Hospice Financial Benchmarking Report

Quarter 1 to June 2023.
Prepared by Hospice UK
in September 2023

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Table of contents

Executive Summary

The purpose of benchmarking

The purpose of the benchmarking project is two fold:

- 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.

66 hospices participated in the first round of the benchmarking exercise.

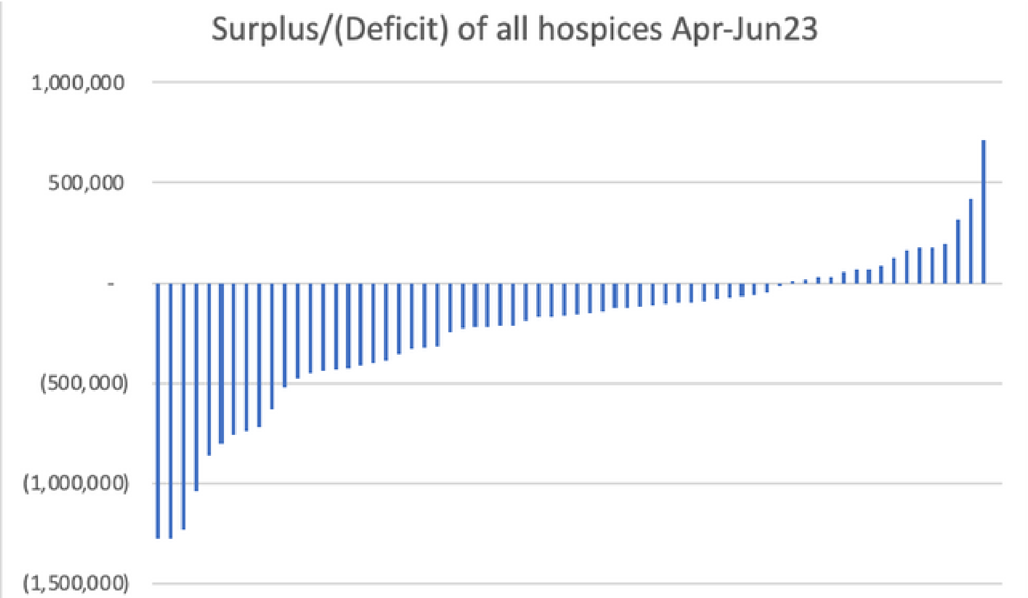
The hospices participating in the survey collectively recorded a deficit of £15.6M, compared to a budget deficit of £23.6M. The difference compared to budget is almost entirely due to savings in expenditure.

Although better than budget, collective performance is over £10M worse than in the same period last year, and 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.

Key figures

Overall results



Distribution of surplus/(deficit) by individual hospice

The average deficit of hospices participating in the survey is £237k.

If this pattern is repeated throughout the year, then it means the average hospice is heading for a deficit of almost £1M this financial year.

50 of the 66 hospices recorded a deficit.

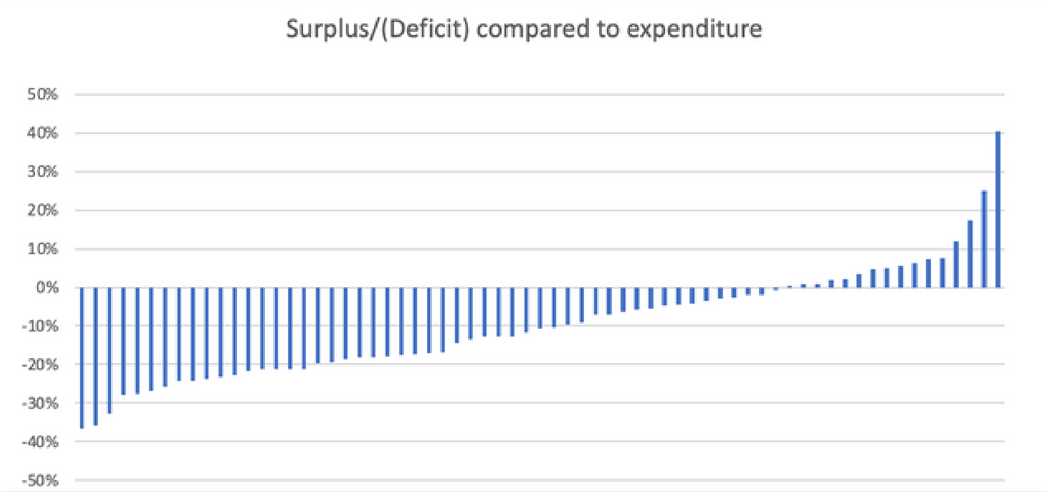
Of these, 4 recorded a deficit of over £1M in the first quarter.

In contrast, only sixteen hospices recorded a surplus. The highest surplus recorded was £713k which was by a hospice who received an exceptional charitable donation in the quarter.

If we gross up the results for our members who did not participate in this exercise, and assume results are even throughout the year, then the independent hospice sector is heading for a collective deficit of £150M this year (or £180M if we assume the results of the two national hospice chains, who did not participate in this survey, follow a similar pattern).

Key figures

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).

