



St Michael's Hospice

(incorporating the Freda Pearce Foundation)

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2016

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St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2016

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St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2016

Reference and administrative information

Charity Name	St Michael's Hospice (incorporating The Freda Pearce Foundation)
Charity Number	511179
Company Number	1634942
Address of Registered Office	St Michael's Hospice Bartestree Hereford, HR1 4HA
Trustees	Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows: Mr A J Walshe, Chair Mr G B Nairn, Vice Chair Mr D R Teague, Vice Chair Mr D J Campion Dr J A Dalziel Mr I D A Entwisle Revd Preb K B Garlick Mr M E Greene - resigned 25 July 2016 Ms P A Greenwood Mr D T Hammond Dr J J Kramer Dr R G Miller - retired 02 December 2015 Mrs C J Winney Mr A H Alakija – appointed 02 September 2015
Chief Executive Officer	Mr M L Keel – appointed 05 October 2015 (Mrs N C West resigned 01 October 2015)
Senior Management Team at 31 st March 2016	Dr T Blower, Medical Director Mrs R Denison, Income and Marketing Director Mrs S Morgan, Care Director Mrs E Cotton, Finance Director – appointed 01 July 2015 Mrs D Harvey, People & Facilities Director – appointed 23 May 2016
Company Secretary	Mrs J Nicholson (appointed 25 Nov 2015) Ms S Newbould (resigned 25 Nov 2015)
Bankers	The Royal Bank of Scotland 21 Broad Street Hereford Herefordshire, HR4 9AP
Investment Managers	Thesis Asset Management Exchange Building St Johns Building Chichester West Sussex, PO19 1UP
Auditors	Sayer Vincent Invicta House 108-114 Golden Lane London, EC1Y 0TL

Company Registration Number: 1634942 (England and Wales)

Charity Registration Number: 511179

St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2016

Report of the Trustees

The Trustees of St Michael's Hospice (St Michael's) present their report and the audited financial statements for the year ended 31st March 2016.

Reference and administrative information set out on page 4 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

The Trustees of St Michael's are charity Trustees for the purpose of the Charities Acts and are also Directors of St Michael's Hospice Limited and Directors for the purposes of Companies Acts. The Trustees form the Trustee Board of the Charity.

Although the Senior Management Team (SMT) job titles include the word 'Director', these people are not Directors within the meaning of the Companies Act.

The Trustee Board is responsible under the Charity's governing document for controlling the management and administration of the Charity within the law. It is ultimately responsible for everything the Charity does and how it does it. The overriding duty is to act in good faith within charity law and to make sure the Charity pursues its aims (as set out in the governing document); uses its assets exclusively to pursue those aims; and acts for its beneficiaries. It does this by:

- Safeguarding and promoting the values and mission of St Michael's
- Determining the strategy and structure of St Michael's
- Ensuring St Michael's operates in an effective, responsible and accountable manner
- Ensuring the effective functioning of the Board of Trustees
- Ensuring all company statutory requirements are met

During the year, the Board of Trustees met at least quarterly, held an Annual General Meeting and participated in a strategic half away day. In between times it delegated its responsibilities to the Chief Executive.

Board members are unremunerated volunteers and are recruited according to a gap analysis which identifies skills, experience and qualities required for good governance of St Michael's.

Related Parties and Relationships with other organisations

St Michael's is the parent undertaking of a group consisting of:

- St Michael's Hospice Trading Limited – The subsidiary is used for non-primary purpose trading activities.
- St Michael's Hospice Development Company Limited. The subsidiary is used for redeveloping the hospice buildings and surroundings.

Both subsidiaries are companies registered in England. All available profits are gift aided to the Charity.

Report of the Trustees

Objectives and activities

The Trustees review the aims, objectives and activities of the Charity each year. This report looks at what the Charity has achieved and the outcomes of its work in the reporting period. The Trustees report the success of each key activity and the benefits the Charity has brought to those groups of people that it is set up to help. The review also helps the Trustees ensure the Charity's aims, objectives and activities remained focussed on its stated purposes.

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning its future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives that have been set.

Purposes and aims

The Charity was set up as the Freda Pearce Foundation and is governed by its Memorandum and Articles of Association dated 12 May 1982 as amended by special resolutions on 02 November 1998, 02 October 2002, 15 April 2009 and 07 November 2012. The Charity changed its name to St Michael's Hospice on 2nd November 1998.

The Articles, as amended, state the objects of the Charity are to promote the relief of sickness in people over the age of 18 years and who are Herefordshire residents or living in the immediate surrounding counties. The Charity may also offer care to young people between ages of 14 years and 18 years where appropriate to support them in their transition to adult services.

Vision

Our vision is that everyone in Herefordshire and the surrounding areas who needs and wants palliative care has timely access to it and in a way that suits them.

Mission

The Charity's mission is to make sure palliative and end of life care is available to all who can benefit from it, regardless of age, gender, diagnosis, social group or location. This includes supporting those people close to the dying person throughout the pre- and post-bereavement stages too.

We will do this by bringing together the excellent work the community, the hospital and St Michael's are doing to ensure there is a spectrum of services suitable for the wide variety of needs the patients and families have.

We will also work with others to help people, their families and carers feel comfortable and able to have conversations with skilled professionals about how, when and where they would like their care and support towards the end of life. We will guide them, if they wish, to produce a plan that describes their needs and preferences. This will ensure people receive the right care, in the right place delivered by the right people.

We cannot do all of this on our own and so we will work with communities, groups and organisations to help them to understand the importance of good palliative care and how they can play their part in it. We believe the Compassionate Communities Model is the best approach for Herefordshire. This approach builds on the existing community networks in towns and villages to support those who are isolated or in need, especially at the end of life. Herefordshire already has strong compassionate communities and we can build on this through education, research and guidance so people feel supported to live and die well; on their own terms; and with whatever health conditions they have.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
For the year ended 31 March 2016
Report of the Trustees

Our Strategy

Our strategy for the next five years is to have a multi-faceted approach that focusses on ensuring our long-term sustainability and ability to operate in the new health economy; as well as initiatives to do more, in partnership with other organisations, to give patients greater choice, the very best care available free of charge and significantly enhance our engagement in our communities.

Our Strategic Intentions

- Communicate with and care for more people.
- Influence and educate others to improve care.
- Be a sustainable and well-led organisation.

Principal Activities

St Michael's fulfils its purpose through its principal activity of providing adult hospice care to the people of Herefordshire and immediate surrounding areas as follows:

1. Adult inpatient palliative medical and nursing care in a twenty-bed purpose-built unit.
2. Adult outpatient palliative medical and nursing care in the In-reach and Day Care Centres and appropriate therapy (physiotherapy, occupational, music, art and complementary).
3. Hospice at Home Service, which includes 24-hour telephone advice, care coordination service, Urgent Care team and planned home care packages. This care is provided in people's homes or places they regard as home (e.g. nursing and residential homes).
4. Education and Training. The Charity seeks to influence and guide the quality of palliative care in other settings and given by other providers through its education and training programmes that share the experience, expertise and knowledge the Charity has built up over 30 years of working in palliative care.
5. Underpinning the main services is the Family Support Service, which is provided by social workers, bereavement care workers and spiritual workers and is offered to patients and families in the Inpatient, Outpatient and Hospice at Home Services. This endorses St Michael's holistic approach that not only considers the patient's condition, life and circumstances, but also supports and cares for the patient's family and friends. St Michael's provides its services free to patients, carers and families to promote accessibility.

Support for Principal Activities

The catering and housekeeping teams provide essential services for the principal activities.

The management and administration team provides the necessary governance, oversight and operational management plus finance, human resources (HR), information technology (IT) and administrative support.

The fundraising and retail teams maintain the necessary income needed by St Michael's to deliver its services as statutory funding (from NHS, local authorities and the Department of Health) is woefully inadequate.

