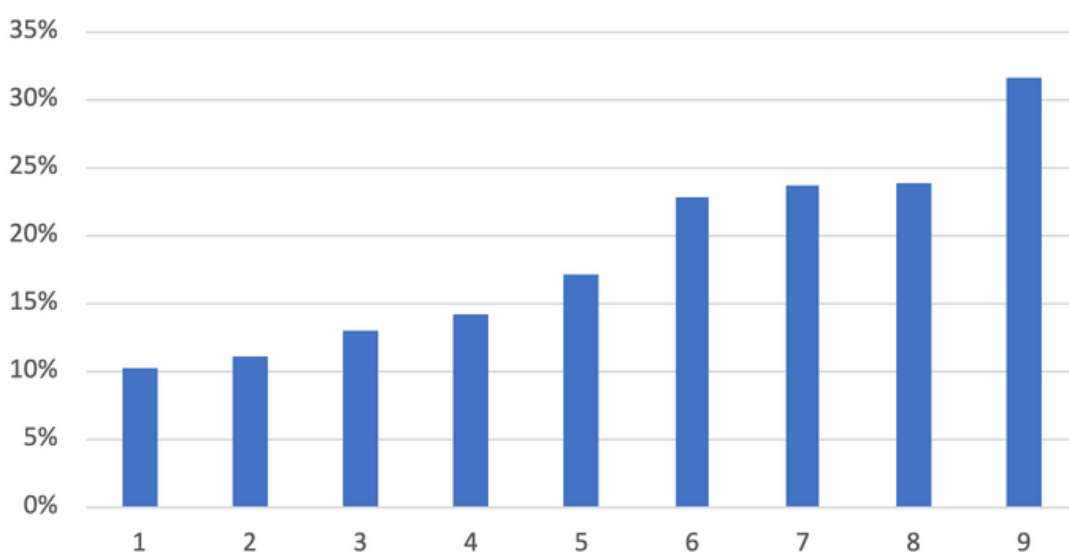
Stat Funding as a % of Expenditure- Adults



This graph shows government funding as a proportion of all expenditure for adult hospices. 58 hospices have been included in this calculation.

- The median statutory funding for adult hospices is 23%.
- The mean statutory funding for adult hospices is 25%.
- The lowest level of statutory funding is 0% and the highest is 70%.

Stat Funding as a % of expenditure- children

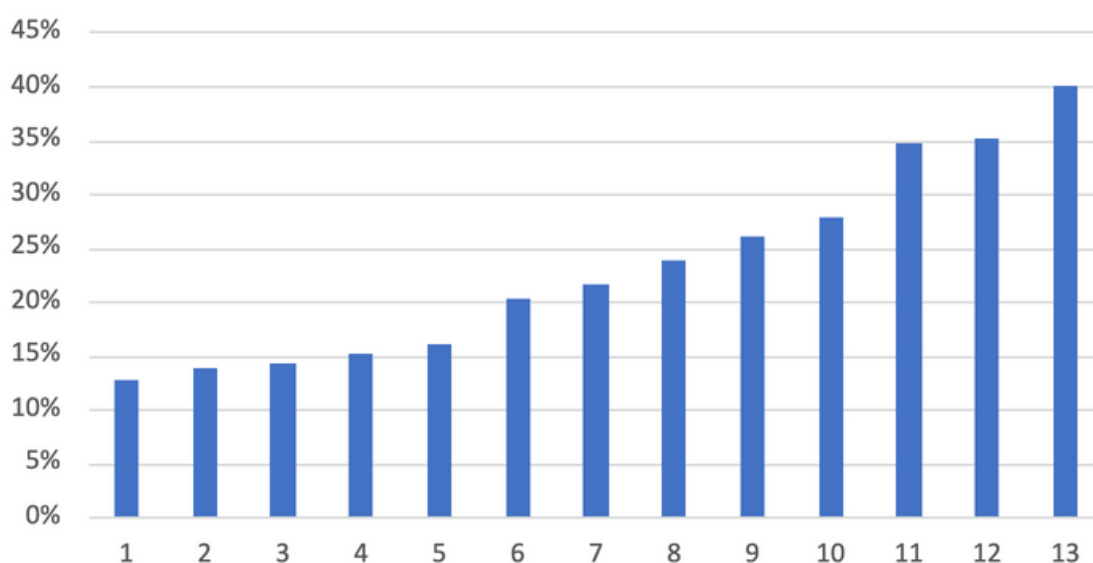


The above graph shows government funding as a proportion of all expenditure for children's hospices. Nine hospices have been included in this calculation.

- The median statutory funding for children's hospices is 17%.
- The mean statutory funding for children's hospices is 18%.
- The lowest level of statutory funding is 10% and the highest is 32%.

The final graph (below) shows government funding as a proportion of all expenditure for joint hospices. 13 hospices have been included in this calculation.

Stat funding as a a % of expenditure- joint



- The median statutory funding for joint hospices is 22%.
- The mean statutory funding for joint hospices is 25%.

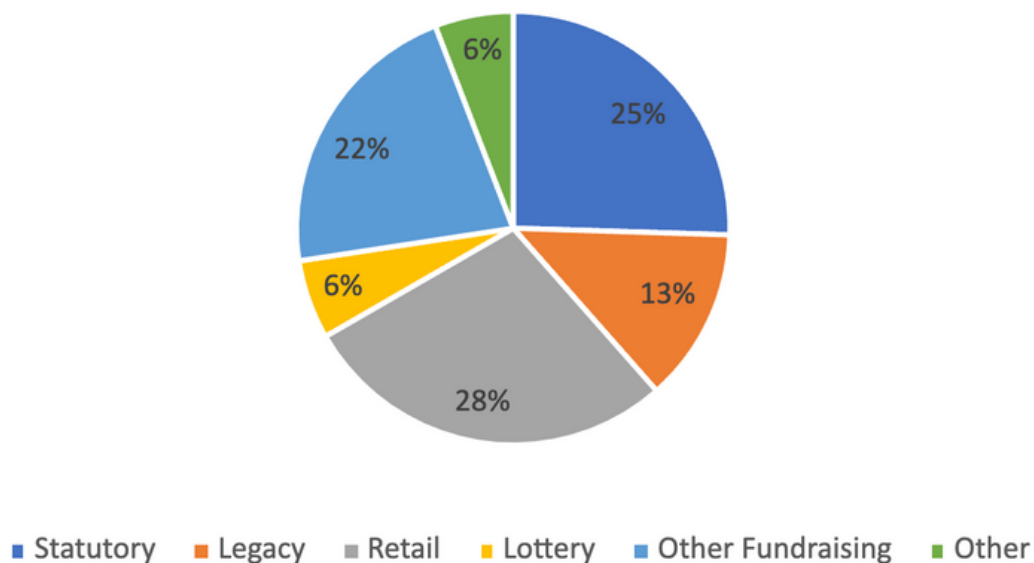
Breakdown of Income and Expenditure

Income

This section shows the breakdown of income and expenditure for different hospices participating in the survey. The individual reports sent to each hospice will enable them to compare their mix of income & expenditure with the average hospice.

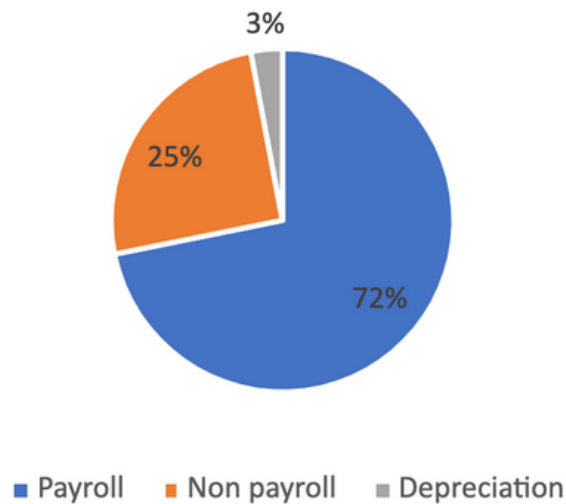
The first graph below shows the breakdown of income. On average, retail income (28%), statutory income (25%) and fundraising income (22%) are the most important income sources for hospices.

