

Hospice Accounts



Analysis of the Accounts of
UK Charitable Hospices for
the year ended 31 March 2021



haysmacintyre

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Introduction

haysmacintyre is pleased to partner with Hospice UK for the eighth year in producing the Hospice Accounts Report. This year's report brings together information from the statutory accounts of 191 independent charitable hospices in the UK. It shows a sector with total annual expenditure of £1.5 billion per year.

This report combines information from the 2021 published statutory accounts, a year in which the UK and the rest of the world faced the Covid-19 pandemic. Hospices faced a number of specific challenges during the pandemic, most significantly in caring for the most clinically vulnerable patients in incredibly difficult circumstances. Like many charities, their income models were hit at the same time, with shops closed for most of the year, and many other fundraising activities curtailed.

The governments in each of the four nations of the UK recognised the critical role the sector places in supporting the NHS and provided additional funding for hospices at this critical time. This enabled hospices to not only maintain their existing activities, but to increase their support to patients in the community, in order to reduce the pressure on the NHS during the crisis.

As we publish this report in 2022, the UK appears set to enter into another period of financial challenge. An aging population means demand on hospices will continue to increase, while pressure on government finances and household incomes mean it will be ever more difficult for hospices to raise sufficient income to fund those services.

In anticipation of these coming challenges, we have expanded our analysis of hospice reserves this year to enable hospices to compare how prepared they are compared to their peers.

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 or any suggestions for further analysis to include in future publications.



Lee Stokes

Partner, Head of Care and Community
020 7969 5656
lstokes@haysmacintyre.com



Siobhan Holmes

Director, Head of Grant-making
020 7969 5601
sholmes@haysmacintyre.com

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**A sector with total
annual expenditure
of £1.5 billion
per year**



**haysmacintyre's Charities team is one
of the largest in the country and we are
auditor to more of the top 5,000 charities
than any other UK accountancy firm. We
support and advise many local hospices
and have wide experience of their
business and the risks and challenges
they face. Find out more about the team
at www.haysmacintyre.com/charities**



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 191 independent charitable hospices for the financial year ending any time between 1 April 2020 and 31 March 2021. For the majority of hospices, this means the accounts for the year ended 31 March 2021.

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 11 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.

This report is based upon the audited accounts of 191 independent charitable hospices



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.
- 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).

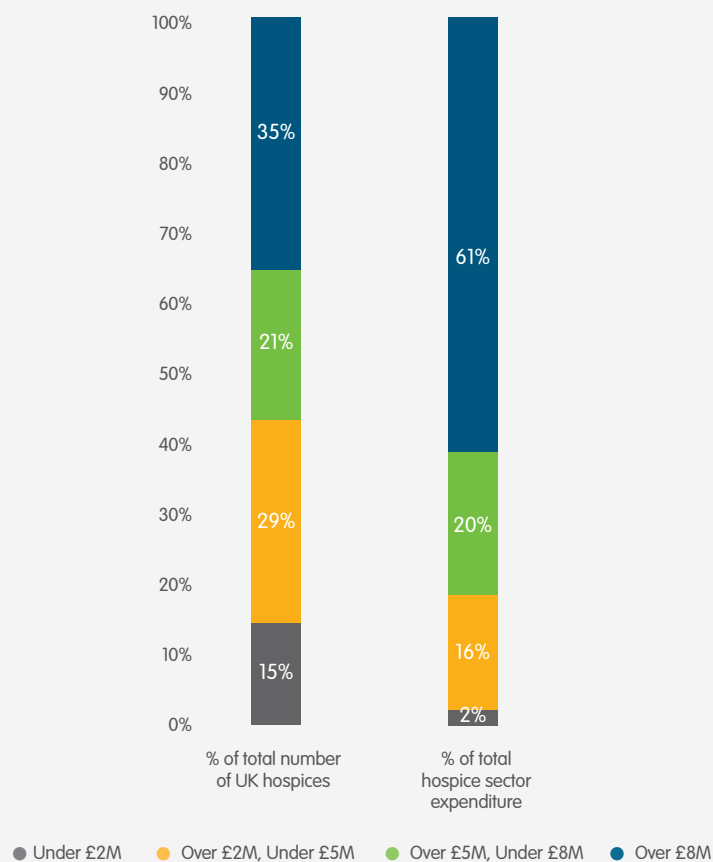


Hospice sizes 2021

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 2021 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	989	3,755	6,249	11,496

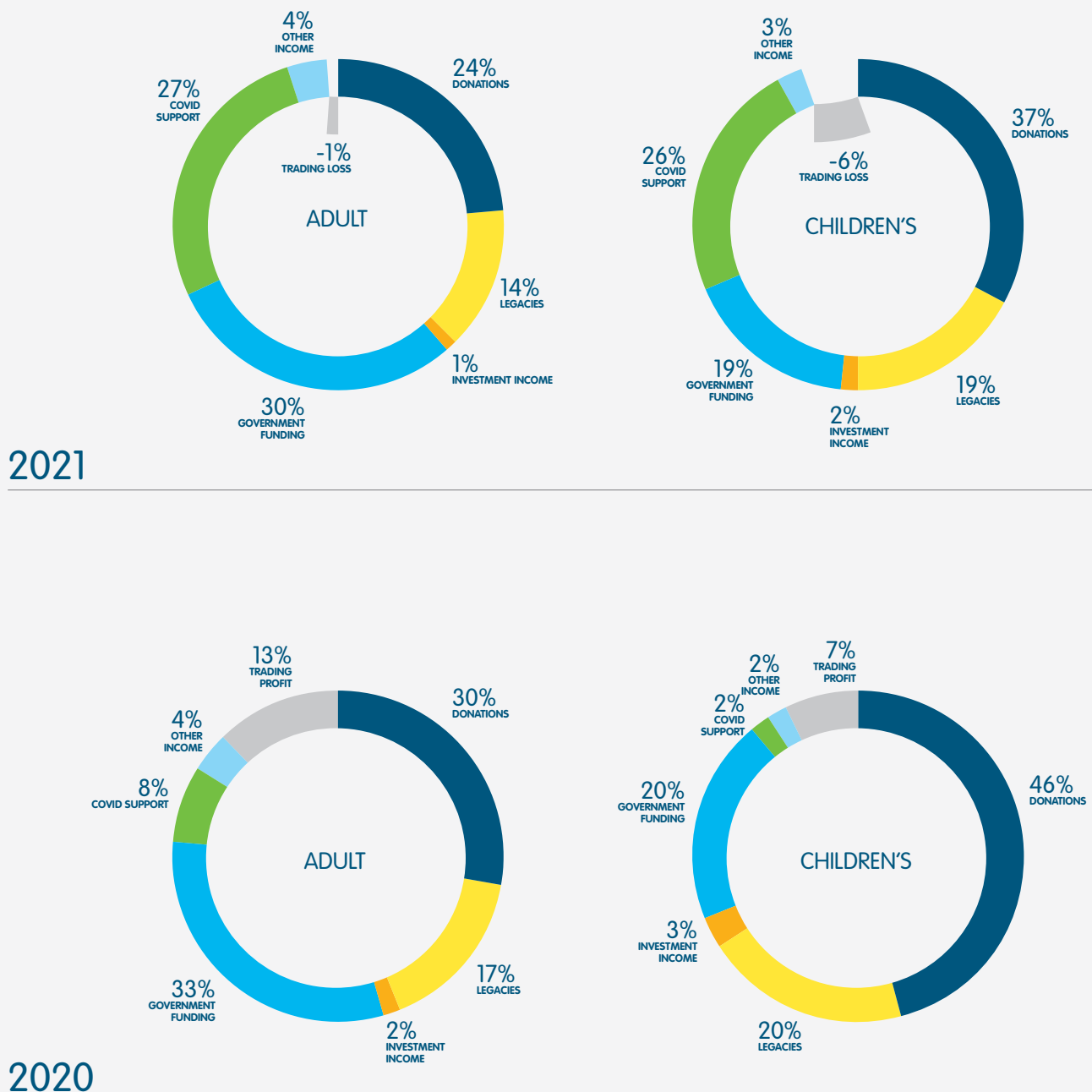
- The size of hospices varies throughout the UK, from St Christopher's Hospice with £22.9 million expenditure to those hospices with an annual expenditure under £1 million. Our smallest hospice has annual expenditure of £233,364.

Income

Total income in 2021 including profits from trading activities for independent hospices was £1,245 million.

FIGURE 2

Income type as a percentage of total income (shown separately for adult and children's hospices) - 2021 and 2020



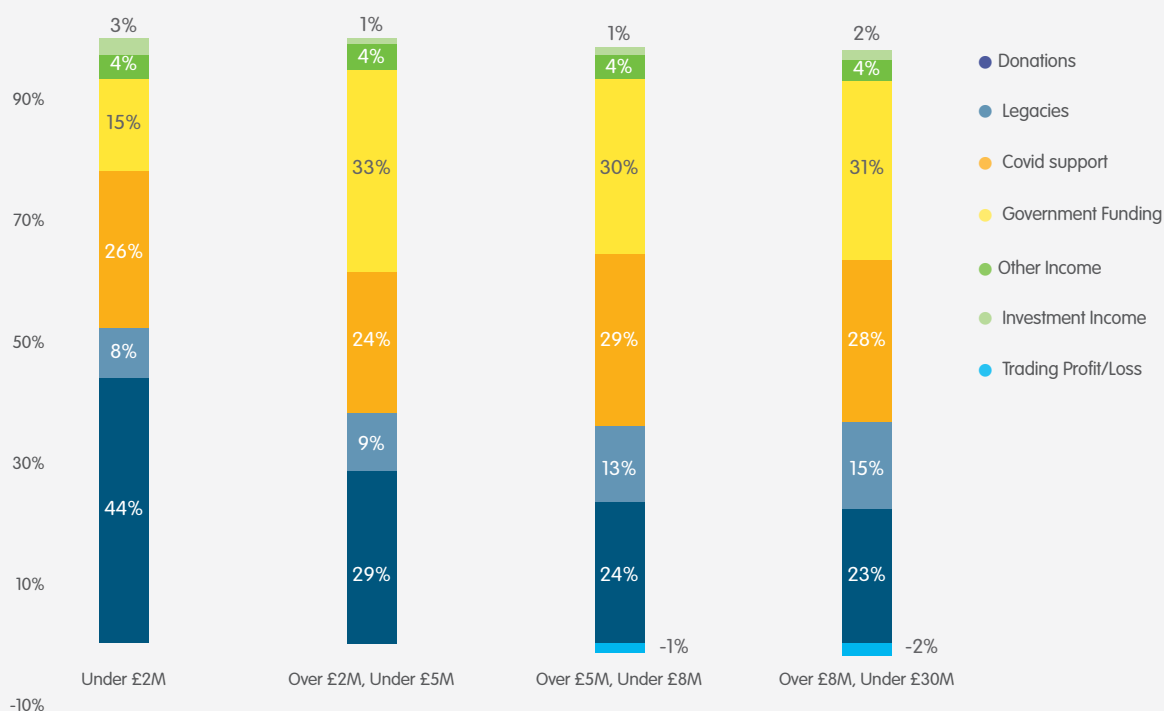
Key findings

- Due to the pandemic, the sources of income for hospices was very different for hospices in 2021 compared to 2020.
- Government funding has been split between recurring government funding and one-off Covid support. The graph shows that combining the two, the government provided more than 50% of funding for adult hospices in 2021, and close to 50% funding for children's hospices.
- Both adult and children's hospices benefited equally from emergency Covid support from the government, but ongoing government funding is lower for children's hospices.
- The graphs also show that – even ignoring the emergency funding – ongoing government funding was a more significant source of income for hospices in 2021. This is because it remained constant in actual terms, so rose in % terms as other sources of income fell.
- Donations represented only 24% of adult hospices income and 37% of children's – down from 30% and 46% respectively in the previous year – due to the need to cancel a large number of fundraising events during the pandemic.
- The graph also shows that both adult and children's hospices recorded a loss on their trading activities in 2021 – this is due to shops being closed but costs such as rent continuing.