St Michael's employs 210 staff (including bank staff) to deliver the range of professional disciplines needed to provide the quality care service and the required support services for patients and their families and to meet regulatory requirements. St Michael's also benefits from the services of over 1,000 volunteers who ably support paid staff in various ways.

Company Registration Number: 1634942 (England and Wales)
Charity Registration Number: 511179

Report of the Trustees

Operating Structure

St Michael's operates with delegation of operational responsibility to professional staff, with overall governance responsibilities reserved to Trustees. The Charity's Governance Manual describes these arrangements.

St Michael's has a comprehensive range of operational policies and procedures that it maintains and documents in line with the requirements of the Care Quality Commission, which regulates the clinical activity of the Charity.

Strategic Report

During this year, the Charity has been working to improve the quality of its data collection so it can more accurately report on the impact of its work. Except where a figure is given in brackets for the previous year, this year's figure will represent a baseline for measurement going forward.

Achievements and Performance 2015/16

During the 2015/16 we wanted to be more responsive to the changes in the health and care environment both at a national and local level. To enable us to achieve this we focussed on five key business aims:

1. Improve accessibility to hospice services
2. Identify people in need earlier
3. Give people more choice with regard to where they receive care and where they die
4. Extend the reach of services
5. Develop education and training programmes that support the paid and unpaid workforce to deliver palliative and end of life care

The Charity has benefited 591 people in 2015/16. This includes patients, family members and others close to the patient who needed support leading up to and after their loved one died. There are many more people who need us and we intend to reach more people by extending our services into the community and increasing the breadth of our offer to give people more choice over how and where they receive their support from us.

This is a slight increase on previous year's activity and has been achieved during a period of major change and upheaval as the premises have been improved and refurbished. This achievement is testament to the dedication, commitment and hard work of the staff and volunteers, for whom the Trustees express their deepest gratitude and appreciation on behalf of everyone who has benefited from St Michael's services.

Inpatient Unit (IPU)

2015/16 is the first full year in the new Inpatient building. It has been a year of settling in and getting used to the layout and features of the new building.

Report of the Trustees

The Inpatient Service has used sixteen of the twenty beds in the new building. The Day Service is using the fifth cluster of four beds. We anticipate Day Services will move back into the refurbished building during 2016 making the four bed suite available for Inpatients.

This will allow further growth in nurse-led initiatives in 2016/17 and in preparation for this, we have trained three nurses to Advanced Nurse Practitioners (ANP) level so they can manage nurse-led admissions to the unit and maximise the use of the facility.

There were 291 (2015: 278) admissions to the Inpatient Unit over the year (see table below). This is a slight increase on the previous year. We hoped to admit more patients to the new unit this year, which has four more beds than the old unit, but this has not been possible because of the temporary location of Day Services in the IPU while we refurbished the old building.

Fewer patients died in the Inpatient Unit and we discharged more home, which reflects our strategic goal to give patients choice about where they receive their care (with most preferring to be at home).

The average length of each admission was about the same as the previous year at 16 nights, which is similar to other hospices of the same size.

The Inpatient Unit delivered 4,372 nights of care in the year, which represents 82% occupancy of available beds and exceeds the 80% target set for this year. In 2014/15 this was 71%.

Table 1: Inpatient Unit Activity Data 2015/16

	15/16	%		14/15	%
Admissions	291			278	
Admitted From:					
Home	208	71%		183	66%
Hospital	71	24%		90	32%
Other	12	5%		5	2%
	291	100%		278	100%
Location at end of stay					
Died	165	57%		171	62%
Home	106	36%		89	32%
Hospital	5	2%		12	4%
Other	15	5%		6	2%
	291	100%		278	100%
Average Length of admission	16			15	
Occupancy	82%			71%	

We hoped to develop a transition respite service in the IPU for young people. We have made some progress and are working with the local children's hospice and other organisations to plan what would most benefit these young people and whether St Michael's is the organisation to deliver this. We will be holding an open day for families during 2016/17 to gather their opinions and ideas.

The target set during 2015/16 to support young carers and grandparents of patients in the IPU was ambitious. Even so, we have seen an increase of approximately 15% in the number of carers identified and supported across the organisation. Engagement with external carers groups and local forums is raising the awareness of hospice services with opportunity for collaboration in the future.

Report of the Trustees

There have been other initiatives developed within the IPU to provide even better care and experiences for patients and their families:

- Patients have enjoyed and benefitted from our new Patient Story Recording project. This enables patients to record their life stories and memories on film as a keepsake for their families after they die. We are now seeking grant funding to continue and develop this during 2016/17.
- Creative poetry and writing is developing slowly and is working closely with Patient Story Recording
- We hoped we would become a transplant site for cornea donation. However, due to changes in transplant legislation, hospices cannot perform this procedure. Instead we have improved links with the Regional Transplant Service in Bristol and given our nurses awareness training to support the identification of patients wishing to donate.

In-reach Care (Day Care Services)

Review of current In-Reach provision has been on hold due to the delay in moving into the newly refurbished building.

However, we have continued to establish links with social care commissioners to explore day services for patients who are socially isolated and those wanting support with bathing; we will explore this further during 2016/17.

We have introduced nurse-led days through our Living Well programme, which we designed to promote patients and families well-being through activities and peer support. We will develop this further in the refurbished building, which has more space and facilities.

There has been no growth in the number of patients referred to the Lymphoedema service; we are reviewing this service to see if there are people who need it but are not using it.

125 patients (2014/15: 95) were referred for our Day Hospice and Living Well Services; 73 attended Day Hospice and 52 attended Living Well. Because this service has had to be temporarily delivered from the fifth four-bed suite within the Inpatient Unit, which is a smaller space than in its previous location, this has reduced the service's capacity. Despite this there has been an increase of 30 patients (24%) compared to 2014/15, which is testament to the dedication and ingenuity of the staff and volunteers. Over the year 1,079 episodes of significant support were provided to people by a range of professionals and volunteers through the Day Hospice and Living Well Service. In addition, there were professional consultations with medical, nursing, therapy and social work staff, outpatient clinics, counselling sessions and support groups. Compared to 2014/15 the number of people supported with non-cancer conditions (such as heart and lung conditions, motor neurone disease, and other neurological conditions including Parkinson's disease and dementia) has increased slightly to 26% of all patients compared to 20% in 2014/15. We had anticipated greater numbers of people with these conditions to access St Michael's, further work will take place to address this gap in 2016/17.

Counselling, Family and Bereavement Support

There have been over 2000 contacts with patients and family members across counselling, family and bereavement services compared to 1,100 in 2015/16. The support received has been very much part of the multi-disciplinary approach across In-patient, In-reach and Community services. We have changed the way we deliver bereavement support to families to be more flexible to people's needs. We have introduced walking groups, which have proved very successful, and enabled people to form peer networks outside the formal groups.

Report of the Trustees

The Family Worker has supported 111 young people and these numbers remain consistent with previous years. We have been improving our data capture, analysis and reporting during this year so we can better understand how people use our services and the impact they have on patients and families. We will develop this further during 2016/17.

Community development through the compassionate community model has progressed slowly. There has been engagement across localities with networking to improve and raise the awareness of St Michael's and the services provided. This work will continue through 2016/17.

Hospice at Home

During the year we implemented the new commissioned Hospice at Home service. This innovative collaboration between St Michael's, Herefordshire NHS and Marie Curie saw the service phased in during early 2016 to deliver hands-on nursing care 24 hours a day, 7 days a week. The service includes a Co-ordination Hub, Urgent care Team, Planned Care Service and Telephone Advice Line.

The Co-ordination Hub, which operates from St Michael's, underpins the whole service. It provides a single point of access to all our services including Hospice at Home. People accessing this service are those who: would not normally use hospice services; are being seen earlier in their journey; and will predominantly have non-cancer disease. This supports our aims to give people more choice about where and how they receive their care and widening access to hospice services for people with non-cancer life-limiting conditions.