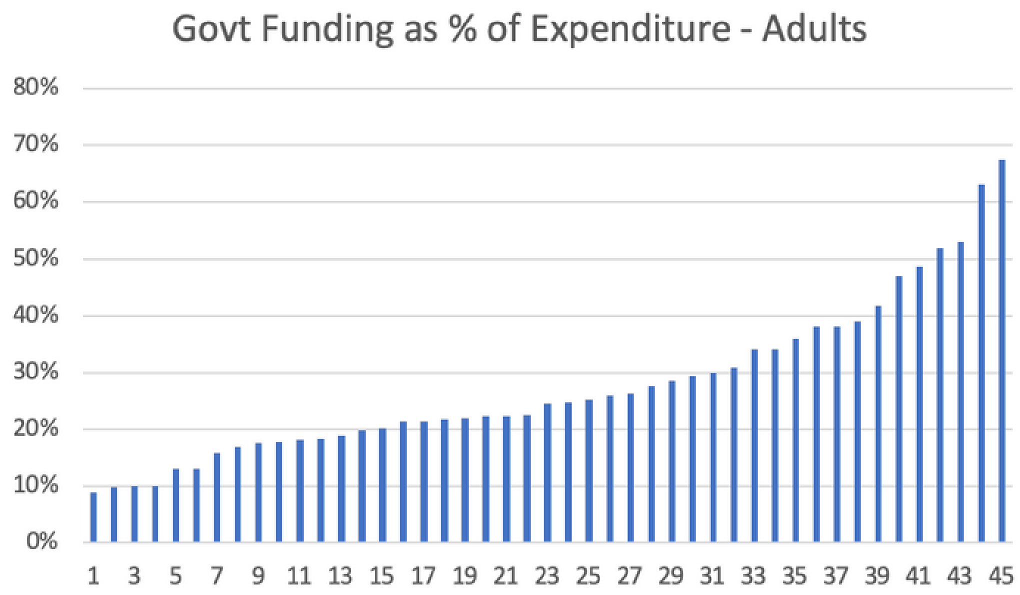
An alternative way of comparing results, to negate the impact of hospice size, is to look at overall surplus or deficit as a proportion of expenditure. So, in this example, a hospice which spend £1M in the quarter and recorded a deficit of £100k would show a result of -10% on this measure.

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

The graph shows that while only four hospices are recording a surplus representing more than 10% of their expenditure, thirty-four hospices are recording a deficit above this level.

Key figures

Statutory funding as a proportion of expenditure

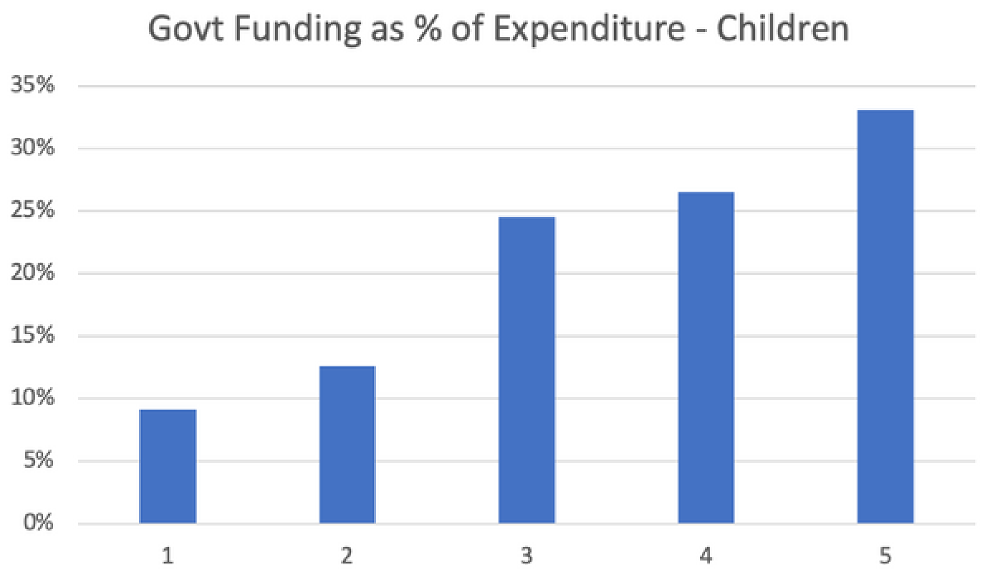


Note, that for the purpose of this benchmarking report, the method of calculating the government funding percentage is slightly different to that we use in our annual hospice accounts report, due to the level of information available to us. In the hospice accounts report, we divide statutory funding 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 33% that we have historically reported in the hospice accounts report.

The first graph shows government funding as a proportion of all expenditure for adult hospices. 45 hospices have been included in this calculation.

The median statutory funding for adult hospices is 24%
The mean statutory funding for adult hospices is 27%
The lowest level of statutory funding is 9% and the highest is 68%.

Statutory funding as a proportion of expenditure, continued

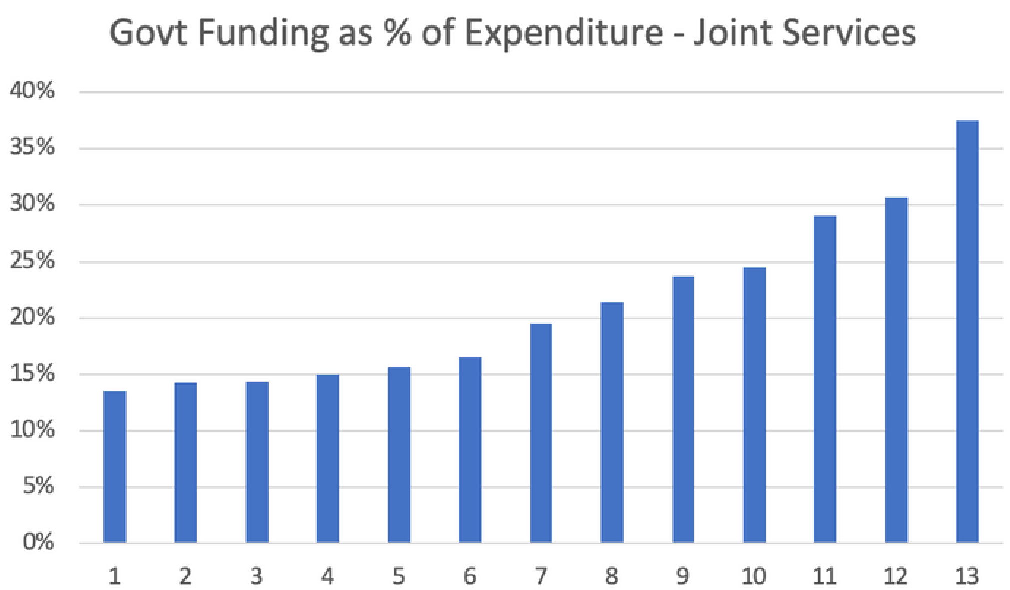


The above graph shows government funding as a proportion of all expenditure for children's hospices. 5 hospices have been included in this calculation.