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

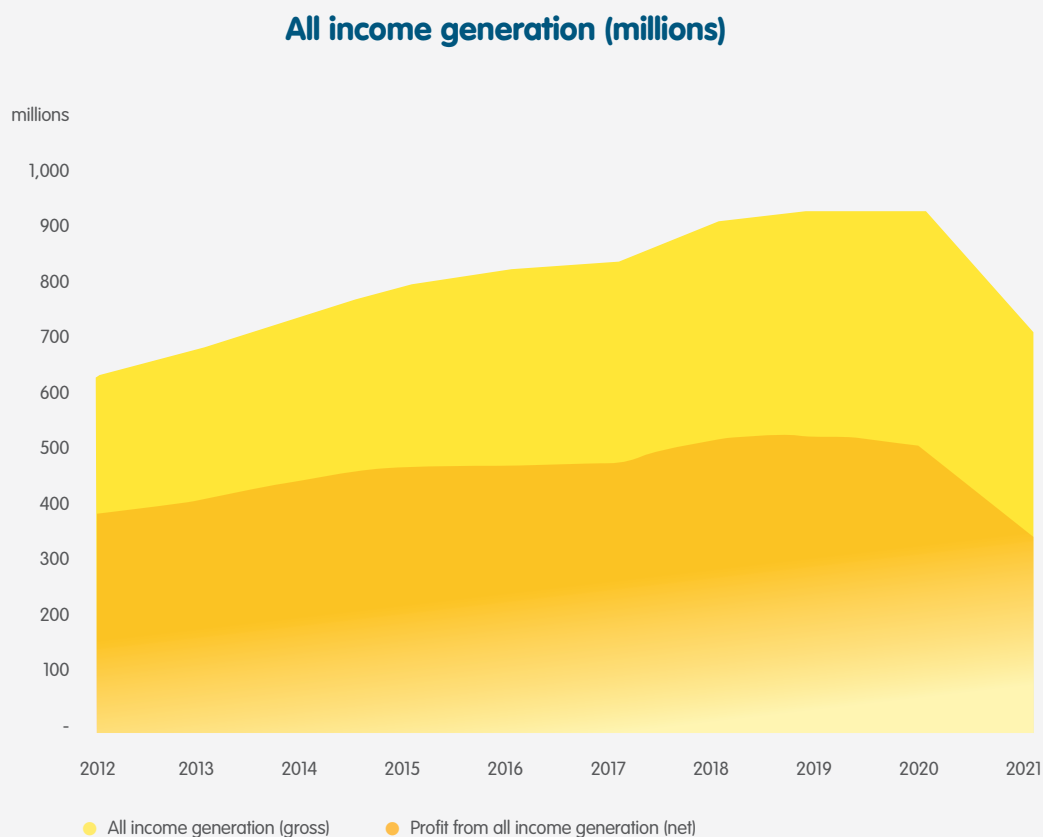
- Government funding comprises a much smaller proportion of total income for the smaller hospices than it does for other hospices.
- Total government funding, including emergency Covid Support, rose to 40% of all income for the smallest hospices, but to 59% of all income for the larger hospices.
- In contrast, donations from the public are a far more significant source of income for the smaller hospices, comprising 44% of all income for the smaller hospices this year compared to 23% for the larger hospices. This suggests that smaller hospices are most vulnerable to any changes in charitable giving by the public.
- Overall government income 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)

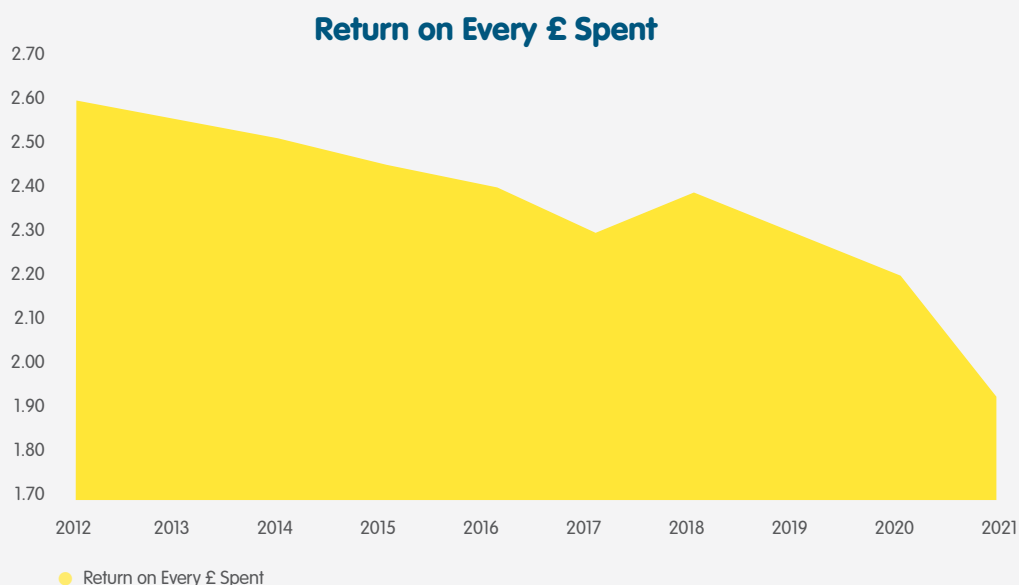


Up until 2020, income generated from voluntary sources had been growing steadily, although costs had also been increasing.

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

FIGURE 5

Income generation return on investment (including trading activities)



It's becoming more challenging for hospices to generate the income they need from voluntary sources

Even before the pandemic, there has been a reduction in the profitability of shops over several years

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 £2.22 by 2020.

The impact of the pandemic increased this trend, though hopefully only in the short term, with hospices generating £1.93 for every £1 they spend on income generation activities in 2021.

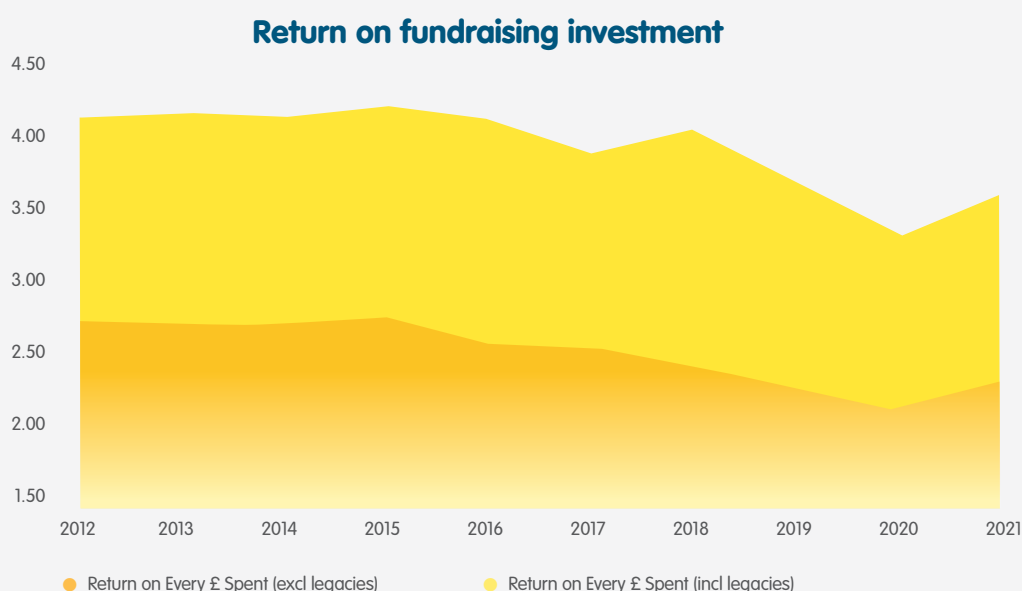
Cost of raising funds

(excluding trading activities)

The graph below shows the fundraising ratio of hospices. This is calculated by dividing expenditure on fundraising (excluding shop and lottery costs) by fundraised income raised (comprising donations, legacies, grants and income from fundraising activities). 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 2021, hospices generated £3.57 in income for every £1 spent.
- Over the last decade there has been a trend towards smaller returns on investment in fundraising in recent years as shown in the graph above.
- Surprisingly that trend reversed in 2021, due to a combination of lower costs (with some fundraising staff being placed on furlough) and a generous response from the public to emergency fundraising appeals, as they recognised the value of the work hospices did during the pandemic.

FIGURE 7

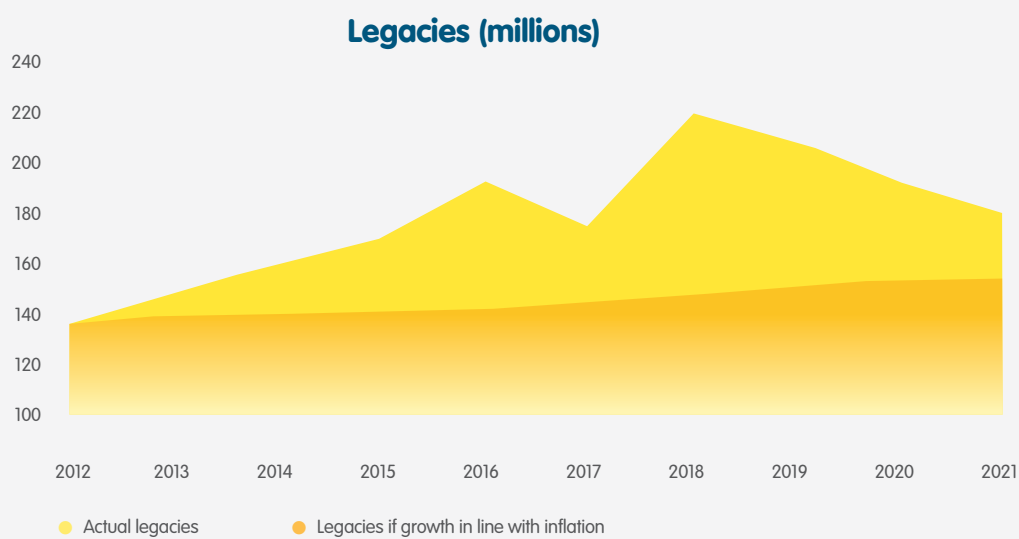
Legacy Income

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

Whilst legacy growth has tended to outstrip inflation since 2012, it has now been declining significantly for three years in a row. The reasons for this are unclear, but it will have a significant impact on hospices' overall sustainability.

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 cash flow.



Legacy income has been falling sharply in the last three years

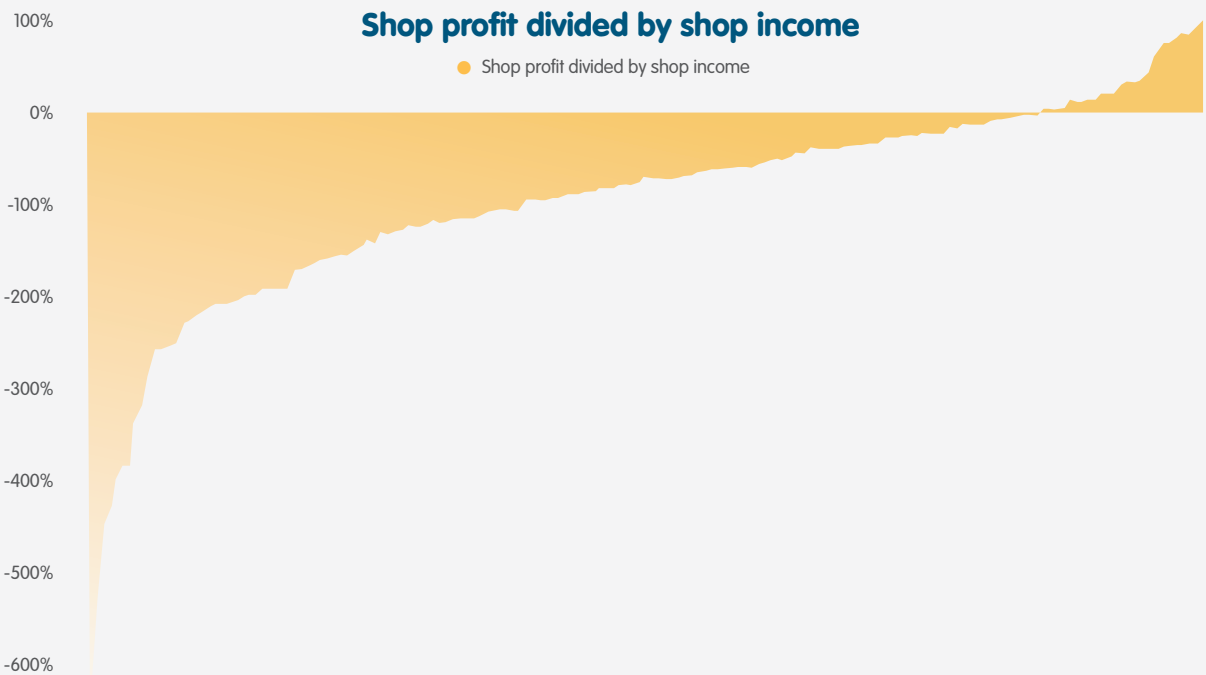
Legacy income is a critical, but often an unpredictable, source of income for hospices

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.
- We have not provided as detailed an analysis of retail performance in this year's report. Hospice shops were closed for much of the year under review due to the pandemic, and therefore the analysis is less useful this year.
- Of the 169 hospices who have shops, only 25 were able to generate a profit from those activities this year due to the impact of the pandemic, with 144 generating a loss.
- Even after taking into account the additional government support that was available for retail activities (primarily the Coronavirus Job Retention Scheme and Local Authority Retail Grants) 77 hospices out of 169 still recorded a loss on their retail activities.