There have been 90 people referred to the co-ordination hub since it started in February 2016 to end March 2016. Forty-six of these referrals were directly supported by the Herefordshire Hospice at Home service. The remaining 44 received alternative support by St Michael's and other care providers such as domiciliary care agencies and nursing homes.

It is still very much in its infancy but is already having a significant impact on the level and quality of care people at the end of life receive in Herefordshire.

The existing Marie Curie night service (coordinated by St Michael's) also continued during the year and 175 patients received 632 nights of care during 2015/16. As well as this there were 82 volunteer visits, which provided extra support for family members during the day.

Essential pre- and post-bereavement care has been provided to many relatives through this service. We also provided support and informal education and advice to professionals engaged through the co-ordination role.

Our co-ordinating role means we can tailor services to match the needs of the individual. This in turn means patients can remain in their preferred place of care. This also means services are used more effectively. We continue to evolve the service as we learn more about the needs of patients and families.

Education and Training

The Education department has continued to provide essential professional and mandatory training to external and hospice staff from temporary premises while the building works have been going on. We expect during 2016/17, when it moves back into its purpose-designed and improved facility in the old building, that we will develop education and training extensively and especially for the Charity's staff to ensure we equip them with the skills and knowledge to perform their roles. St Michael's has much to teach others.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2016

Report of the Trustees

Income Generation and Marketing

The Income Generation and Marketing Team remain committed to working collaboratively with its partners and supporters while seeking to maintain the necessary income needed by the Charity to deliver its services where statutory funding (from the NHS, CCG and local authorities) is insufficient.

In 2015/2016 incoming resources totalled £7,865,265 of which £853,211 was secured towards the Redevelopment. Unrestricted income totalled £7,263,611.

The public phase of the Redevelopment Appeal ended in May 2015 with the total raised from the Campaign then standing at £7,130,271. A significant achievement which has made possible the complete transformation of all hospice facilities and will enable St Michael's to continue to extend its services to more local people, increase accessibility to those services and grow its education programme. The Trustees would like to extend their thanks to our wide community of supporters, including individuals, trusts and foundations and companies. It is through their continuing support and generosity that this achievement has been possible.

Targets for net income from fundraising activities and events; retail income (sale of donated goods through shops and warehouses); and income from the Charity's Lottery were met and the underlying trends in our key income streams are all very positive.

Our portfolio of 18 shops delivered another highly profitable year. St Michael's shops have over 29,000 customers shopping with us each month. We took the lease on one new unit in Leominster which will open in the coming year, and look to expand the number of our shops in the future.

Retail income was £2,150,609 (£1,094,447 net). This is the seventh consecutive year of growth and represents uplift in net contribution of 4.3% in the period. The last three years have seen a 9% increase in net contribution. This growth comes from strengthening the warehouse model and other initiatives within retail. Gift Aid claims continue to grow in line with budget and this is now contributing 3% of our retail income. We have over 26,000 retail Gift Aid donors on our database. It is a target for growth.

Our Hospice Lottery produced £250,891 net income in the year with an average of 7,200 weekly playing members (2015: 7,333). The Summer Draw was the most successful ever contributing £37,263 net. The Lottery continues to be a key area of long-term investment providing a valuable and sustainable resource for funding our care services.

A major project during the year was to invest in a new supporter database, auditing and transferring all existing records including Lottery and Retail into it. This was successfully achieved with all records now held on Raiser's Edge, enabling us to see the complete donor profile, retail and lottery history in one place (63,096 individual records).

Highlights of the year include corporate sector sponsorship (Radbournes, Western Power, Brightwells, Fastershire, South Hereford Garages, Sainsbury's, Tesco, S&A Produce); the Open Garden programme attracted 29 participating gardens and raised over £20,000 net; the Big T raised more than ever before (£26,873 net); St Michael's Light up a Life campaign had a good result with £28,662 raised net and 2,240 names recorded in the Book of Memories; the continuing success of the Wheelie Big Bike Ride which raised over £36,000 net (nearly £10,000 over budget and more than prior year); the Half Marathon and Venus Midnight Walk which contributed over £72,000 net; the two Paint Runner events also raised just over £32,000 net with excellent PR value; Postcards from Life had a successful first year. Marketing activity to promote our events, services and shops increased significantly. Visitors to our website went up from under 4,000 a month to just over 5,000 a month. Social Media activity grew exponentially over the year and is now essential to many of our fundraising and marketing activities. We have seen excellent engagement and commercially valuable growth.

Company Registration Number: 1634942 (England and Wales)

Charity Registration Number: 511179

Report of the Trustees

Financial Review

The consolidated financial statements that follow later in this report comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, and the consolidated Statement of Cash Flows and related notes, which include the results of the related companies. The financial effect of significant events and details of principal funding sources is covered above. There follows a brief overview of the financial management that has fed into these reports.

Investment policy and returns

The Trustees have decided to maintain a low risk investment strategy. The main purpose of the Charity is to provide hospice care. Because of the uncertainty of fundraising income streams, it is necessary to ensure that funds are always readily available for use to ensure that levels of care are not adversely affected in the event of any short-term income reduction. This is also the reason that Trustees choose not to risk funds in higher risk but potentially higher return investments. With expenditure commitments on the Re-development project continuing, this strategy was maintained, with investments retained in low risk cash funds throughout the year.

Reserves policy

The Trustees have reviewed the reliability of future income streams, the commitment to future expenditure and risks faced as a Charity. The Charity has determined that it needs reserves for the following reasons:

- To fund shortfalls in income (whether statutory, retail, lottery, donations, legacies or other fundraising activities) when it does not reach expected levels. The Charity is dependent on fundraised income as well as statutory funding. The fundraised income is subject to fluctuation as economic conditions change and statutory funding could be affected by government policy and the financial position of NHS and local authority commissioners;
- To fund unexpected expenditure, for example when projects overrun or unplanned events occur. This could also be for unexpected building maintenance costs and to provide a degree of flexibility for innovation;
- To fund working capital. Most spend is salaries and therefore the timing of cash outflows is relatively fixed whereas both fundraised and statutory income fluctuate in terms of cash inflow over the year;
- To fund future developments to ensure we continue to meet the needs of our community.

At the end of March 2016, the free cash reserves within general funds increased to £6.8 million, an amount which equates to 13.47 months of budgeted 2016/17 operating costs, marginally exceeding our reserve policy and allowing the Charity to continue to provide care at the expected quality to meet the needs of patients as well as aiding the development of income streams and reducing costs.

Freehold land and buildings are held in a designated reserve called the Property Fund, totalling £10.4 million at 31st March 2016. By designating these funds, the Trustees aim to give a clear presentation of the free reserves available to the Charity to meet its continuing operational commitments. Restricted reserves stand at £127,356 at the end of the year.

The level of reserves is monitored regularly by the Finance & Investments Committee and this policy will be reviewed annually by the main Board when the budgets are approved. This will ensure that appropriate steps are in place to maintain reserves at the required levels.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2016

Report of the Trustees

Principal Risks and Uncertainties

Over the course of this year, no new major risks were identified that were thought to be high enough to have a catastrophic effect on service delivery, income generation or compliance with regulations. The following material risks were considered:

- Unpredictability of the legacy stream
- A risk to donations for revenue need as a result of the economic climate and competition for funds
- Uncertainty as to future commissioning frameworks
- Competitive tendering, especially from national commercial institutes with limited overheads
- Significant overspend in the local NHS resulting in service cuts and redesign
- Demand for Hospice services outstripping capacity both in terms of volume and skill
- An ageing workforce and volunteer cohort
- Challenges in recruitment, particularly in nursing nationally and locally

The Board agreed investment in our People Management with the creation of a new People and Facilities Director who took up post in May 2016. This person is responsible for developing all our people systems (staff and volunteers) to ensure we can recruit and retain enough staff of the right calibre to ensure the Charity delivers on its objectives.

