



Hospice Financial Benchmarking Report

Quarter ended 30 September 2025



Advice and support on this project provided by



Table of Contents

03

Executive
Summary

04

Overall
Results

08

Statutory
Funding

10

Reserves

11

Breakdown of
income and
expenditure

16

Appendix 1:
Performance
against budget

21

Appendix 2:
Performance
against prior
year

26

Appendix 3:
Fundraising
performance

28

Appendix 4:
Retail
performance

Executive Summary

This report has been prepared in September 2025 by Hospice UK in association with DB associates.

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 this quarter was 115, which is the most we have had participating since the network started

The hospices participating in the survey collectively recorded a deficit of £35M in the first half of the year.

However, even this result presents an overly positive picture, since it includes £13M of income that could only be spent on capital funding that would not show up in the income and expenditure account. The underlying deficit of the hospices participating in the survey is therefore £48M.

Over the same six-month period last year, the same hospices recorded a collective deficit of £36M. This indicates that the financial challenges facing charitable hospices continue to escalate.

The group had budgeted for a deficit of £65M, so while overall results were not good, they were better than feared.

The key issue driving the continued financial challenges in the hospice sector continues to be rising costs – despite headline UK inflation being lower for over a year now, the rate of increase in hospice costs shows no sign of slowing down.

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

The table below shows the results for the six months for participating hospices

Results for participating hospices			
£M's	Actual	Budget	Last Year
DHSC Capital Income	13	8	1
Statutory Income	154	153	141
Legacies	73	69	71
Retail	156	162	143
Lottery	30	31	30
Other fundraising	125	123	118
Other income	33	30	33
Total income	582	575	537
Payroll	448	461	411
Other costs	150	160	144
Depreciation	18	19	17
Total Expenditure	617	640	572
Surplus/(Deficit)	(35)	(65)	(36)

As noted above, it is potentially misleading to include the DHSC capital income, as the associated spend does not show up in the income and expenditure statement. Therefore, for all other tables in this report, we have excluded the DHSC capital funding from the figures.

With the capital funding, the surplus/deficit figures would look like this.

Results for participating hospices			
£M's	Actual	Budget	Last Year
Total income	569	575	536
Total Expenditure	617	640	572
Surplus/(Deficit)	(48)	(73)	(37)

The last two financial years have been by a distance the worst two the charitable hospice sector have ever experienced.

It is therefore very concerning that – despite several hospices already having made cuts to reduce costs, which have impacted on service delivery – it appears that 2025/26 is going to be even more financially challenging.

As the table shows, the financial problems continue to be driven by inflation, particularly wage inflation.

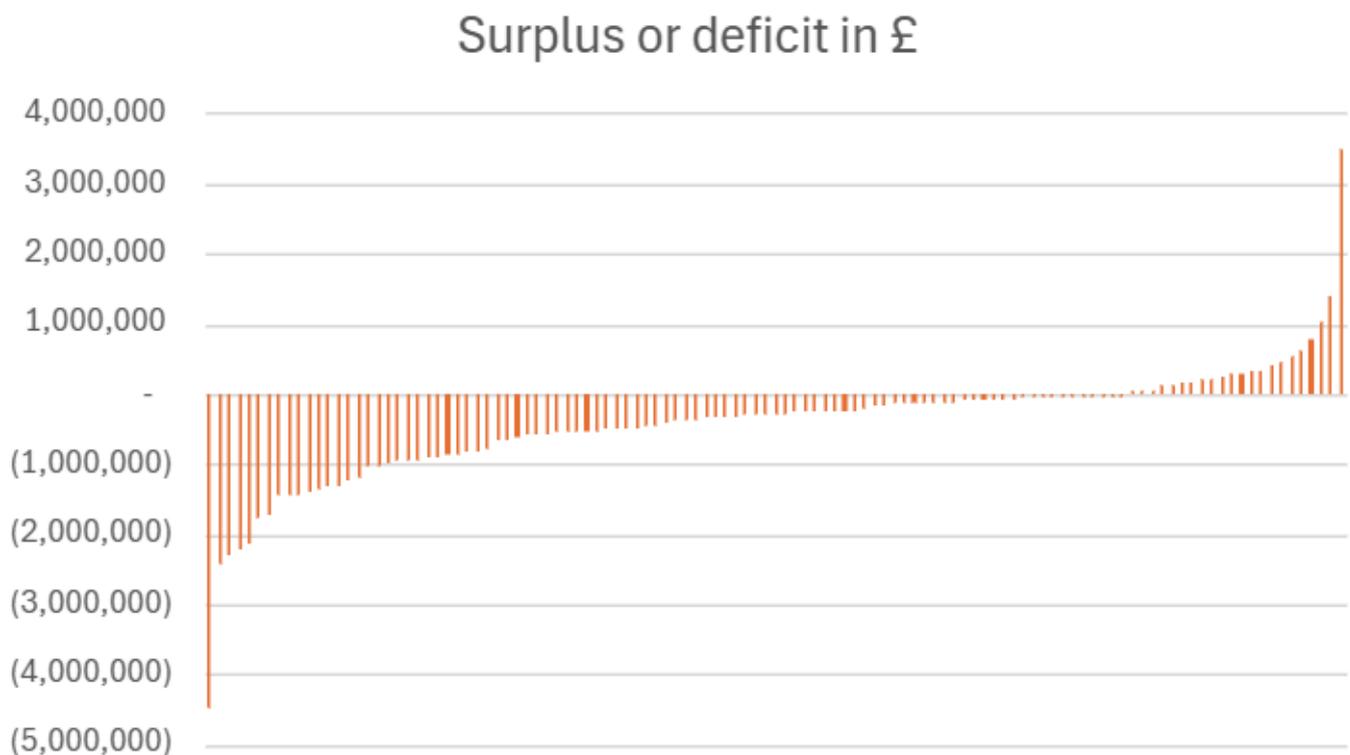


Predictions for the year

We asked participating hospices to update their forecast results for the full year.

- The good news is that 76% of hospices now expect their full year results to be better than budgeted (likely due to higher-than-expected DHSC capital income and deliberate cost cutting)
- The bad news is that 83% of hospices still expect their results to be worse than last year, which was itself the worst financial year on record for the hospice sector

Distribution of surplus/(deficit) by individual hospice



The average deficit of hospices participating in the survey has a deficit of around £415k (after excluding any DHSC capital finding).

At the same stage last year, we reported an average deficit of around £300k, and the year before an average deficit of £250k. We don't have exactly the same cohort of hospices reporting each quarter, so these don't represent an entirely like for like comparison, but they do give a broad idea of the overall pattern.

81% of the hospices participating in the survey reported a deficit if capital funding is excluded. Even if capital funding is included, 75% of hospices report a deficit. The equivalent figure in the same period last year was 70%.

Of these, nineteen hospices recorded a deficit of over £1M, with the highest deficit being over £4M in the first half of the year.

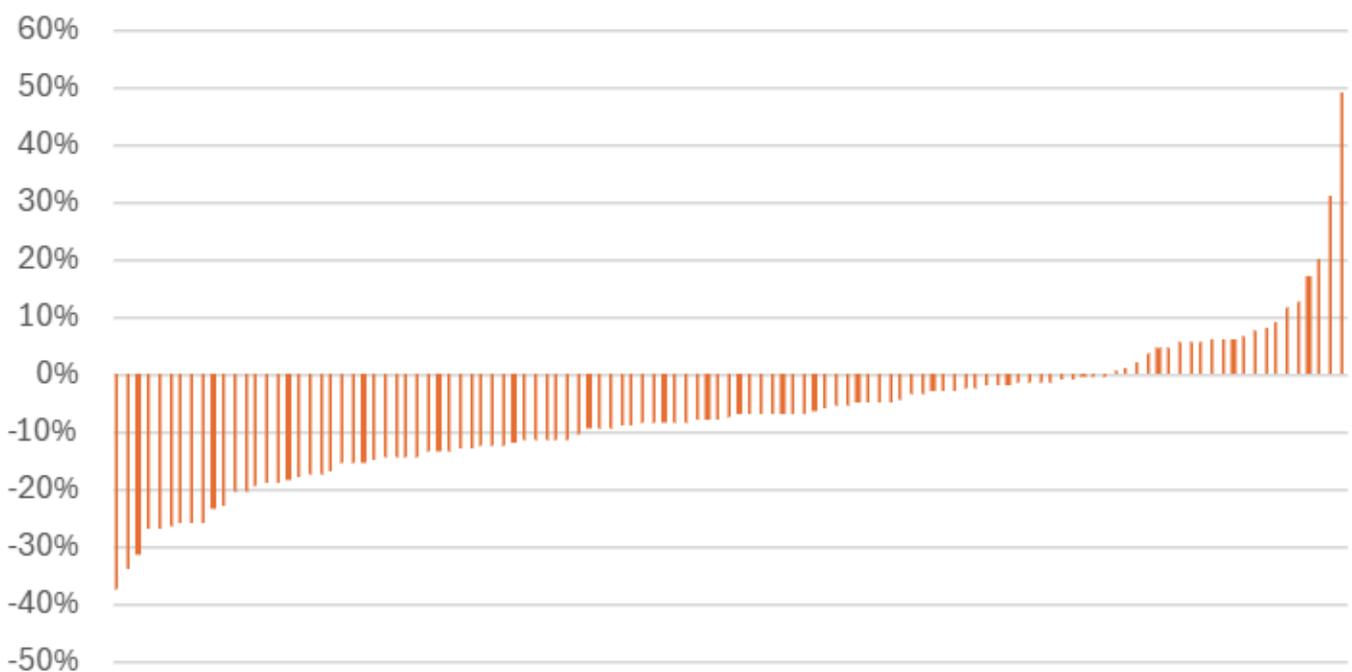
In contrast, only 19% of hospices recorded a surplus. Three have recorded a surplus of over £1M, with the biggest surplus being over £3M.

