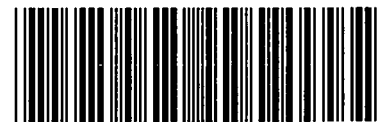


# St Michael's Hospice (incorporating the Freda Pearce Foundation) Annual Report and Consolidated Financial Statements for the year ended March 2014

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

Company Registration Number 1634942 (England and Wales)

Charity Registration Number 511179



**St Michael's Hospice**

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**For the year ended 31 March 2014**

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## St Michael's Hospice

### Reference and administrative details

For the year ended 31 March 2014

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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
Directors (who are also Trustees) in service at 31st March 2014	Mr A J Walshe, Chairman Mr G B Nairn, Vice Chairman Mr D R Teague, Vice Chairman Mr D Campion Dr J A Dalziel Mr I Entwisle Mr M Greene Ms P A Greenwood Mr D Hammond Mr T D R Jenkins Dr J J Kramer Dr R G Miller Mrs J Winney
Chief Executive Officer	Mrs N C West
Hospice Management Team at 31 <sup>st</sup> March 2014	Dr T Blower, Medical Director Mrs R Denison, Head of Fundraising, Marketing & Communications Mrs J Fisher, Head of Education Mrs J Mason, Head of Nursing Mr S Rabbitts, Head of Support Services, Facilities and Volunteers Rev D Vonberg, Head of Family Services
Company Secretary	Ms S Newbould
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 LLP 8 Angel Gate, City Road London, EC1V 2SJ

## **St Michael's Hospice**

### **Report of the trustees**

#### **For the year ended 31 March 2014**

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The Trustees (also Directors) present their report and the audited consolidated financial statements for the year ended 31 March 2014. Reference and administrative information set out on page 3 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 2005).

### **Structure, Governance and Management**

St Michael's Hospice (incorporating the Freda Pearce Foundation) (the 'Charity') is a company limited by guarantee, registered in England and not having a share capital. It is governed by its Memorandum and Articles of Association dated 12 May 1982, as amended by Special resolutions on 2 November 1998, 2 October 2002 and 15th April 2009.

The Charity 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 the re-development of the hospice buildings and surroundings.

Both subsidiaries are companies registered in England. All available profits are gift aided to the Hospice. Details are outlined in note 17 to the financial statements.

### **Internal Governance**

With regard to non-clinical standards, we address our compliance with regulatory, legislative and constitutional requirements through a governance framework and management of risk.

### **The Board of Trustees**

Trustees are recruited to the Board to:

- Safeguard and promote the values and mission of the Charity.
- Determine the strategy and structure of the Charity.
- Ensure the Charity operates in an effective, responsible and accountable manner.
- Ensure the effective functioning of the Board of Trustees.
- Meet all company statutory requirements.

The Board of Trustees meets at least quarterly, holds an Annual General Meeting and participates in a strategic half away day once a year. In between times it delegates its responsibilities to the Chief Executive. Board members are volunteers and are recruited according to a gap analysis which identifies skills, experience and qualities required for good governance of the Charity. New board members are inducted through visits, education documents and the Help the Hospices Guide to being a Trustee. Trustees are updated regarding specific issues at the half away day and at Board meetings. Recruitment of new board members is carried out following the organisation's recruitment process and includes an interview by the Chairman, at least one other Board member and the Chief Executive. References and a DBS check are also undertaken.

**Report of the trustees**

**For the year ended 31 March 2014**

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Appraisal of board performance is carried out by the Chairman. An Executive Committee consisting of the Chairman, the two Vice Chairmen, Chair of Patient Care and Fundraising Committees and the Company Secretary meets monthly to consider the performance of the services, corporate issues, personnel issues, risk management and overall financial performance of the Charity. Board members are co-opted to the Committee for experience and development. A further five sub-committees individually address Education & Training, Patient Care, Support Services, Fundraising & Events and Finance, Investment & Audit. There are established Clinical Governance and Health & Safety Committees, the frameworks of which mean that a strategic group meets quarterly and an operational group meets monthly, feeding issues of risk to the appropriate committees. The Board of Trustees delegates its powers or the implementation of any of its resolutions to the appropriate Committee and to the Chief Executive Officer to manage through the Senior Management Team, as appropriate. There is an assurance framework which ensures that areas of risk are identified for each committee.

**Risk Management**

There is a process by which major risks to the Charity are identified, reported, managed and reviewed. Committees meeting quarterly update the risk register and report any significant change to the Board. The Board formally reviews and audits its Risk Registers annually and The Executive Committee monitors the risk management monthly. A comprehensive audit programme is in place for clinical and non-clinical activities and is reviewed by the Clinical Governance Committee. The Head of Nursing undertakes the role of Responsible Officer for controlled drugs and attends the Local Intelligence Network.

The Clinical Governance Committee and sub-group investigate infection control risks, clinical practice and documentation, education and training, falls, drug errors, near misses and complaints. Outcomes of these investigations are reported to the Care Quality Commission in the quarterly reports. Any trends, concerns or risks are reported to the Board through the Executive Committee.

**Public Benefit**

Charity Commission Governance states that all charities must have charitable purposes or "aims" that are for the public benefit. We adhere to the two key principles of public benefit:

- That there are clear and identifiable benefits appropriate to the aims which are balanced against any detriment or harm.
- That benefit is not unreasonably restricted and beneficiaries are appropriate to the aims.

