

Review of Quarter 3 Management Accounts

Recommendations. Board are asked to:

- note the Management Accounts for information
- delegate the review of the new Management Accounts framework to the Future Planning Working Group for recommendation to Board for approval.

1. Purpose – This note provides an update on the third quarter Management Accounts and provides assurance on Healthwatch Hertfordshire’s financial position. As usual, the Management Accounts are provided for review and discussion at Board Advisory Committee (BAC) meetings before being brought to Board for sign off.

However, some changes to the Q3 Management Accounts have been made since the January BAC meeting, as was agreed and endorsed by trustees. Due to staffing capacity impacted by an unexpected long-term absence, insufficient time was available to finalise all elements of the Q3 Management Accounts.

This version is now updated, reflecting a net surplus approximately £13k less than presented at BAC, and within the anticipated margin of error discussed at BAC. This version now has confirmed:

- Income from interest on savings for the quarter.
- Adjustments to designated reserves figures due to staffing changes and further information provided around potential closure costs.
- Final revenue generated figures for the quarter.
- Other minor discrepancies which had negligible impact on our overall financial picture but have now been reconciled.

2. Forecast – Given this is a retrospective document, and given the currently dynamic picture, the year-end forecast may yet change, but they currently represent actual anticipated costs for the current financial year.

3. Employment Costs – While Staff Costs were over budget in the second quarter due to HMRC liabilities, they are now £11k under budget and are projected to be £62K under budget by year-end as a result of role vacancies. We are actively recruiting for new roles for FY26/27 to fill all gaps which may still affect end of year final figures.

Other staff costs were close to budgeted amounts for Q3 end, but are expected to be £20,400 over-budget by year-end due to temporary support brought in, in light of current staffing vacancies.

4. Non Staff Costs – Non Staff Costs continue to show a positive variance in both year to date (£7.4K) and year-end (£10K) due to costs across volunteer training and engagement not materialising.

- 5. Revenue** – Overall revenue generation is anticipated to come in over budget by £16k. The charge costs reflected against revenue generated and contract variation in the management accounts represent internal charges for staff time allocated to project delivery. While these costs originate from the overall salary budget, they are provided in order to demonstrate the recovery of staff costs through funded project work. This accounting approach ensures that the true cost of staffing is recognised and that the management accounts accurately reflect the level of project funding contributing to core salary expenditure.
- 6. Surplus/Deficit** – We are forecasting a net annual surplus of £28k and total year-end reserves of £433K.
- 7. Total Reserves** – Our Total Reserves remain healthy at £422.6K and currently forecast £433K at year-end. These reserves were generated from prudent financial management and projects whose revenue is in addition to our core income.
- a. **Designated Reserve** – introduced as a new line in the management accounts earlier in the year to reflect financial commitments made for and during the transition period which will affect the reserves if such commitments materialise, so we can monitor impact on the final cash position. These are designated (or earmarked) for specific purposes or anticipated future need:
- £111,000 from our general reserves to cover the costs of staff redundancies should this become necessary
 - £12,000 staff wellbeing support in the case of redundancy
 - Please note that the above figures are being reviewed as part of the 2026/27 budgeting process, with the budget paper including a recommendation on altering the levels of designated reserves to reflect revised costs based on our anticipated position for the next financial year.
- b. **General Reserve** – can be understood as money in our bank account after the allocation of designated reserves, with the flexibility to be absorbed into the annual operating budget of the organisation if needed.
- c. **Contingency Reserve** – This is still reflected in our management accounts as it is part of our Reserves Policy to hold 50% of our HCC grant as a 'contingency', needed to operate the organisation for a period of time should funding cease or the organisation was forced to close in an unanticipated manner, protecting staff, assets and recipients of services during the transfer of Healthwatch duties to another provider.

The approach to these reserves is managed via our Reserves Policy, and has been in place since our establishment, but will require a review and change as a result of our budgeting for FY 26/27, where this reserve will be consolidated with the 'designated' reserves category.

- 8. Changes to management account format for FY26/27** – The presentation of Management Accounts for FY26/27 are currently being redesigned for improved clarity, and decision making. It is recommended that Board delegate the review of the new framework to the Board Advisory Committee, who will make a final recommendation to the Board on a proposed approach for approval.

	Fy25/26 December 25			Fy25/26 Year End		
	Budget	Actual	Variance	Budget	Forecast	Variance
Employment Costs						
Staff Salaries	£390,591	£379,007	£11,584	£520,788	£458,530	£62,258
Includes staff time to project costs		£34,809			£46,412	
Staff Ins. Travel etc	£3,750	£4,315	-£565	£5,000	£4,688	£312
Other	£4,125	£3,732	£393	£5,500	£25,932	-£20,432
Total Staff Costs	£398,466	£352,244	£46,222	£531,288	£442,737	£88,551
Non-Staff Costs						
Rent	£9,825	£10,301	-£476	£13,100	£11,978	£1,122
Governance & Other Office Costs	£19,414	£15,182	£4,231	£25,885	£23,628	£2,257
Volunteer & Member Expenses	£750	£0	£750	£1,000	£0	£1,000
Legal & Professional	£6,278	£6,940	-£663	£8,370	£6,940	£1,430
Engagement & Research	£6,246	£2,517	£3,729	£8,328	£5,864	£2,464
Communications	£7,575	£7,730	-£155	£10,100	£8,195	£1,905
Total Non-Staff Costs	£50,087	£42,671	£7,416	£66,783	£56,605	£10,178
Total Costs	£448,553	£394,915	£53,638	£598,071	£499,342	£98,729
Revenue						
HCC Core Funding	£362,701	£362,701	£0	£483,601	£483,602	-£1
HCC Contract Variation HwH	£15,000	£31,400	£16,400	£20,000	£31,400	£11,400
Cost of Service Delivery (contract variation)		£15,432			£20,576	
Interest / Other	£4,988	£5,864	£876	£6,650	£8,288	£1,638
Total Revenue	£382,688	£384,533	£1,844	£510,251	£502,714	-£7,537
Surplus/Deficit before Revenue Generation	-£65,865	-£10,383	£55,482	-£87,820	£3,372	£91,192
Revenue Generated HwH Trading	£15,000	£49,346	£34,346	£20,000	£52,680	£21,846
Cost of Service Delivery (commissioned revenue)	£15,000	£19,377	-£4,377	£20,000	£25,836	-£5,836
HwHT - non staff costs		£1,468	-£1,468		£1,485	-£1,485
Net Revenue	£0	£28,501	£28,501	£0	£25,359	£25,359
Net Annual Deficit / Surplus	-£65,865	£18,119	£83,984	-£87,820	£28,731	£116,551
Revenue Backlog						
Contract Signed not invoiced		£0			£0	
Invoiced- not Paid		£0			£0	
Total Revenue Backlog		£0			£0	
Reserves						
Designated Reserve	£12,000	£123,000	£111,000	£12,000	£123,000	£111,000
General Reserve	£84,874	£57,858	-£27,016	£62,919	£68,470	£5,551
Contingency Reserve	£241,800	£241,800	£0	£241,800	£241,800	£0
Total	£338,674	£422,658	£83,984	£316,719	£433,270	£116,551