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 spend £1M and recorded a deficit of £100k would show a result of -10% on this measure.

Surplus or Deficit as a % of Expenditure



The graph above shows the breakdown of all hospices result based on this measure.

The graphs shows that hospices overall performance range from a deficit representing just over 37% of their expenditure, to a surplus representing just over 49% of their expenditure.

Around 40% of hospices reported a deficit of more than 10% of their expenditure.

Statutory funding as a proportion of expenditure

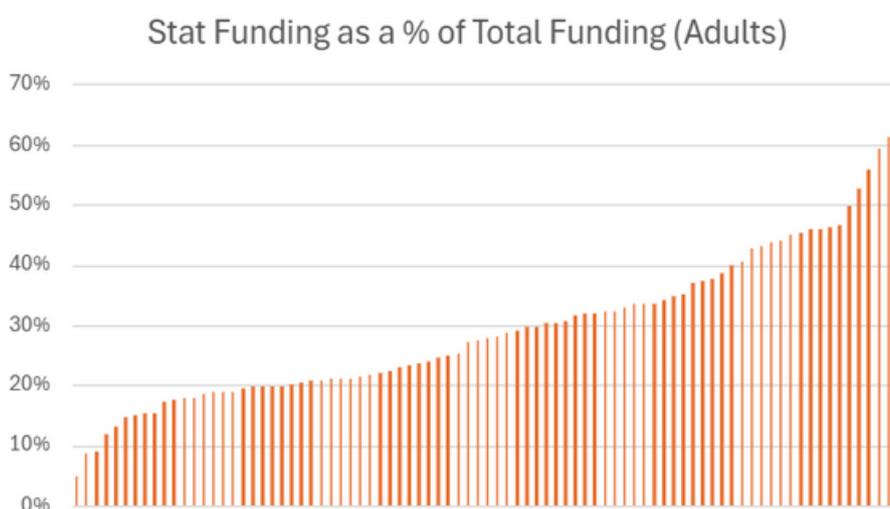
Note that for the purpose of this benchmarking report, the method of calculating the government funding percentage is slightly different to that we use in our annual hospice accounts report, due to the level of information available to us. In the hospice accounts report, we divide statutory funding by 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 25%, which is consistent with what this survey has found in previous years. (That figure rises to 27% if DHSC capital funding was included – but this would be misleading given the capital funding cannot be spent on recurring expenditure items).

Alternatively, if we were to look at statutory funding compared to direct charitable costs, only 54% of costs are covered (note that this is based on a comparison to direct care costs only and does not include any contribution to the overheads of the organisation).

It is probably more useful to consider statutory funding levels by different categories of hospices as it tends to vary based on the type of service provision.

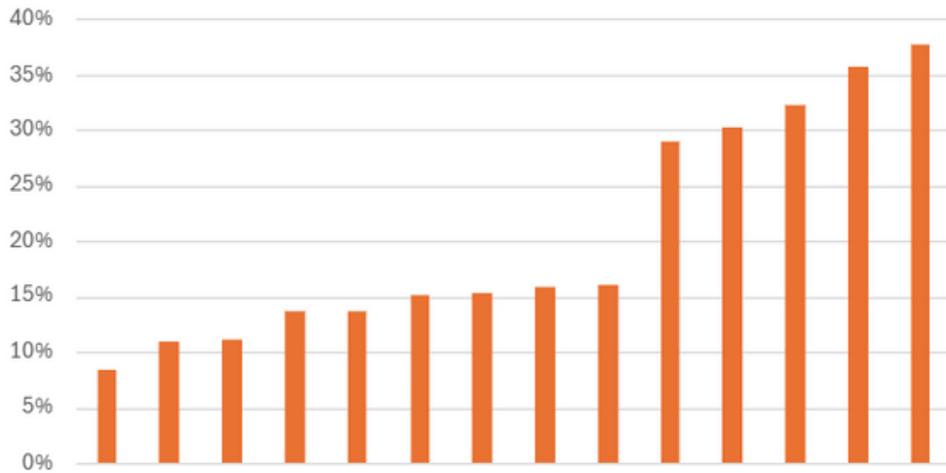


The first graph shows government funding as a proportion of all expenditure for adult hospices.

The average (mean) statutory funding for adult hospices reported is 27% of total expenditure, or 57% of direct care costs.

Stat funding as a proportion of total expenditure for adult hospices ranged from just 5% to up to 64%.

Stat Funding as a % of Total Funding (Childrens)



The above graph shows government funding as a proportion of all expenditure for children's hospices.

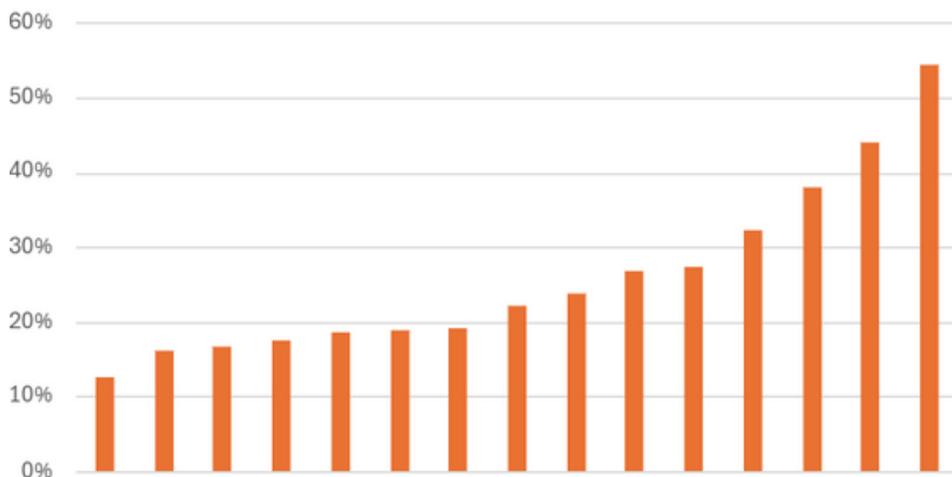
Fourteen children's hospices have been included in this calculation.

The average statutory funding for children's hospices is 17% of total expenditure (or 40% of direct charitable expenditure).

Statutory funding as a proportion of total expenditure ranged from 8% to 38%.

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

Stat Funding as a % of Total Funding (Combined)



The average statutory funding for joint hospices is 25% of total expenditure (or 52% of direct charitable expenditure).

Statutory funding as a proportion of total expenditure ranged from 13% to 54%.

Reserves



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

- The average level of free reserves is nine months (compared to ten months at the same point last year).
- A small number of hospices did not report their reserve levels; the lowest level of reserves amongst those who did report a figure is one and a half months.
- 31% of hospices who provided data on reserves (compared to 30% at this time last year) hospices who gave data on reserves levels reported holding less than six months free reserves (compared to 30% at this time last year).

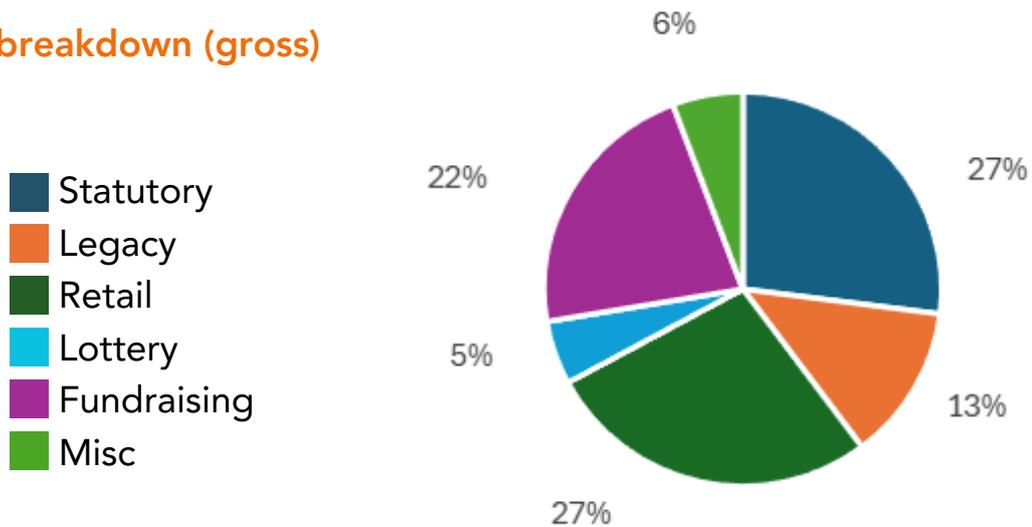
Breakdown of Income and Expenditure

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.