Breakdown of Income



Expenditure

Breakdown of Expenditure

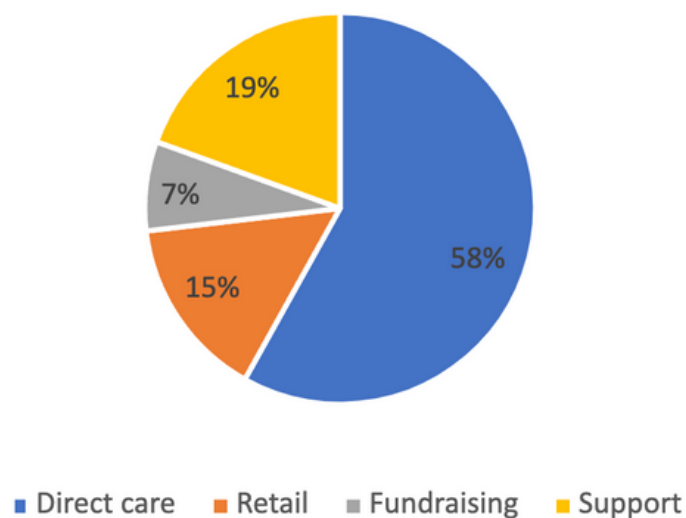


The graph above splits total costs between payroll, non-payroll and depreciation.

As with most charities, staff costs are by far the most significant cost for hospices, representing 72% of total costs.

Payroll

Breakdown of Payroll Costs

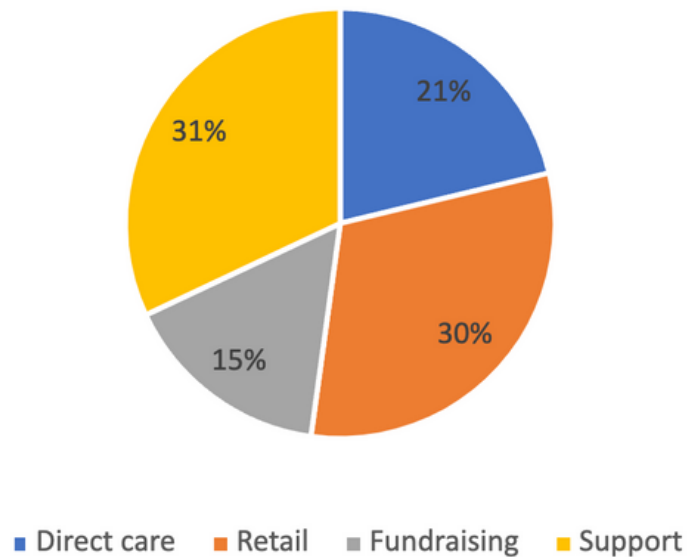


The graphs above show the breakdown of payroll costs.

On average, 58% of payroll costs were spent on direct care, with support costs at 19% being the next biggest area.

Non payroll

Breakdown of Non Payroll Costs



Finally, the graph above shows the breakdown of non payroll costs for all hospices.

In contrast with payroll costs, care costs are a less significant proportion on non-pay costs. Most non-pay costs are spent on retail (30%) and support (31%).

Shop Income and Profits

For most areas, it is difficult to compare actual results between hospices, due to the differing size of the organisations. Therefore, in most cases, it is probably more useful to compare % change against budget and against prior year.

We are looking to add population data to enable comparison between different organisations. For now, the one area where we do have data that enables useful comparisons is retail. Hospices have provided us with the number of shops they operate, full-time equivalent staff numbers and space occupied.

The first graph below shows the distribution of gross retail income per shop.

Income per shop ranges from below £46k to over £330k (note that all figures are for nine months). The median income per shop for the nine month period is £119k.

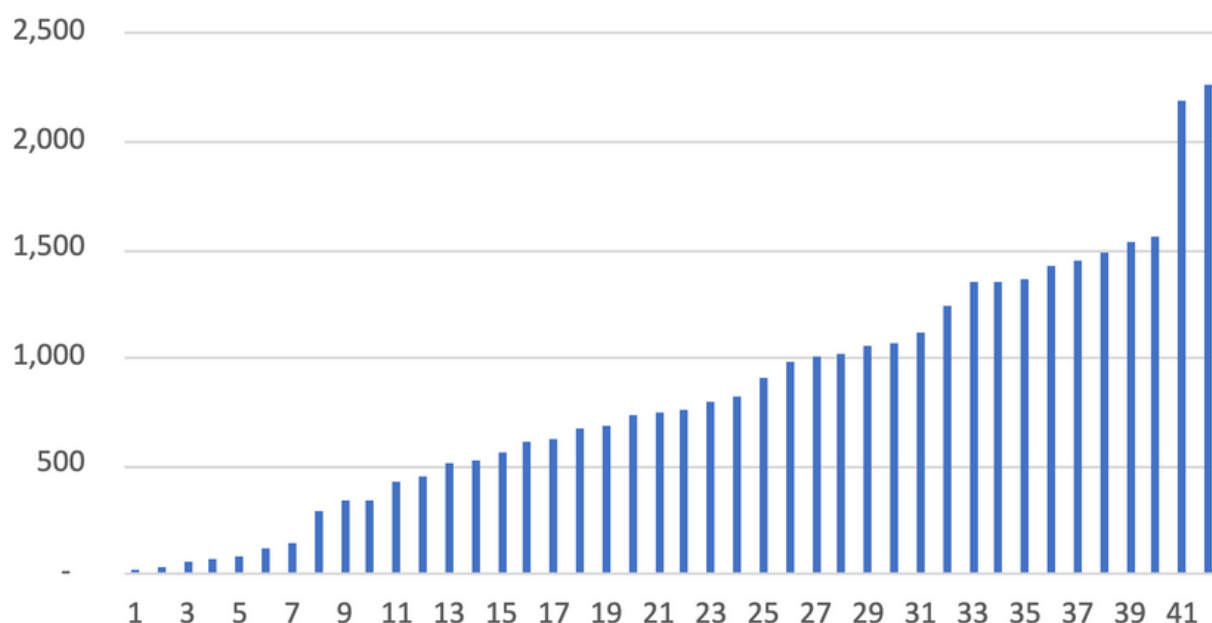




The median profit per shop for all hospices is just under £32k after nine months.

All retail operations are now profitable, with the profit ranging from £1k to £89k per shop, except for one very successful outlier which is generating a profit of £154k per shop (the outlier is a hospice who operate a retail hub - a combined shop and warehouse which they use to sell some donations in bulk to wholesale buyers).