The median statutory funding for children's hospices is 25% The mean statutory funding for children's hospices is 20%. The lowest level of statutory funding is 9% and the highest is 33%.

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

The median statutory funding for joint hospices is 20%. The mean statutory funding for joint hospices is 22%.

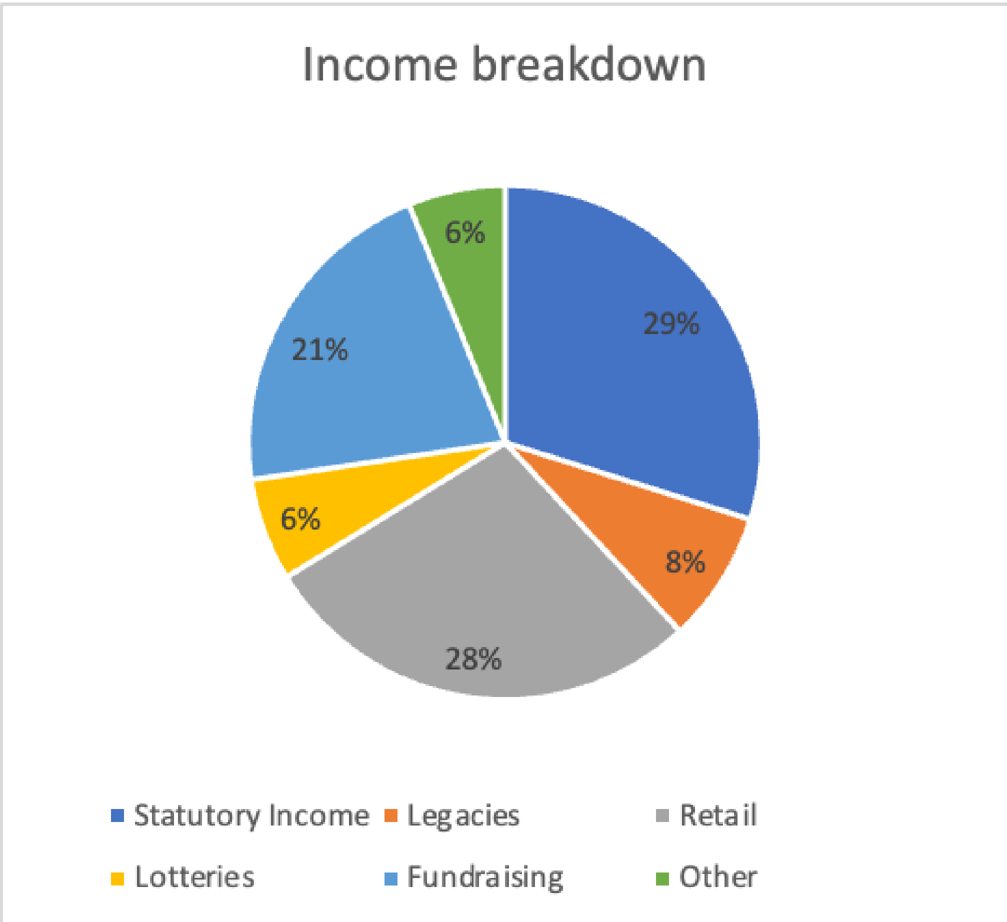


Breakdown of income and expenditure (all hospices)

Breakdown of actual income

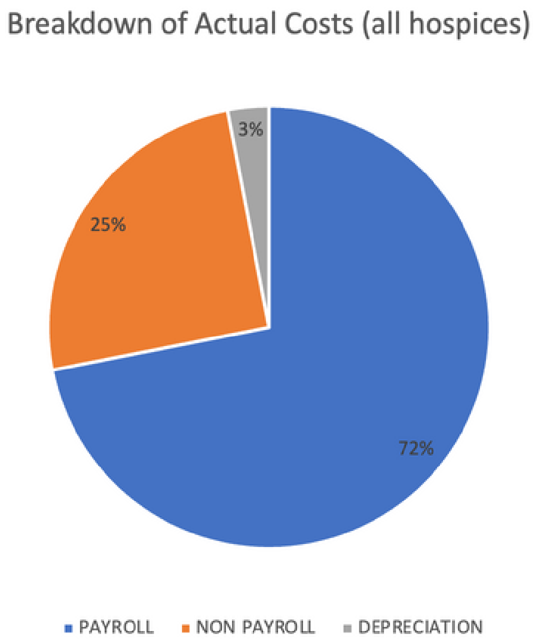
This section shows the breakdown of income and expenditure for different hospices participating in the survey. The individual reports sent to each hospice will enable them to compare their mix of income & expenditure with the average hospice.

The first graph below shows the breakdown of income. On average, statutory income (29%), retail income (28%) and fundraising income (21%) are the most important income sources for hospices.



Breakdown of income and expenditure

Breakdown of total expenditure

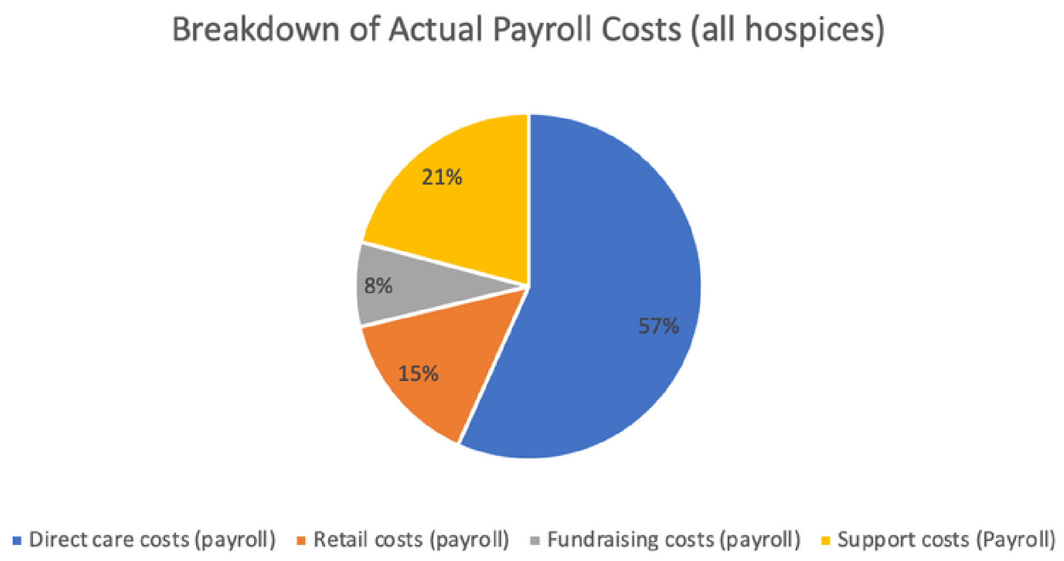


The graph above splits total costs between payroll, non-payroll and depreciation.