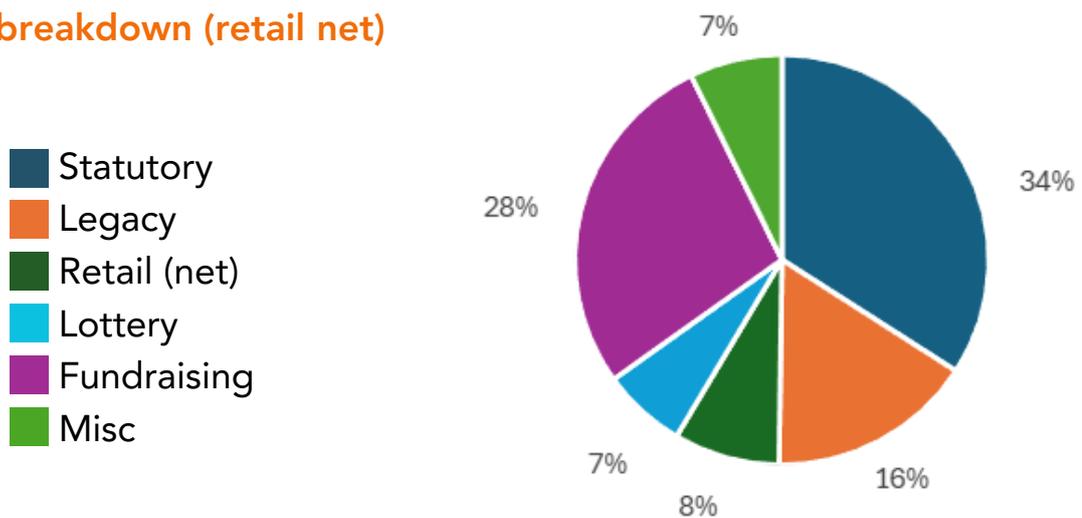
The first graph below shows the breakdown of income. On average retail income (27%), statutory income (27%) and fundraising income (22%) are the most important income sources for hospices.

Income breakdown (gross)



An alternative way of showing the same data would be to look at net retail income rather than gross, in which case the average income breakdown looks like this:

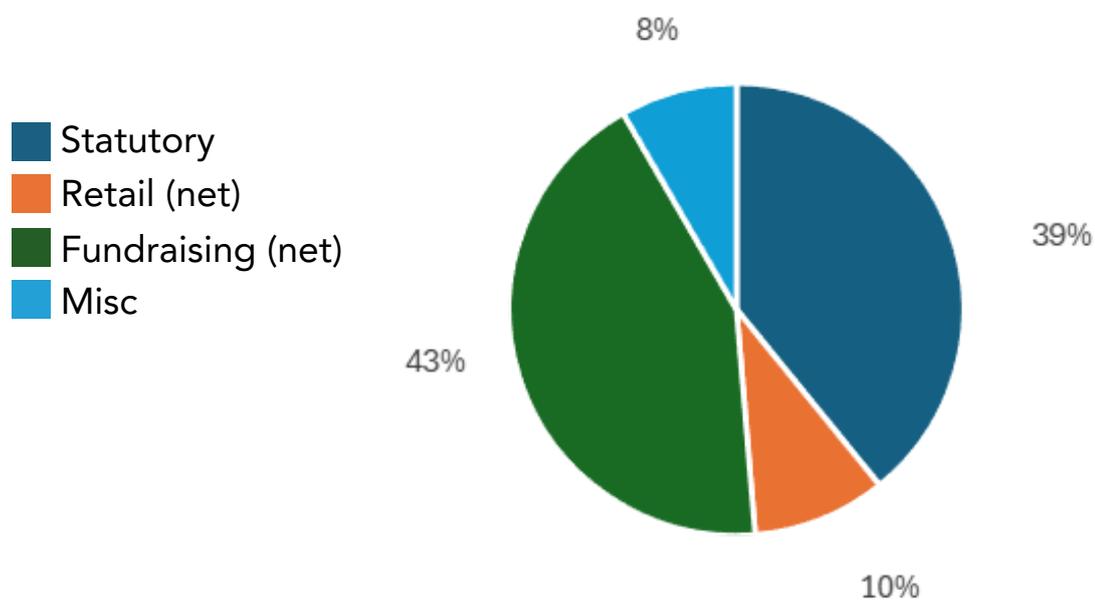
Income breakdown (retail net)



Using this method, statutory income at 30% is the largest income source followed by general fundraising at 38%.

Finally, we could also present all income generation as net rather than gross, which gives the following breakdown:

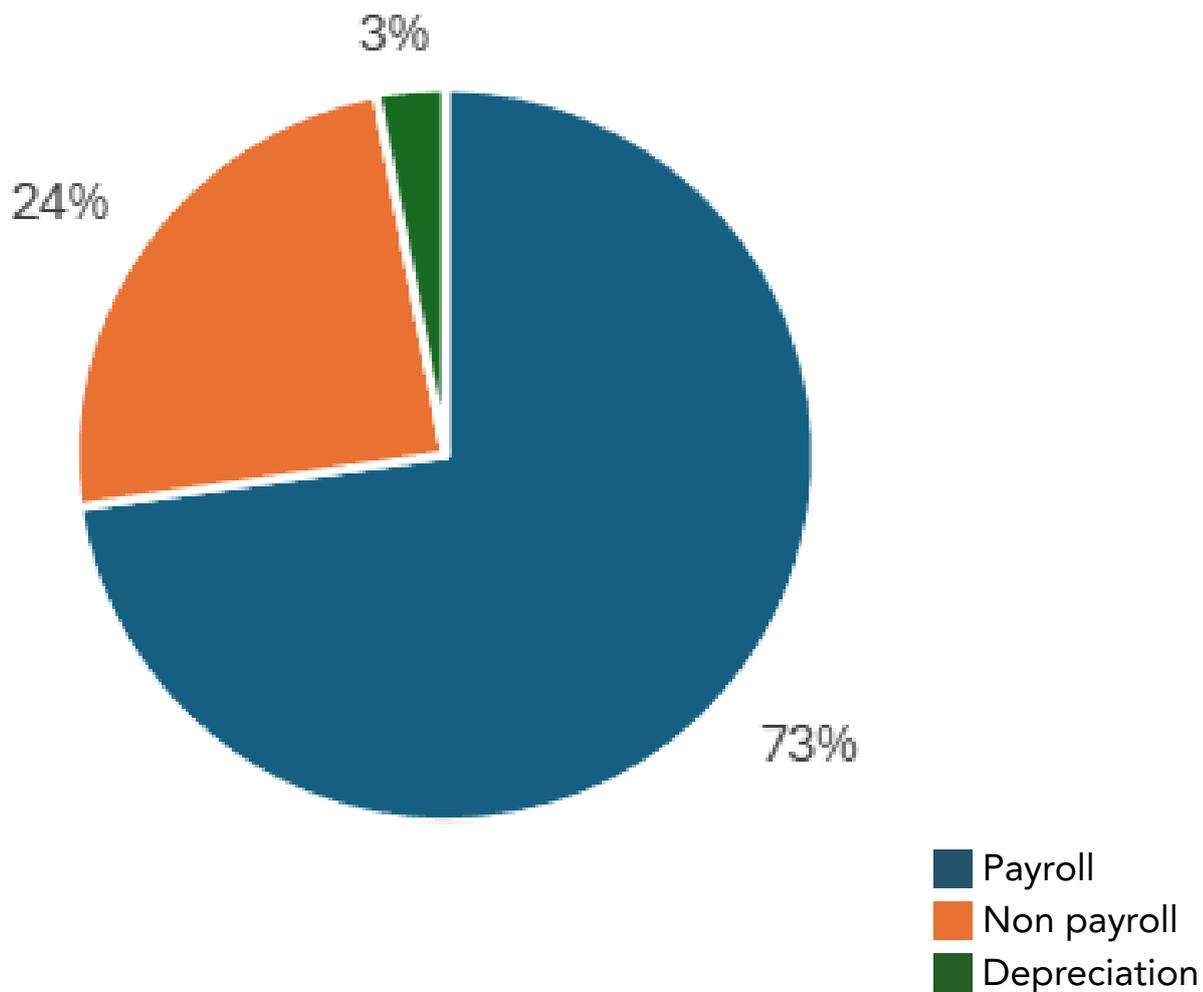
Income breakdown (all IG net)



It is sobering to note that even if we only consider the net profit generated from fundraising and lottery income, that still contributes more towards and average hospices costs than statutory funding.