Gross Income Per Square Metre

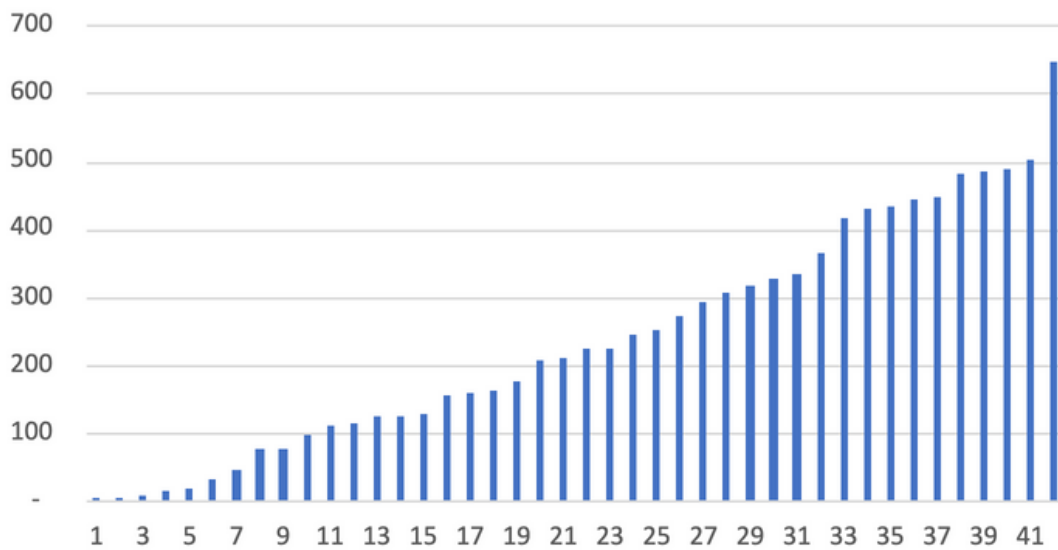


Around half of participating hospices provided us with information about the square metres occupied by their retail operations. There were surprisingly wide variations in the gross income and net profit per square metre of different retail operations.

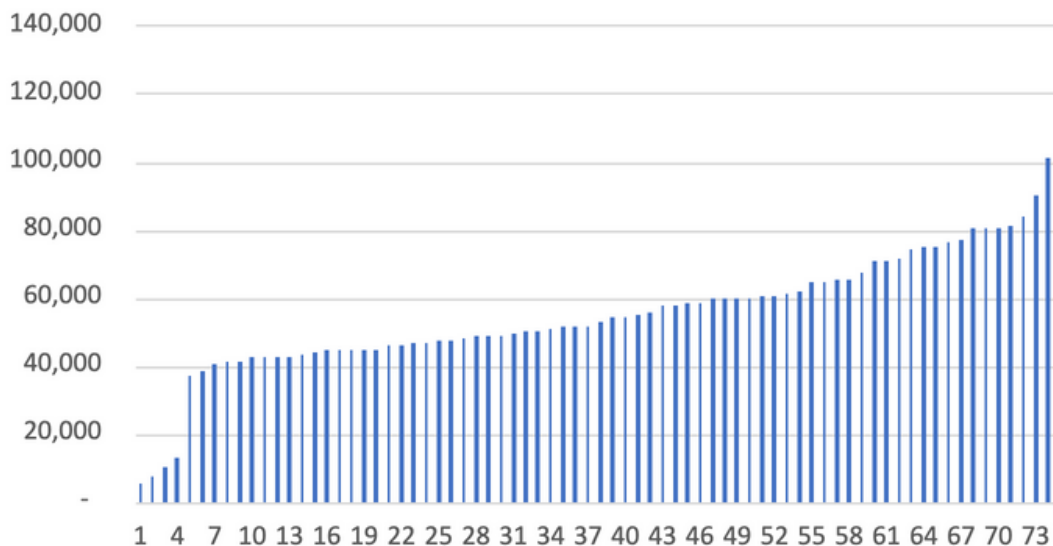
Gross income per square metre (over nine months) ranged from £8 to £2,257, with the median being £750 per square metre (over nine months).

Net profit per square metre (over nine months) ranged from £2 to £644, with the median being £210 per square metre (over nine months).

Profit Per Square Metre



Income per FTE Retail Worker

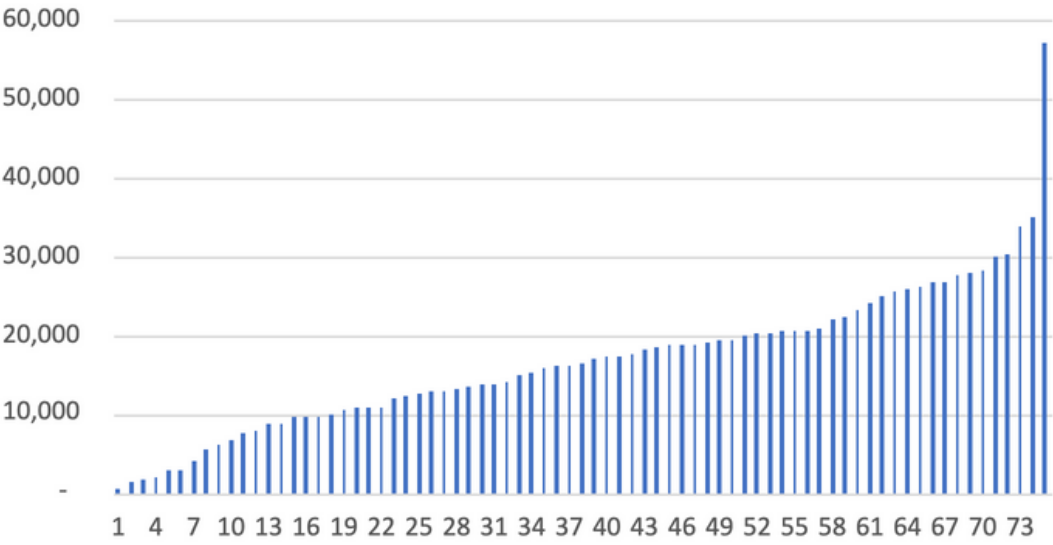


There was not quite such a wide variation in results compared to number of full-time equivalent retail workers.

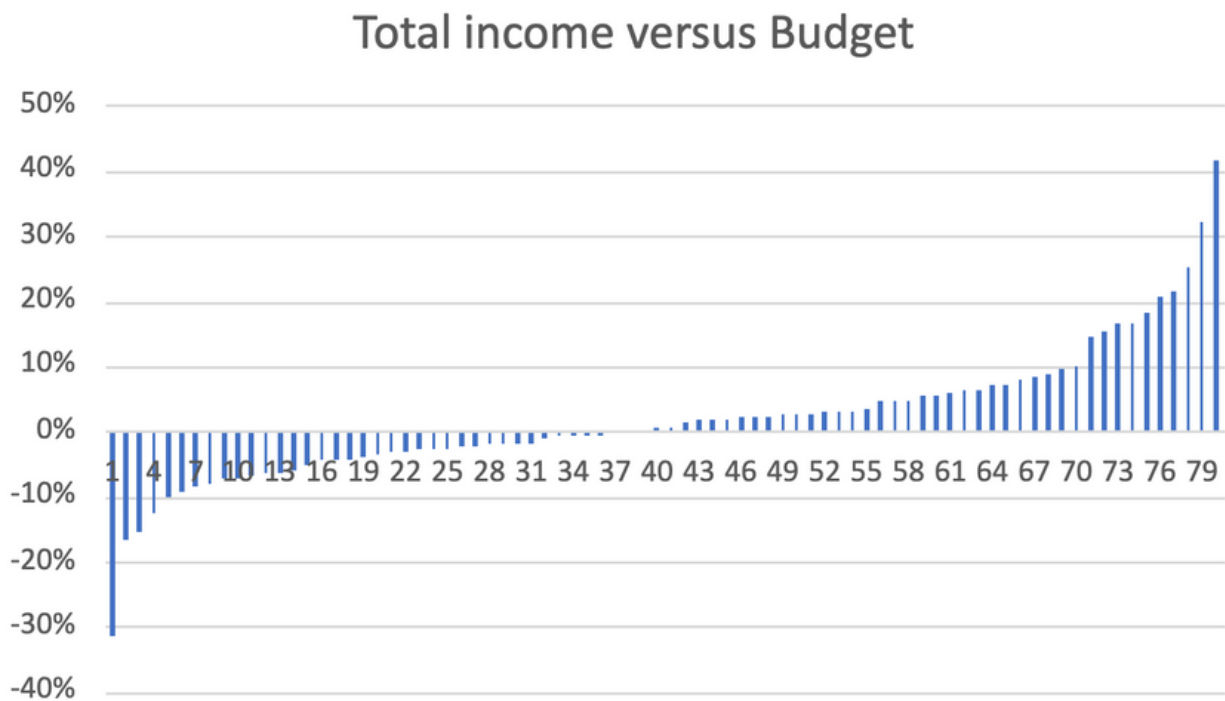
Gross retail income per FTE employee over nine months ranged from £6k to £129k, but the vast majority of results were within a range of £40k to £75k of gross income per FTE employee, and the median was £53k.