To this end our services benefit a specific section of the public (adults and their families within Herefordshire and immediate surrounding counties, affected by progressive life-limiting illness) and within these criteria are not unreasonably restricted. Accordingly our aims and values are based on a philosophy that everyone is entitled to a good death irrespective of wealth, ethnicity, religion or belief, disability, sexual orientation, gender and with full regard to diversity. Benefits can be evidenced by consensus, informed opinion, user feedback and audit.

## Objectives and Activities

We provide palliative and end of life care; psychosocial and spiritual care and support with loss and grief, free of charge to those with or impacted by a progressive life-limiting illness. From the first day we opened, we made a commitment to provide and sustain a comprehensive range of services to adults aged 18 and over with progressive life limiting illness requiring palliative and end of life care, children aged 16 and over by prior permission of the Care Quality Commission and to families and others involved in their care. Our beneficiaries within these criteria come from Herefordshire and the immediate surrounds of the adjoining counties of Powys, Shropshire, Worcestershire, Gloucestershire and Monmouthshire and are not unreasonably restricted in any way.

Our practice is holistic and takes into account the whole family, friends and others impacted by the individual's illness. We aim to provide a range of services that is designed to meet the individual's needs. Care is focused on whatever is important to the patient and family – spiritual care, emotional care, physical care, good pain and symptom control, advice and support with everyday living, information about financial advice, preparation for loss and bereavement. We practice a philosophy that the patients and their family always come first and that if opportunities can be created to promote the patient's quality of life and well-being in however small a way, then the staff and volunteers will try to enable this to happen. Patients are encouraged to maintain as much control as possible and families are supported to enable them to give as much care as they are able. We do this through advice, education and support in whatever setting the patient is being cared for. Information is provided to enable patients and their families to make choices about their care and the environment in which they are cared for.

A 24 hour advice and information service is available to care professionals, patients and other carers.

We are also committed to draw on all our skills, experience and expertise to provide education and training to professionals and other carers involved in palliative and end of life care within our catchment and more extensively within the West Midlands.

Collaborative working with government, public service, statutory, business and other Third Sector providers is essential to seamless service delivery and optimisation of resources. Our skills, knowledge and experience, particularly regarding palliative and end of life care, volunteering, education and fundraising has been hugely influential in the strategic development of services, education programmes and fundraising activities both locally and more widely across the West Midlands and further afield.

We believe in optimising skills and resources through partnership working and work closely with the Clinical Commissioning Groups for each geographical area, with NHS and Social Service colleagues in Primary, Secondary and relevant Tertiary centres and with independent nursing and care homes and care agencies. We also work closely with Community Organisations and local churches. An educational key partner is the University of Worcester.

Most importantly our partnership is with our community who, as financial contributors and stakeholders, have the greatest vested interests in our services and achievements. Partnership working with our users, supporters and wider community is core to the opportunity for integration of the model of Compassionate Communities.

## **Services**

Services are developed in response to identified need and commissioning opportunity in consultation with service users, staff and volunteers. Patient and carer feedback is encouraged as are complaints, compliments and suggestions.

A comprehensive range of services includes:

- Sixteen beds to deliver in-patient care for pain and symptom management, 24 hour specialist assessment and end of life care. By the end of 2014, care will be transformed through the construction of a new In-Patient Unit and Integrated Services block which will transform the way in which we can deliver our care. 16 single en-suite bedrooms arranged in 4 bedded clusters will provide privacy and dignity for our patients whilst minimising isolation and promoting socialisation. Rooms will be equipped with the latest technology and equipment to promote the therapeutic experience and enable the best care possible. From spring 2015, an additional 4 bedrooms will be made available for nurse-led initiatives, specialist respite, transitional and continuing care.
- In-Reach Services provided throughout the week, for people affected by progressive life-limiting illness to be able to 'reach in' to the Hospice and access personalised support, care, advice and information including:
  - Day Hospice Services.
  - Living Well Service.
  - Fatigue and Breathlessness Clinic.
  - Renal Clinic.
  - Lymphoedema Clinics.
  - Carer Support Groups for adults, children and adolescents.
  - Carer Training initiatives.
  - Outpatient Assessment Clinics.
  - Outreach support to patients at home.
- The early stages of a Hospice at Home service comprising a volunteer visiting service (Hospice Neighbours) and co-ordinated night care service in partnership with Marie Curie Cancer Care.
- Other support to people accessing the above services through bereavement and psychotherapeutic counselling and family support services, social and spiritual care, complementary therapy, diversional therapy and music therapy.

## **Staff and Volunteers**

To deliver our services, we have a professional multidisciplinary team and many volunteers with specialist skills and experience in the aspects of the care we deliver. Staff and volunteers receive education, training and other opportunities to maintain and further develop their skills, knowledge and experience.

Many long term employees have progressed in their career pathways whilst working with us. The result is a stable, knowledgeable, experienced and committed workforce, particularly in middle and senior

management roles. A professional development strategy and culture of motivation encourages creativity and dynamism and minimises the danger of lack of new challenges, due to such low turnover.

We aspire to be the employer of choice within the Health and Social sector of Herefordshire and place high priority on the professional development of our staff to ensure fitness for purpose and quality of care. At March 2014, we had 167 staff (39 full time, 96 part time and 32 bank staff). During the course of the year new members of staff were also appointed to deliver grant funded family work. Increases in salaries over the course of the year were in recognition of the movement of staff within the salary banding structure in response to performance review, as agreed as part of the Terms & Conditions Review held in 2007.