The profitability of the average hospice shop has been declining in recent years

In a typical year profit from shops contributes around £70m to the work of hospices



Lotteries

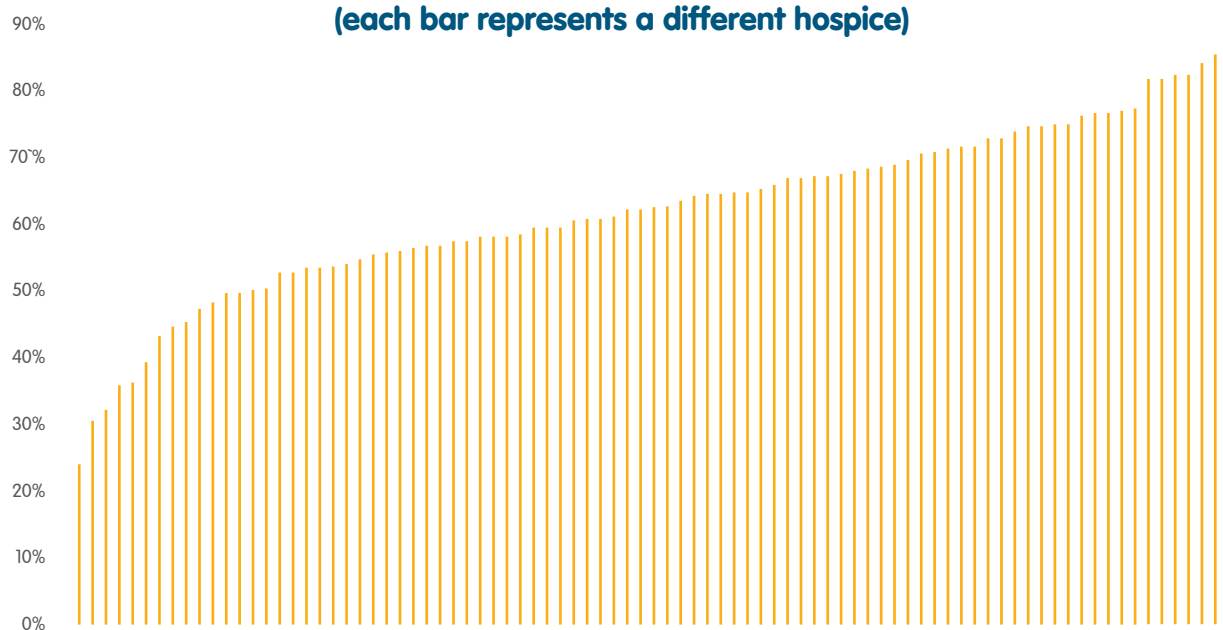


We have used information available in the hospices' published, consolidated accounts to analyse the profitability of lottery activities. In some cases, hospices have not separately disclosed their expenditure on shops in their accounts or have included donated lottery income already accounted for in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

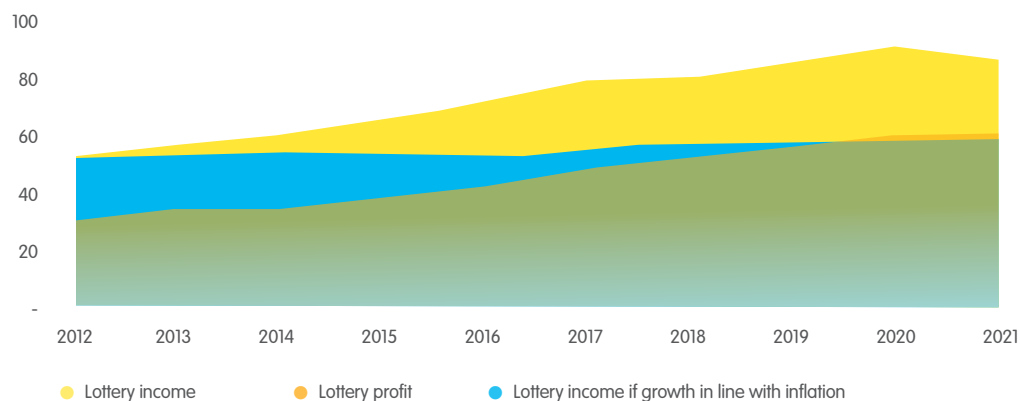


Key findings

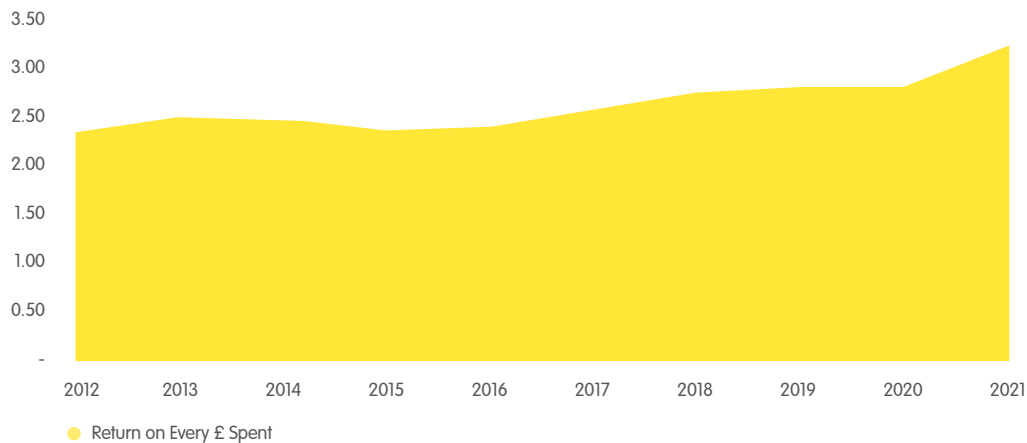
- ☀ The average profitability of a hospice lottery was 61% and the average profit per hospice is £478 thousand.
- ☀ There is greater consistency in profitability among lotteries than shops.
- ☀ Four hospices made a profit of over £1 million on their lottery activities, including the two largest partnership lotteries.

The graph below shows that total lottery income and profits have grown steadily and consistently since 2012, with a small decline in total income in 2021 due to the pandemic.

Lottery income (millions)



Return on Every £ Spent



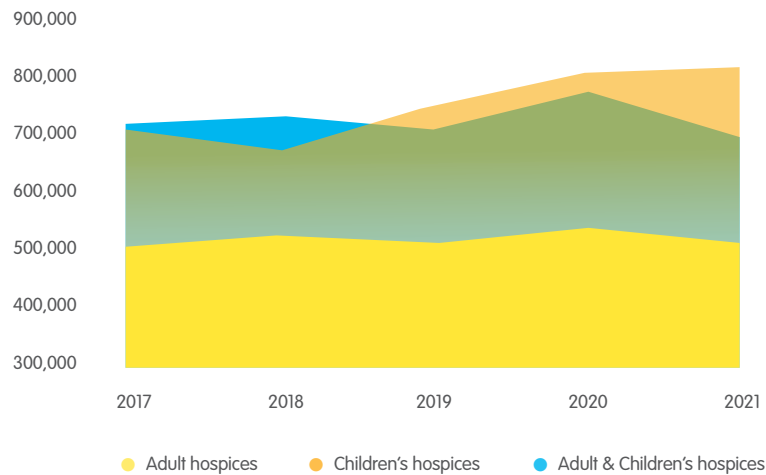
Key findings

- The total reported gross lottery income for independent hospices was £87 million in 2021, a decrease of 4.1% on the prior year
- The return on investment in hospice lotteries has shown an improvement over the time period. The 14.6% increase in ROI from the previous year is expected to be due to reductions in lottery expenditure due to Covid-19 in 2021.
- The amount of income generated for every £1 a hospice spends on its lottery increased from an average of £2.33 in 2012 to £3.22 in 2021. To aid comparison overtime 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.

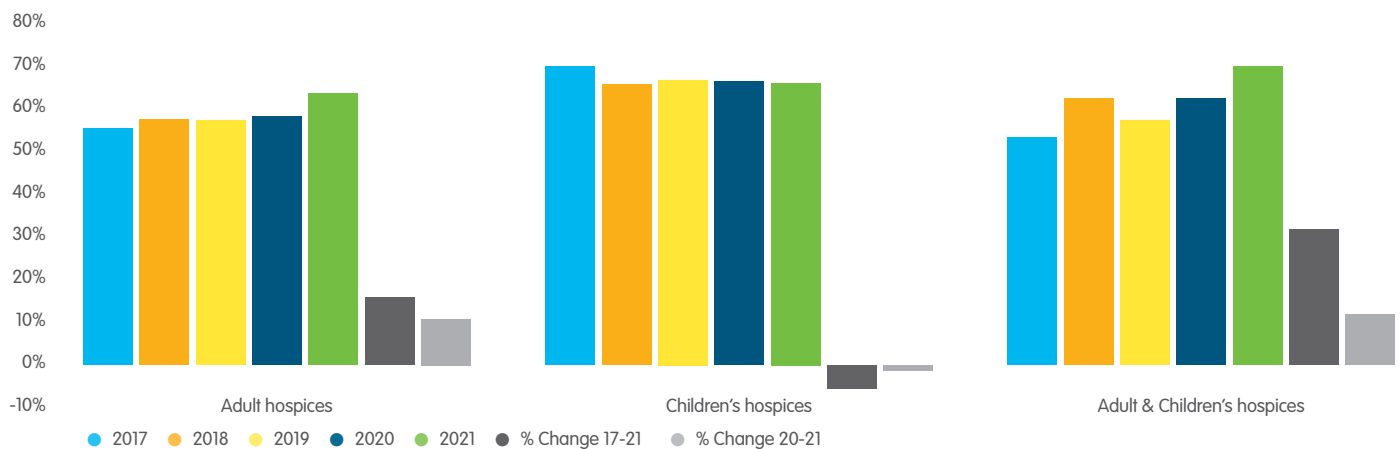
A further review of lottery data has been undertaken with the support of Local Hospice Lottery to analyse any differences in Children's and Adult hospices, review regional variances and to consider the impact of partnership lotteries on hospices. This review focuses on those hospices where data is available from consolidated accounts for each year in the five-year period from 2017 to 2021.

Service Type

Average hospice income by service



Hospice lottery profitability by service



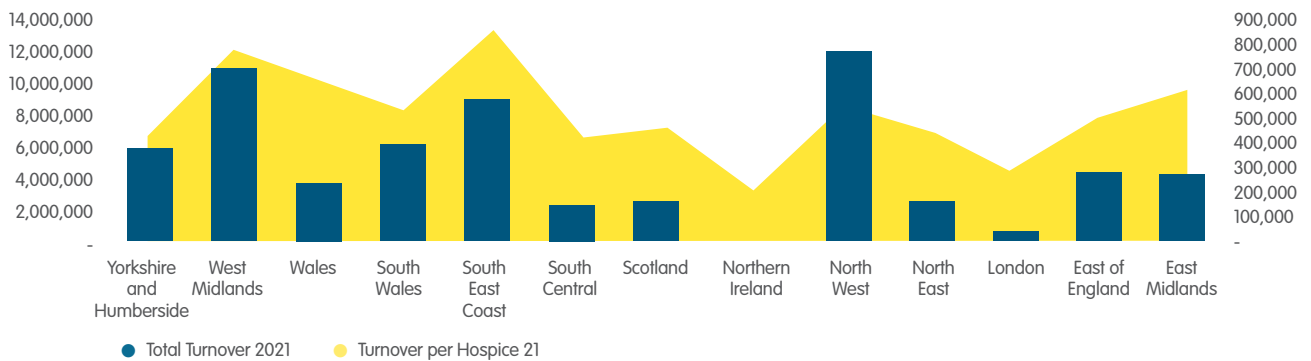
Key findings

The average income of a children's hospice increased by 14% between 2017 and 2021, with an average adult hospice experiencing a 2% increase and a hospice with shared services experiencing a 2% decrease.

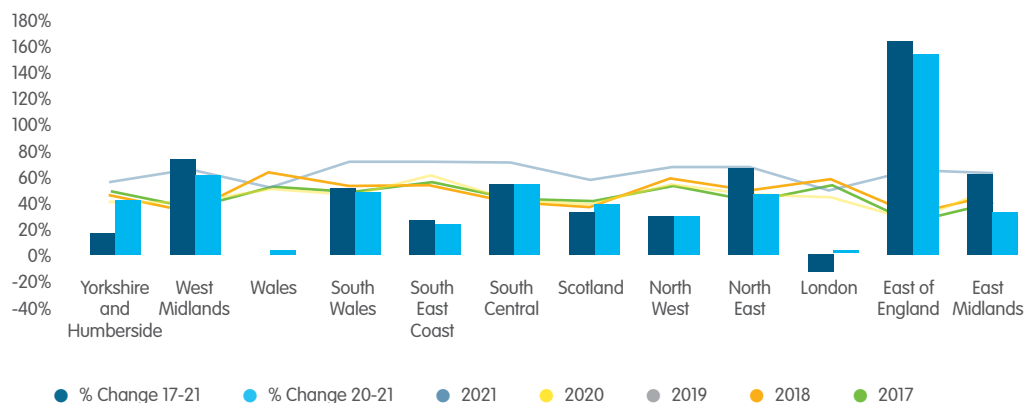
The average profitability of an adult hospice lottery increased by 15% over five years to 63% in 2021, with a 10% increase from the previous year. Although the profitability of children's hospice lotteries declined by 5% over 5 years, they still remain more profitable than adult hospices.

Regional Analysis

Hospice lottery regional turnover 2021



Hospice lottery regional profitability



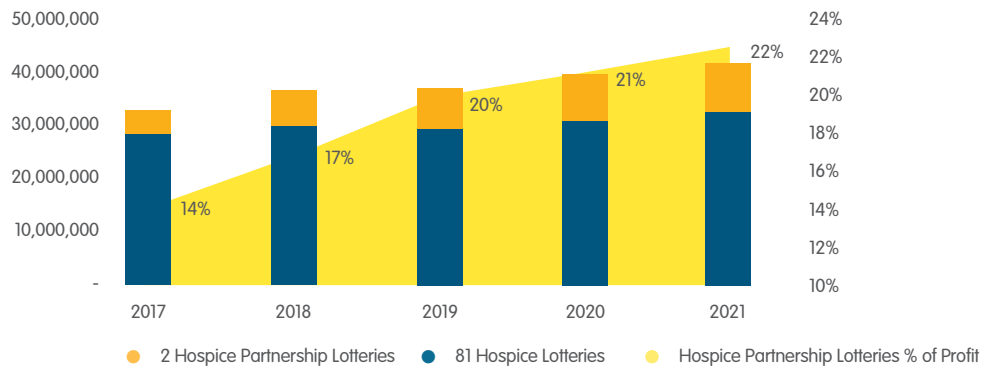
Key findings

- The profitability of hospice lotteries increased in 2021 as costs were reduced due to Covid-19. Profitability varied considerably by region in 2021 from a low of 46% in London to a high of 71% in the South West and South East Coast.
- The North West's hospices experienced the highest lottery turnover in 2021, whilst the South East Coast saw the highest average turnover per hospice. London and Northern Ireland's hospices experienced 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 the sector.