Expenditure

Expenditure Breakdown



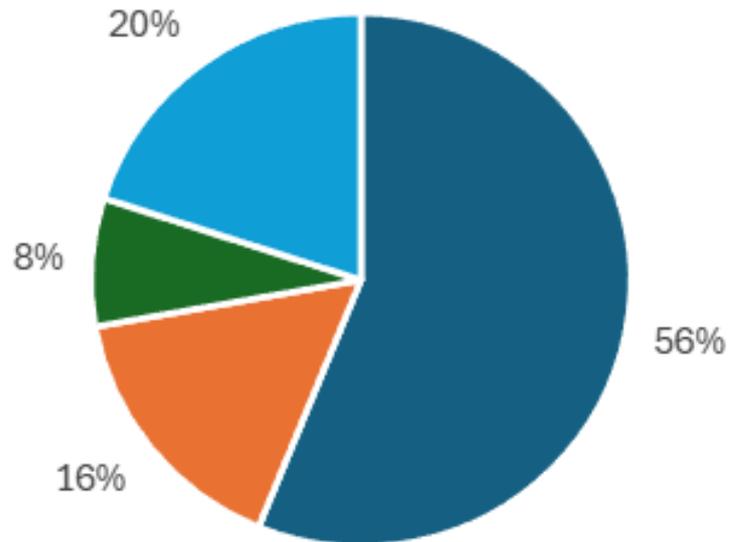
The graph above splits total costs between payroll, non-payroll and depreciation.

Staff costs are by far the most significant cost for hospices (as with most charities), representing 73% of total costs.

Payroll

Payroll breakdown

- Charitable
- Retail
- Fundraising
- Support



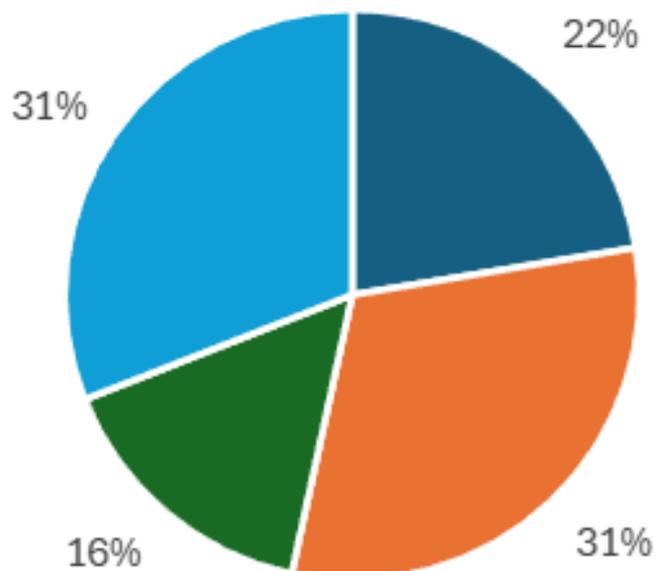
The graphs above show the breakdown of payroll costs.

On average, 56% of payroll costs were spent on charitable, with support costs at 20% being the next biggest area.

Other Costs

Non payroll costs breakdown

- Charitable
- Retail
- Fundraising
- Support



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

In contrast with payroll cost, charitable costs are a less significant proportion on non-pay costs.

Most non-payroll costs are spent on support and retail (both 31%).

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:

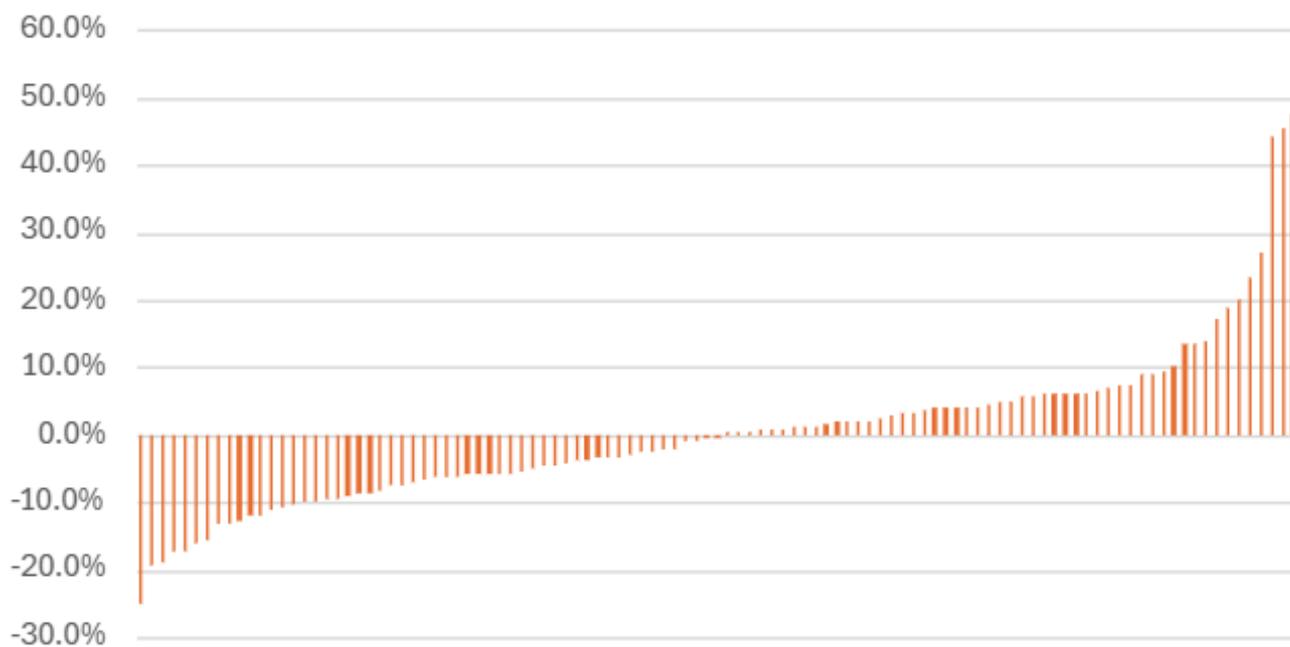
- 1) Some key figures so you can compare your performance to the averages included in this report (e.g. statutory funding %, retail income and reserves levels).
- 2) Your performance versus budget compared to the sector average for different type of income and expenditure.
- 3) Your performance against 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.
- 6) An analysis of income generation based on your population size.

Appendix 1

Performance against budget

Overall, the sector is performing a lot better than budgeted.

Total income % change v budget



The graph above shows whether individual hospice income is higher or lower than budget over the year.

- There is a virtually even split in the data - of the hospices that provided sufficient data, 53 raised more income than they had budgeted for and 54 raised less.
- Looking at biggest variances, sixteen reported shortfalls of more than 10%, while only ten reported out performing budget by more than 10%.

Income detail versus budget

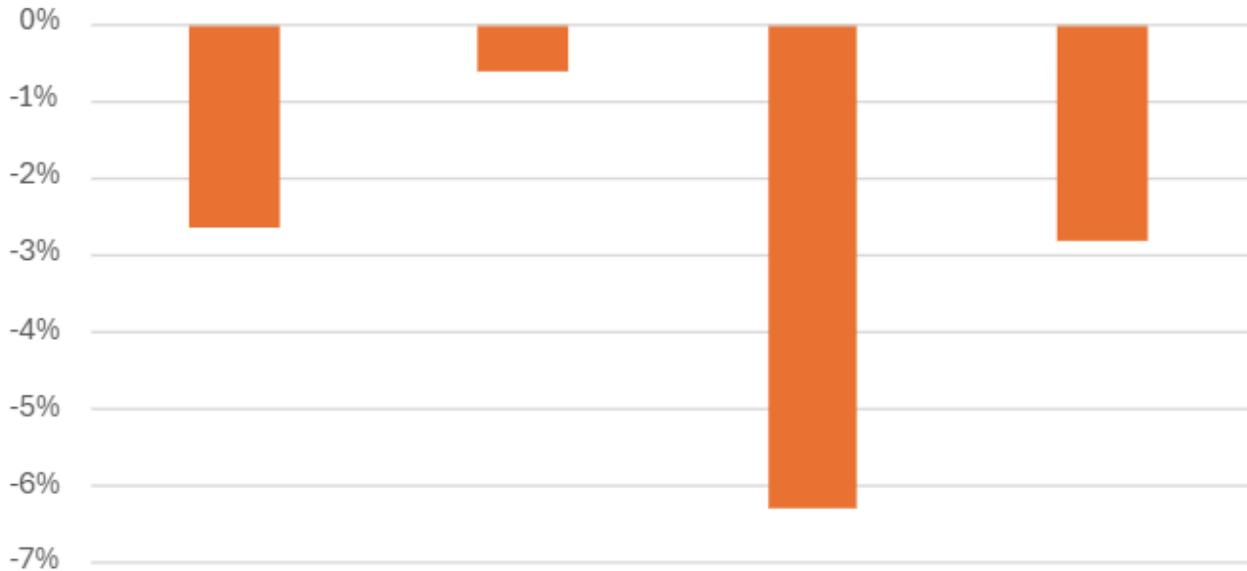


The graph above shows the overall results against budget for different income streams, expressed in % terms.