Staff costs are by far the most significant cost for hospices (as with most charities), representing 72% of total costs in the quarter.

Breakdown of income and expenditure

Breakdown of payroll costs

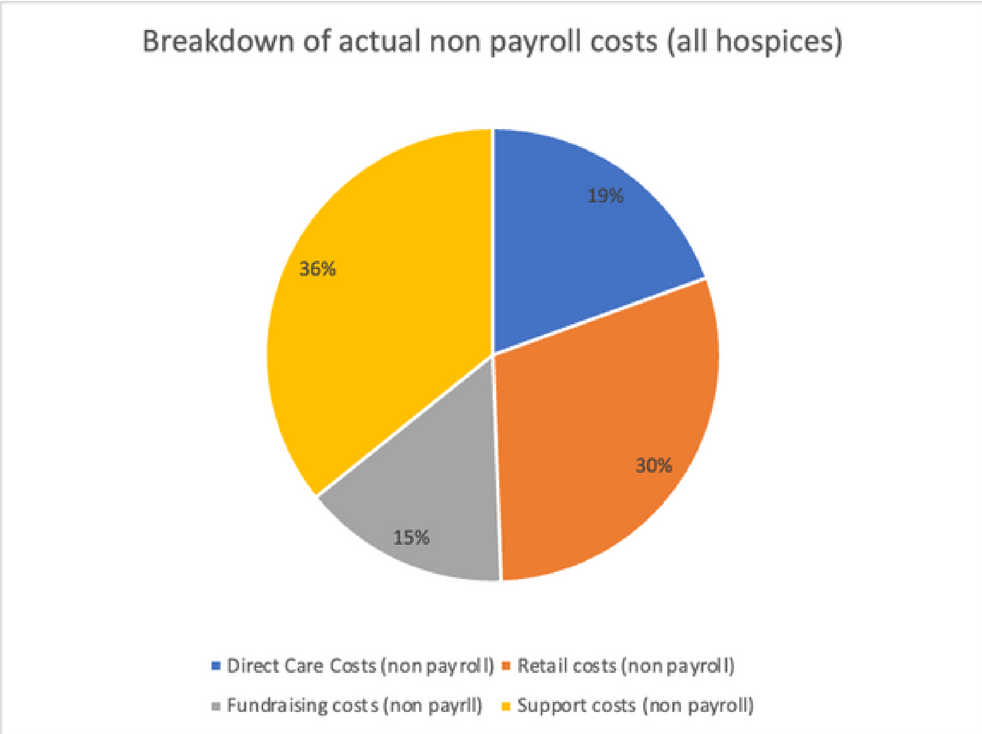


The graphs above show the breakdown of payroll costs.

On average, 57% of payroll costs were spent on direct care, with support costs at 21% being the next biggest area.

Breakdown of income and expenditure

Breakdown of non payroll costs



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

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

Most non-pay costs are spent on retail and support.

