

Management Accounts**Quarter 4 FY 25/26****FOR DISCUSSION AND SIGN OFF**

Board are asked to review and sign off the Management Accounts for the last quarter of the previous financial year

Note: Figures in the narrative section of this paper are rounded to the nearest £1k for ease of reference. Detailed figures are provided in the table below.

- 1. Purpose** – This note provides an update on the fourth quarter Management Accounts for FY 2025/26, 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.
 - The Management Accounts presented to trustees are retrospective for the previous quarter, however the CEO and team review monthly management accounts and will flag any issues with the Chair in the interim.

- 2. Forecast** – As this set of accounts relates to the final quarter of the previous financial year, there is no forecasted year end position. Instead, these accounts represent a complete view of our year-end position. This may be subject to minor update if recommended as part of our process of closing our year-end accounts and preparing for our annual independent examination.

- 3. Employment Costs** – Staff costs for the year have been ~£53k under budget as a result of the lag between staff departures and recruitment. New staff are being recruited for the 2026/27 FY in line with the agreed budget which will bring us back up to full capacity.

Other staff costs are close to budgeted amounts. There has been an immaterial change from the previously reported projection of being ~£20k over-budget, because consultancy support costs were previously included in staffing estimates, but this has now been moved across to non-staff costs as a more accurate representation.

- 4. Non Staff Costs** – Non Staff Costs continue to show a small negative variance at year end of ~£5k. Due to the movement of consultancy support costs from staff costs (see note above) this is different from the previously projected positive variance of ~£10k.

- 5. Revenue** – Overall revenue generation is slightly under budget by ~£3k. Although this differs from previous projections of being over-budget by ~£16k, this doesn’t represent lower than anticipated income. The difference is explained by a lack of timely allocation of staff cost (due to a staff member on long term sick leave).

We charge Healthwatch Hertfordshire Trading for staff resource provided by Healthwatch Hertfordshire staff, whenever we deliver an additionally commissioned project. The management accounts represent this through the charge costs against revenue generated and contract variation. Once the staff cost for supporting commissioned work streams was included, this changed the final figures to differ from that which was previously projected.

While these costs originate from the overall salary budget, they are provided in order to demonstrate the recovery of staff costs delegated to additionally commissioned 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 reporting a net annual surplus of ~£8k at year end.
- 7. Total Reserves** – Our Total Reserves remain healthy at ~£412k and is higher than anticipated. These reserves were generated from prudent financial management and projects whose revenue is in addition to our core income.
The approach to reserves is managed via our Reserves Policy. From FY 26/27, our reserves will be differently presented in line with an updated and approved policy. The below categories are in line with what was previously agreed, and are represented as such for the last quarter of FY 25/26.
 - a. **Designated Reserve** –introduced as a new line in the management accounts earlier in the year to reflect designated (or earmarked) financial commitments made for and during the transition period for Healthwatch Hertfordshire (either to a new entity or in the case of closure). These costs would affect the reserves when anticipated commitments materialise, but as they are not allocated in our budget.
 - b. **Contingency Reserve** – This is still reflected in our management accounts as it is part of our current Reserves Policy to hold 50% of our HCC contract for the year 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.
 - c. **General Reserve** – can be understood as money in our bank account after the allocation of other reserves, with the flexibility to be absorbed into the annual operating budget of the organisation if needed.

Management Accounts Q4 2025/26

	Fy25/26 Year End		
	Budget	Actual	Variance
Employment Costs			
Staff Salaries	£520,788	£467,256	£53,532
Staff time for project costs		£67,865	
Staff Ins. Travel etc	£5,000	£6,819	-£1,819
Other	£5,500	£3,804	£1,696
Total Staff Costs	£531,288	£410,014	£121,274
Non-Staff Costs			
Rent	£13,100	£12,334	£766
Governance & Other Office Costs	£25,885	£38,113	-£12,228
Volunteer & Member Expenses	£1,000	£232	£768
Legal & Professional	£8,370	£7,792	£578
Engagement & Research	£8,328	£5,411	£2,917
Communications	£10,100	£8,482	£1,618
Total Non-Staff Costs	£66,783	£72,365	-£5,582
Total Costs	£598,071	£482,379	£115,692
Revenue			
HCC Core Funding	£483,601	£483,602	£1
HCC Contract Variation HwH	£20,000	£28,400	£8,400
Cost of Service Delivery (contract variation)		-£28,400	
Interest / Other	£6,650	£7,624	£974
Total Revenue	£510,251	£491,225	-£19,026
Surplus/Deficit before Revenue Generation	-£87,820	-£8,846	£78,974
Revenue Generated HwH Trading	£20,000	£59,060	£39,060
Cost of Service Delivery (commissioned revenue)	-£20,000	-£39,465	-£19,465
HwHT - non staff costs		-£2,675	-£2,675
Net Revenue	£0	£16,919	£16,919
Net Annual Deficit / Surplus	-£87,820	£8,073	£95,893
Revenue Backlog			
Contract Signed not invoiced		£0	
Invoiced- not Paid		£0	
Total Revenue Backlog		£0	
Reserves			
Designated Reserve	£12,000	£115,350	£103,350
General Reserve	£84,874	£55,462	-£7,457
Contingency Reserve	£241,800	£241,800	£0
Total	£338,674	£412,612	£95,893