Net retail profit per FTE employee over nine months ranged from £500 to £57k, but the vast majority of results were within a range of £5k to £25k of gross income per FTE employee, and the median was £16k.

Profit per FTE Retail Worker



Performance against budget



The graph above shows whether individual hospice income is higher or lower than budget after quarter 3.

Overall, the sector is performing slightly better than its income budget (by 2% overall). However there was significant variation between hospices.

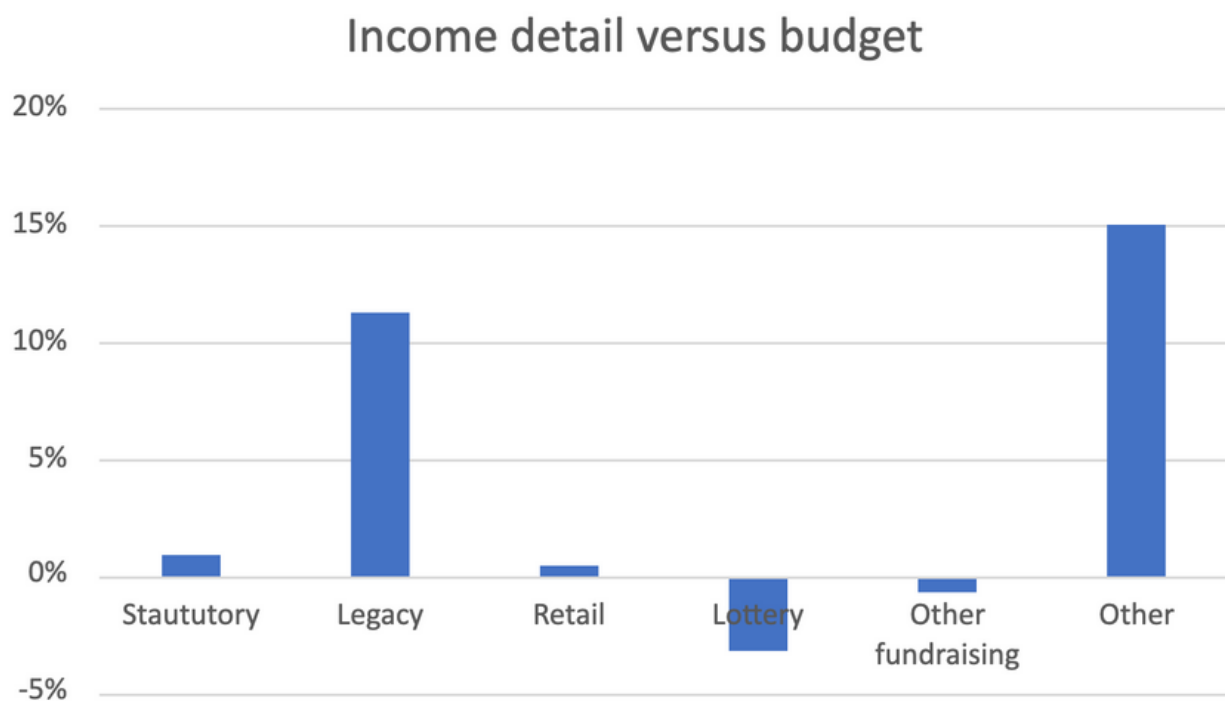
36 hospices reported total income below budget, and another 39 reported income above budget.

45 hospices (more than half) cluster around the middle (where income is within 5% of budget).

Five hospices represent income shortfalls of more than 10% of budget, with the worst performance being a shortfall of 32% against budget.

In contrast, twelve hospices are outperforming their income budget by more than 10%, with the strongest performer being 42% ahead of budget after nine months.

Income detail versus budget



The graph above shows the overall results against budget for different income streams, expressed in % terms.

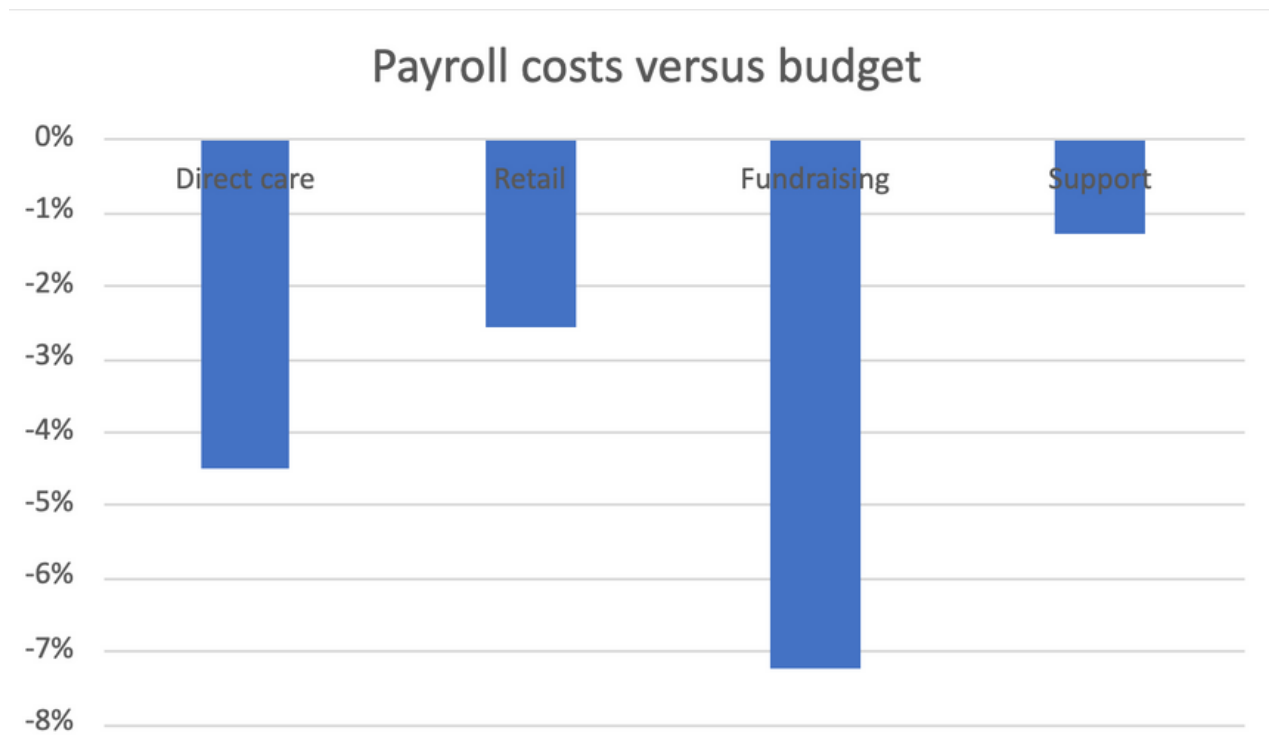
The biggest increase is on legacy income, which is 11% up on budget.

The only other area which shows a significant increase in income is other income, which is up 15%, most likely due to high interest rates.

Statutory income is marginally (1%) ahead of budget.

Lottery income (down 3%) and other fundraising income (down 1%) are both failing to meet targets, indicating the impact of the cost of living crisis on hospices fundraising.