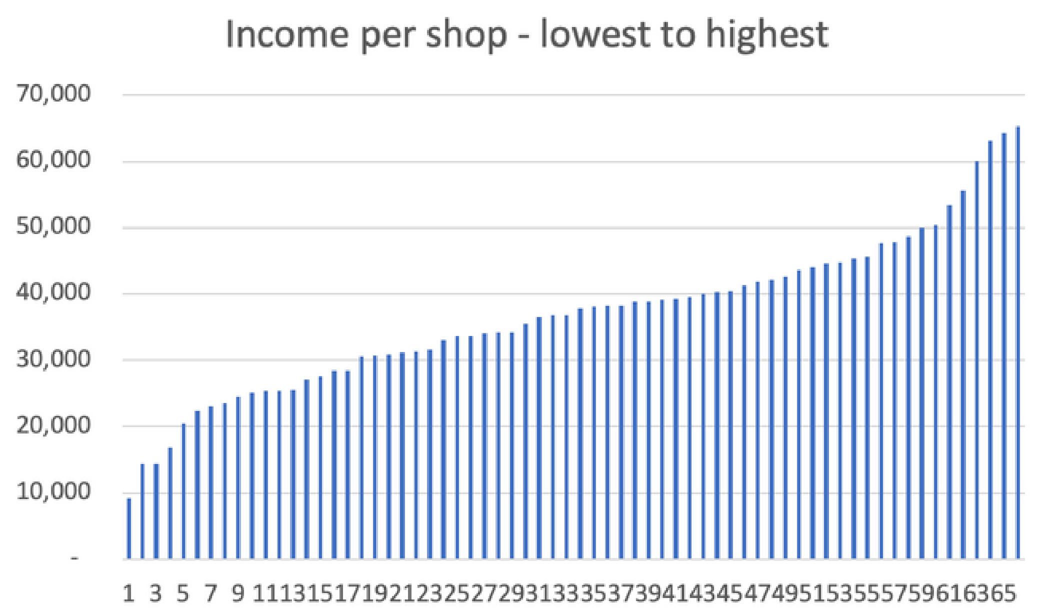
Actual income and shop profitability

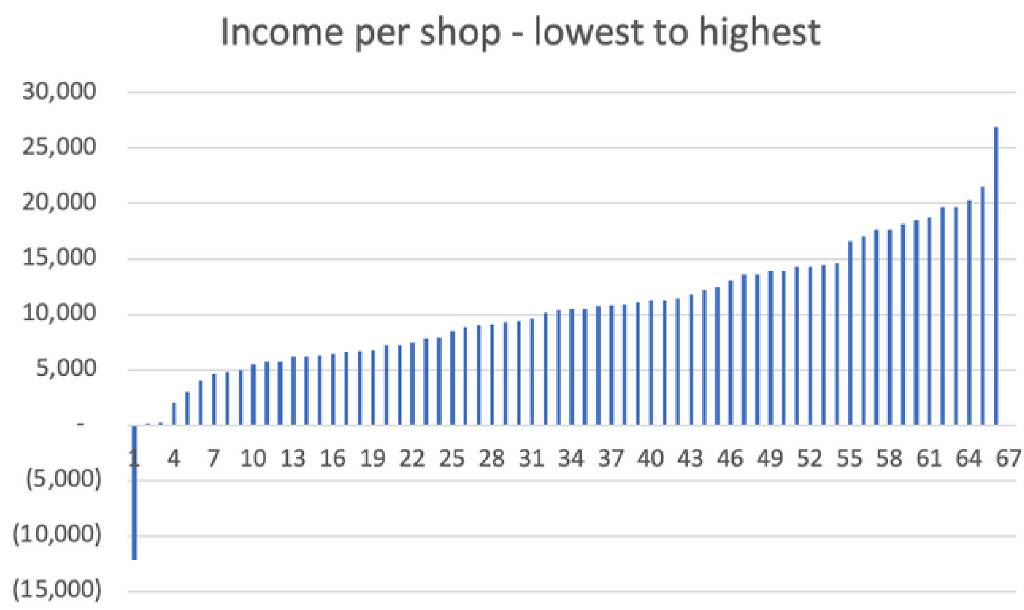
For most areas, it is difficult to compare actual results between hospices, due to the differing size of the organisations. Therefore, in most cases, it is probably more useful to compare % change against budget and against prior year.

In time, we may look to add population data to enable comparison between different organisations. For now, as hospices have provided detail on the number of shops they are operating, the one area we do have data that enables us to provide useful comparisons of actual figures is on retail.

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

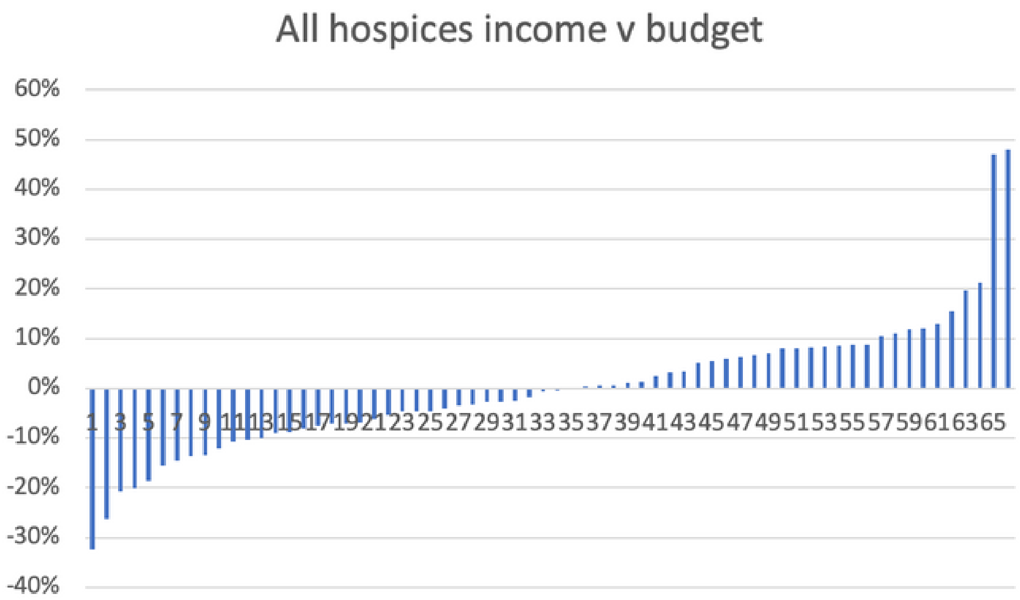
The average profit per shop for all hospices is £10,426. One hospice is making a deficit on its retail operations. Profits for the other hospices ranges from £153 to £26,905 per shop.





Performance against budget

Income against budget - overall



The graph above shows whether individual hospice income is higher or lower than budget after quarter 1.

Overall, the sector is virtually exactly in line with its income budget (actual income was 99.8% of budget across all hospices).

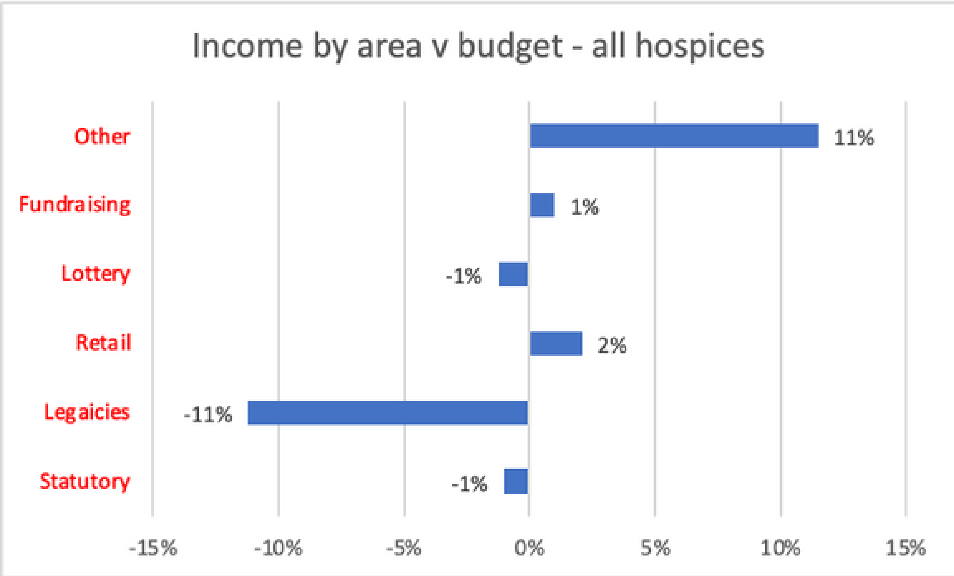
However there was significant variation between hospices.