- Other income – which is quite small in real terms – is up 9% on budget.
- Legacy income is up 5% - legacy income tends to fluctuate quite a lot, and it is also hard to budget for. It is noticeable that this is quite different even to the figure reported in the previous quarter.
- General fundraising and statutory income (excluding capital funding) are marginally up on budget.
- Retail and lottery income are both down 4% on budget.

Payroll costs against budget

Payroll costs % change v budget



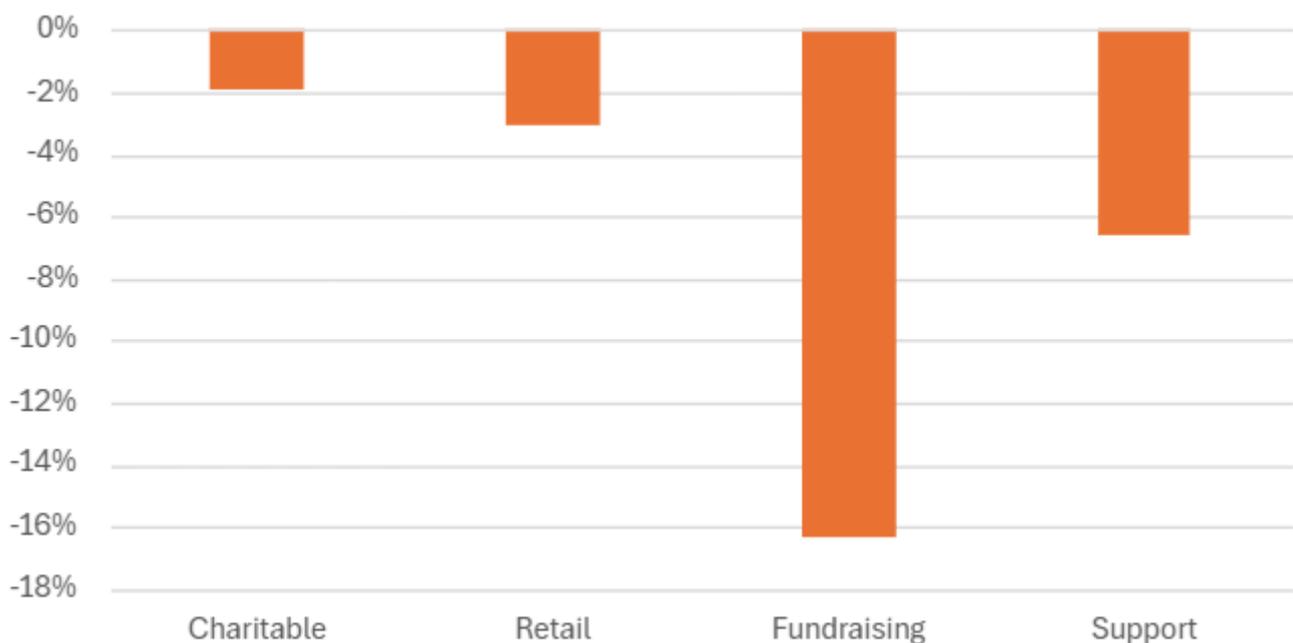
The graph above shows the overall results against budget for payroll costs (broken down by function).

We have seen over the past two years that payroll costs were consistently down against budget all year (most likely due to staff vacancies) and this continues to be the case in all areas in the new financial year, with the most significant saving (and therefore presumably the biggest recruitment challenge) in fundraising.

It is also likely some of these savings against budget are due to deliberate cost cutting measures by hospices given the deficits incurred by many.

Non payroll costs versus budget

Non payroll costs % change v budget



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

As with last year, hospices are generally underspending against budget in terms of their non-pay costs as well.

This is mainly due to savings in fundraising costs, which are 16% under budget.

The reason isn't clear, but one plausible explanation is that a shortage of fundraising staff mean that some fundraising activities have had to be curtailed, which of course will have a knock-on effect on income.

Overall performance against budget

Overall, hospices are performing better than they had feared when setting their budget.

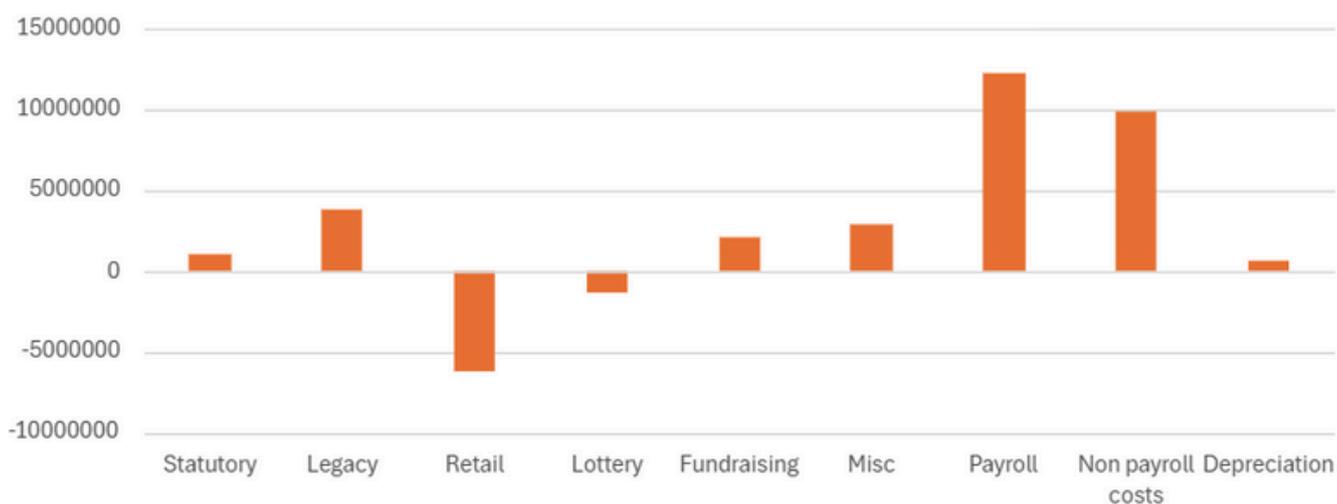
Hospices budget for a deficit of £65M including capital income, but have actually recorded a deficit of £35M.

Or, excluding the capital funding, we are still looking at a collective deficit of £48M against a budgeted deficit of £73M.

As in previous surveys, the improved performance compared to budget is due to significant savings on both payroll and non payroll costs – unfortunately this is almost certainly due to hospices cutting services in order to control deficits, with a corresponding detrimental impact on the number of patients they support.

Retail is the only area showing significant negative variances to budget in terms of £ (lottery is also down in percentage terms, but is a less significant source of income for most hospices).