Payroll costs against budget

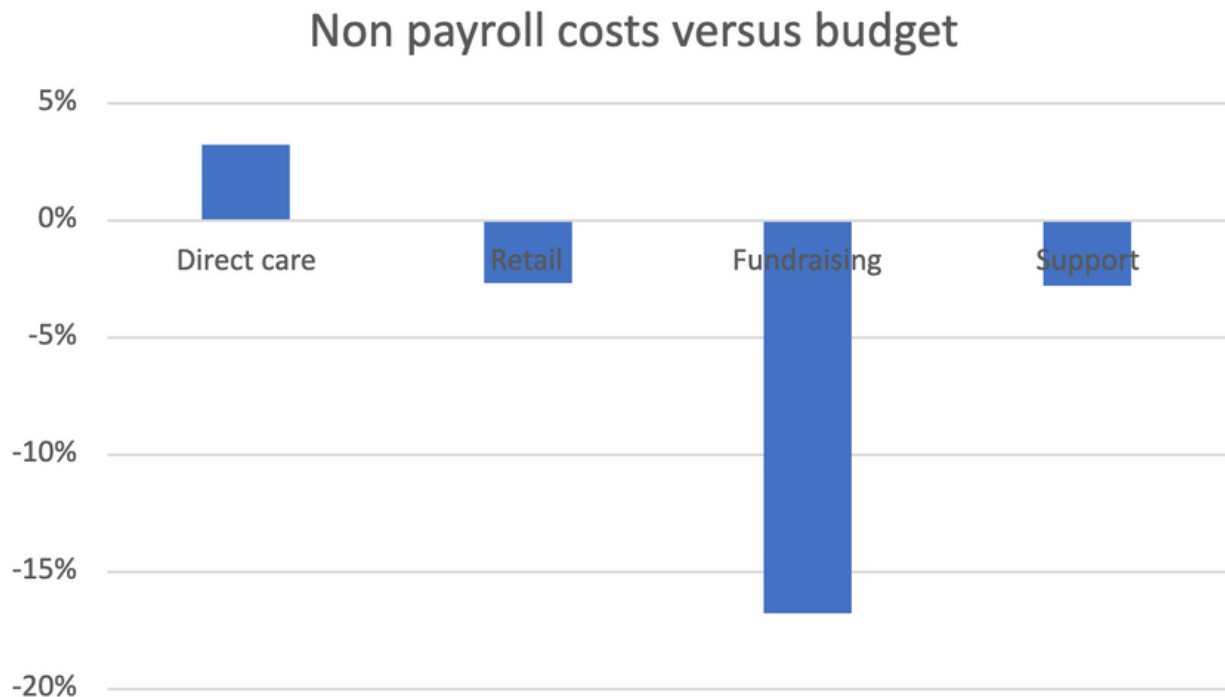


The graph above shows the overall results against budget for payroll costs (broken down by function).

Overall, payroll costs are running at 4% under budget – the most likely reason for that is an inability to recruit to all budgeted roles. It is possible hospices could improve the accuracy of their budgeting by including a (higher) vacancy factor in their budget.

The graph implies that staffing shortages are being seen in all areas, but are most significant in fundraising, followed by direct care roles.

Non payroll costs versus budget



The graph above shows the overall results against budget for non-payroll costs (broken down by function).

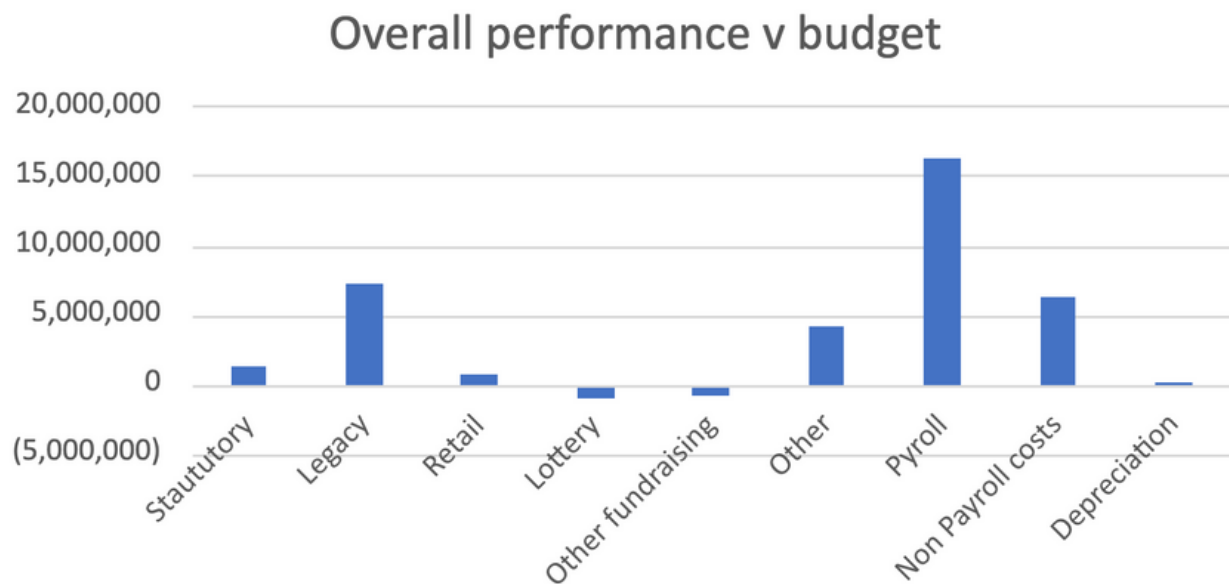
Overall, non payroll costs are lower than budget by 4%.

However, fundraising costs are massively (17%) below budget, whereas direct patient care costs are actually slightly (3%) above budget.

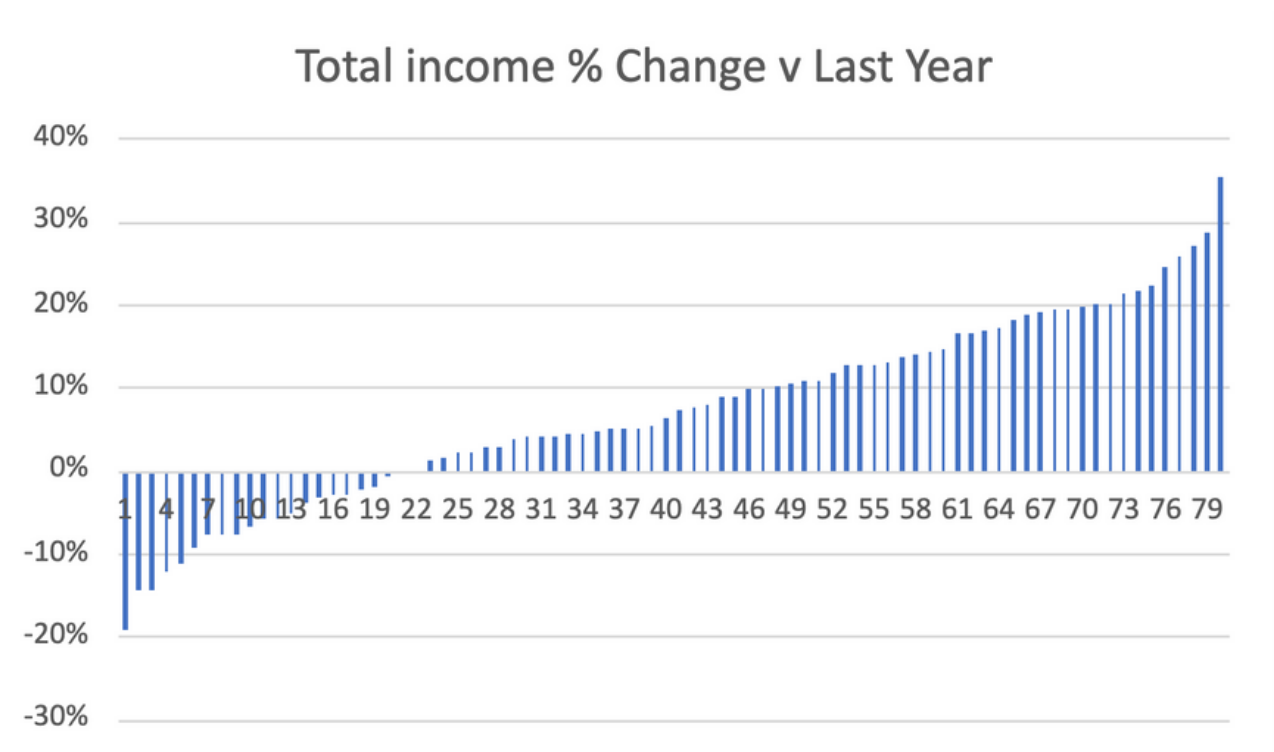
Overall performance against budget

Overall, hospices are performing significantly better than budgeted. By far the biggest influence on this is savings on staff costs compared to budget.