34 hospices had recorded income below budget, with the biggest shortfall being 34%.

32 hospices had recorded income above budget, with the biggest gain being 32%.

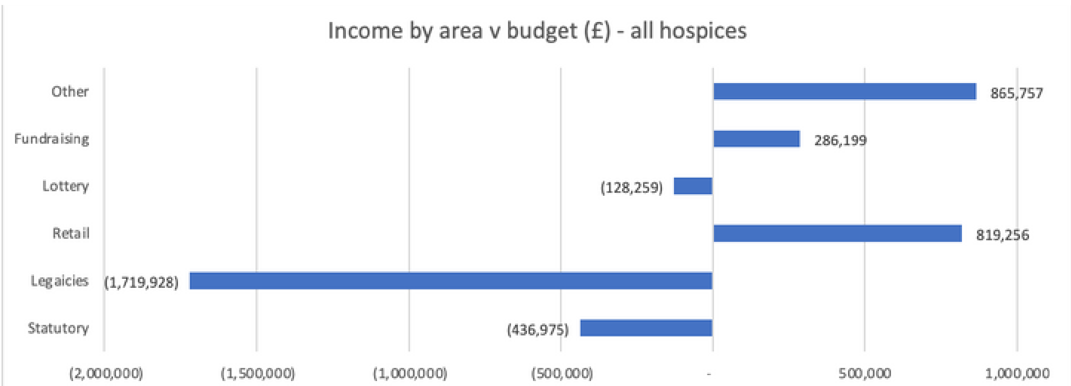
Performance against budget

Income against budget – individual income streams



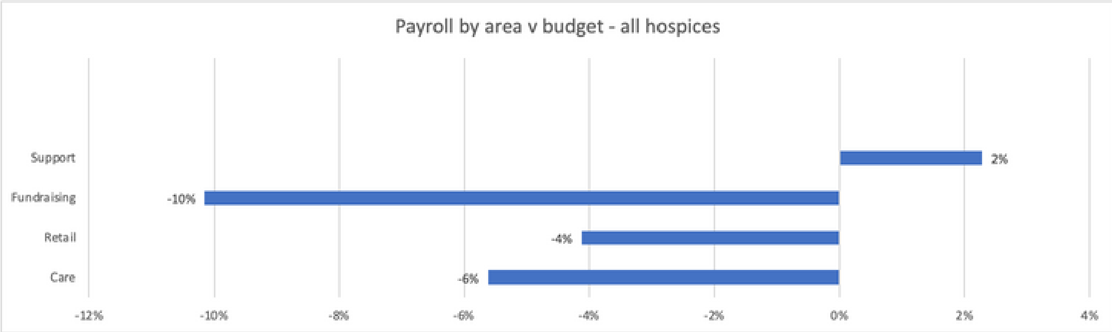
The graph above shows the overall results against budget for different income streams, expressed in % terms. The most notable trend is that other (non fundraising) income is significantly up on budget, while legacy income is significantly down on budget across the sector. Other income areas are overall relatively close to budget.

The graph below shows the same information, but expressed in £'s. The differing length of the lines between the two graph's illustrates the relative importance of the different income streams.



Performance against budget

Payroll costs against budget



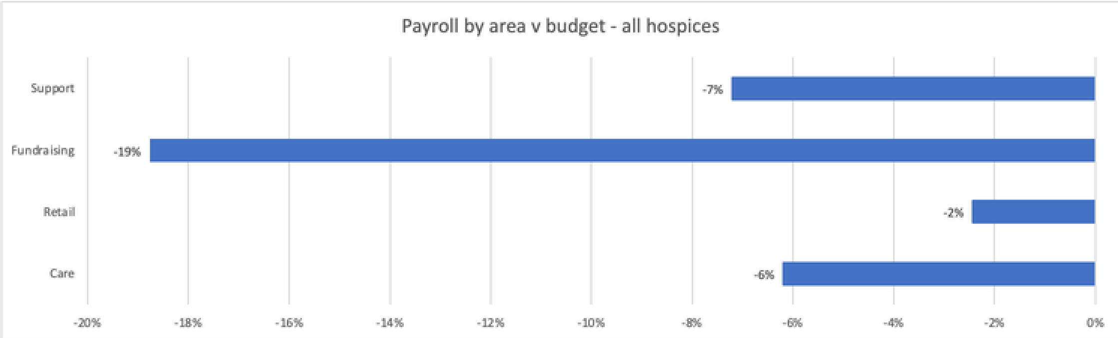
The graph above shows the overall results against budget for payroll costs (broken down by function).

Overall, payroll costs are running at 4% under budget 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, except for support roles (where pay costs are actually slightly higher than budget).