Changes v budget in £

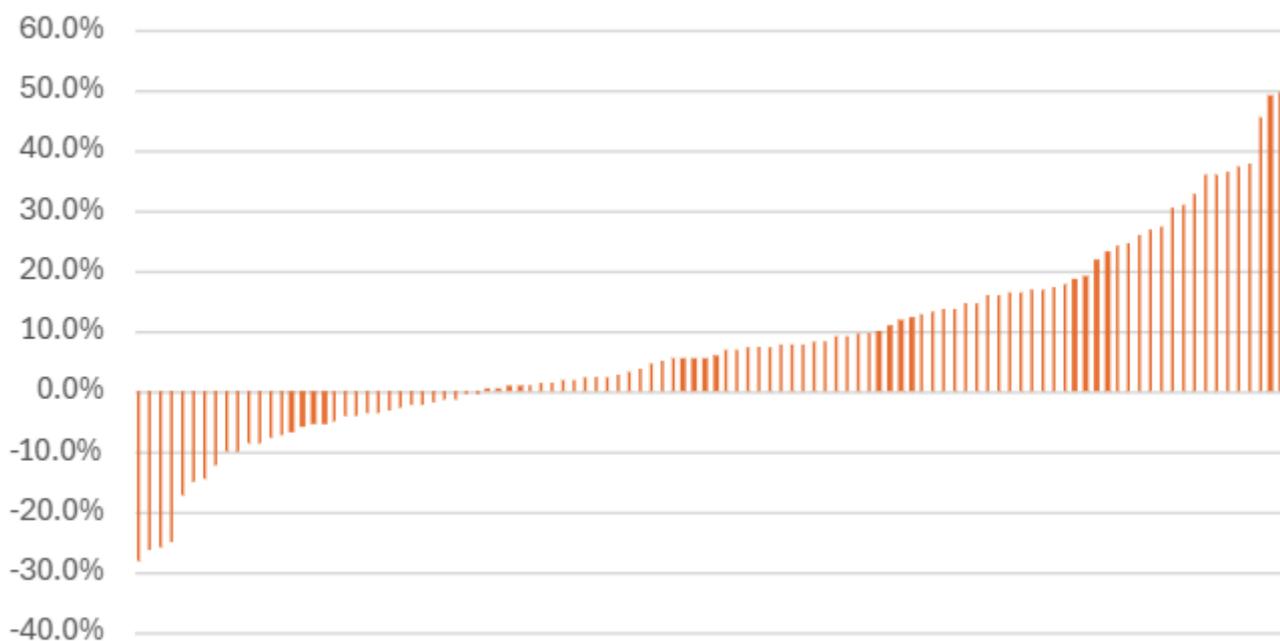


Appendix 2

Performance against last year

Overall, hospices are performing quite at lost worse than last year in aggregate (collective deficit in participating hospices of £48M this year compared to £37M last year, once capital funding is excluded).

Total income % change v last year



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

- Collectively, total income was up an around 6% compared to last year – so slightly exceeding the growth in inflation.
- 32 hospices recorded a fall in income compared to the prior year, while 74 recorded an increase in income compared to last year.
- Of those, fourteen have seen income rise by more than 25% compared to the prior year.

Income compared to prior year

The following graph below compares income for different sources compared to last year in % terms.

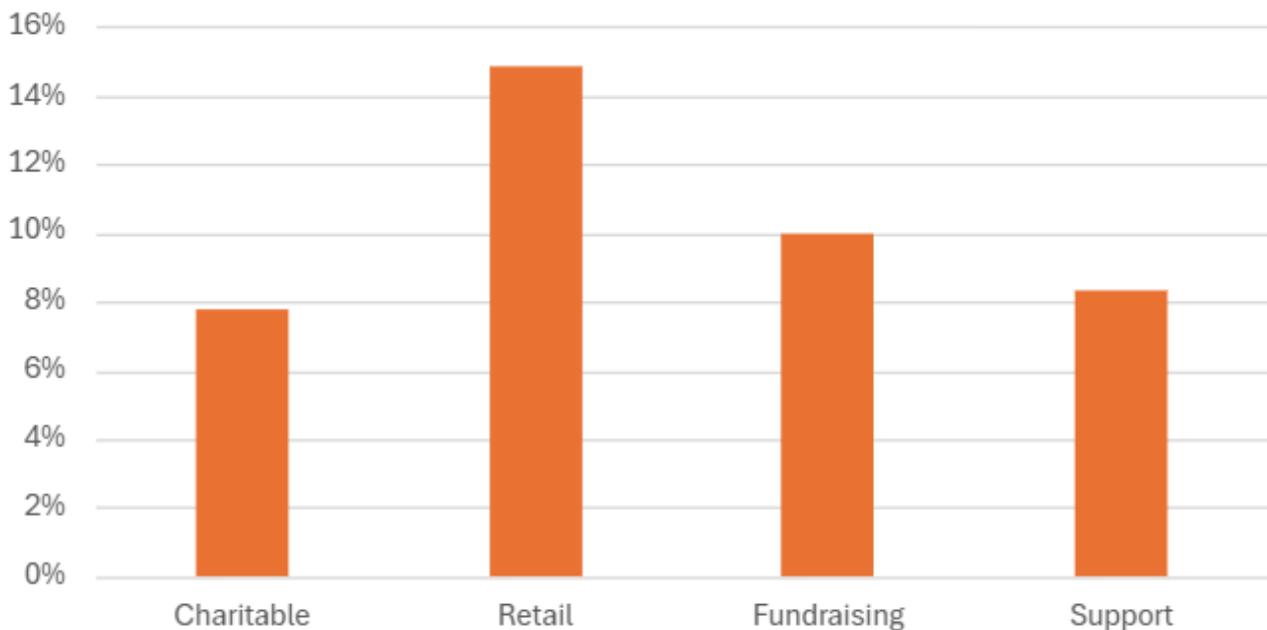
Income % change v last year



- Every area is up compared to the prior year, which is a very positive performance.
- It is interesting that statutory income is up 9% compared to the same period last year – and the budget data suggests that this was primarily an anticipated increase. This is before adding the DHSC capital funding.
- Fundraising income is growing at a faster rate than inflation, which is very positive news.
- Retail income is also up by around 8%, despite being down on budget, suggesting that budgeting in this area may again have been over-optimistic.
- Legacy income slightly up on last year (though it does tend to fluctuate) while miscellaneous income is down (most likely due to falling bank interest rates).

Payroll compared to prior year

Payroll cost change v last year



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

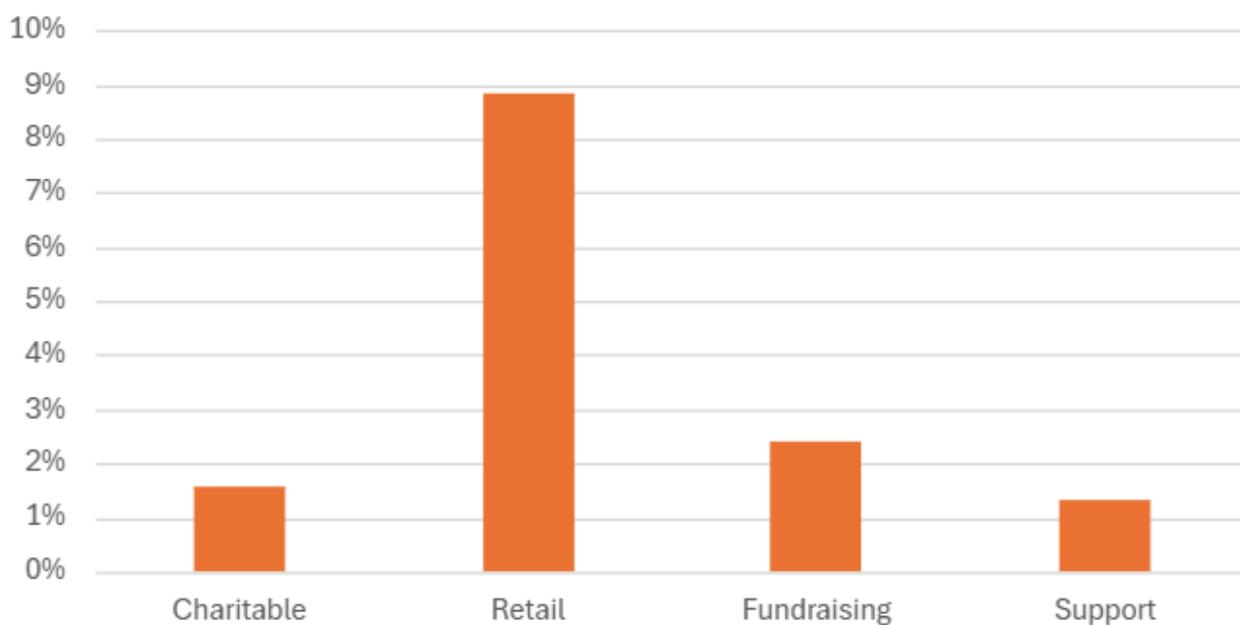
Overall, payroll costs were a massive 9% higher than the previous year.

This is now the third year in a row payroll costs have been rising by similar rates, and suggests payroll costs have gone up by around 30% in the three years.

This increase was seen across all areas of hospice activities, but the highest cost pressures have been in retail and fundraising.