The only other meaningful contributors to this overall result are savings in non-staff costs and increases in legacy income.



Performance against prior year



The graph on this page shows the overall income compared to the prior year.

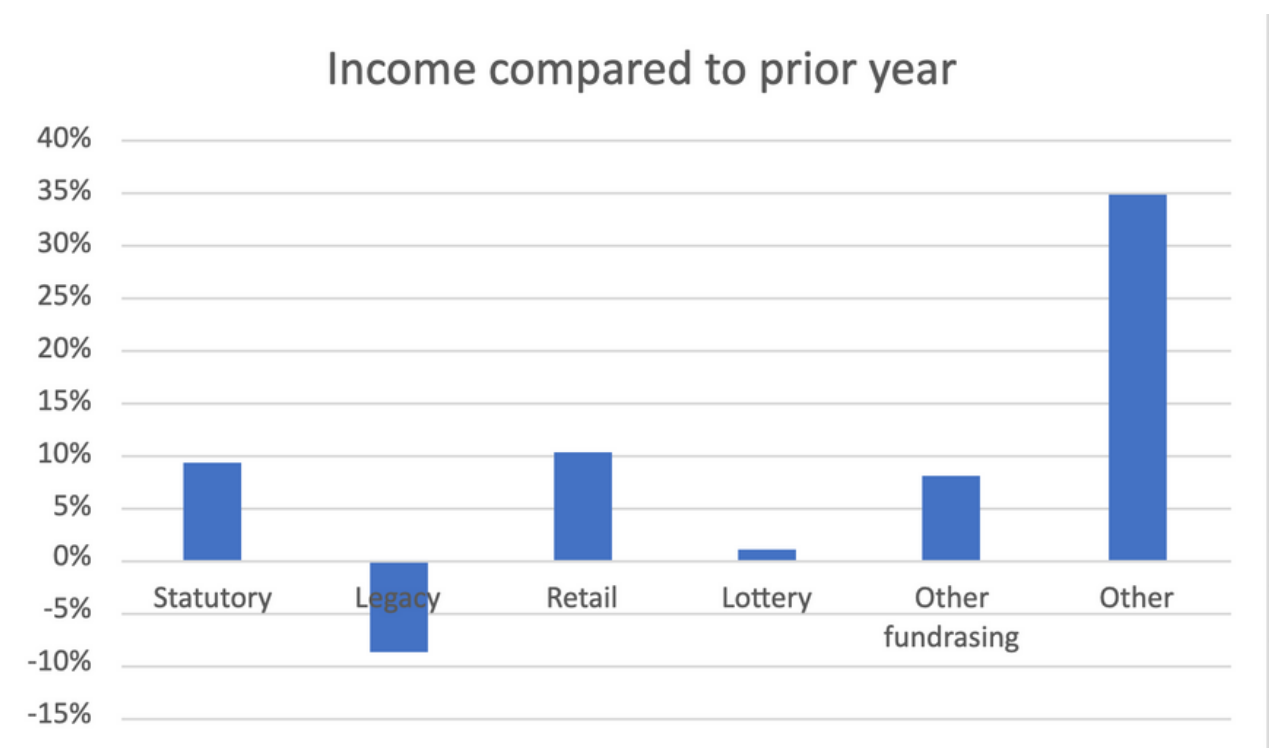
Collectively, total income is up around 3% compared to the prior year.

Most hospices (58 of the 80 who provided sufficient information to answer the question) are experiencing a growth in income, with the biggest increase being 35% on the prior year.

However, 20 hospices have experienced a reduction in income compared to last year, and in some cases that fall is significant. The worst performance was a 19% drop in income compared to the prior year.

Hospices with the biggest falls in income generally appear to have had lower legacy income this year.

Income compared to prior year



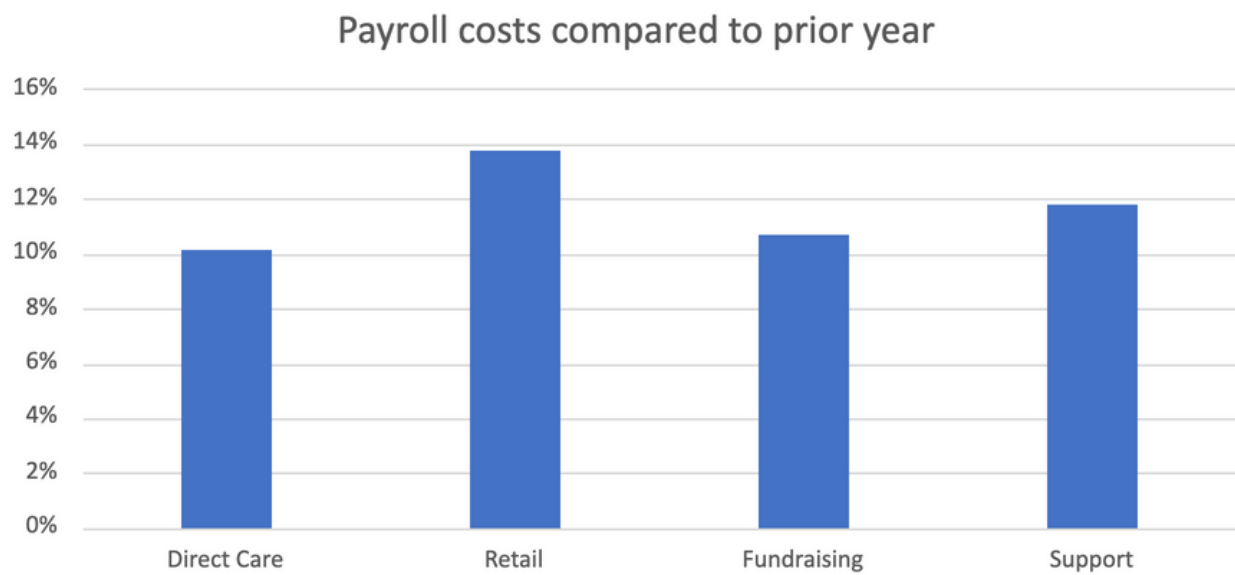
The most significant change is in other income, which is up by more than a third, probably due to higher interest rates – although it should be noted that in absolute terms this is still a relatively small area of most hospices' income.

Retail income is performing strongly, up 10% on last year, while perhaps more surprisingly, statutory income is up 9% on last year.

Other fundraising income is also doing well compared to prior year (up 8%).

Legacy income is the one area that has dropped compared to last year.