Performance against budget

Non payroll costs against budget



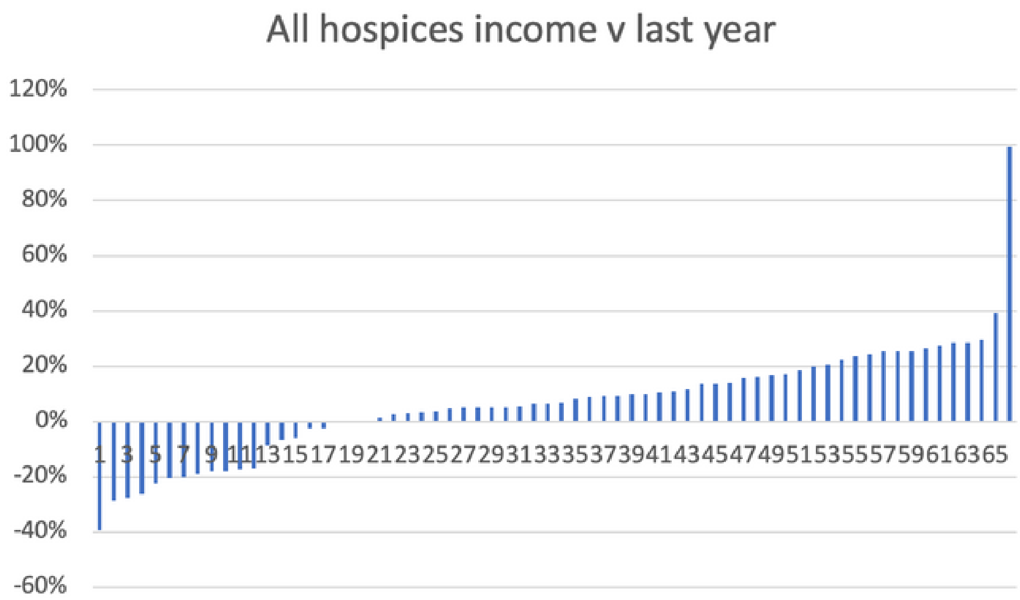
The graph above shows the overall results against budget for non-payroll costs (broken down by function).

Overall, non payroll costs are significantly lower than budget in quarter 1 – by around 7.75%.

All areas of non pay costs are below budget, but the most significant area is fundraising (excluding retail) where spend is 19% below budget.

Performance against prior year

Income against prior year - overall



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

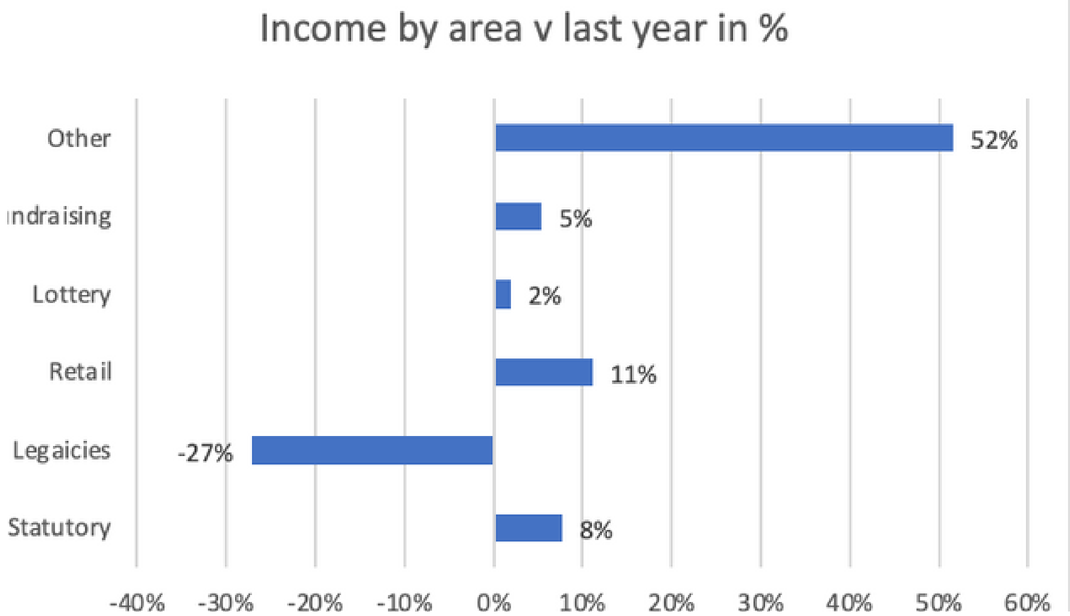
Collectively, total income is up 4.7% compared to the prior year.

Most (46 of the 66) hospices are experiencing a growth in income, with one hospice doubling its income compared to the same period last year.

However, 17 hospices have experienced a reduction in income compared to last year, and in some cases that fall is significant.

Performance against prior year

Income against last year – different income streams

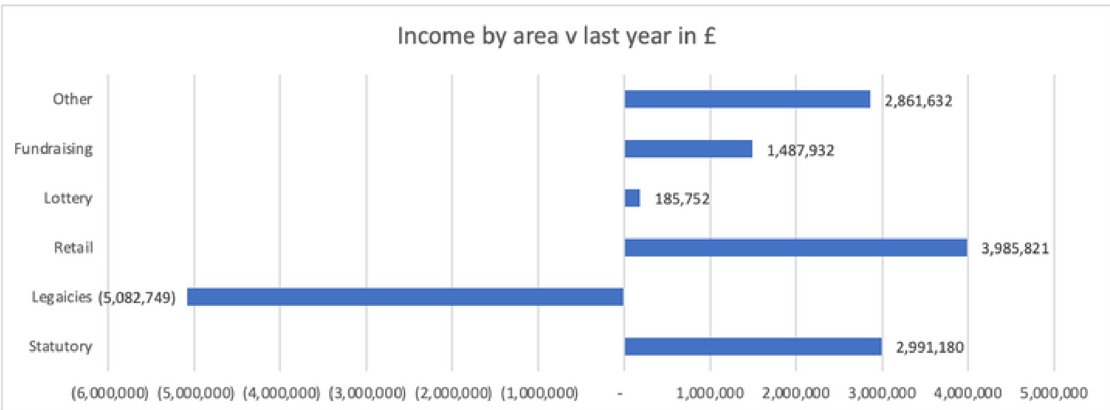


The graphs compare income for different sources with the same period last year in % terms (above) and in £'s (below).

As with the budget comparison, it is other income which is up significantly (52%) on the prior year, while legacy income is down significantly (27%) on the prior year. (Unfortunately, legacy income is a more important income stream for most hospices than other income as the graph below highlights)).