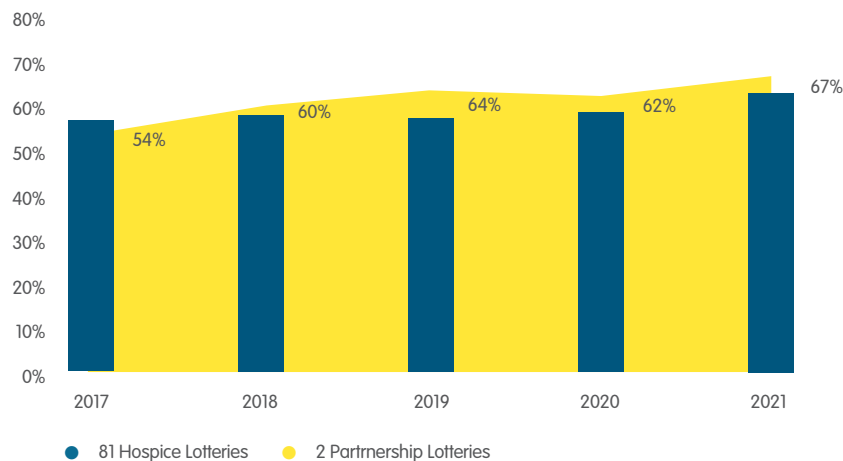
Partnership Lotteries

A small number of hospice owned partnership lotteries 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 £13.8 million in 2021.



Whilst hospice lotteries saw a 14% increase in profits between 2017 and 2021, partnership lotteries had almost doubled their profits (98% increase) over the same time period, contributing £9.3 million to charity in 2021.

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/

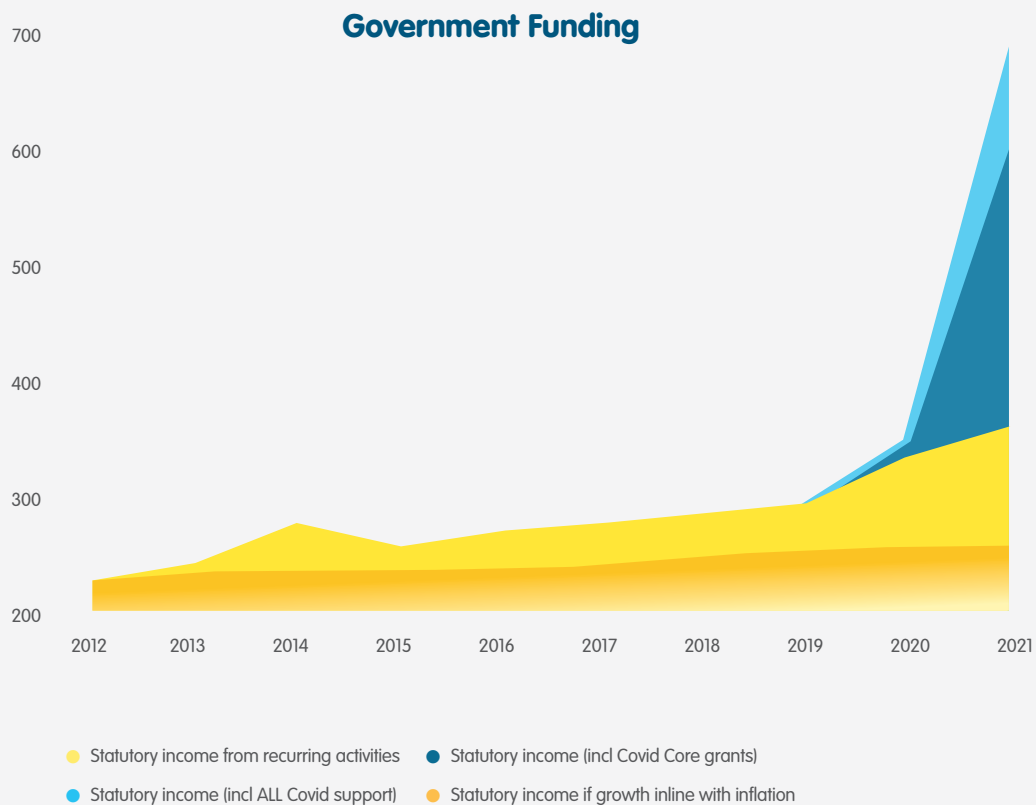
Government Funding

Hospices in the four UK 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.

FIGURE 9

Government funding of independent hospices (comparison by year)



- The graph above 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 bottom (dark yellow) part of the graph shows what would have happened if statutory income had risen only in line with inflation since 2012. The next (light yellow) area

shows how much recurring income for hospice has activities has been received.

The area above that (dark blue) add in the emergency support specifically for hospices received during the pandemic, and the top (light blue) area also includes for general government support that all organisations were eligible for (such as the job retention scheme).



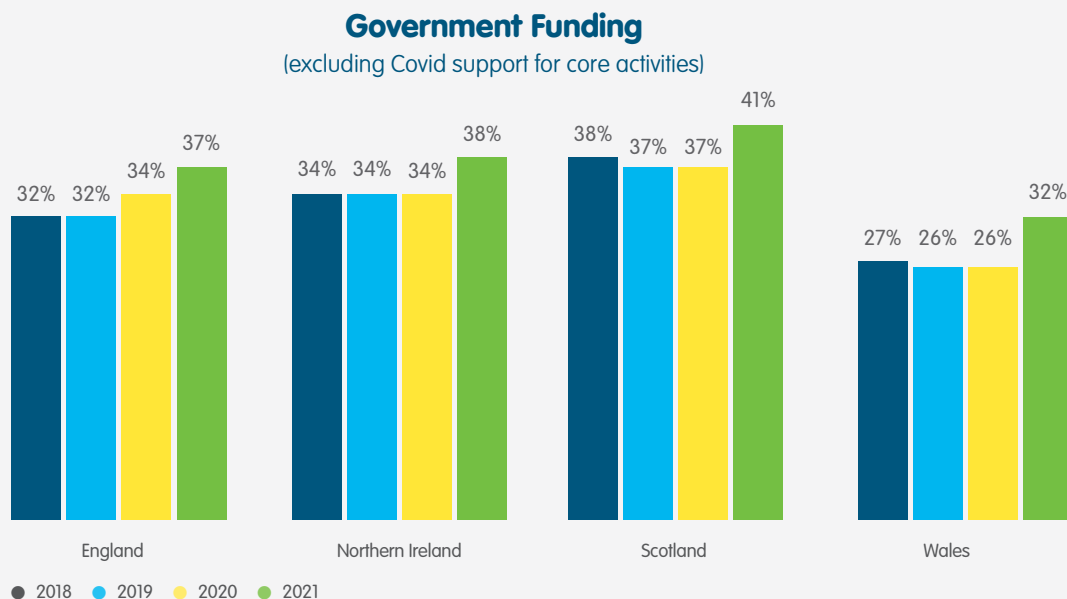
The government only provides around 1/3 of the funding for hospices in a normal year

During the pandemic, the government recognised the critical role hospices played, and provided an extra £242m of support in the year to March 2021



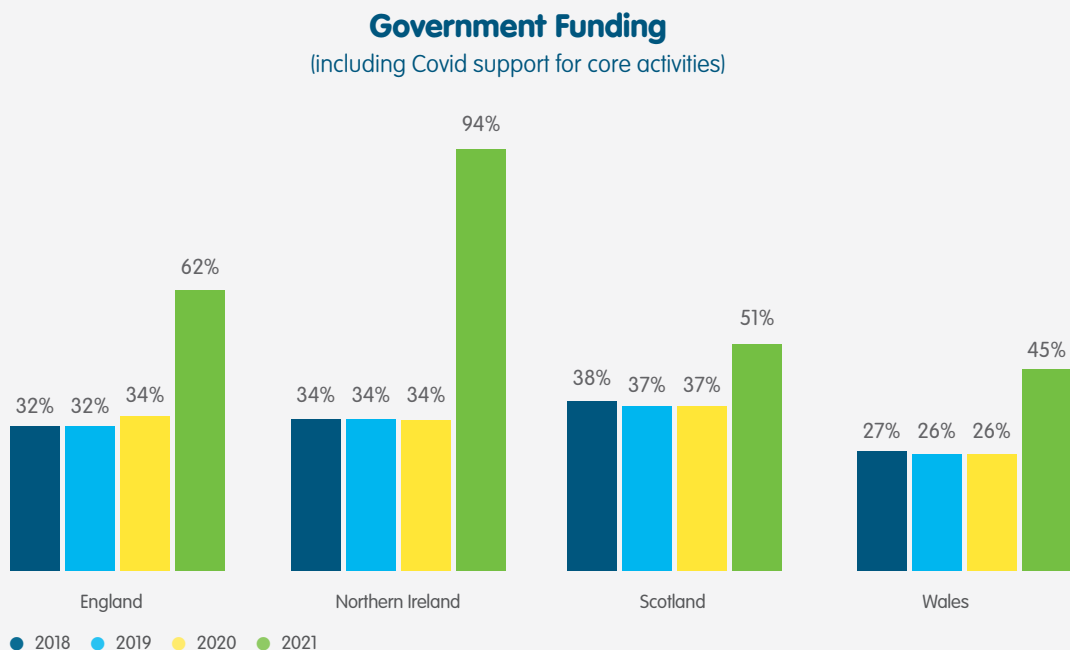
FIGURE 10

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).
- Most of this income relates to grant funding by local and national NHS bodies to contribute towards the work of hospices.

- 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 in all four nations.



- This second graphs shows statutory income from all sources as a proportion of expenditure in 2021.

- 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.

Key findings

- In total the government funded 37% before, and 63% after including government Covid support for charitable activities, of the expenditure incurred by independent adult hospices in the UK.
- If only recurring funding (i.e. non covid emergency funding) is considered, several hospices received less than 20% funding from Government sources while at the other extreme 23 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.

Without the additional government support, many hospices would have had to close or reduce services

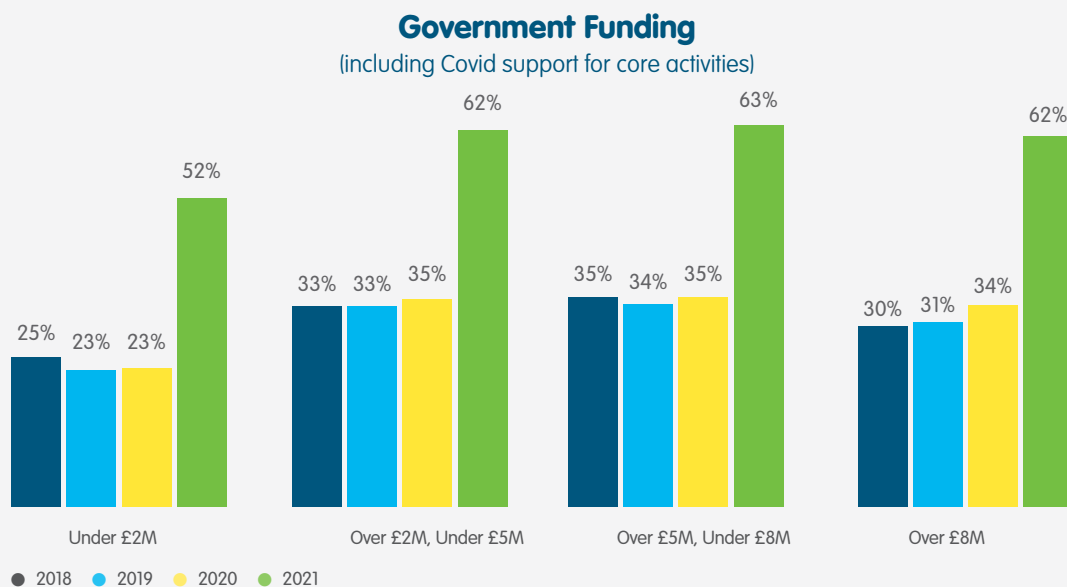
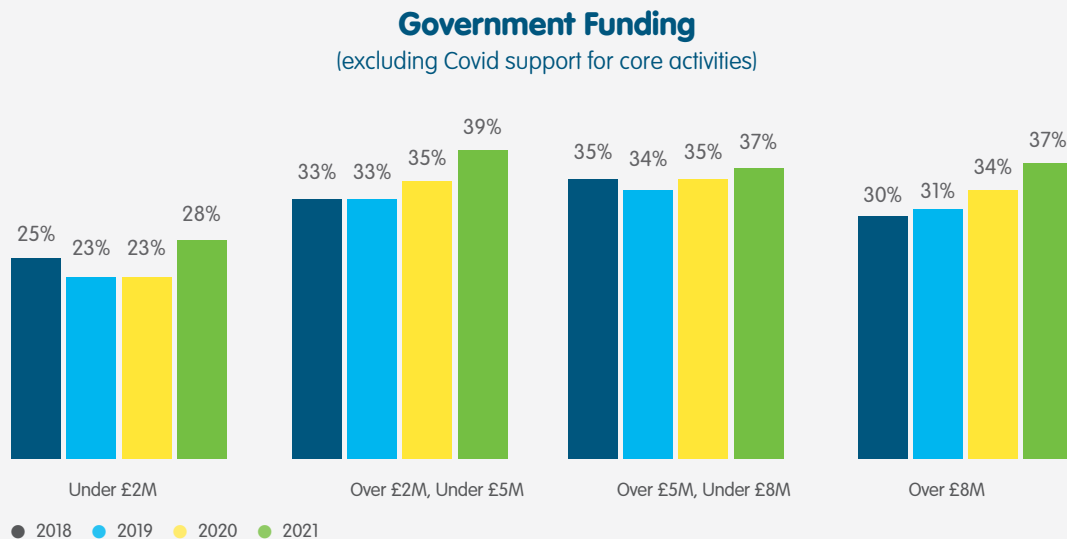
Additional government support during the pandemic enabled hospices to do more to support the NHS