Embedded deep into our culture is a volunteer model which values and optimises the skills, experience and qualities of volunteers in every aspect of our work. It is a highly regarded model within the Hospice and Charity Sectors. Registered volunteers are recruited through a formal process which includes application, interview, references and Disclosure and Barring Service (DBS) check. A significant number of additional volunteers provide ad hoc support to Hospice and third party events. All volunteers are unpaid and can be remunerated for expenses in the course of their duties. Best practice is adhered to when recruiting staff and volunteers to ensure the best human resources for us now and for the future. It is important to us that our employees and volunteers are fit for purpose, feel committed to the Hospice and that turnover and retention ensure the best mix of new ideas, skills and continuity.

At the end of March 2014 there were 978 volunteers (858 in 2013) registered with us of whom 645 (561) support retail and Hospice support groups and 333 (297) work within the Hospice itself. This workforce is estimated to save us nearly £1m per annum.

### **Funding**

A contribution is made towards the running of the Charity through a grant funded service level agreement with Herefordshire CCG (£454,000 equating to 10.4% of operating costs in 2013-2014). A further grant of £28,000 is received for Mid Powys patients from Powys local Health Board. This sustains around 30% of Powys activity. In this financial year a total statutory contribution in the form of a grant from the NHS equated to just 12% of total operating costs, compared to the national average for statutory contribution of 34% (Help the Hospices, 2014). Other grant income for the provision of operational services was received for family work and for education. The remaining 88% of revenue needed is raised through a number of fundraising activities, donations and legacies.



## Strategic Report

### Context for the related financial statements

The figures presented in the financial statements consolidate the accounts of SMH Trading Company Limited and St Michael's Hospice Development Company Limited. The Trading Company trades new goods only through events, the website and retail outlets. These constitute less than 5% of total retail and trading income.

The Development Company was set up in 2009 to enable us to provide a framework and governance structure to deliver a £11.3m redevelopment programme. Enabling works for the project were started at the end of 2012 and the first phase of the programme commenced in the spring of 2013. Handover is due at the end of 2014, when an extensive 6 month refurbishment of the current building will be undertaken.

The redevelopment of the Hospice building and environment is the first significant action taken to realise our vision of St Michael's Hospice patient care for the 21<sup>st</sup> Century. When completed, it will be a transformative enhancement to existing provisions and greatly improve the facilities and resources available for the treatment of patients. With single room accommodation for all people under treatment, privacy and dignity for those in care and that of their relatives and other loved ones will be elevated to a new, much higher standard accompanied by greatly enhanced working conditions and environment for all staff. Replacing the current 30 year old building will also meet the socio-political changes in hospice and end of life care and in the commissioning framework within the NHS. The redevelopment project will enable us to develop a comprehensive range of services, diversify in response to changing demographic and health and social care needs and to deliver twice as much care, support, education and training in the future. This will be possible in an environment and way which will secure best opportunities for us to tender for commissioned work and sustainable funding.

The year's financial statements are also delivered, in common with the past five years, in the context of a significant economic downturn and consequent pressure on fundraising streams, reduction in return on investments and potential impact of this and the housing market on estates from which we are beneficiaries.

We are a local charity which over the last 30 years has become well established in the community it serves. However, despite it being established, or possibly because it is so, it is often misunderstood by people who come into contact with us. Many think that we are part of the NHS – we are not. We are a Civil Society Organisation that exists to serve the community of Herefordshire and parts of its surrounding Counties, and we see ourselves as accountable to them.

The Fundraising and Clinical Strategic Business Plans have been developed at a very difficult and uncertain time in respect of the economic and political landscape. The next 10 years will see significantly increasing numbers of people living and dying with complex end of life needs.

We find ourselves facing the most radical restructuring of the NHS and the UK health economy since its inception 60 years ago. We are entering a period of considerable change which will have a significant

impact on our ability to deliver and sustain services and to generate income. Without doubt, we are facing the most challenging period in our history. It could potentially be the most rewarding.

With the coalition government's move to Clinical Commissioning and "any willing qualified provider" to deliver NHS Services we will see the introduction of palliative care patient tariffs, competitive tendering and increased competition. Continued downward pressure on government spending risks reducing the state funding (currently 12% of our overall income) and placing an even greater challenge on our fundraising team to raise the money needed each year to care for our patients and their families; but it also provides exciting opportunity for diversification and creativity.

The National Strategy for End of Life Care emphasises 24 hour access to community care, better integration across health and social care and co-ordinated care packages, more people to die in the place of their choice (i.e. home rather than hospital) and improved education and learning about palliative care. We are able to contribute to all of these initiatives and we need to make sure that we do. We are well prepared for a more competitive world, greater numbers of commissioners and more flexibility on geographical boundaries, with the Hospice acting as a hub for those initiatives and as the preminent specialist resource, free at the point of delivery to our patients and their families.

### **Achievements and Performance 2013-2014**

#### **In our care we.....**

- Further progressed the development and delivery of In-Reach and Hospice at Home services to support people wishing to remain at home.
- Provided re-adaptation and rehabilitation to support independence and ability to remain at home.
- Further developed carer support and training.
- Further developed the support group model for patients and carers and for particular marginalised groups.
- Further progressed the counselling and psychology service, voluntary counselling and bereavement services.
- Further developed partnership working with the NHS and other organisations to deliver palliative clinics and other supportive groups at the hospice.
- Worked with the CCG to deliver highly specialised continuing care and specialist respite packages.