Going Concern

There are no material uncertainties regarding the Charity's ability to continue in operation. The Trustees have reviewed financial forecasts into 2019 and are confident that the Charity will continue as a going concern for the foreseeable future.

Future Plans

Our Strategic intentions:

- Communicate with and care for more people. Working with others, we will increase accessibility, availability and quality of palliative care for more people.
- Influence and educate others to improve care. We will work with key decision makers, other providers and the community to heighten awareness of death and dying issues and improve care wherever it is provided through education and research.
- Be a sustainable and well-led organisation. We will ensure we generate enough income to deliver our vision and innovate as an organisation to make us more effective and efficient.

St Michael's has identified four areas we must continue to develop and excel in to deliver our strategic intentions:

1. People Management
2. Income Generation
3. Communication
4. Information and data management

Company Registration Number: 1634942 (England and Wales)

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Report of the Trustees

People Management

St Michael's is very aware that it is totally reliant on having sufficient people (volunteers and paid staff) to deliver its objectives. St Michael's needs to be good at finding the best people and this is becoming harder as demographic changes occur and there is a smaller pool from which to recruit professional staff.

St Michael's has therefore invested in developing its People function with the appointment of a Director specifically in this role who will deliver the innovative and effective programme necessary to allow us to excel in people management.

Income Generation

St Michael's has achieved great success with its capital appeal to renew and refurbish its buildings. The Income Generation team (fundraising, lottery and retail) is one of the best in the country and they will continue to find new, imaginative and inspiring ways to generate enough income to fund our services.

St Michael's receives one of the lowest percentage NHS contributions to hospice care. We will continue to actively lobby for a greater contribution from the NHS for our services.

Communication

There is much misunderstanding and misconception about what St Michael's provides and how it is funded and supported. It is important the community understands and feels motivated to support our work and understands how people can benefit from our services and not just at the very end of their life.

Some excellent work has been done to develop our branding and make St Michael's instantly recognisable. The charity has made great in-roads into the areas of social media and electronic communications. We plan to invest further in these areas and introduce ways to "get our message" out into the far reaches of the Counties. We will find ways to further utilise the many people connected to the organisation to broadcast about our work and the need for support.

St Michael's also recognises that people want to receive their care in many different places and settings and not always at or by the hospice. St Michael's wants to ensure that people who are in hospital, care and residential homes and other places can also receive high-quality palliative care too and the staff looking after them are competent to do this and know when they need to call on the expertise of St Michael's to support their care. St Michael's already runs a well-respected and widely-known education programme for other care staff and agencies and intends to increase this as funds allow to ensure everyone giving care to patients does so to the highest level.

Information and Data Management

With the ability to collect vast amounts of data and information relatively easily these days, St Michael's needs to be able to analyse and use this data to increase its effectiveness and understanding of its work.

Much of our work uses computers and so we must ensure we have a strategy to develop and secure these systems appropriately and to best effect. A priority is to connect our patient systems to the NHS so we can share information more easily and accurately for the benefit of our patients and ensure staff, who are visiting patients away from the main base at Bartestree, have access to the information they need to provide high-quality care.

Structure, governance and management

Trustees are unremunerated volunteers. All Trustees give their time voluntarily and receive no benefits from the Charity. Any expenses reclaimed from the Charity are set out in note 9 to the accounts.

When Trustee vacancies arise or are anticipated the Trustees consider the skills mix and diversity of the continuing Trustees and determine the person specifications to be sought in Trustee recruitment. Recruitment is an open competitive process involving public advertising, networking and head-hunting as appropriate. Potential candidates for appointment as a Trustee will be provided with information about the Charity and about the role of Trustee, including the role description and expectation of Trustees and the length of tenure of appointment.

Every Trustee must sign a Trustee Commitment and Disclosure Form to act as a Trustee of the Charity before he or she is eligible to become a Trustee, and again annually. On appointment or election as a Trustee, a Trustee becomes a member of St Michael's Hospice.

Trustees hold membership of St Michael's Hospice only during their Trusteeship and retirement, resignation or removal as a Trustee is deemed to end their membership of the Charity.

It is the Charity's policy and practice to provide Trustees with appropriate training to undertake their role and to ensure that new Trustees receive appropriate induction to the Charity and to the role of a Charity Trustee and Company Director.

In particular, new Trustees attend a corporate induction day and we are looking at a potential scheme to provide them with a mentor Trustee who would give them specific support over the first 12 months of their Trusteeship.

Trustees are elected for a three-year term, and it is intended that they should ordinarily serve for up to three three-year terms, with the possibility of further terms.

Day-to-day management

The Trustees delegate day-to-day responsibility to the Chief Executive, who in turn delegates some management functions to the Senior Management Team (SMT). The Schedule of Delegation is set out in the Governance Manual. The Trustees started the reporting period with six sub-committees that met quarterly and were responsible for reviewing the Charity's activities in their respective areas of expertise in more detail than could be achieved at full Board meetings. These were:

- Finance & Investment Committee;
- Education & Training Committee;
- Patient Care Committee;
- Fundraising & Events Committee;
- Support Services Committee; and
- Clinical Governance Strategy Group.

Each committee/group had at least two Trustees and a member of SMT as its members and was chaired by a Trustee. The Chair of each Committee presented a report at the Board of Trustees.

Report of the Trustees

The Committees were rationalised during the year to just four:

- Finance & Investment Committee;
- Care & Clinical Governance Committee;
- People & Facilities Committee;
- Income Generation & Marketing Committee;

These committees meet quarterly and the Board of Trustees meets every six to eight weeks.

People

The Trustees wish to record their thanks to all the staff of the Charity who are essential to the provision of high-quality care for patients. The staff are the guardians of the Charity's reputation and standing, which are vital and must remain high. At year end we had 210 (2015: 173) staff of whom 59 are full-time, 119 part-time and 32 bank staff. 122 (2015: 103) work directly in clinical and care areas and associated parts of the service.

The Trustees also wish to record thanks to the many volunteers without whom the Charity would be unable to maintain the quality of service at the level of expenditure that is currently enjoyed. Over 1,000 volunteers currently work within the organisation, of whom approximately a third work within the clinical and care areas of the service. We estimate the value of this contribution to be over £1million.

In October 2015, Nicky West tendered her resignation in order to explore new challenges. Nicky has been the Charity's Chief Executive for over 9 years. The Trustees would like to record their thanks for her outstanding contribution to St Michael's, in terms of its growth, reputation and quality of care.

We have implemented the government initiative of pension auto-enrolment and promoted this to our staff.

Remuneration policy for key management personnel

The aim of the Charity's pay policy is to offer fair pay to attract and keep appropriately qualified staff to lead, manage, support and deliver the Charity's aims. Trustees are ultimately responsible for setting the Chief Executive's remuneration level. The Chief Executive sets the levels for the Senior Management Team with Trustee oversight (except Medical staff who are on the NHS scheme). The Senior Management Team sets levels for all other staff. When deciding the Chief Executive and Senior Staff salary levels, consideration is given to:

- the purposes, aims and values of the Charity, and its beneficiaries' needs;
- how pay is linked to the skills, experiences and competencies the Charity needs from its senior staff and the scope of their roles and how St Michael's can maintain the ability to recruit and retain suitably qualified and experienced management;
- the Charity's current business plan and how implementing it may affect the number of senior staff the Charity needs to employ or recruit, and the nature of these roles;
- the Charity's ability to pay, including:
 - the benefit to the Charity that such positions will bring;
 - the cost to the Charity of increasing remuneration levels.

The Charity conducted a full job evaluation exercise for all staff salaries (excluding Chief Executive and medical staff) and this system is still being used and updated as necessary.

