

HwH Annual Budget for Financial Year 2026–2027 and Reserves Policy

For discussion and decision.

1. Overview

This paper presents the final proposed Budget for FY 26–27. It outlines our starting position, anticipated income and expenditure, and the final picture at the end of the year.

Board is asked to

1. **Agree and sign off the recommended budget**, and assure themselves that:
 - The budget enables the aspirations outlined in the Annual Business Plan, ensuring that statutory functions can be effectively and successfully delivered
 - The budget enables the organisation to navigate the dynamic context it is operating in by ensuring that staffing and efforts are appropriately resourced
2. **Agree and sign off the use of reserves to support the current year and future planning**, which will mean that:
 - Board is comfortable with the use of reserves to support the shortfall in revenue due to a decline in available funding and increases in activity and staffing cost
 - Board is comfortable that the use of reserves is appropriate in meeting our future aspirations and transitional arrangements
3. Based on the discussion under no. 2 above, to **delegate the review of an update to the Reserves Policy** at Future Planning Working Group, to be circulated for agreement via email.

2. Context

- 2.1 In recognising that our revenue is dependent on public monies from organisations grappling with increasing budget pressures and cost efficiency targets, we have been anticipating a deficit budget for FY 26/27 since FY 25/26 budget was put into place.
- 2.2 Over the past two quarters, Trustees have supported a number of discussions to agree:
 - The approach to staff recognition and remuneration, factoring in cost of living and inflationary pressures
 - The approach to redundancy packages, should this materialise
 - Strategic focus for the organisation, and agreement on most important areas of investment
- 2.3 Given the announcement about the anticipated legislative changes, we are now looking at an approach different to previous years, with the possibility of all funding ceasing after the financial year and no guarantee of replacement funding. This introduces a requirement to leverage our reserves more than before, which this budget now outlines.

- 2.4 We are fortunate to have had the trust and investment of local partners for additionally commissioned work over the years, which has been prudently managed and enables us the opportunity to deliver this year and plan for the transition ahead, with guarantee that our **salaries** continue to be competitive, and all our financial obligations can be met.
- 2.5 Our core contract grant (recently confirmed to include a 4% uplift in recognition of increasing financial pressures, with sincere thanks and recognition to our commissioners for their investment and support) covers approximately 85% of our total expenditure, and despite our forecast for revenue generation from other funded sources looking similar to FY 25/26 (fewer projects, but new costing framework means more accurate cost charging), we are forecasting an end of year deficit.
- 2.6 This is because we are planning to increase our activity in two key areas where our value can be best leveraged: in spaces where our independence is unique and we are trusted to engage with underserved and marginalised voices, and in spaces where our broad insights and understanding of the health and care system can leave the most impactful legacy for the people of Hertfordshire, whatever may come. This means an investment in additional conversations and workstreams to help design public voice into local system change, in-person activities, and sharing our insights more broadly.
- 2.7 We are also recruiting to vacancies, having said goodbye to some of our team and having to find talent within fixed term job offers, which has had an impact on costs.
- 2.8 The next year will test our resilience in these challenging times, but we will continue to ensure that Healthwatch Hertfordshire brings about positive change in the health and social care system, to the benefit of its residents for whom we are an independent champion.

3. FY 26/27 Budget

This section is divided into parts:

- 3.1 A picture of our reserves
- 3.2 The budget
- 3.3 Scenarios for the future

3.1 A picture of our reserves at the start and end of FY 26/27

As is evident in the breakdown, the delivery of the Annual Business Plan and the investment in transition planning have a substantial impact on our reserves position. Although it is important to note that we continue to operate in a highly dynamic and uncertain environment:

- This is a prudent calculation of the likely outcomes
- Our intention is to stimulate (and hopefully generate) income during this FY
- The free reserves remaining in FY 27/28 still provide a contingency fund within a typical range for a charity of our size, between 3 and 6 months.

Total available funds as at 1 Apr 2026 **£433,269.93**

- Cash in bank less commitments until end of FY25/26

Designated reserves for FY 26/27 **£203,858**

Planned deficit (see budget) *£88,508*

- Deficit largely due to increase in person/system support activities, increased comms and insight sharing, recruitment to fixed term positions, and transitional planning support.

Designated for transition end of FY 26/27 *£115,350*

- Redundancy package and wellbeing offer, commercial disposals of assets and documents, GDPR compliance, change to charitable objects, legacy arrangements, new website.