### **Care activity**

#### **Inpatient care**

There were 285 completed stays in the in-patient unit over the year. 67% of admissions were from home or a residential care setting the remaining 33% directly from hospital: 21% from Hereford county, 8% Cheltenham General, 2% Hereford community hospitals and 2% other hospitals. 22% of admissions were for terminal care whilst the remaining 78% for assessment and symptom control. Of all patients admitted 60% died.

The average length of stay was 15 days and average bed occupancy 85%. Of these admissions 94% were from Herefordshire and 6% from surrounding counties. 95% of patients admitted had a primary cancer diagnosis, the remainder having heart, renal, motor neurone disease and other neurological diseases.

#### **In-Reach care**

There were 723 patient attendances, and 411 family members accessing in-reach services from home. In addition there were 1,154 professional consultations with medical, nursing, therapy, and social work staff. Over 16,000 episodes of significant support (average 44 each day) were provided to people by a range of professionals and volunteers through services including the day hospice, living well, outpatient clinics, counselling and support groups. 87% of patients supported had a primary cancer diagnosis, the remainder having heart and lung conditions, motor neurone disease, and other neurological conditions including Parkinson's disease and Dementia.

#### **Counselling and Bereavement Support**

888 people were supported by individual counselling, group counselling, and telephone contact during the year. An increasing level of bereavement support has been offered to 1006 individuals (of whom 324 were new to the service) and to many bereaved from previous years.

#### **Hospice at Home**

318 patients were referred to the Hospice at Home service of which 156 new patients were referred for night care to support them in their preferred place of care as they approached death. 686 episodes of night care were delivered through the partnership with Marie Curie Cancer Care averaging 4.4 nights care at home for people at the end of their lives. Additionally essential pre bereavement and bereavement support has been provided to over 320 relatives through this service. We also provided support and informal education and advice to professionals engaged through the co-ordination role. Our role in coordinating the service ensured a responsive package of care to help the primary Health Care professionals support patients to remain in their preferred place of care. 178 people received visits much earlier in their illness, from volunteer visitors, who provided much needed respite for their carers and companionship for the patients themselves. The Hospice at Home Service supported a significantly higher proportion of non-cancer patients including those with dementia than historically and it is proposed that this pattern will continue to grow as the service develops.

#### **In Personnel we.....**

- Grew the volunteer workforce in all areas of our work.
- Progressed strategic workforce planning and staff and volunteer development to ensure skills and resources for the future.

#### **In Education we.....**

- Delivered communication skills training to GPs, Primary Health Care Professionals and in all areas.
- Ran courses in conjunction with The University of Worcester.
- Offered a programme of learning, for Health and Social Care Assistants (Certificate Level).

## **St Michael's Hospice**

### **Report of the trustees**

**For the year ended 31 March 2014**

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- Continued existing programmes, both accredited and non-accredited, that are valid for local health and social care staff, in line with existing and new socio-political agendas and local needs.
- Planned and ran general public education/awareness raising events.
- Offered appropriate hospice placement/visit programmes to students from health/social care settings, including pertinent individualised learning activities and workplace support visits as required.
- Continued to foster links with local schools and colleges, encouraging work experience placements and responding to requests for teaching support as appropriate.
- Sought appropriate funding sources to support educational activities wherever these are available.
- Further developed the profile of the Hospice nationally/internationally via education, presentation and publication.
- Successfully renewed our partnership with the University of Worcester.

#### **In Communication and Marketing we.....**

- Restructured and recruited to a new communication model to deliver objectives outlined above.
- Engaged with communities through a number of media including electronic website, Facebook and You Tube, public presentations and community profiling.
- Furthered relationships with the media to advantage our profile.
- Advanced the marketing strategy including the development of our website.

#### **In the Environment we.....**

- Managed and mitigated risk and sustained the ability of the current ageing building to be operational for a further year.
- Delivered the enabling works and started the first phase of the capital appeal and progressed the re-development project.
- Instructed in full, the next refurbishment phase of the redevelopment.

#### **In Fundraising we.....**

- Further grew and enhanced our relationship with supporters.
- Increased our engagement with Corporates for capital and on-going revenue support.
- Explored and trialled new and diverse income generation opportunities through events and support groups, retail outlets and social media.
- Further developed and embedded a donor development strategy in acknowledgement of donations, in pre and post event communication and in programmes aimed at increasing repeat giving.
- Invested further in retail particularly larger warehouses and gift aid.
- Invested further in lottery resourcing and campaigns.
- Developed and delivered legacy campaigns and secured support from solicitors for will writing.

### Summary of Financial Performance

Financial performance over the past year has been good with containment of expenditure against budget and good performance in income generating streams for operating purposes. Alongside a capital appeal for the redevelopment of our buildings and surrounds, with the on-going support of our community and through careful financial management, a tenacious fundraising strategy and continued support from volunteers, we achieved an unrestricted surplus of £630,000.

During the year £3.4m was transferred from restricted funds to designated property funds, representing expenditure incurred on the enabling works and part of the first phase of the redevelopment project in the year. The much needed redevelopment, which will enable us to extend our services and double our care, has been progressed at a time of general economic uncertainty and in the context of sustainability, growth and development of all of our services.

Under the circumstances of the current economic climate, uncertain legacy income and alongside an appeal for capital income for the development, this is an excellent outcome for the Hospice. It reflects the high level of support from this community and the efforts of staff and management to contain spend, optimise cost efficiency and support the generation of income.