Report of the Trustees

The Charity regularly benchmarks its salary against other similar organisations and, in the case of clinical staff, with the NHS and local authority in Herefordshire.

Policy for employment of disabled persons

The Charity fully and fairly considers all applications for employment or to volunteer made by disabled persons, and gives regard to their particular aptitude and abilities. Opportunities for training, career development and promotion are considered in the same way for those employed or volunteering.

Should an employee or volunteer become disabled, the Charity arranges appropriate training and support to enabled continued employment at the Charity where possible.

Employee information

The Charity is committed to providing staff and volunteers with information on matters of concern to them. We have introduced Staff and Volunteer Forum; an Operational Management Team that brings decision-making and information closer to employees and volunteers; and started the process to improve our People Systems and Processes. This will include more opportunities and methods for staff and volunteers to be consulted and provide feedback. This is as well as the current systems of noticeboards; staff emails; newsletters; staff meetings and volunteer events.

Statement of Trustees Responsibilities

The Trustees (who are also directors of the company for the purposes of company law) are responsible for preparing the Trustees' annual report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company or group for that period.

In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Charity will continue in operation

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2016

Report of the Trustees

In so far as the Trustees are aware:

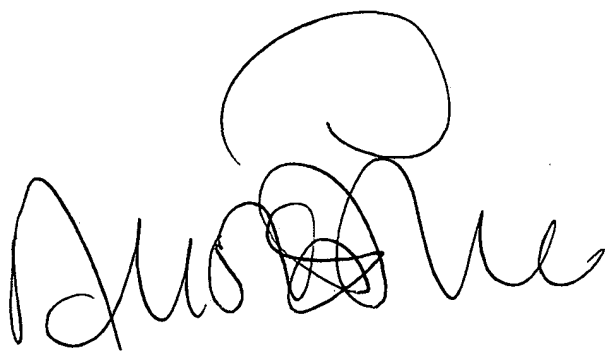
- There is no relevant audit information of which the charitable company's auditors are unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish the auditors are aware of that information

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Charity guarantee to contribute an amount not exceeding £2 to the assets of the Charity in the event of winding up.

The Trustees are members of the Charity but this only entitles them to voting rights. The Trustees have no beneficial interest in the Charity.

The Trustees annual report, which includes the strategic report, has been approved by the Trustees on 14 October 2016 and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'A Walshe', with a large loop at the top.

Mr A Walshe – Chairman

Independent auditors' report
To the members of St Michael's Hospice

We have audited the financial statements of St Michael's Hospice (incorporating The Freda Pearce Foundation) for the year ended 31 March 2016 which comprise the group and parent charitable company statement of financial activities, the group and parent charitable company balance sheets, the group statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees responsibilities set out in the Trustees report, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

Independent auditors' report
To the members of St Michael's Hospice

- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

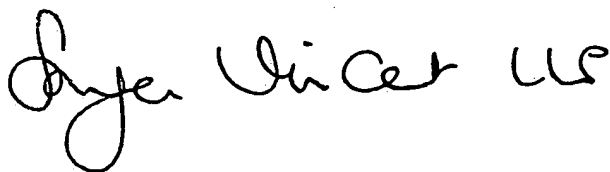
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Catherine L Sayer (Senior statutory auditor)

27 October 2016

for and on behalf of Sayer Vincent LLP, Statutory Auditors

Invicta House, 108-114 Golden Lane, LONDON EC1Y 0TL

Sayer Vincent LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2016

	Note	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Income from:					
Donations and legacies	3	3,564,418	498,837	4,063,255	5,512,969
Charitable activities	4	799,001	69,179	868,180	633,378
Other trading activities	5	2,880,898	33,542	2,914,440	2,746,359
Investments	6	4,626	96	4,722	1,419
Other		14,668	-	14,668	10,272
Total income		7,263,611	601,654	7,865,265	8,904,397
Expenditure on:					
Raising funds	7	1,759,426	17,861	1,777,287	1,901,125
Charitable activities	7	3,473,310	84,148	3,557,458	3,540,929
Total expenditure		5,232,736	102,009	5,334,745	5,442,054
Net income before net gains on investments		2,030,875	499,645	2,530,520	3,462,343
Net gains on investments		23,822	231	24,053	30,897
Net income for the year	8	2,054,697	499,876	2,554,573	3,493,240
Transfers between funds		455,887	(455,887)	-	-
Net movement in funds		2,510,584	43,989	2,554,573	3,493,240
Reconciliation of funds:					
Total funds brought forward		16,160,441	83,367	16,243,808	12,750,568
Total funds carried forward		18,671,025	127,356	18,798,381	16,243,808

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 23 to the financial statements.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Consolidated and charity balance sheets

For the year ended 31 March 2016

		Group		Charity	
	Note	2016 £	2015 £	2016 £	2015 £
Fixed assets					
Tangible fixed assets	13	11,176,121	8,868,802	11,176,121	8,868,802
Investments	14	7,095,452	5,622,276	7,095,452	5,622,276
		<u>18,271,573</u>	<u>14,491,078</u>	<u>18,271,573</u>	<u>14,491,078</u>
Current assets					
Stock	17	17,553	14,779	-	-
Debtors	18	767,746	1,894,218	675,704	1,846,714
Cash at bank and in hand		879,610	646,035	835,920	631,170
		<u>1,664,909</u>	<u>2,555,032</u>	<u>1,511,624</u>	<u>2,477,884</u>
Liabilities					
Creditors: amounts due within one year	19	1,138,101	802,302	993,086	731,011
Net current assets		<u>526,808</u>	<u>1,752,730</u>	<u>518,538</u>	<u>1,746,873</u>
Net assets		<u>18,798,381</u>	<u>16,243,808</u>	<u>18,790,111</u>	<u>16,237,951</u>
Funds:	23				
Restricted income funds		127,356	83,367	127,356	83,367
Unrestricted funds					
Designated funds		11,133,392	10,986,029	11,133,392	10,986,029
General funds		7,537,633	5,174,412	7,529,363	5,168,555
Total unrestricted funds		<u>18,671,025</u>	<u>16,160,441</u>	<u>18,662,755</u>	<u>16,154,584</u>
Total funds		<u>18,798,381</u>	<u>16,243,808</u>	<u>18,790,111</u>	<u>16,237,951</u>

Included within general and designated funds is a fair value reserve of £40,184 representing unrealised gains on investments.

Approved by the Trustees on 14 October 2016 and signed on their behalf by:



Mr A Walshe – Chairman

Company Registration Number: 1634942 (England and Wales)

Charity Registration Number: 511179

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Consolidated statement of cash flows

For the year ended 31 March 2016

		2016	2015
	Note	£	£
Cash flows from operating activities			
Net cash provided by operating activities	24	4,246,019	2,598,267
Cash flows from investing activities:			
Dividends, interest and rents from investments		4,626	1,419
Proceeds from the sale of fixed assets		3,300	-
Purchase of fixed assets including building works and redevelopment		(2,579,589)	(3,934,053)
Proceeds from the sale of investments		1,424,274	1,937,435
Purchase of investments		(3,070,810)	(1,626,602)
Movement in investments – cash holdings		<u>197,413</u>	<u>(200,021)</u>
Net cash used in investing activities		(4,020,786)	(3,821,822)
Change in cash and cash equivalents in the year		225,233	(1,223,555)
Cash and cash equivalents at the beginning of the year		639,389	1,862,944
Cash and cash equivalents at the end of the year	25	<u>864,622</u>	<u>639,389</u>

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2016

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (August 2014) and the Companies Act 2006.

The charitable company meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries - St Michael's Hospice Trading Limited and St Michael's Hospice Development Company Limited - on a line by line basis. Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes of the charitable company's balance sheet. A separate statement of financial activities, or income and expenditure account, for the charitable company itself is not presented as permitted by the exemptions afforded by section 408 of the Companies Act 2006 not to include it.

b) Reconciliation with previously generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was required. The transition date was 1 April 2014.