Payroll compared to prior year

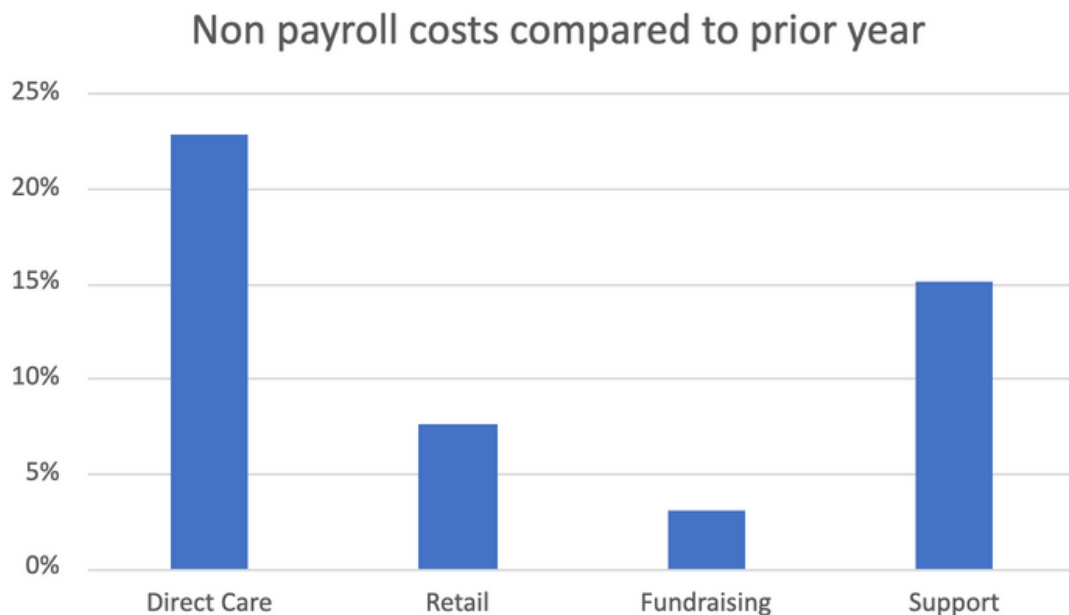


The graph above shows the overall results against budget for payroll costs (broken down by function).

Overall, payroll costs are running at a massive 11% higher than the prior year.

Pay costs are up significantly in all areas.

Non payroll costs compared to prior year



The graph above shows the overall results against last year for non-payroll costs (broken down by function).

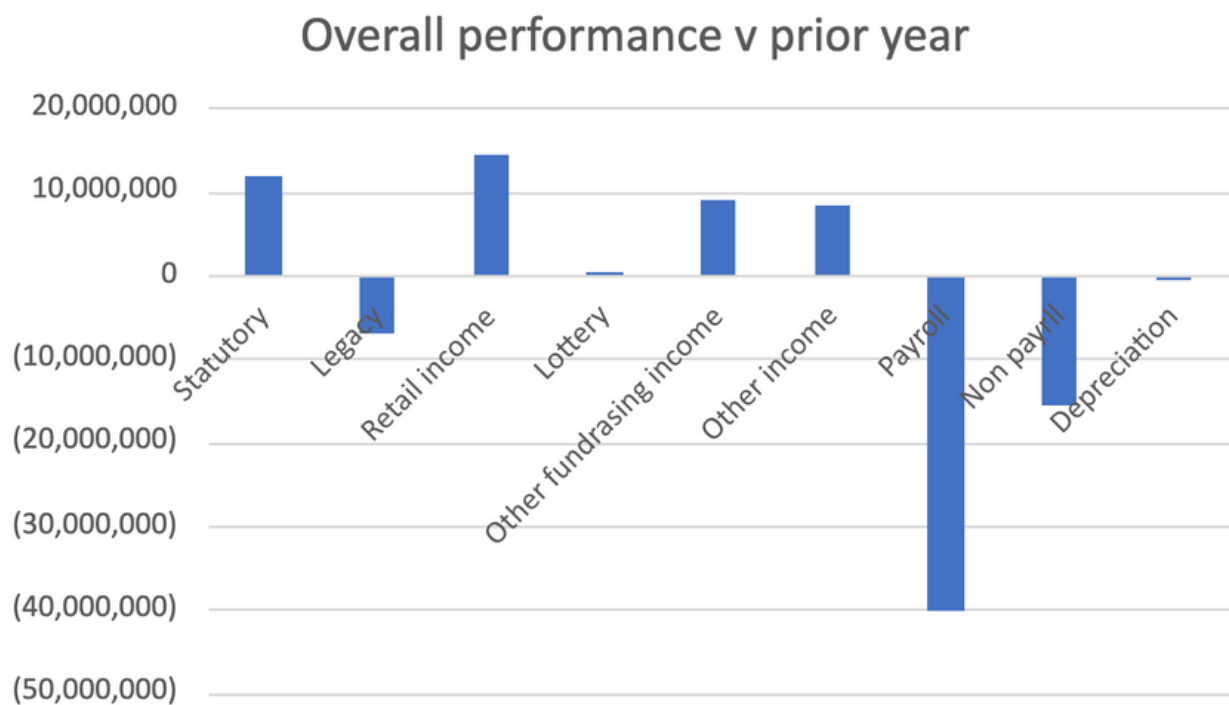
Overall non payroll costs are up 12% compared to the prior year.

The most significant area of increase is in direct patient care, where costs are up by 22% compared to the prior year, while the increase is much less significant for fundraising costs.

Overall change from prior year

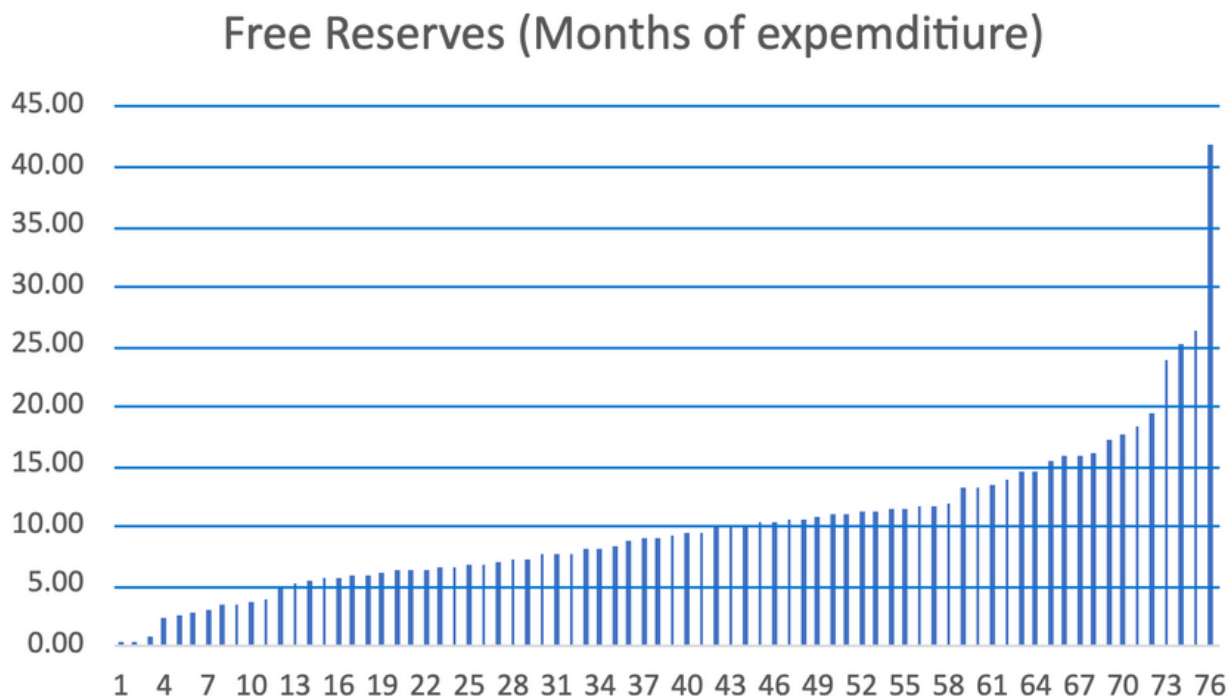
Overall, the hospices participating in the survey are performing significantly worse than in the same period last year.