### During the year we.....

- Protected and grew sustainable revenue income streams.
- Furthered the engagement and support of businesses.
- Invested in critical income streams including lottery and retail.
- Implemented the wider fundraising and marketing strategy.
- Considered social and business enterprise opportunities.
- Created strong relationships with potential health and social care commissioners.
- Grew grant funding of operational services.
- Achieved the Capital Appeal target for the first phase of the re-development project.
- Continued to look for ways to provide the very best service in the most cost effective way.

### Income

Our unrestricted voluntary income totalled £2.04m. A further £72,000 of restricted grant funding was secured for care and educational purposes.

Legacy income reached £1.1 million, an increase of £599,000 over the previous year. Of this, a bequest of £300,000 was designated to the redevelopment project. At £1.88 million, retail sales of new and donated goods continue to exceed expectations achieving 32% uplift on the previous year. This excellent result realised a net retail margin of £998,000 thanks in considerable measure to good management and the low cost of operation provided by our team of shop volunteers. This year the National Charity Retail Association recognised the achievement and awarded the Hospice an award for Outstanding Achievement in profit. We were 37.5% more profitable than the next organisation in category and interestingly were 39% more profitable than a highly respected national Charity. This is clearly a testament to many factors including the public donation of goods, the recent move to larger

Report of the trustees

For the year ended 31 March 2014

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warehouse units significantly increasing floor space, the introduction and promotion of Gift Aid, our hard working staff, and without doubt the many hundreds of volunteers who devote their time and energy to helping us keep costs down and sales up. Due to the current local retail economy, it was agreed that there would be no significant expansion of our trading of new goods in this financial year. Depressed sales of new goods across charities and high street retail sector performance in Herefordshire, has influenced this decision. There will be opportunities to diversify our income generation in the future when the time is right. This year £804 was gifted to the parent company.

The lottery continues to be an efficient and effective fundraiser generating a net income of £281,000 during the year.

**Expenditure**

The greatest area of expenditure is on delivering and supporting direct patient care whilst the remainder is spent raising sufficient funds to be able to deliver patient care. Where possible, salaries were contained whilst ensuring patient care, operational efficiency and staff recruitment and retention were not compromised. Direct and general costs were significantly contained through reviews of providers, procurement, efficiencies and careful budgeting.

	£
Patient Care	2,951,805
Shops	886,020
Fundraising & Publicity	354,136
Lottery	156,498
Governance	17,314
<b>Total</b>	<b><u>4,365,773</u></b>

**Reserves**

Current free cash reserves within general funds (note 13) stand at £4.44 million, an amount which equates to 11.8 months of budgeted 2014-2015 operating costs (or 12.6 months excluding depreciation charges). This is an improvement on prior years and is within our reserves policy. This is of particular importance within the context of the delivery of the redevelopment project. Disclosure of movement in funds is made in note 14 of the financial statements.

Given the economic climate, investments were retained in cash in the period. This was done to protect them from any major uncertainties and to ensure their ready availability to meet planned major expenditures arising from our redevelopment plan.

We are pleased therefore to present a position of stability and sustainability which reflects careful financial management, a successful and performing fundraising strategy for both capital and revenue income generation and sound organisational management with scrutiny of governance. Through the redevelopment of the buildings and surrounds, we are preparing the environment for the future and through careful investment in staff and volunteers and the development of care provision, we will be

able to be responsive to changes in hospice care in response to growing and changing needs of our community.

Some significant challenges will be encountered over the forthcoming years, not least in order to afford and sustain services for our community into the future but also to achieve the next phases of the much needed re-development of the Hospice. Through sound financial and business management, collaborative partnerships, strategic vision and the continuing support of the Herefordshire community, we firmly believe in our ability to continue to meet our objectives.

#### **Funds held as Custodian Trustees on Behalf of Others**

We manage a small fund of money circa £2,000 on behalf of the EF Bulmer Fund to distribute by agreement to those in financial need as a result of the impact of life-limiting illness on the person or family member. By arrangement, the request has to come from a social worker and agreement is sought from the Chief Executive. An annual report is provided to the EF Bulmer Fund before a decision is made as to the amount of grant for the following year.

As joint beneficiary, we also hold a cash investment which provides a lifelong annuity to an individual. The Hospice and a GP surgery are joint beneficiaries of the residual capital.

#### **Plans for Future Periods**

This year the Hospice is in an extraordinarily privileged position to seize opportunities for transformational change and development and to secure sustainable funding for the future. Financial stability, cost efficiency and effectiveness in our service delivery, alongside our achievement of the building re-development, mean that we are well positioned to be the leading qualified provider of choice. The environment and facilities will enable us to double our care and will make sure that we can achieve the best possible outcomes for all who use our services.

The following drivers influence our vision for the future:

- Changing demographics increasing the demand for the services and the need to diversify.
- The need for a sustainable business model in an uncertain economic and commissioning world.
- The need for re-development of the Hospice buildings and environment in which to deliver services into the future.
- Changing health and social care provision.
- Changing needs and expectations of the Community we support.
- Choice, Preferred Place of Care and Outreach agendas.
- Increasing dementia, co-morbidities and life-prolonging interventions.
- A changing profile of cancer care.
- Increasing competition in fundraising and tendering.
- Competition in service provision.

Our intention is to respond to these forces in order to continue to service the needs of our community in a planned and careful way, ever mindful of cost efficiency, effectiveness and the reality that the

## **St Michael's Hospice**

### **Report of the trustees**

#### **For the year ended 31 March 2014**

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Hospice is funded almost entirely by its community. It will be important to retain flexibility, creativity and a 'can do' attitude. Central to this will be the volunteer model which is so well embedded in the services currently provided.