Three housing properties have been restated at fair value as at 1st April 2014 in accordance with FRS 102. These values are being used as deemed cost from 1st April 2014. The above did not result in a restatement of opening reserves. No other adjustments were identified on transition.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

d) Going concern

The Trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the charitable company has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

1. Accounting policies (continued)

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charitable company has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charitable company is aware that probate has been granted, the estate has been finalised and the executor has made notification to the charitable company that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charitable company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charitable company, or the charitable company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Donations of gifts, services and facilities

Donated professional services and donated facilities are recognised as income when the charitable company has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charitable company of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the value of services provided by volunteers is not recognised. The Trustees annual report contains further information about the invaluable contribution provided by volunteers.

On receipt, donated gifts, professional services and donated facilities are recognised on the basis of the value of the gift to the charitable company which is the amount the charitable company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Clothing and other goods donated for resale are included in incoming resources when they are sold.

g) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank.

h) Fund accounting

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for a specific purpose. The notes to the accounts provide further details. Once the terms and conditions of the restrictions have been met, tangible fixed assets purchased with restricted monies, are transferred to unrestricted funds.

Unrestricted funds are those available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for any other purpose.

Designated amounts within the unrestricted funds represent the total Net Book Value of the freehold land and buildings and assets in the course of construction held at the balance sheet date and funds designated for the Development project. Designated funds may also comprise amounts that have been set aside by the Trustees for particular purposes, notably for the purchase of other assets used within the business.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2016

1. Accounting policies (continued)

i) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Raising funds - this relate to the costs incurred by the charitable company in procuring voluntary contributions to it, as well as the cost of any activities with a fundraising purpose.

Charitable activities - this includes the costs of delivering services, and other educational activities undertaken to further the purposes of the charitable company and their associated support costs

Irrecoverable VAT is charged against activities on the same basis as the allocation of support costs.

j) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Inpatient Care	60.0%
Raising Funds	30.5%
Inreach (Day Care Services)	5.0%
Counselling, Family & Bereavement Support	2.0%
Education & Training	1.5%
Hospice at Home	1.0%

k) Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities over the period in which the cost is incurred.

l) Tangible fixed assets

Items are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2016

1. Accounting policies (continued)

The depreciation rates in use are as follows:

Freehold buildings	50 years
Leasehold improvements	Over the period of the lease
Medical and nursing equipment and beds	3 – 5 years
Motor vehicles	3 – 7 years
IT Equipment and development	3 – 5 years
Plant & Machinery	15 - 20 years
Fixture and fittings	3 – 5 years

Land and buildings are included at cost. Assets in the course of construction are not depreciated.

m) Investment properties

Investment properties are measured initially at cost and subsequently included in the balance sheet at fair value. Investment properties are not depreciated. Any change in fair value is recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. The valuation method used to determine fair value will be stated in the notes to the accounts.

Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be disclosed on the face of the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charitable company does not acquire put options, derivatives or other complex financial instruments.

Investments in subsidiaries

Investments in subsidiaries are at cost.

n) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks. Donated items of stock, held for distribution or resale, are recognised at fair value which is the amount the charitable company would have been willing to pay for the items on the open market.

o) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1. Accounting policies (continued)

p) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

q) Creditors and provisions

Creditors and provisions are recognised where the charitable company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The charitable company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

Defined benefit scheme

The charitable company contributes to the NHS pension scheme for staff eligible to join the NHS scheme. Such contributions are a fixed percentage of salary. Contributions are charged to the Statement of Financial Activities in accordance with the rules of the scheme.

Defined contribution schemes

Where staff are not eligible to join the NHS pension scheme, they can opt to join a group personal pension plan scheme or, subject to meeting Government criteria, they will be automatically enrolled in to a compliant workplace pension scheme. St Michael's also contributes to the personal schemes of individual employees. Such contributions are a fixed percentage of salary. Contributions are charged to the Statement of Financial Activities in accordance with the rules of the schemes.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2016

2. Detailed comparatives for the statement of financial activities

	Unrestricted £	Restricted £	2015 Total £
Income from:			
Donations and legacies	3,935,962	1,577,007	5,512,969
Charitable activities	584,428	48,950	633,378
Other trading activities	2,709,423	36,936	2,746,359
Investments	1,248	171	1,419
Other	10,272	-	10,272
Total income	7,241,333	1,663,064	8,904,397
Expenditure on:			
Raising funds	1,880,329	20,796	1,901,125
Charitable activities	3,464,965	75,964	3,540,929
Total expenditure	5,345,294	96,760	5,442,054
Net income before net gains on investments	1,896,039	1,566,304	3,462,343
Net gains on investments	30,533	364	30,897
Net income for the year	1,926,572	1,566,668	3,493,240
Transfers between funds	2,232,314	(2,232,314)	-
Net movement in funds	4,158,886	(665,646)	3,493,240
Reconciliation of funds:			
Total funds brought forward	12,001,555	749,013	12,750,568
Total funds carried forward	16,160,441	83,367	16,243,808

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2016

3. Income from donations and legacies

	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Donations	578,051	355,726	933,777	1,422,110
Community fundraising activities	396,533	78,261	474,794	399,165
Legacies	<u>2,589,834</u>	<u>64,850</u>	<u>2,654,684</u>	<u>3,691,694</u>
Total	<u>3,564,418</u>	<u>498,837</u>	<u>4,063,255</u>	<u>5,512,969</u>

4. Income from charitable activities

	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Nursing & medical care	517,071	-	517,071	517,071
Grants from grant making trusts	1,200	42,350	43,550	40,000
Hospice at Home	222,704	-	222,704	25,000
Continuing Care – Inpatient care	16,421	-	16,421	13,728
Education and training	<u>41,605</u>	<u>26,829</u>	<u>68,434</u>	<u>37,579</u>
Total	<u>799,001</u>	<u>69,179</u>	<u>868,180</u>	<u>633,378</u>

5. Income from other trading activities

	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Fundraising events	296,749	33,542	330,291	316,448
Lottery	421,136	-	421,136	415,800
Retail shops	2,150,609	-	2,150,609	2,006,116
Other	<u>12,404</u>	<u>-</u>	<u>12,404</u>	<u>7,995</u>
Total	<u>2,880,898</u>	<u>33,542</u>	<u>2,914,440</u>	<u>2,746,359</u>

6. Income from investments

	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Bank interest received	763	96	859	1,419
Dividends	<u>3,863</u>	<u>-</u>	<u>3,863</u>	<u>-</u>
Total	<u>4,626</u>	<u>96</u>	<u>4,722</u>	<u>1,419</u>

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St Michael's Hospice (incorporating the Freda Pearce Foundation)

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For the year ended 31 March 2016