Government funding - England

FIGURE 11

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



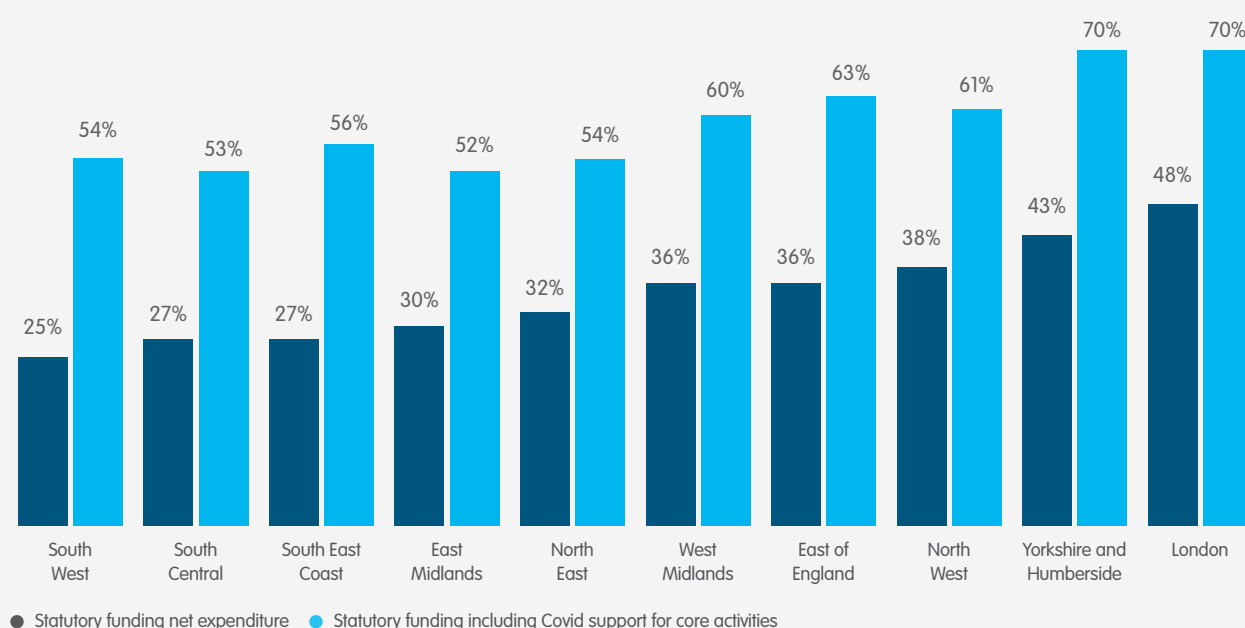
Key findings

In total, the government funded 37% of the expenditure incurred by adult hospices in England if only recurring funding is considered and 62% 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.

- 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.

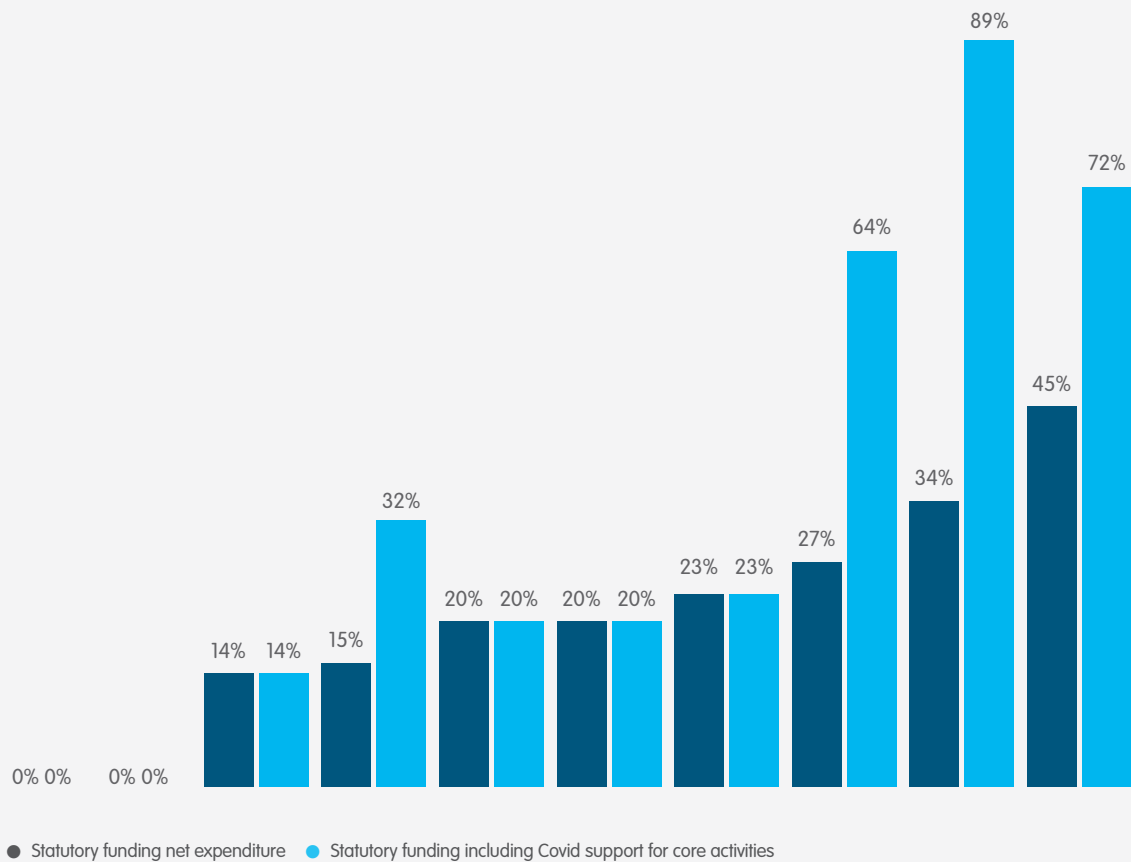
Average levels of government funding vary significantly between regions in England

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



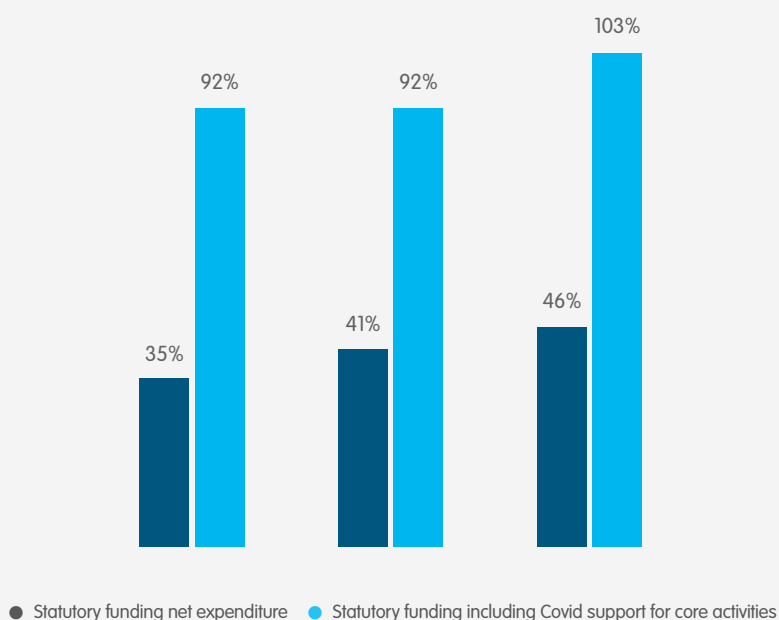
Key findings

- In total, the government funded 32% of the expenditure incurred by adult hospices in Wales if only recurring grants are considered, and 45% 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 89%.
- Overall, hospices in Wales received 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)



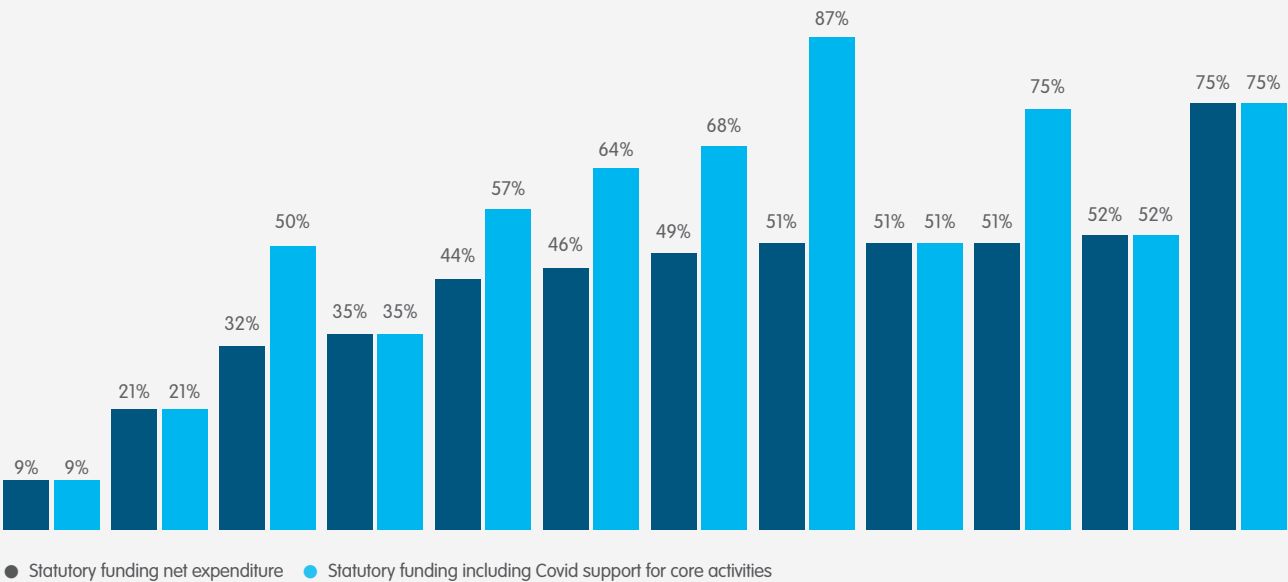
Key findings

- 🔦 In total, the government funded 38% of expenditure incurred by adult hospices in Northern Ireland, rising to 94% when the one off Covid support is also taken into account.
- 🔦 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)



Key findings

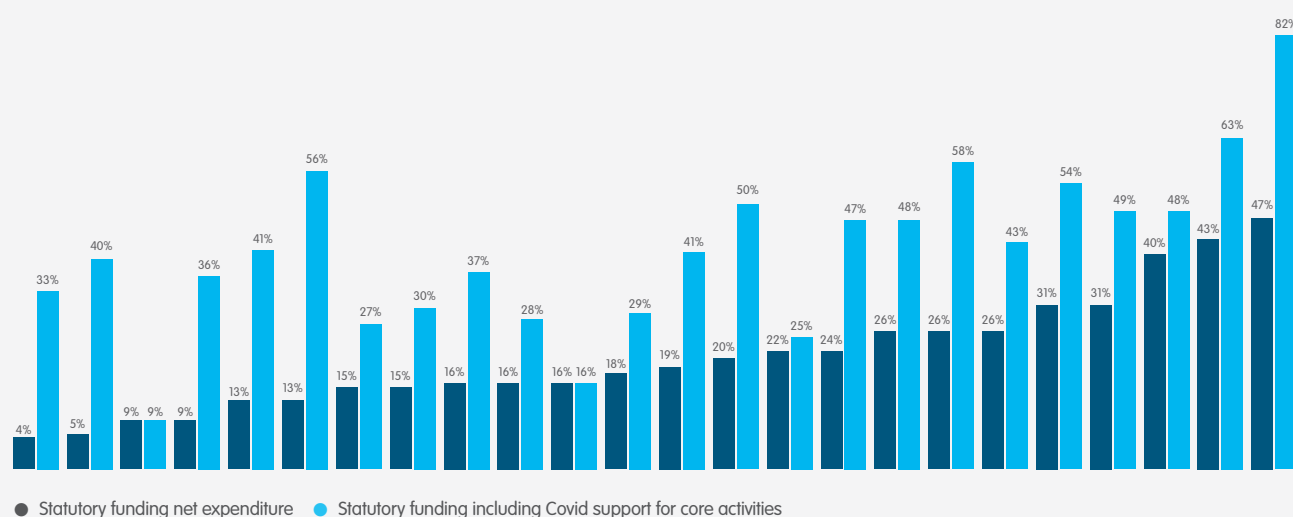
- In total, the government funded 41% (recurring grants) and 51% (when government Covid support for core activities were included within calculation) of the expenditure incurred by adult hospices in Scotland.
- Government funding for hospices in Scotland is typically higher than in other parts of the 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)