Following the principles set out by the Commission into the Future of Hospice care, we aim to:

- Develop our strategic leadership.
- Further develop the capabilities of our employed and volunteer workforce.
- Undertake rigorous strategic analysis to define outcomes for hospice care.
- Support End of Life Care across all settings (postcode 'appropriateness').
- Constantly reconceptualise our care and think beyond what we and other hospices currently do, to consider other models and partners.
- Promote conversations, provide information, support individual choices within communities and among those we serve.
- Promote greater understanding and support.
- 'Work' at intimacy of scale and demonstrate our ability to do this within a changing health and social care environment.
- Promote Intelligent Leadership – alive to the changing environment, planning for the future, looking outwards and thinking strategically about our role.
- Enable and support community participation in End of Life Care.
- Lead collaboration & partnership and play a central role in facilitating open conversations about end of life care.
- Become both Commissioners and Providers of Care – providing high quality care, but also influencing the way it is commissioned.

### **Strategic Objectives 2014-2015**

#### **Management**

- Review the management structure for nursing care and allied professionals in response to the retirement of the Head of Nursing in 2014 recruiting an In-patient Unit Lead by September 2014 and a Director of Care by January 2015.

#### **Community Services**

- Further extend and integrate Hospice at Home.
- Establish a subsidiary Care Agency alongside hospice services.
- Further develop training and support for informal carers.
- Further develop education for primary health care professionals.
- Explore and harness partnership working with other community providers.
- Develop a facilitative role within nursing and residential homes and community hospitals.
- Grow information provision and marketing of services.
- Review a single point of contact model.



**In-patient services**

- Develop multidisciplinary-led admissions.
- Develop and train professionals, carers and volunteers to ensure skills and competencies to deliver new services.
- Develop nursing and health care assistant skills and competencies to ensure quality provision of respite care for adolescents in transition.
- Further expand inpatient services for progressive non-cancer conditions.
- Progression of a revised nursing model throughout the inpatient unit.
- Create opportunities for social respite.
- Integrate In-Patient services with other departments.
- Optimise the volunteer model throughout the In-Patient Unit.
- Review of partnership opportunities with community hospitals and nursing homes.

**In-Reach Services**

- Explore potential for increasing nurse led day hospice service.
- Develop a bathing service /spa treatments for current patients with consideration to wider development through a care agency in the future.
- Undertake planned progression of current service and extension of Living Well with consideration to weekend service.
- Further develop the Fatigue and Breathlessness service.
- Develop rehabilitation services.
- Consider the development of day care respite for patients pre-hospice.
- Source sustainable funding for further growth of the Lymphoedema service.
- Prepare for development of a step down service to support transition to home or into residential care.
- Develop shared outpatient clinics for patients with end stage heart failure, other cardiac conditions; (respiratory, neurological and haematological conditions).
- Extend current day care provision.

**Family Support**

- Further progress a comprehensive programme of psychosocial and bereavement support.
- Progress outreach spiritual care services.
- Develop Family Support Services.
- Integrate further, a comprehensive range of psychological services including mindfulness and Breathworks throughout the Organisation.
- Develop chaplaincy across settings.
- Develop music therapy and other therapeutic activity across services.
- Progress Compassionate Community work.

**Physiotherapy**

- Undertake a review of physiotherapy services and gap analysis.
- Pilot the resource of additional physiotherapy hours in the context of optimising service provision.
- Progress therapy led admission to the Inpatient unit for assessment and treatment programmes.

**Complementary therapy**

- Further develop services utilising building developments.
- Grow community outreach when people cannot leave home.
- Explore and development use of Yoga at the end of life.

**Occupational Therapy**

- Develop services within current resources by optimising the building environments internally and externally.
- Further develop the assistant role, internal staff, student and volunteer roles.
- Consider introduction of occupational therapy assessment and therapeutic care planning within the Care Agency services for people in the very early stages of their condition.

**Education Development**

- Develop staff to ensure fitness for future service delivery.
- Develop a staged programme of education for GPs and Nursing homes.
- Recruit a Nursing Home facilitator.
- Explore rotational opportunities for nursing between acute, community and hospice services.
- Expand the professional designated part of the Hospice website to include a comprehensive range of bite size films of around 10 minutes and training 'snippets' on topics such as Key therapeutics.
- Develop emailed professional bites.
- Develop an online learning forum.
- Develop online e learning modules.
- Utilise telemedicine as a learning tool.
- Explore work across 3 Counties with Palliative Care Consultants and Leads.
- Develop and pilot a countywide GP palliative care evening programme, delivered via new SMH Education centre.

**Support Services**

- Increase involvement of catering team in nutritional assessment and management of skin and pressure areas of patients.
- Further develop an integrated framework for Maintenance and asset management.
- Increase skill and create greater involvement in health and safety risk assessment in the care environment.
- Increase housekeeping contribution to the infection control strategy and management.

- Review organisational compliance with regulatory bodies with regard to clinical environments and service development.

### **Volunteering**

- An analytical review of volunteering in the Hospice and analysis of any gaps, opportunities and risks in volunteering to be undertaken.
- Roles in clinical areas in particular are being explored extensively.

An extensive strategy for volunteering builds on the highly successful volunteer model currently in place at the Hospice. Securing volunteers in roles across all service delivery and in all departments will be crucial to the future affordability of operating costs. The building re-development has opened up significant opportunities for new services and roles.