7. Analysis of expenditure	Charitable Activities								2016 Total	2015 Total
	Cost of raising funds	Inpatient Care	Inreach / Day Care	Counselling, Family & Bereavement Support	Hospice at Home	Education & Training	Governance costs	Support costs		
	£	£	£	£	£	£	£	£	£	£
Staff costs (Note 9)	680,073	1,646,969	205,369	287,988	196,503	37,048	-	360,523	3,414,473	2,959,345
Medical Consultants	-	171,540	32,140	-	-	-	-	-	203,680	203,424
Other Staff Costs	4,439	35,020	93,907	5,258	3,652	457	-	32,904	175,637	107,107
Retail Purchases	31,595	-	-	-	-	-	-	-	31,595	36,593
Lottery Prizes	82,163	-	-	-	-	-	-	-	82,163	82,220
Events	88,922	-	-	-	-	-	-	-	88,922	88,042
Community	19,134	-	-	-	-	-	-	-	19,134	8,654
Investment Management Fees	2,526	-	-	-	-	-	-	-	2,526	2,198
Education	210	1,861	50	74	248	5,364	-	-	7,807	3,164
Communications	17,841	9,745	1,624	3,074	1,774	1,624	-	84	35,766	61,848
Premises & Equipment	364,598	7,248	-	-	727	-	-	84,488	457,061	440,945
Transport & Travel	29,003	2,635	757	9,773	5,763	628	-	5,331	53,890	47,500
Telephones & Computers	23,782	7,190	13	133	6,799	9	-	33,549	71,475	54,796
Catering & Cleaning	2,530	56,141	3,113	1,333	1,059	685	-	-	64,861	67,894
Professional Fees	34,870	-	-	-	-	-	10,100	38,845	83,815	69,495
Depreciation	27,579	28,462	1,452	803	187	58	-	213,729	272,270	144,997
Fixed asset write-down	-	-	-	-	-	-	-	-	-	784,489
Medical & Nursing Supplies	-	32,534	2,023	90	764	-	-	-	35,411	30,955
Other Supplies & Services	100,573	17,375	3,512	14,566	848	55	-	97,330	234,259	248,388
	1,509,838	2,016,720	343,960	323,092	218,324	45,928	10,100	866,783	5,334,745	5,442,054
Support costs	264,368	520,070	43,339	17,336	8,668	13,002	-	(866,783)	-	-
Governance costs	3,081	6,059	505	202	101	152	(10,100)	-	-	-
Total expenditure 2016	1,777,287	2,542,849	387,804	340,630	227,093	59,082	-	-	5,334,745	-
Total expenditure 2015	1,901,125	2,786,833	394,172	301,722	31,248	26,954	-	-	-	5,442,054

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8. Net income for the year

This is stated after charging:

	2016	2015
	£	£
Depreciation	272,270	144,997
Profit on disposal of fixed asset	3,300	-
Interest payable	11,276	12,576
Operating lease rentals:		
- property	276,135	257,373
- other	3,563	3,563
Auditors' remuneration:		
- audit	10,100	9,850
- prior year under accrual of audit services	-	2,300
- other services	2,900	1,250
Auditors' remuneration included within fixed assets work in progress:		
- audit	2,400	2,400
- other services	600	-

9. Staff costs and numbers

Staff costs were as follows:

	2016	2015
	£	£
Salaries and wages	2,932,203	2,560,046
Redundancy and termination costs	32,571	-
Social security costs	204,192	179,591
Pension contributions – defined benefit scheme	131,528	119,223
Pension contributions – defined contribution schemes	113,979	100,485
	<u>3,414,473</u>	<u>2,959,345</u>

The following number of employees received employee benefits (excluding employer pension costs) during the year between:

	2016	2015
	£	£
£70,000 - £79,999	-	2

The charitable company considers its key management personnel during the year to comprise the Trustees and the Senior Management Team - who are the Chief Executive and four other key directors, one of which is contracted with the local NHS Trust and therefore not included in the staff costs above. The total cost including pension contributions of the key management personnel was £419,195 (2015: £360,817).

The Trustees were not paid nor received any other benefits from employment with the charity in the year (2015: £nil). Trustee expenses represents the payment or reimbursement of travel and subsistence costs totalling £nil (2015: £nil).

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For the year ended 31 March 2016

10. Staff numbers

The average number of employees (head count based on number of staff employed) during the year was as follows:

	2016	2015
	No.	No.
Inpatient Care	92	91
Inreach / Day Care Services	7	7
Counselling, family and bereavement support	11	11
Hospice at Home	9	1
Externally provided education and training	1	1
Support	11	8
Raising funds	39	35
	170	154

11. Related party transactions

During the year, the charitable company entered into transactions for the purchase of services from Board members as described below:

Mr M Greene - purchase of printing services totalling £4,737 (2015: £4,815). All transactions were on normal arms-length commercial terms. At 31st March 2016 a balance was outstanding to Mr Greene of £899 (2015: £486).

Mr D Campion - purchase of conveyancing services totalling £1,110 (2015: £nil). All transactions were on normal arms-length commercial terms. No balances were outstanding at 31st March 2016 (2015: £nil).

The wife of Board Member Mr I Entwisle works at the Hospice as a communications assistant and the sister of Board Member Mrs J Winney works at the Hospice in catering. Both are employed under the standard Hospice employment terms and conditions.

In line with the exemption conferred by Financial Reporting Standard 102, St Michael's Hospice has chosen not to disclose related party transactions between the group companies on the grounds that St Michael's Hospice controls 100% of the voting rights in relation to its subsidiary undertakings and consolidated financial statements are prepared.

12. Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2016

13. Tangible fixed assets – Group and Charity

	Freehold land & buildings £	Assets in the course of construction £	Leasehold property £	Medical & nursing equipment & beds £	Fixtures & fittings £	IT £	Plant & machinery	Motor Vehicles £	Total £
Cost									
At the start of the year	776,930	7,855,424	176,802	122,520	170,534	78,067	10,728	103,464	9,294,469
Additions in year	-	2,472,677	-	23,105	15,345	29,718	-	38,744	2,579,589
Transfers	7,393,849	(7,900,971)	-	-	109,846	-	397,276	-	-
Write-down in year	-	-	-	(4,601)	(16,768)	(16,836)	-	-	(38,205)
At the end of the year	8,170,779	2,427,130	176,802	141,024	278,957	90,949	408,004	142,208	11,835,853
Depreciation									
At the start of the year	-	-	128,359	69,523	68,112	65,294	33	94,346	425,667
Charge for the year	154,824	-	9,983	17,041	49,430	9,662	20,413	10,917	272,270
Write-down in year	-	-	-	(4,601)	(16,768)	(16,836)	-	-	(38,205)
At the end of the year	154,824	-	138,342	81,963	100,774	58,120	20,446	105,263	659,732
Net book value									
At the end of the year	8,015,955	2,427,130	38,460	59,061	178,183	32,829	387,558	36,945	11,176,121
At the start of the year	776,930	7,855,424	48,443	52,997	102,422	12,773	10,695	9,118	8,868,802

Land with a value of £344,911 (2015: £344,911) is included within freehold property and is not depreciated. All of the above assets are used for charitable purposes.

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For the year ended 31 March 2016

14. Investments – Group and Charity

	2016 £	2015 £
Fair value at the start of the year	5,422,176	5,702,112
Additions at cost	3,070,810	1,626,602
Disposal proceeds	(1,424,274)	(1,937,435)
Net gain on change in fair value	<u>24,053</u>	<u>30,897</u>
	7,092,765	5,422,176
Investments - cash holdings	<u>2,687</u>	<u>200,100</u>
Fair value at the end of the year	<u>7,095,452</u>	<u>5,622,276</u>
Historic cost at the end of the year	<u>7,055,268</u>	<u>5,582,152</u>

Investments comprise:

	2016 £	2015 £
Cash and cash funds	7,095,451	5,622,275
Investment in subsidiary undertakings incorporated in the UK	<u>1</u>	<u>1</u>
	<u>7,095,452</u>	<u>5,622,276</u>

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Notes to the financial statements

For the year ended 31 March 2016

15. Subsidiary undertakings

The charitable company owns the whole of the issued ordinary share capital of St Michael's Hospice Trading Limited, a company registered in England.

St Michael's uses the subsidiary for non-primary purpose trading activities. All activities are consolidated on a line-by-line basis in the statement of financial activities.

Available profits are gift aided to the charitable company. The table below shows a summary of the subsidiary's results.

	2016 £	2015 £
Turnover	58,677	40,343
Cost of sales	(31,595)	(36,593)
Gross profit	27,082	3,750
Distribution costs	(10,021)	(2,099)
Administrative expenses	(15,165)	(1,388)
Other operating expenditure	(906)	-
Operating profit / (loss)	990	263
Deed of covenant to parent undertaking	(990)	(263)
Profit for the financial year	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	17,605	15,027
Liabilities	(17,041)	(14,463)
Funds	564	564

The charitable company also owns the whole of the issued ordinary share capital of St Michael's Hospice Development Company Limited, a company registered in England.