Non payroll costs compared to prior year

Non payroll cost change v last year



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

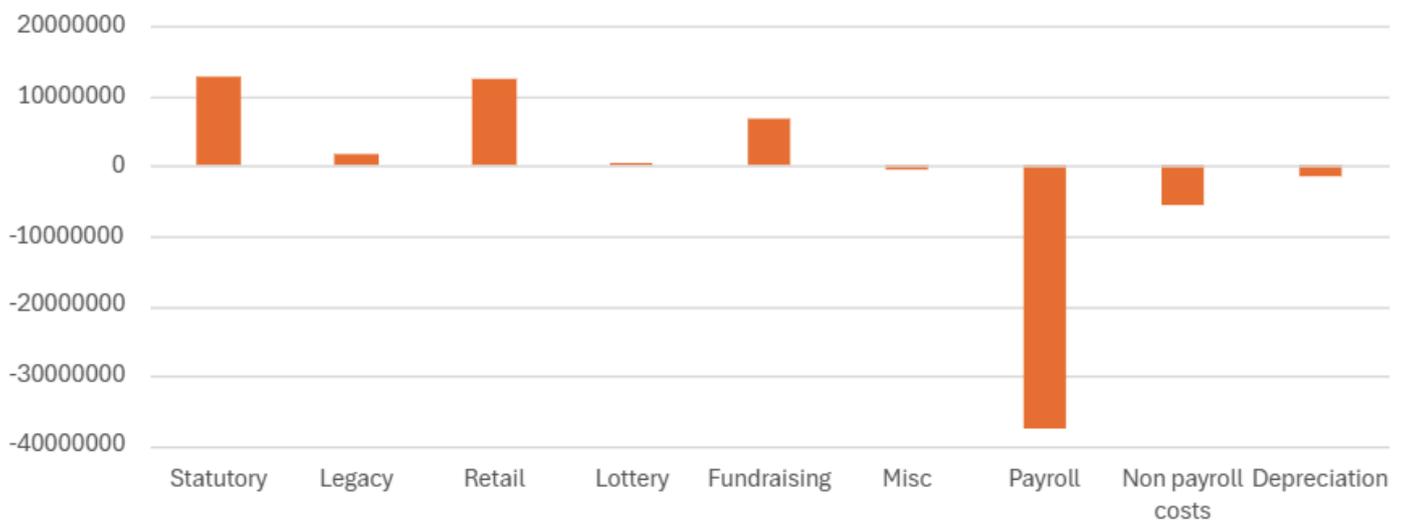
- Overall, non-payroll costs are up 2% compared to the prior year – so slightly below inflation.
- Again retail and fundraising costs are up significantly – well above inflation.

Overall change from last year

Overall, the hospices participating in the survey are performing worse than in the same period last year, and increasing staff costs are now pretty much the sole reason for this.

Increases in statutory and retail income are reducing the impact of this slightly, but are not fully mitigating it.

Overall change in £ v last year



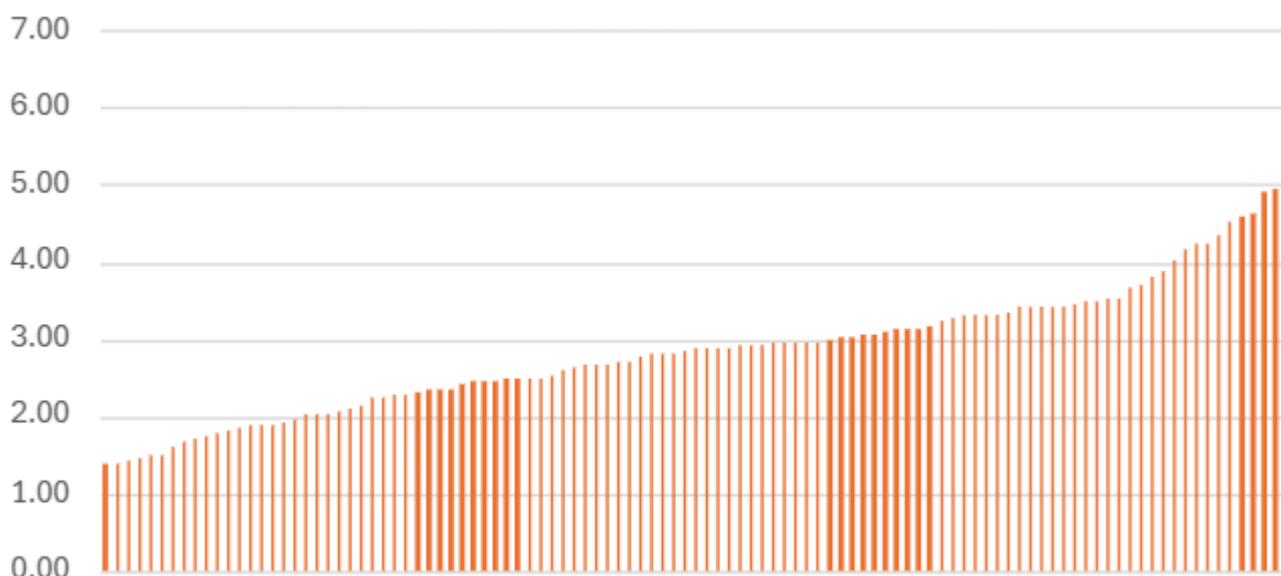
Appendix 3

Fundraising performance (including legacy income)

We can measure the income generation of hospices in a variety of ways.

This first graph looks at the return on investment for every £1 invested in fundraising (this includes lottery income, but not retail, which is analysed separately, or legacies, which are prone to fluctuations unrelated to activity in the year).

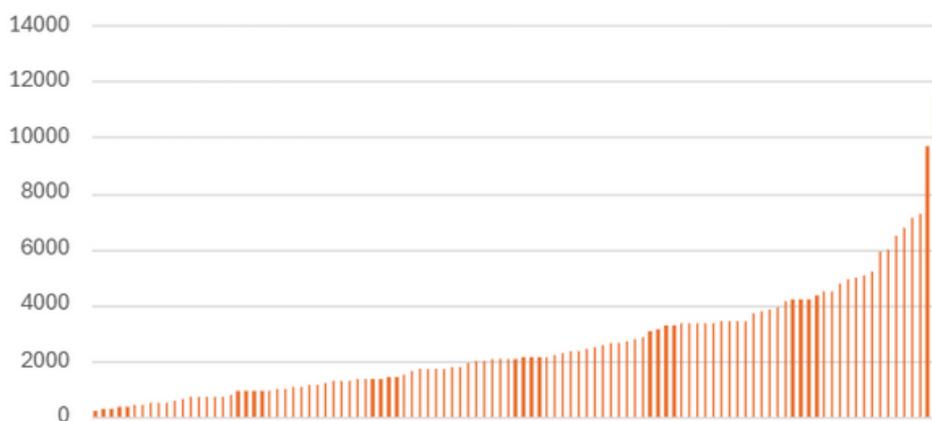
Fundraising income (incl lottery but not legacy or retail) / Fundraising spend



The graph above shows that hospices financial performance ranges from £1.40 to £6.12 for every £1 invested in these areas.

The average return on fundraising investment was £3.90 per £1 invested.

Gross fundraising income (incl lottery but not legacy or retail) / per 1,000 population

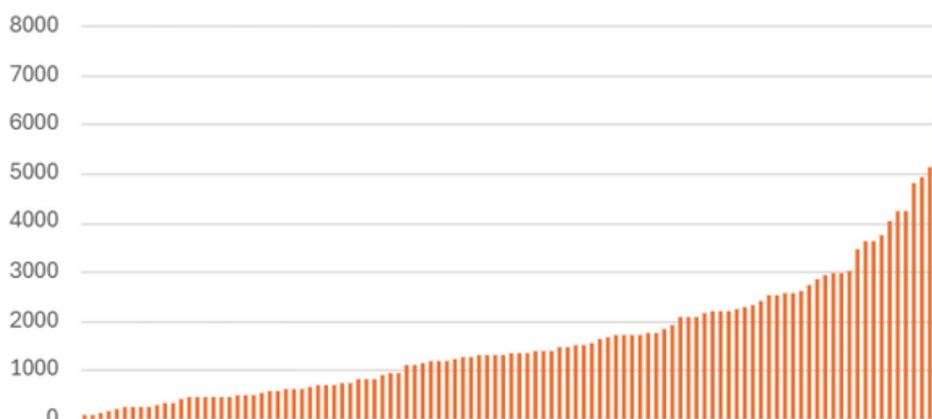


The graph above shows the same income compared to catchment areas (per 1,000 population). There is a vast difference in the amount hospices were able to raise from their catchment areas, ranging from under £250 to over £1,000 of fundraising income per 1,000 people.

Some of this wide variation is due to children's hospices having bigger catchment areas than adult hospices, and so in the individual hospice benchmarking reports, we have analysed children's and adult's services separately.

Some of the variation may also be due to inconsistent or inaccurate catchment areas – please contact us if you believe that the catchment area used for your hospice is incorrect.

Fundraising profit (incl lottery but not legacy or retail) / per 1,000 population



The final graph shows net fundraising profit per 1,000 population served, with profit ranging from under £100 to over £7,000 per 1,000 people in the catchment area. (Again, adult's hospices tend to perform better on this metric due to covering smaller areas, and so we have benchmarked adult's and children's hospices separately in the individual reports).