Free/unrestricted reserves as at 1 Apr 2027 **£229,411.93**

- If redundancies materialise, this is equivalent to **3.5 months** of operating costs at the FY 26/27 budgeted level (circa £58k per month)
- If redundancies do not materialise, this becomes £325,911.93 which is **5.5 months** of operating costs at the FY 26/27 budgeted level (circa £58k per month)

Changes to Reserves Policy

In prior discussions, Board has noted that our Reserves Policy will need to be considered in light of any suggestions arising from budget deliberations. The following are changes proposed in principle, and Board is asked to delegate the final review and recommendation of the updated Reserves Policy to Future Planning Working Group.

The anticipated changes are as follows:

- The change to the 'labelling' of reserves categories such that there are only two: Designated (previously contingency) and Free/unrestricted (previously general).

- That the Designated category subsume the prior definition of 'contingency reserve' as it now covers the same remit – an inherent protection to ensuring sufficient financial cover for the delivery of statutory duties and the delivery of an 'effective' Healthwatch, and to make provision for staff, assets, and recipients of Healthwatch services ahead of the anticipated legislative change and the impact thereof, including potential closure.
- That the amount held in Free reserves holds a minimum of three months of running cost. (Our current policy reflects a requirement hold 50% of our HCC grant in Contingency reserves).

Note, it is within the remit of our Board to make this decision, as long as we are compliant with the relevant section of our contract:

At the top of Section 5 of the contract, the opening contextual statement is provided:

"5.1 The Contractor warrants, undertakes and represents that:"

- clauses 5.1.1 – 5.1.7. omitted here as not relevant-

Clause 5.1.8. it has or has made arrangement to ensure that it will have sufficient working capital, skilled staff, equipment, machinery and other resources available to it in order to carry out the Services in accordance with the Contract Standard;"

We will continue to provide sufficient assurance and evidence, as and when appropriate, to our commissioners of meeting the requirements of the Contract as stated above.

3.2 The budget for FY 26/27

As in previous years, the income from our core grant only covers approximately 85% of our total expenditure. Additional staffing to deliver the program of work this year is made more expensive due to cost of living increase pressures, increased in-person and system support activities, and a stronger focus on the sharing and embedding of our insights and recommendations. Recruitment to vacancies is also anticipated to be more expensive given the fixed term nature of the posts we need to put into place. Additional staffing investment and the increased direct activity costs make up approximately £40k of the planned deficit.

Although we hold some designated funds to support the transition at the end of the financial year, expert advice and support to enable sound board decision making will be brokered during the year and is labelled as 'transitional support'. These funds make up ~£37k of the planned deficit.

Our income from commissioned work is for fewer projects, but the work done this year in recalibrating our charge rates in line with the cost of activity has helped ensure this can

be appropriately resourced. We are still awaiting confirmation of further streams of funding which may materialise during FY 26/27, but this was not taken into account.

The following table outlines the net deficit Board is being asked to endorse.

Total Income		£589,381.64
- Core Grant	£502,945.67	
- Commissioned work	£70,535.97	
- Other - interest, NI rebate	£15,900	
Total Expenditure		£677,889.64
- Staff salaries	£567,413.92	
Total cost to org incl. NI, tax, pensions		
- Operational costs	£37,856.30	
Systems: payroll, accounting, telephone, website, Subscriptions: accessibility widget, Outsourced support: HR, IT, DPO, EAP, Other: governance, remote office, storage, insurance, memberships		
- Direct activity costs	£36,111.62	
Transcription tool, stock photos, telephone services and voicemail, newsletter, voice generator for online newsletter, venue bookings, participant recognition, travel expenses, social media tool		
- Transitional support	£36,507.80	
Expert advice & recruitment		
Net deficit		£88,508

It is important to note that this planned deficit is not intended to be sustained in the future, should the organisation continue. Given three months of operating costs are likely to remain at the end of FY26/27, this approach would not be sustainable. It is the intention therefore, that the investment in transitional support will be an opportunity to stimulate, and generate, further funding – should the Board decide that the organisation will continue in some form beyond the legislative change being formalised and our core grant ending.

3.3 Scenarios for the future

Although not for decision today, the Board will be considering a number of scenarios which will require us to keep a close eye on what is financially feasible alongside what brings the most value, and where we can best leverage our expertise. These conversations have already begun and the board has agreed that we must have a mandate from our local communities, and a willingness of local government and NHS partners to invest in our services and expertise. The extent to which this is possible, and whether sufficient funding for our continuance will be available, remains to be determined.