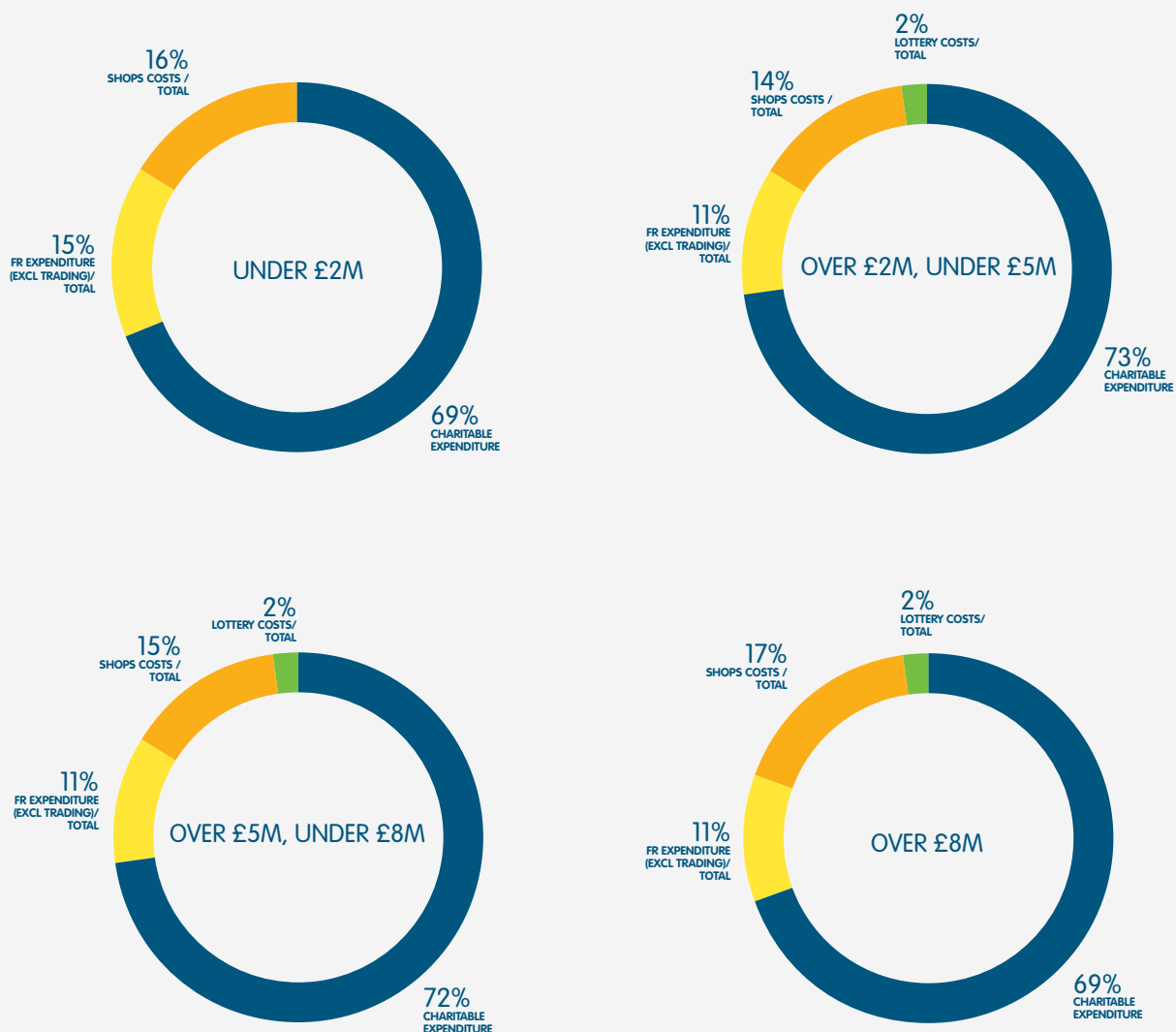
Key findings

- Most children's hospices are located in England, and on average, government funding in 2021 amounted to 23% based on recurring grants.
- Once emergency Covid grants are taken into account this figure rises to 43%.
- 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.
- 15% of total hospice spend is on retail activities, 12% on fundraising activities and 2% on lotteries.
- There are no clear differences in how hospices spend their funds based on the respective size of the hospices.

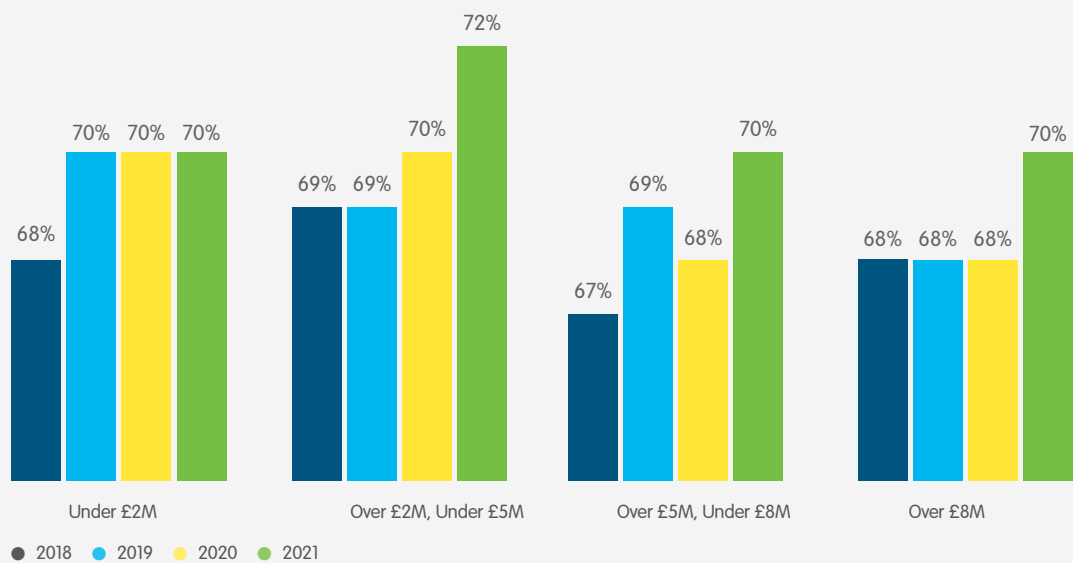
Staff costs

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 make up a majority of the expenditure within hospices

FIGURE 18

Staff costs as a proportion of total expenditure



Key findings

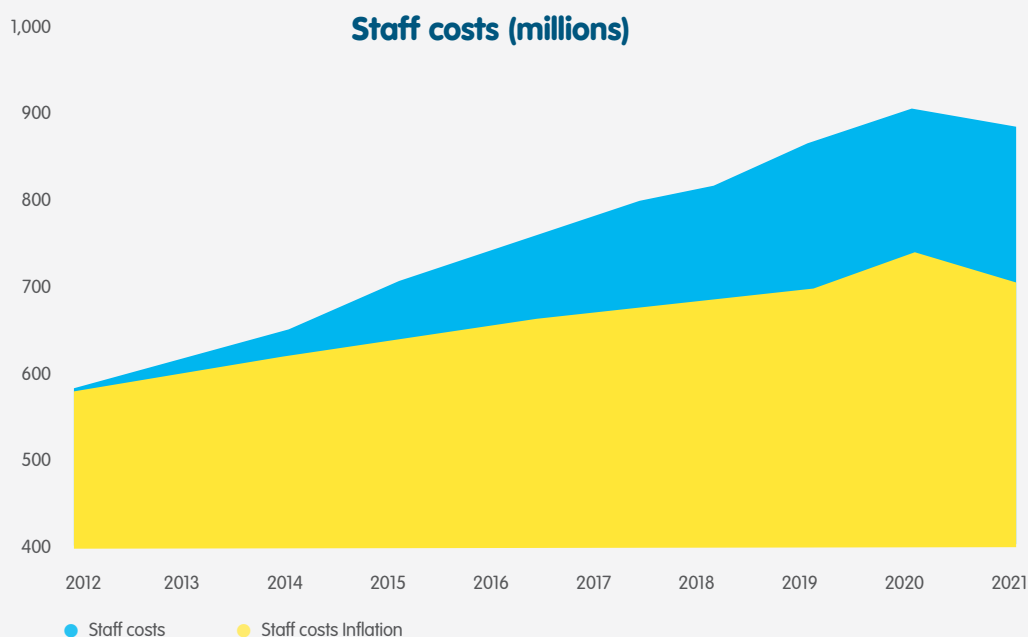
- Staff costs represent 71% of a hospice's total expenditure, on average.
- This is broadly consistent across hospices of all sizes.
- Total staff costs for independent hospices are now £888

million, which was very slightly lower (1%) than in the previous year.

- 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 staff numbers shrunk for the first time. Analysis of the underlying data shows this was due to a fall in retail staff (and to a lesser extent other support and income generation staff) during the pandemic. We expect the numbers to rise again post-pandemic.



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

In 2021 staff numbers shrunk for the first time

Key Management Personnel

Under SORP (FRS 102) second edition, charities have to disclose the cost of their “key management personnel.”

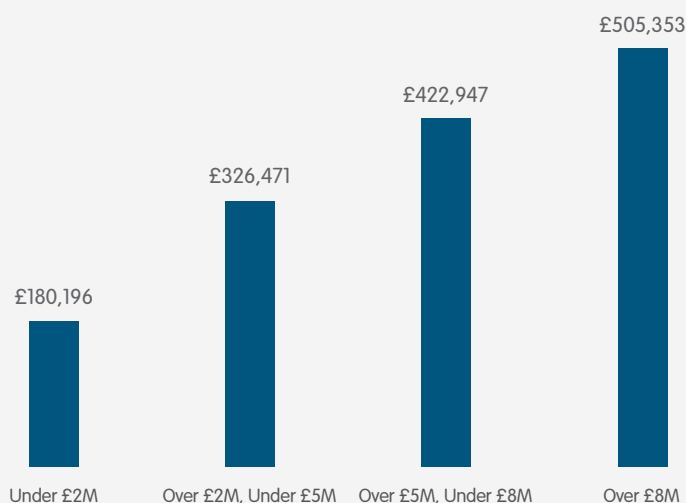
The average cost of key management personnel disclosed by hospices is £396,989 and the average number of staff included in this figure is 5.21.

Many (approximately 10%) of hospices have not disclosed the number of their key management personnel, despite this having been a requirement for a number of years. Another 10% disclosed key management personnel, but did not make it clear which or how many staff this refers to. This means the below figures are not based on information from all hospices.

	2018	2019	2020	2021
Key management staff	876	870	909	892
Key management costs	£61,2m	£64,4m	£66,3m	£68,3
Average number of staff	5.21	5.12	5.22	5.21
Average cost of key management personnel	364,342	378,998	381,163	396,989

FIGURE 20

Average of key management costs (comparison by size of hospice)



The table above shows that key management costs rise proportionally as overall organisational costs rise. Larger hospices incur four times as many key management costs

as smaller hospices – this is to be expected since their overall costs are at least four times as high.

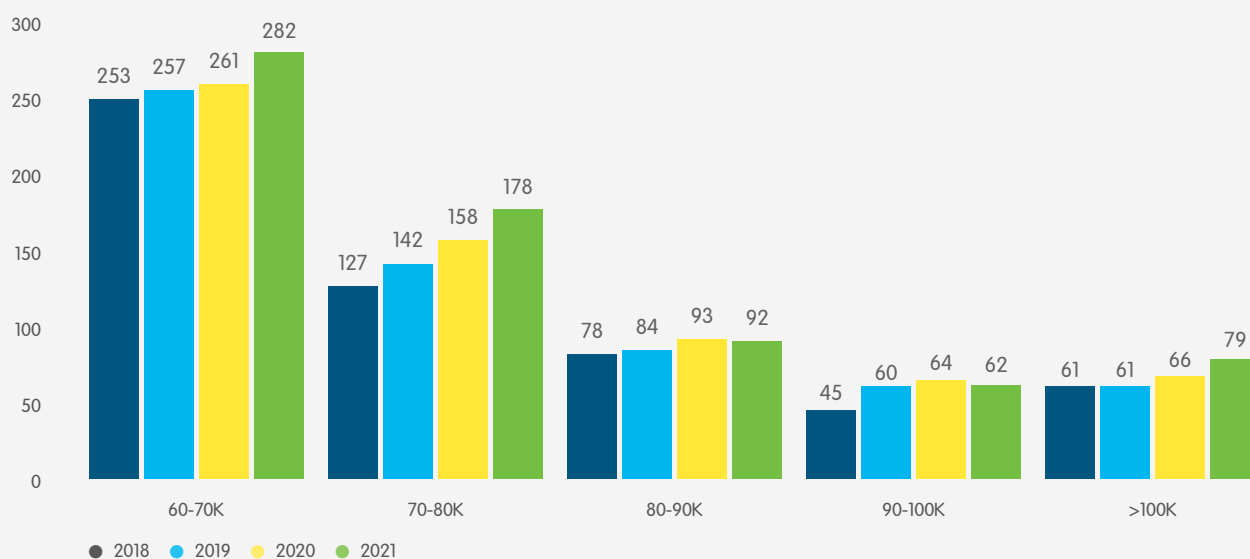
High Paid Staff

All charities have also been required for many years to disclose the number of staff they employ who received emoluments (excluding pension contributions) of over £60,000.