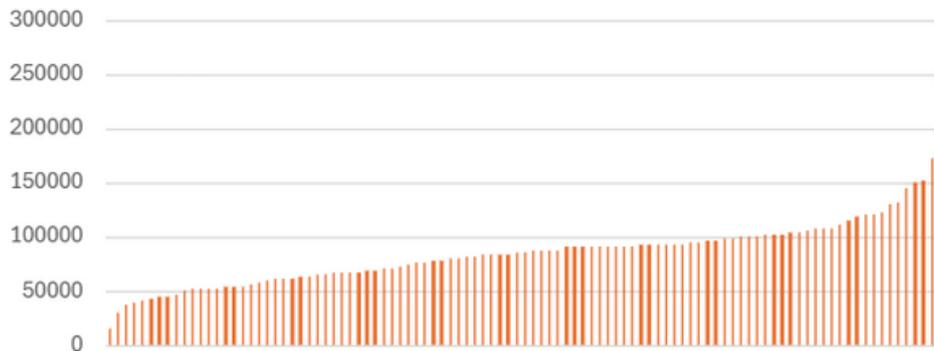
Appendix 4

Retail performance

Shop Income and Profits

Hospices have provided us with the number of shops they operate, full time equivalent staff numbers and space occupied. This enables us to provide a more detailed analysis of comparative retail performance

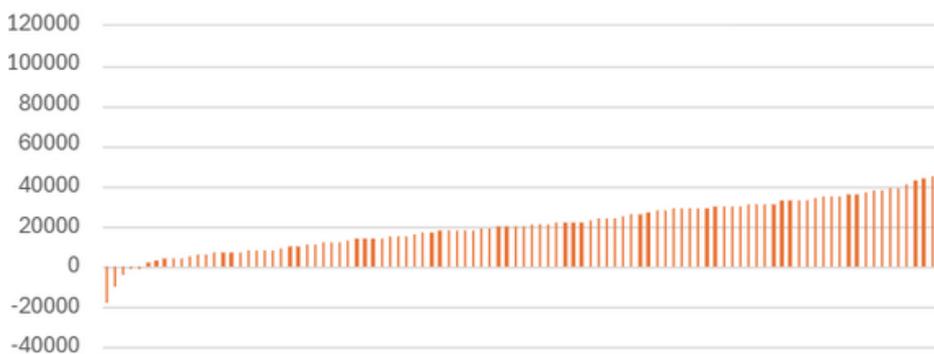
Income per shop



The first graph above shows the distribution of gross retail income per shop. Income per shop ranges from £15k to £260k.

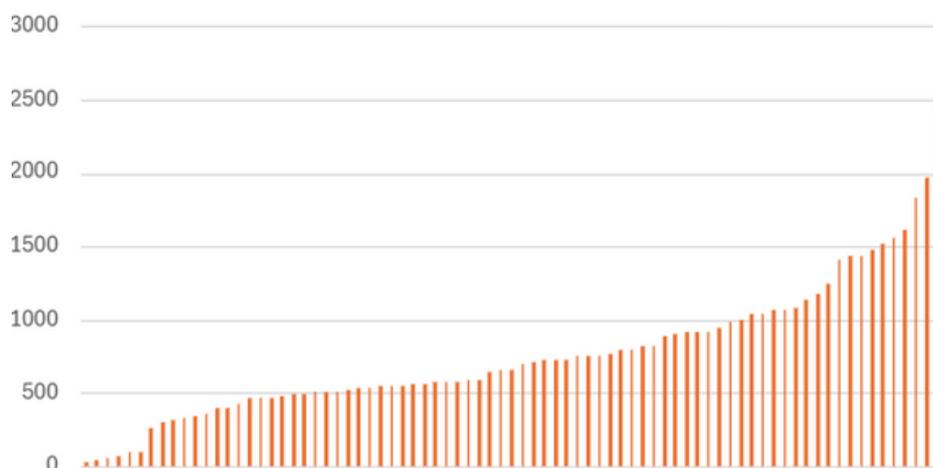
The average hospice shop has generated gross income of £87k in the six months

Profit per shop



- The average profit per shop was £21k in the first six months.
- There is a wide variation in profit per shop for hospices, with the best performing hospice generating a profit of just over £100k per shop in the first quarter.
- Five hospices reported they are making a loss on their retail operations.

Income per square metre

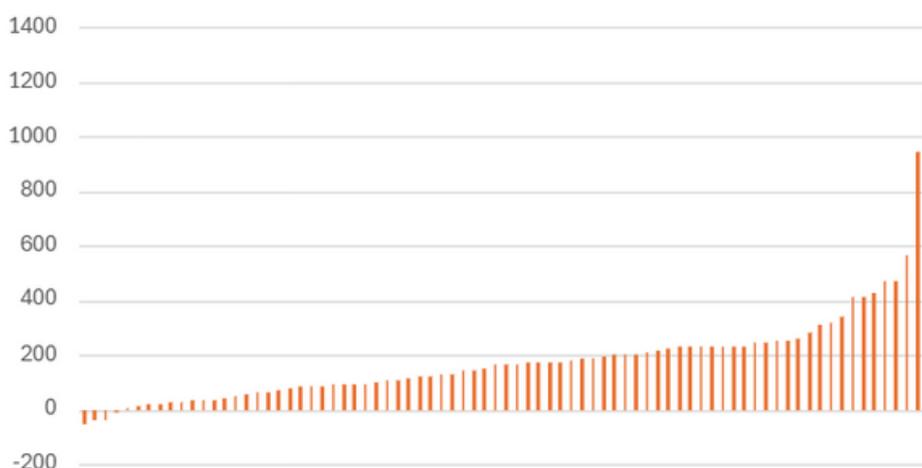


Around two thirds of participating hospices provided us with information about the square metres occupied by their retail operations.

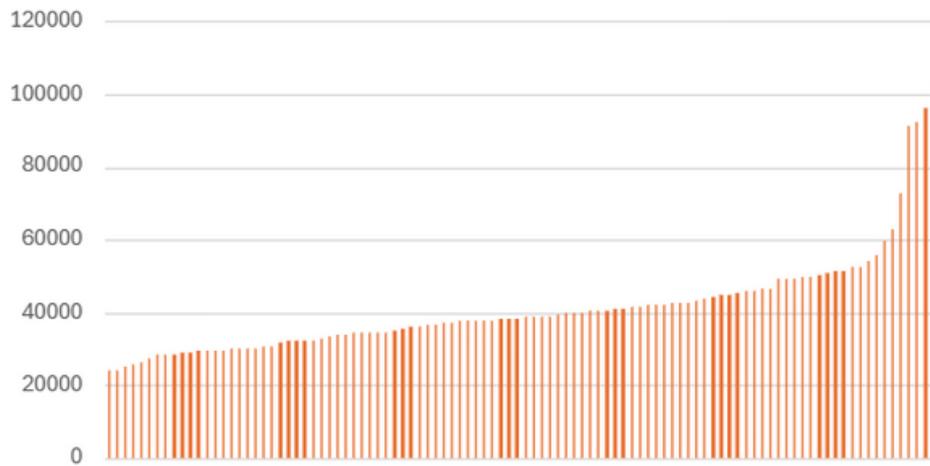
There were surprisingly wide variations in the gross income and net profit per square metre of different retail operations.

- Gross income per square metre ranged from £23 to £2,468 for the six months
- The average was £427 of gross income per square metre
- Net profit per square metre ranged from a loss of £57 to a profit of £1,165.
- The average profit was £100 per square metre.

Profit per square metre



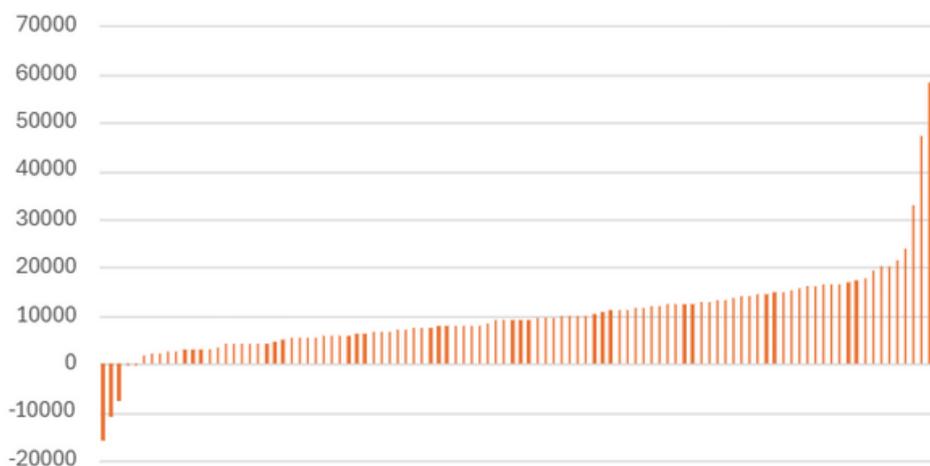
Income per FTE retail worker



Gross retail income per FTE employee for the year ranged from £24k to £102k, with an average of £38k

Retail profit per FTE employee ranged from a loss of £15k to a profit of £58k per employee, with an average profit of £9k per retail employee.

Profit per FTE retail worker





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

Acknowledgements

Thank you to the 115 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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Hospice UK
Hospice House
34 - 44 Britannia Street
London
WC1X 9JG