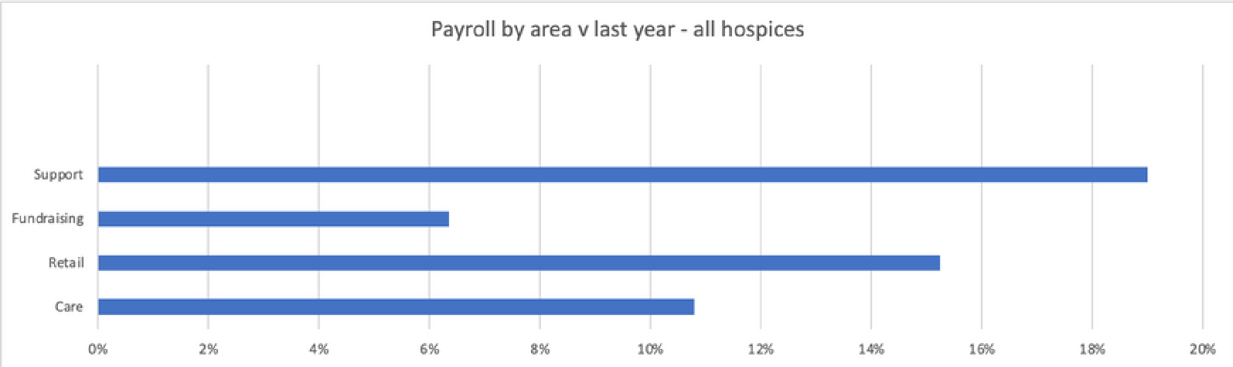
Retail income is up 11% on the prior year, which is perhaps not surprising, given charity shops tend to perform well when general economic conditions are difficult.

It is interesting that statutory income is up 8% compared to the first quarter of the prior year. It is possible that this figure is distorted by the timing of payments in the respective years – it will be interesting to see if this trend continues in future quarters.



Performance against prior year

Payroll costs against prior year



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

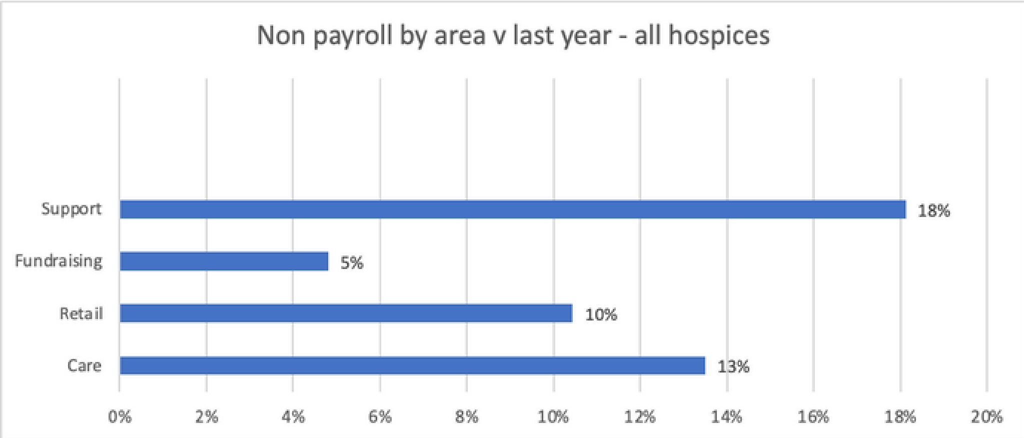
Overall, payroll costs are running at 12.75% higher than the prior year. While pay rises were likely higher this year than in recent years, it is assumed that this increase also reflects an increase in the number of staff employed by hospices compared to last year (either due to less vacancies or a deliberate expansions).

Pay costs are up significantly in all areas, though it is interesting that the biggest increase is in support, while the increase in fundraising pay spend is lower than inflation.

It is assumed that the most likely reason for the variation in pay spend in different areas is due to changes in the number of staff employed in each area (rather than bigger pay awards being given to support staff than fundraising staff).

Performance against prior year

Non payroll costs against 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 12.65% compared to the prior year, which represents an increase even higher than the headline inflation rate.

Again, it is noticeable that the biggest increase in costs compared to last year is in support costs, while fundraising costs have risen the least.

Rankings for your individual hospices

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 four 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.

List of participating hospices

Please see below for a list of hospices who have participated in the exercise.

Acorn's Childrens Hospice
Alice House Hospice
ARTHUR RANK HOSPICE CHARITY
Ayrshire Hospice
City Hospice
Cornwall Hospice Care
Darlington & District Hospice Movement t/as St Teresa's Hospice
Demelza Hospice Care for Children
Dorothy House
DOUGLAS MACMILLAN HOSPICE
Dove House Hospice
East Cheshire Hospice
Eden Valley Hospice (Carlisle)
HAVENS HOSPICES
HELEN AND DOUGLAS HOUSE
Hospice of St Mary of Furness
Hospice of the Valleys
Hospiscare Ltd
Keech Hospice Care
KEMP Hospice
Lindsey Lodge Hospice
Mary Ann Evans Hospice
North Devon Hospice
North Yorkshire Hospice Care
Nottinghamshire Hospice
Oakhaven Hospice
Pendleside Hospice
Primrose Hospice
Princess Alice Hospice
Prospect Hospice
RAINBOWS HOSPICE FOR CHILDREN AND YOUNG PEOPLE
Rennie Grove Peace Hospice Care
Rotherham Hospice
Rowans
SAINT FRANCIS HOSPICE
Shooting Star Children's Hospices
St Ann's Hospice
St Barnabas Hospice
ST BARNABAS HOSPICES (SUSSEX) LTD
St Catherines Hospice (Lancashire) Limited
St Clare Hospice
St Gemma's Hospice
St Helena Hospice
St Kentigern Hospice
St Luke's Hospice (Basildon District)
St Luke's, Sheffield
St Margaret's (Somerset) Hospice
St Michael's Hospice Hereford
St Nicholas Hospice
St Rocco's Hospice
ST WILFRID'S HOSPICE, CHICHESTER
St. Leonard's Hospice York
Strathcarron Hospice
Teesside Hospice Care Foundation
THAMES HOSPICE
The Heart of Kent Hospice
The Hospice Charity Partnership (Birmingham)
The Hospice of St Francis
THE PRINCE OF WALES HOSPICE
The Shakespeare Hospice (TSH)
Trinity Hospice & Palliative Care Services
Tŷ Hafan
Wessex Children's Hospice Trust
Weston Hospicecare
Wirral Hospice St Johns
Woking & Sam Beare

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