### **Fundraising**

- Develop and improve our current levels of fundraising from all disciplines whilst seeking new sustainable methods of income generation thus ensuring continuity of service within the community that we serve.
- Generate the financial resources essential to the delivery of existing and future service provision, ensuring these are effectively managed.
- Maximise income from all streams through implementation of rigorous controls and internal audit procedures.
- Further increase retail profitability through developing and consolidating the contribution made through warehouse operations.
- Review the Fundraising and Accounts department overall systems to enhance our competitive position and scope to sustain income growth.
- To continue to invest in resourcing the Lottery function.
- Engaging with local solicitors, funeral directors and GP practices to deliver regular legacy events to raise awareness of, and future income from, bequests.
- Explore ways of further reducing overhead expenditure and ensuring value for money in all activities.
- Raise the quality and effectiveness of marketing and communication.
- Enhance and develop the reputation of the Hospice as a Centre of Excellence in Palliative Care.
- Work as part of the Hospice Team on all relevant corporate and social issues.
- Retain and recruit the staff and volunteers necessary to achieve these goals, maintaining our commitment to professional development and acknowledging volunteer value.
- Further develop the Fundraising Team and their capabilities to have the confidence and flexibility to drive forward our work, manage performance and to feel more comfortable with the external pace of change we must match to prosper.

A Relationship Fundraising model will continue to form the basis of our approach across all departments. This is about long term relationships with our donors/supporters and providing opportunity for mutual benefits of association. We need to work harder with our existing supporters and those newly engaged

through the Capital Campaign offering choice and flexibility in the way people give to us. We appreciate that giving is not just about donating money but it could be offering us time as a volunteer or skills to assist with Business development or gifts in kind saving us vital expenditure.

### **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 from the capital appeal.
- 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.

Alternative sources of sustainable income generation were agreed as part of the Fundraising Strategy and further investment made into the lottery and retail, particularly the warehouse outlets.

Positioning ourselves for future commissioning and sustainable funding remains a priority and prime objective. Assessment of workforce and volunteer skills and experiences has informed workforce planning and includes flexible approaches to staffing and workforce modelling. Succession planning for middle and senior management posts and Trustees and a creative approach to a volunteer strategy which provides solutions are in place to mediate workforce resource risks.

### **Statement of Trustees Responsibilities**

The Trustees (who are also Directors of the Hospice for the purposes of company law) are responsible for preparing the report of the Trustees 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 of the Hospice for each financial year which give a true and fair view of the state of affairs of the company and of the incoming revenue and application of resources.

Trustees are required to:

- Select and apply suitable accounting policies.
- Observe methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards 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 that the charity will continue in business.

Report of the trustees

For the year ended 31 March 2014

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- State whether applicable accounting standards 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 that the charity will continue in business.

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

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware.
- Trustees have taken all steps to make them aware of any relevant audit information and to establish that the auditor is 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.

**Auditors**

Sayer Vincent LLP was re-appointed as the charitable company's auditors during the year and has expressed their willingness to continue in that capacity.

The report of the Trustees which includes the strategic report has been approved by the Trustees on 24<sup>th</sup> September 2014 and signed on their behalf by



Mr G Nairn – Vice Chairman

## **Independent auditors' report**

### **To the members of**

#### **St Michael's Hospice**

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We have audited the financial statements of St Michael's Hospice (incorporating The Freda Pearce Foundation) for the year ended 31 March 2014 which comprise the group and parent charitable company statement of financial activities, the group and parent charitable company balance sheets, the group cash flow statement 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 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. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Independent auditors' report**

**To the members of**

**St Michael's Hospice**

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### **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 2014, 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
- 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 Sayer (Senior statutory auditor)

4 November 2014

for and on behalf of Sayer Vincent LLP, Statutory Auditors

8 Angel Gate, City Road, LONDON EC1V 2SJ

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 2014**

	Note	Unrestricted £	Restricted £	2014 Total £	2013 Total £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds:</i>					
Voluntary income	2	2,038,705	1,470,530	<b>3,509,235</b>	2,081,337
Activities for generating funds:					
Retail shop income		1,884,299	-	<b>1,884,299</b>	1,423,897
Lottery income		437,397	-	<b>437,397</b>	480,674
Investment income		2,350	-	<b>2,350</b>	100,931
<i>Incoming resources from charitable activities:</i>					
Grants	3	<u>552,898</u>	<u>2,124,841</u>	<b><u>2,677,739</u></b>	<u>578,853</u>
<b>Total incoming resources</b>		<u><b>4,915,649</b></u>	<u><b>3,595,371</b></u>	<b><u>8,511,020</u></b>	<u><b>4,665,692</b></u>
<b>Resources expended</b>					
<i>Costs of generating funds:</i>					
<i>Costs of generating voluntary income</i>					
Fundraising and publicity		354,136	-	<b>354,136</b>	350,752
Retail shop expenditure		886,020	-	<b>886,020</b>	733,268
Lottery expenditure		156,498	-	<b>156,498</b>	197,183
<i>Charitable activities:</i>					
Nursing services		2,364,103	66,886	<b>2,430,989</b>	2,465,471
Medical care services		520,816	-	<b>520,816</b>	474,506
<i>Governance costs:</i>		<u>17,314</u>	<u>-</u>	<b><u>17,314</u></b>	<u>16,525</u>
<b>Total resources expended</b>	4	<u><b>4,298,887</b></u>	<u><b>66,886</b></u>	<b><u>4,365,773</u></b>	<u><b>4,237,705</b></u>
<b>Net incoming resources before transfers</b>		<b>616,762</b>	<b>3,528,485</b>	<b>4,145,247</b>	427,987
Gross transfers	14	<u>3,391,609</u>	<u>(3,391,609)</u>	<b>-</b>	<b>-</b>
<b>Net incoming resources before other recognised gains</b>	5	<b>4,008,371</b>	<b>136,876</b>	<b>4,145,247</b>	427,987
Realised gains on investments		<u>1,564</u>	<u>183</u>	<b><u>1,747</u></b>	<u>174,332</u>
<b>Net income for the year</b>		<b>4,009,935</b>	<b>137,059</b>	<b>4,146,994</b>	602,319
Unrealised gains on investments	9	<u>16,861</u>	<u>1,764</u>	<b><u>18,625</u></b>	<u>2,126</u>
<b>Net movement in funds</b>		<b>4,026,796</b>	<b>138,823</b>	<b>4,165,619</b>	604,445
<b>Reconciliation of funds</b>					
Total funds brought forward		<u>7,974,759</u>	<u>610,190</u>	<b><u>8,584,949</u></b>	<u>7,980,504</u>
<b>Total funds carried forward</b>		<u><b>12,001,555</b></u>	<u><b>749,013</b></u>	<b><u>12,750,568</u></b>	<u><b>8,584,949</b></u>