In total, the hospice sector employs 693 staff who are defined as highly paid (earning over £60,000), which works out at an average of 3.6 per hospice.

FIGURE 21

Employees earning over £60,000



Hospices are likely to employ more staff on high salaries than the average charity, as many will directly employ highly skilled medical staff, and will be required to offer salaries at a similar level to the NHS market.

There is considerable variation in the number of highly paid staff per region as shown by the following table:

Nation/Region	Ave no of high paid staff	% of all staff who earn more than £60K
East Midlands	1.73	1.1%
East of England	4.81	2.1%
London	7.08	3.7%
North East	1.25	1.0%
North West	2.07	1.6%
Northern Ireland	4.00	2.1%
Scotland	4.46	2.9%
South Central	3.33	2.0%
South East Coast	6.31	2.4%
South West	4.89	2.3%
Wales	0.82	0.9%
West Midlands	3.37	1.6%
Yorkshire and Humberside	3.18	1.8%

Staff Numbers

The independent hospice sector employs 33,171 staff or 24,514 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 40,116 staff or 29,428 full-time equivalent staff.

The independent hospice sector employs 33,171 staff

Available 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).

Volunteers are critically important to the hospice sector

FIGURE 22

Available reserves as months of expenditure (adult hospices)

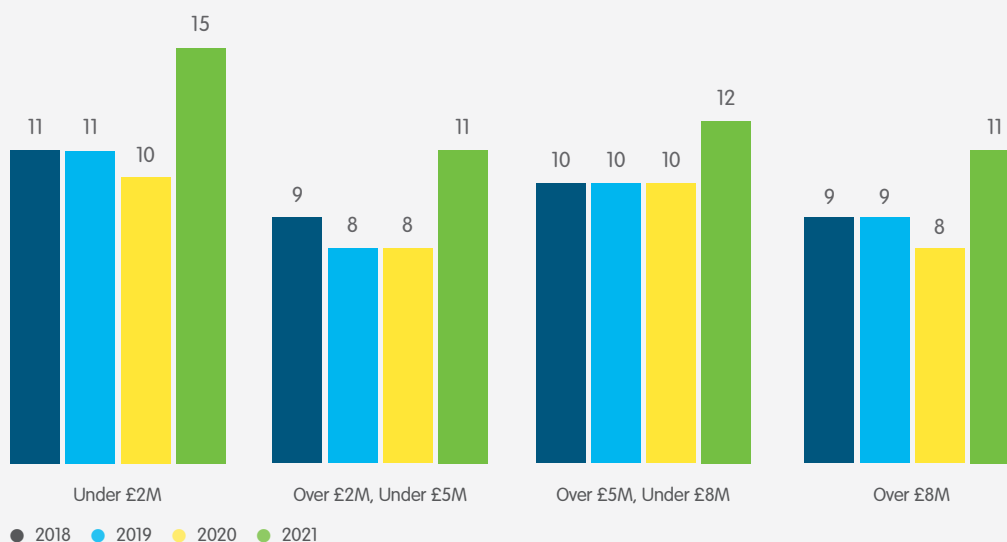


Hospices generally hold their reserves in a mixture of cash and listed investments. At 31 March 2021 hospices were holding £548million in cash and had investments valued at £807million.

**Hospices held
investments valued
at £807 million**

FIGURE 23

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



Key findings

- Adult hospices hold the equivalent of 12 months of expenditure in available reserves, on average.
- While average reserve levels are healthy, this is in advance of a very challenging period to come for the sector.
- 23% of hospices hold less than six months of expenditure in available reserves.

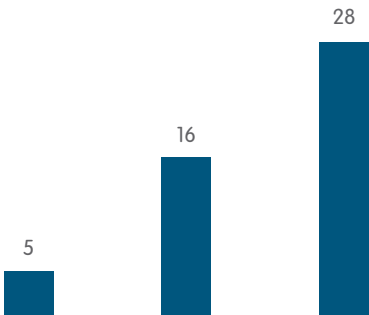
- There are four adult hospices with negative available reserves, which means that they are using the value of their fixed assets to enable them to remain solvent.
- At the other end of the scale ten hospices have available reserves of more than two year's expenditure. It may be that these hospices are saving funds for a new building or other major capital project.

(There was one hospice, included in Figure 22, which has reserves of almost 120 months following an exceptional windfall in the previous year. That hospice has been excluded from Figure 23 to avoid distorting the results).

We have provided additional analysis of reserves by nation or by region in England. 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

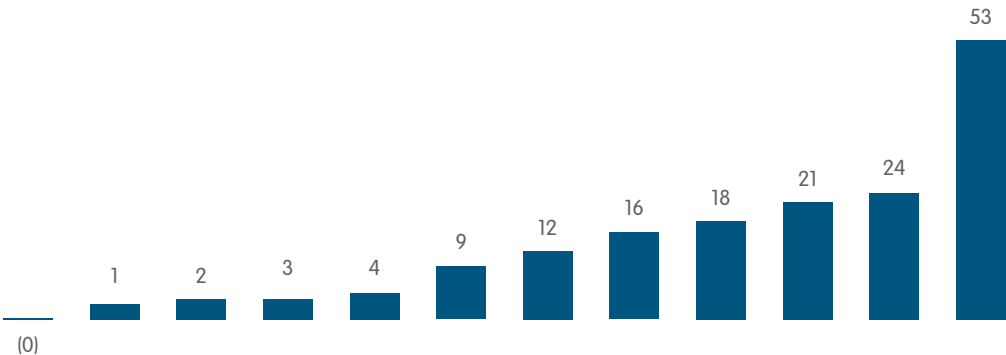
Available reserves as months of expenditure (adult hospices)



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)

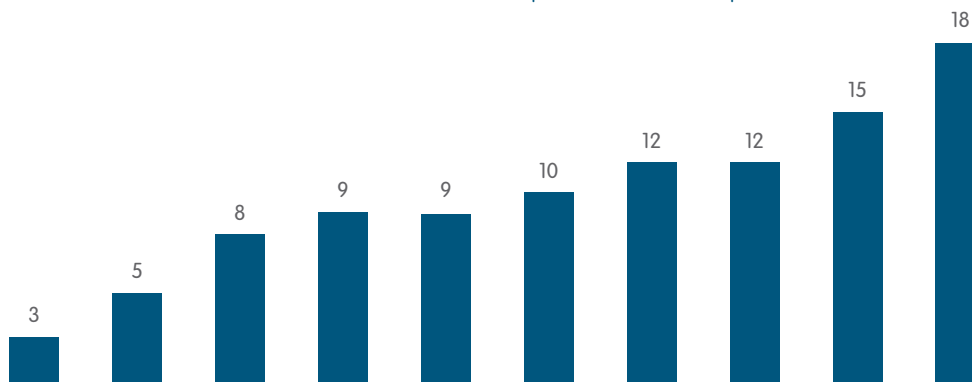


Five of the twelve Scottish hospices included in our survey are holding relatively low level of reserves, which may leave them vulnerable to any fall in income.

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

Wales

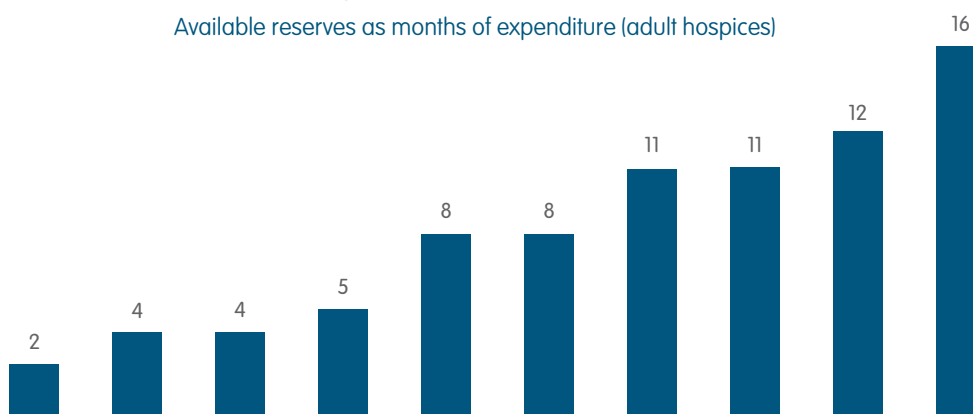
Available reserves as months of expenditure (adult hospices)



As in other nations, there is a wide variation in the level of free reserves held by Welsh hospices, ranging from three months' worth of running costs to eighteen months.

England - East Midlands

Available reserves as months of expenditure (adult hospices)

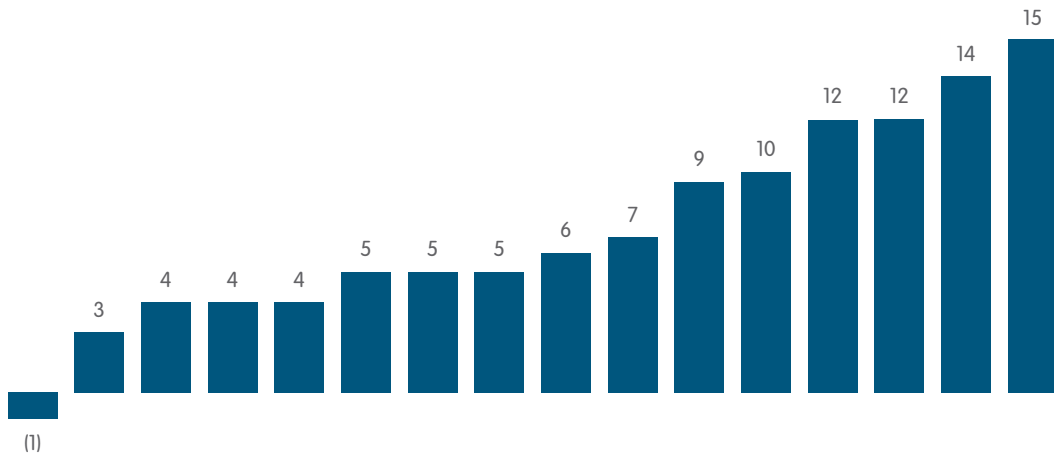


In general, reserves levels amongst the East Midlands hospices tend to be lower than in other parts of England, with four hospices having less than six months reserves.

Three hospices in the region are holding around a years worth of funds in reserve, while one is holding sixteen months funds.

England - East of England

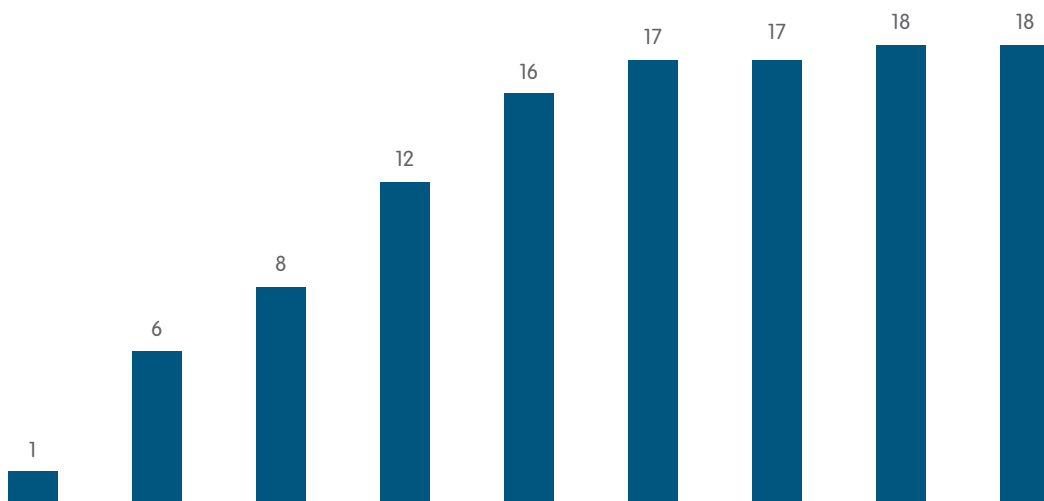
Available reserves as months of expenditure (adult hospices)



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

England - London

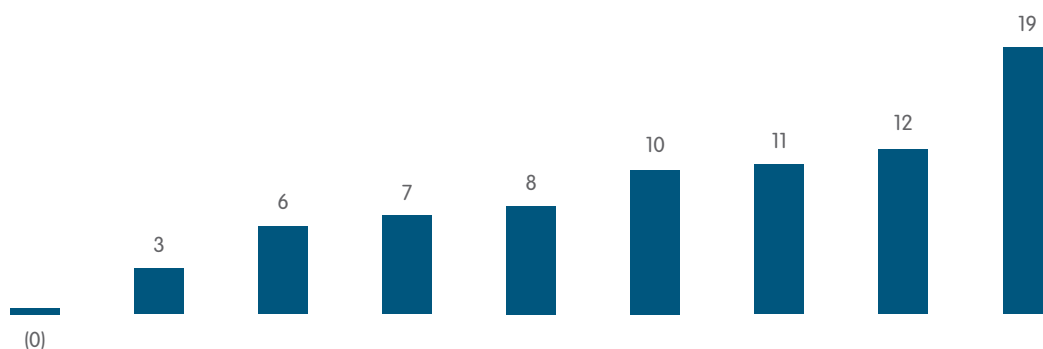
Available reserves as months of expenditure (adult hospices)