The graph below highlights the overall reasons for that change, and shows that the increase in staff costs, and to a lesser extent non staff costs, are the biggest drivers of this. An increase in retail and statutory income is only partially offsetting these costs .



It is clear from the graph above that the reason why hospices are struggling is due to a massive and unsustainable increase in costs, particularly payroll costs.

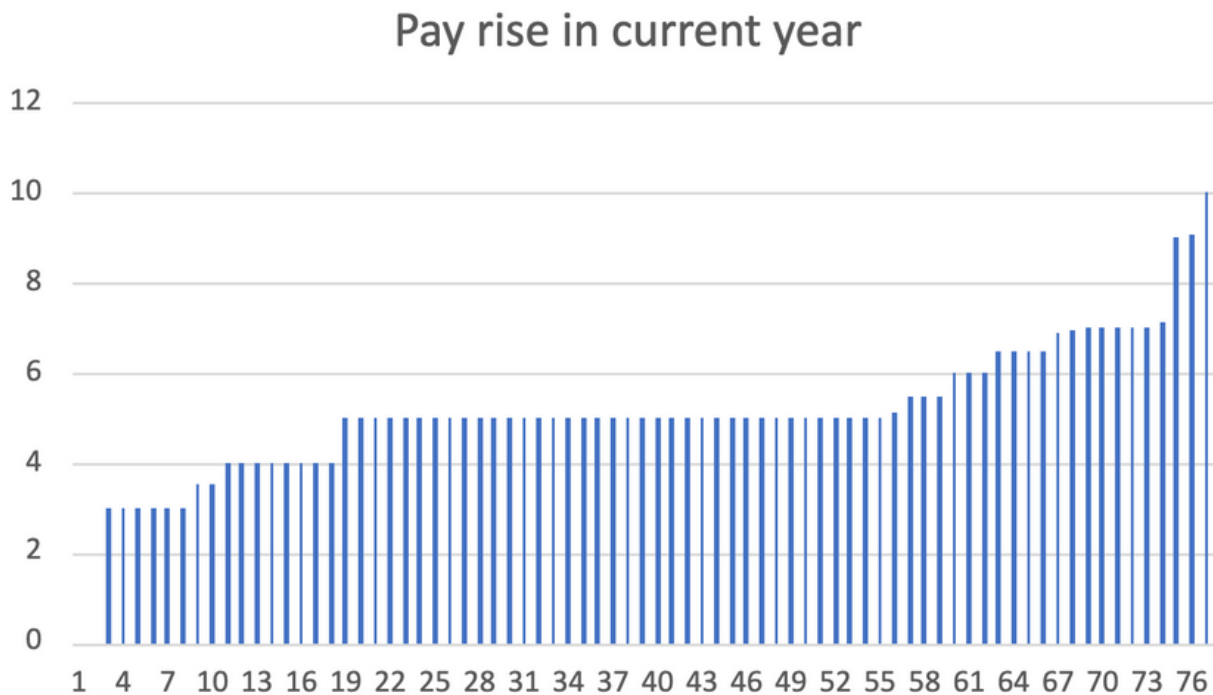
Reserves



The above graph shows the average level of free reserves (as measured by months expenditure) of the hospices participating in the survey.

The median level of calculated free reserves is nine months – with reported levels ranging from just one week to over three years.

Additional Info on Payroll Costs



Given the pressure on hospices' pay bills, this quarter we have gathered additional info on payroll costs. First we collected info on the actual pay rises that had been awarded in the current year.

The median pay rise that had been awarded was 5%, and 68% of hospices had awarded an average pay rise of between 4% and 6%. Two hospices had awarded no pay rise, while three had awarded average rises of 9% or more.

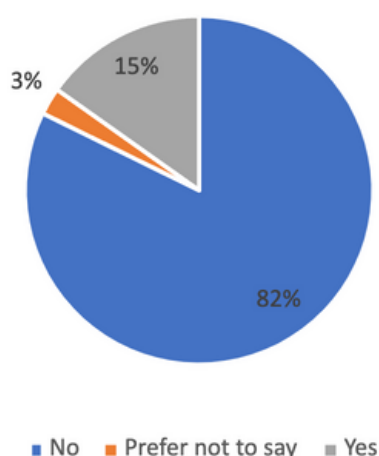


Turning to next year (above), anticipated pay rises are slightly lower.

77% of hospices anticipate giving pay rises of between 3% and 5%, with the median being 4%. One hospice does not anticipate giving a pay rise and three anticipate giving an average pay rise of more than 7%.

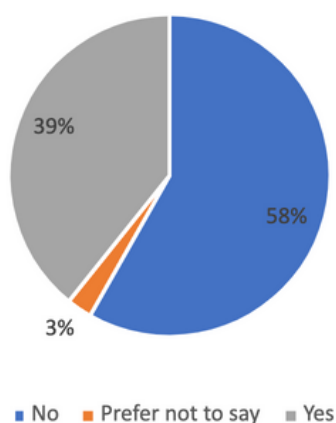
We also asked general questions about the pay policies adopted by hospices. Only 15% of hospices responding adopted agenda for change in full.

Hospices adopting Agenda for Change in full



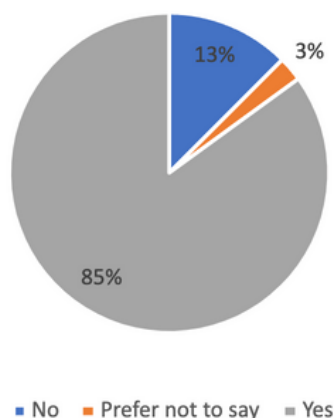
However, a greater number (39%) adopted Agenda for Change pay scales.

Hospices adopting Agenda for Change pay scales



85% of hospices adopted the National Living Wage, although perhaps surprisingly 13% confirmed they did not.

Hospices adopting National Living Wage



Over two thirds of hospices adopted the higher Real Living Wage, but over a quarter did not, presumably on the grounds of affordability.

Additional Information

We also asked for a few of items of additional information in this survey.

Firstly, we asked hospices what were their five main areas of non-pay spend. The ten most common responses, in order starting with the most mentioned first were:

- IT costs
- Utilities
- Rent (mainly shops)
- Insurance
- Repairs & maintenance
- Catering & food
- Professional fees
- Fundraising costs
- Lottery costs
- Agency staff

We also asked hospices how they were managing their energy costs (which, as noted above, is one of the biggest costs for most hospices).

Almost all hospices confirmed that they entered into fixed term contracts, typically ranging from between one and three years, to give certainty on their costs. A variety of brokers were used for this.

Finally, we asked hospices how they budget for legacy income. There were a number of approaches that were quite common, with no single approach dominating:

- Take average of last 7 or 10 years, but remove effect of high or low years within that (e.g. don't count highest and lowest year within that period when calculating average)
- Simple average of last five years (or sometimes three or four, but five most common)
- Based on pipeline
- Set a prudent budget (i.e. lower than what would be expected based on average trends, and in some cases no budget at all)

Individual Reports

Each participating hospice will receive a separate confidential report showing how they rank based on different measures included in this report.

This report will contain six sections:

1. Some key figures so you can compare your performance to the averages included in this report (e.g. statutory funding %, retail income and profit per shop).
2. Your performance versus budget compared to the sector average for different type of income and expenditure.
3. Your performance against last year compared to the sector average for various types of income and expenditure.
4. A comparison of your breakdown of income and expenditure with the average hospice.
5. A detailed breakdown of retail performance compared to the average hospice

We thank you for
participating in the Hospice
Financial Benchmarking
Report.

Acknowledgements

Thank you to the 82 hospices who are participating
in the benchmarking work.

Thank you to db associates for their advice and
support on this project.

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