St Michael's uses the subsidiary for the redevelopment of the hospice buildings and surroundings. All activities are consolidated on a line-by-line basis in the statement of financial activities.

Available profits are gift aided to the charitable company.

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Notes to the financial statements
For the year ended 31 March 2016

15. Subsidiary undertakings (continued)

A summary of the results of the subsidiary is shown below:

	2016	2015
	£	£
Turnover	2,440,391	3,783,182
Cost of sales	(2,436,758)	(3,780,670)
Gross profit	3,633	2,512
Administrative expenses	(3,563)	(2,413)
Operating profit / (loss)	70	99
Interest payable	(70)	(99)
Profit for the financial year	-	-

The aggregate of the assets, liabilities and funds was:

Assets	521,374	253,281
Liabilities	(521,367)	(253,274)
Funds	7	7

16. Parent charity

The parent charity's gross income and results for the year are disclosed as follows:

	2016	2015
	£	£
Gross income	7,830,641	8,894,952
Gross expenditure	5,276,068	5,401,712
Net income	2,554,573	3,493,240

17. Stock

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Goods for resale	17,553	14,779	-	-
	17,553	14,779	-	-

St Michael's Hospice (incorporating the Freda Pearce Foundation)

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18. Debtors

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	49,030	48,686	38,757	38,413
Other debtors	190,320	66,888	108,551	29,657
Prepayments	126,339	61,046	126,339	61,046
Accrued income	402,057	1,717,598	402,057	1,717,598
	<u>767,746</u>	<u>1,894,218</u>	<u>675,704</u>	<u>1,846,714</u>

19. Creditors: amounts due within one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Overdraft	14,988	6,646	14,988	6,646
Trade creditors	455,278	158,271	452,434	147,089
Taxation and social security	61,991	62,330	61,991	62,330
Other creditors	35,710	24,235	18,089	10,537
Accruals	349,814	326,988	225,264	280,577
Deferred income	220,320	223,832	220,320	223,832
	<u>1,138,101</u>	<u>802,302</u>	<u>993,086</u>	<u>731,011</u>

20. Deferred income

Deferred income comprises advance ticket sales for the lottery, fundraising income for events that did not occur until after the balance sheet date and a legacy deferred for legal reasons. With the exception of the legacy of £128,244 (2015: £128,244), all of the deferred income of the previous year was released in the current year.

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Balance at the beginning of the year	223,832	142,311	223,832	142,311
Amount released to income in the year	(95,588)	(14,067)	(95,588)	(14,067)
Amount deferred in the year	92,076	95,588	92,076	95,588
Balance at the end of the year	<u>220,320</u>	<u>223,832</u>	<u>220,320</u>	<u>223,832</u>

21. NHS pension scheme

The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS employees and certain employees of other approved organisations. St Michael's Hospice is an approved organisation. The Scheme provides pensions, based on final salary, in varying circumstances for employees of participating employers. The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits.

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21. NHS pension scheme (continued)

From 1 April 2006 the NHS Business Services Authority (the Authority) has been the body responsible for the administration of the NHS Pension Scheme for England and Wales. In support of the Authority, NHS employers are required to explain the Scheme to the employees. In addition, they submit pension data to the NHS Business Services Authority (NHSBSA). Every four years the Government Actuary conducts a full actuarial review of contribution rates, the last one being 31 March 2012. In order to defray the costs of benefits, employers pay contributions of 14% of pensionable pay and employees contribute on a tiered scale from 5% - 14.5% of their pensionable pay depending on total earnings. Further information on benefits can be obtained from the NHS Pension Scheme website.

22. Analysis of group net assets between funds

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	733,036	10,443,085	-	11,176,121
Investments	6,338,543	756,909	-	7,095,452
Net current assets/ (liabilities)	466,054	(66,602)	127,356	526,808
Net assets at the end of the year	7,537,633	11,133,392	127,356	18,798,381

23. Movements in group funds

	At the start of the year £	Incoming resources £	Outgoing resources £	Transfers £	At the end of the year £
Restricted funds:					
Patient care	57,252	12,139	(4,853)	(5,374)	59,164
Funds for other specific items	26,115	55,674	(69,901)	(163)	11,725
Development project	-	519,072	(12,255)	(450,350)	56,467
Eric Bayliss nurses fund	-	15,000	(15,000)	-	-
Total restricted funds	83,367	601,885	(102,009)	(455,887)	127,356
Unrestricted funds:					
Designated funds					
Property fund	8,632,354	-	(154,824)	1,965,555	10,443,085
Development fund	2,353,675	340,309	(13,636)	(1,990,041)	690,307
Total designated funds	10,986,029	340,309	(168,460)	(24,486)	11,133,392
General funds	5,174,412	9,386,524	(7,503,676)	480,373	7,537,633
Total unrestricted funds	16,160,441	9,726,833	(7,672,136)	455,887	18,671,025
Total funds	16,243,808	10,328,718	(7,774,145)	-	18,798,381

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23. Movements in group funds (continued)

Transfers represent the movement of restricted and designated development funds as they are expended on the development project and other capital items.

Purpose of restricted funds - Restricted funds totalling £127,356 comprise:

i Patient Care - In addition to £57,252 at the start of the year restricted for care purposes an additional £12,139 was received during the year from individual donations for specific patient care purposes. £4,853 was expended for these purposes during the year.

ii Funds for other specific items - In addition to £26,115 at the start of the year, a further £55,674 was received from grant-making trusts and individual donations, for specific items and service related activity including education, of which a total of £69,901 was expended on these purposes during the year.

iii Development project - During the year £519,072 was received from grant-making trusts and individual donations specifically for the development project. £462,605 was expended on this purpose during the year.

iv Eric Bayliss Nurses fund - £15,000 was donated and used specifically towards nursing salaries.

Purpose of designated funds - Unrestricted designated funds totalling £11,133,392 comprise:

i The property fund - This equates to the net book value of the freehold land and buildings and assets in the course of construction.

ii The development fund - This equates to the remainder of funds designated by the Board of Trustees for the redevelopment of St Michael's.

24. Reconciliation of net income to net cash flow from operating activities

	2016 £	2015 £
Net income for the reporting period (as per statement of financial activities)	2,554,573	3,493,240
Depreciation	272,270	144,997
Gains on investments	(24,053)	(30,897)
Dividends, interest and rent from investments	(4,626)	(1,419)
Profit on disposal of fixed assets	(3,300)	-
Freehold buildings write-down of net book value re refurbishment	-	781,710
Other fixed asset write-down of net book value re refurbishment	-	2,779
(Increase) / decrease in stocks	(2,774)	3,773
(Increase) / decrease in debtors	1,126,472	(1,314,344)
Increase / (decrease) in creditors	327,457	(481,572)
Net cash provided by operating activities	<u>4,246,019</u>	<u>2,598,267</u>

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25. Analysis of cash and cash equivalents

	At 1 April 2015 £	Cash flows £	At 31 March 2016 £
Cash at bank and in hand	646,035	233,575	879,610
Bank loans and overdrafts	(6,646)	(8,342)	(14,988)
Increase/(decrease) in the year	<u>639,389</u>	<u>225,233</u>	<u>864,622</u>

26. Operating lease commitments

The group's and charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Property		Equipment	
	2016 £	2015 £	2016 £	2015 £
Less than one year	172,798	162,200	3,563	3,563
One to five years	488,027	457,500	3,701	7,264
Over five years	74,833	120,333	-	-
	<u>735,658</u>	<u>740,033</u>	<u>7,264</u>	<u>10,827</u>

27. Capital commitments

At the balance sheet date, the group had committed to £583,389 (2015: £2,898,214) in respect of the ongoing re-development of the Hospice buildings and surroundings.

28. Legal status of charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £2.