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

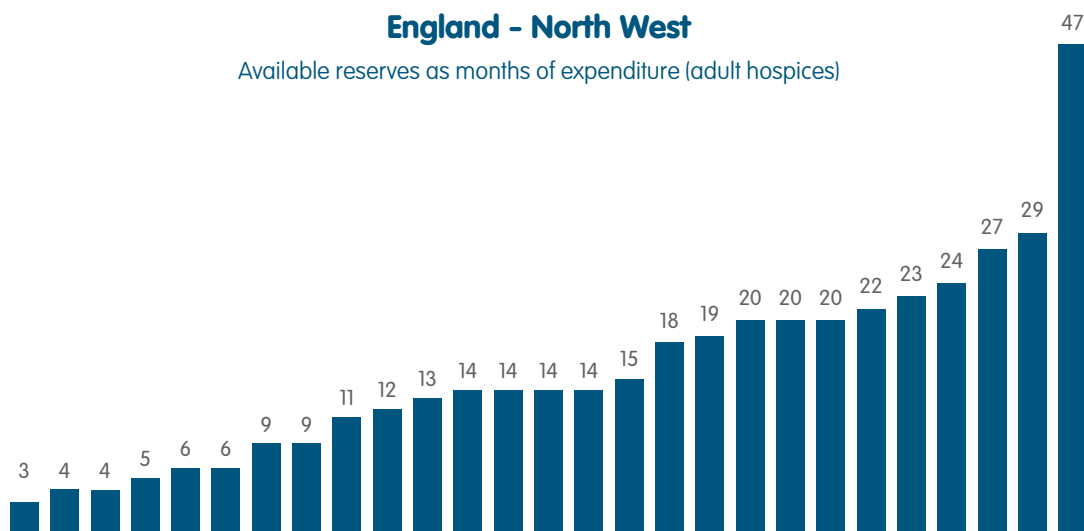
Available reserves as months of expenditure (adult hospices)



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.

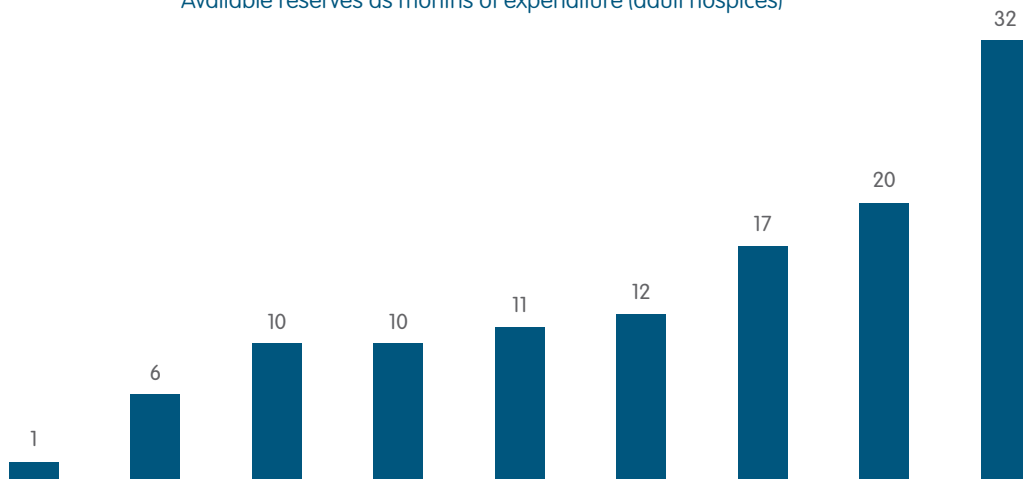
There is a cluster of hospices who are holding reserves around the twelve months' mark.

There are also eleven 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, six hospices in the region are holding reserves of six months or less.

England - South Central

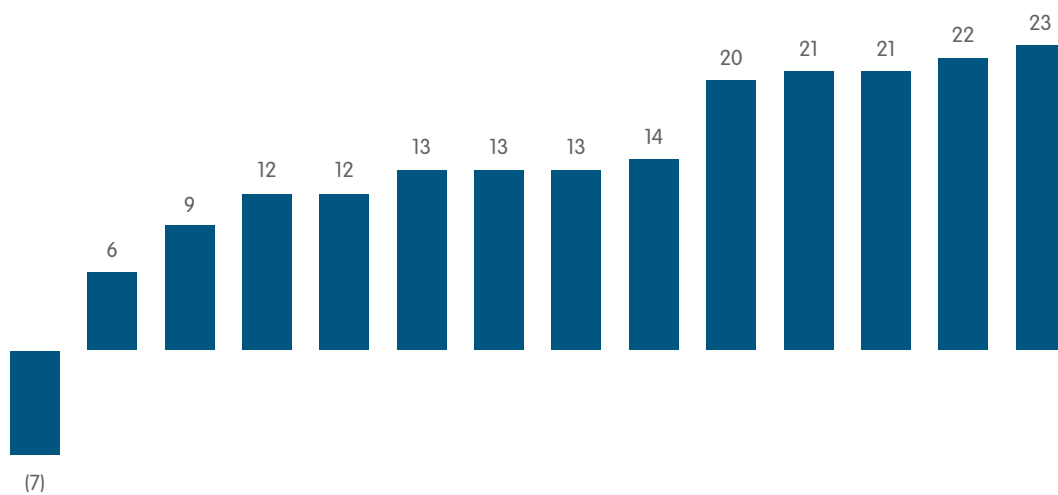
Available reserves as months of expenditure (adult hospices)



As in other regions, there is a significant variation in reserve levels held in the South Central region, ranging from just one month to up to thirty-two months.

England - South East Coast

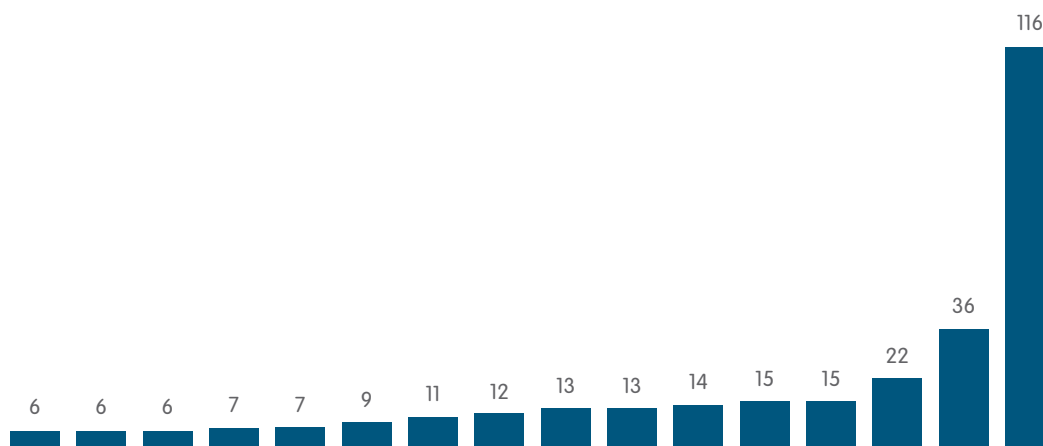
Available reserves as months of expenditure (adult hospices)



Most hospices in the South East have a healthy, or reasonably healthy, level of reserves- but there is one that has negative reserves once you exclude the value of its building.

England - South West

Available reserves as months of expenditure (adult hospices)

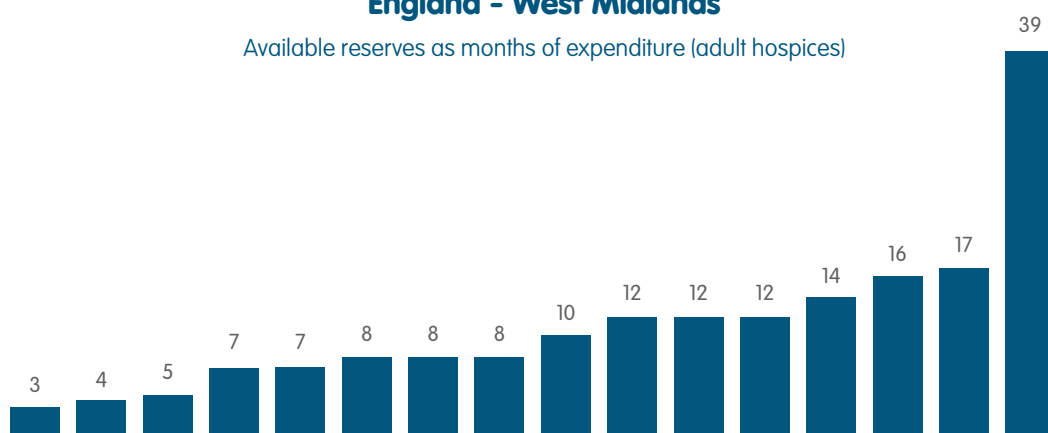


Hospices in the South West generally seem to have a reasonable level of reserves.

One hospice 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)

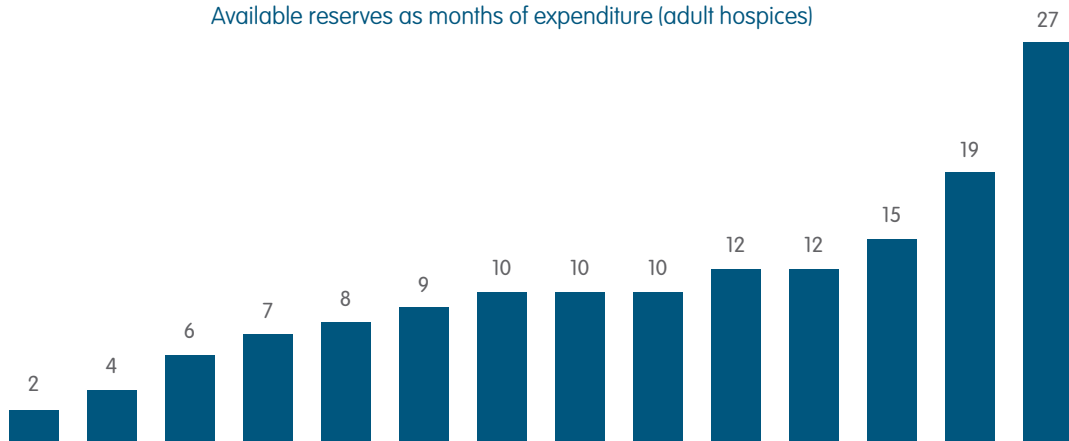


In the West Midlands, there is a cluster of hospices holding between six and twelve months' of reserves.

Three 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

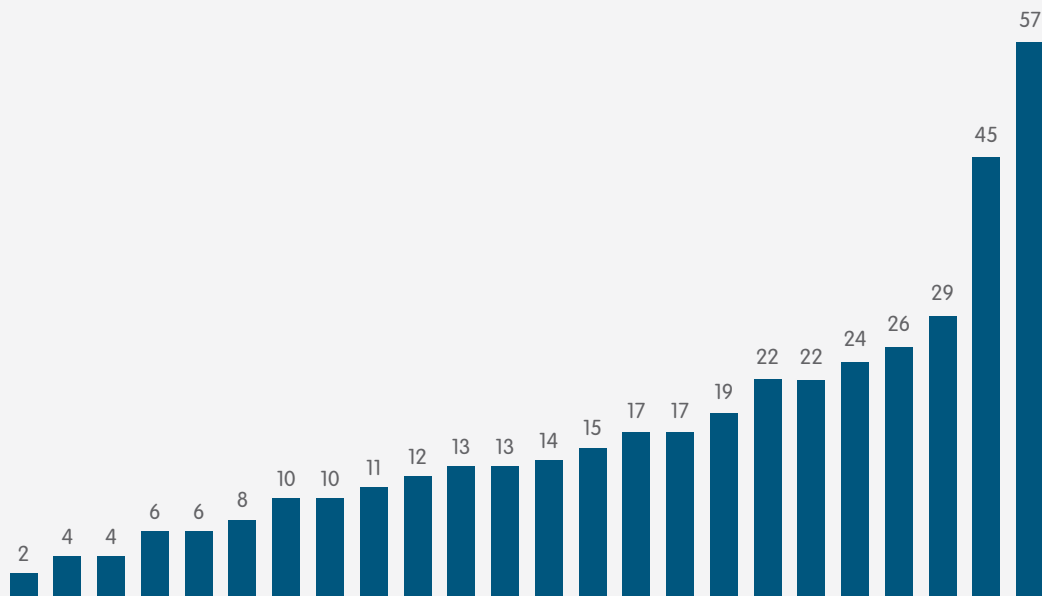
Available reserves as months of expenditure (adult hospices)



As in other regions, there is a wide variety of reserve levels held in the Yorkshire region, ranging from 2 to 27 months.

FIGURE 24

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



Key findings

- On average, children's hospices hold available reserves representing 17 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 two years' reserves.