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 14 to the financial statements.



**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Balance Sheets**

**Company No. 1634942**

**As at 31 March 2014**

	Note	Group 2014 £	2013 £	Charity 2014 £	2013 £
<b>Fixed assets</b>					
Tangible fixed assets	8	5,864,235	2,591,159	5,864,235	2,591,159
Investments	9	<u>5,702,191</u>	<u>5,882,683</u>	<u>5,702,191</u>	<u>5,882,683</u>
		<u>11,566,426</u>	<u>8,473,842</u>	<u>11,566,426</u>	<u>8,473,842</u>
<b>Current assets</b>					
Stock	10	18,552	24,036	-	-
Debtors	11	579,874	312,560	557,108	313,925
Short term deposits		1,352,740	303,366	1,352,740	299,666
Cash at bank and in hand		<u>521,498</u>	<u>28,333</u>	<u>521,498</u>	<u>28,333</u>
		2,472,664	668,295	2,431,346	641,924
<b>Liabilities</b>					
Creditors: amounts due within one year					
	12	<u>1,288,522</u>	<u>557,188</u>	<u>1,242,288</u>	<u>531,387</u>
<b>Net current assets</b>		<u>1,184,142</u>	<u>111,107</u>	<u>1,189,058</u>	<u>110,537</u>
<b>Net assets</b>		<u>12,750,568</u>	<u>8,584,949</u>	<u>12,755,484</u>	<u>8,584,379</u>
<b>The funds of the group</b>					
Restricted funds					
In surplus		749,013	610,190	749,013	610,190
Unrestricted funds					
Designated funds		7,557,990	4,052,090	7,557,990	4,052,090
General funds		<u>4,443,565</u>	<u>3,922,669</u>	<u>4,448,481</u>	<u>3,922,099</u>
<b>Total funds</b>	13, 14	<u>12,750,568</u>	<u>8,584,949</u>	<u>12,755,484</u>	<u>8,584,379</u>

Approved by the directors on 24 September 2014 and signed on their behalf by



Mr G Nairn - Vice Chairman

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Cashflow Statement**

**For the year ended 31 March 2014**

	2014 £	2013 £	
<b>Net cash inflow from operating activities</b>	<b>4,760,470</b>	<b>740,781</b>	
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(3,426,270)	(194,870)	
Transfers to managed investment fund	-	(650,000)	
Transfers from managed investment fund	<u>200,000</u>	<u>175,000</u>	
	<b>(3,226,270)</b>	<b>(669,870)</b>	
<b>Increase in cash in the year</b>	<b><u>1,534,200</u></b>	<b><u>70,911</u></b>	
<b>Reconciliation of net incoming resources before revaluations to net cash inflow from operating activities</b>			
Net incoming resources before revaluations	4,145,247	427,987	
Depreciation	153,194	162,280	
Loss on impairment of freehold land and buildings	-	75,995	
Investment income	(2,350)	(100,931)	
Investment management fees	3,214	18,673	
Loss on disposal of fixed assets	-	13,920	
Decrease/(Increase) in stocks	5,484	(4,807)	
(Increase) in debtors	(267,314)	(146,160)	
Increase in current liabilities	<u>722,995</u>	<u>293,824</u>	
<b>Net cash inflow from operating activities</b>	<b><u>4,760,470</u></b>	<b><u>740,781</u></b>	
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year	1,534,200	70,911	
Net funds at 1 April 2013	<u>328,744</u>	<u>257,833</u>	
Net funds at 31 March 2014	<b><u>1,862,944</u></b>	<b><u>328,744</u></b>	
<b>Analysis of changes in net funds</b>			
	At 1 April 2013 £	Cash flows £	At 31 March 2014 £
Cash at bank and in hand	28,333	493,165	521,498
Short term deposits	303,366	1,049,374	1,352,740
Bank loans and overdrafts	<u>(2,955)</u>	<u>(8,339)</u>	<u>(11,294)</u>
<b>Increase/(Decrease) in the year</b>	<b><u>328,744</u></b>	<b><u>1,534,200</u></b>	<b><u>1,862,944</u></b>

## St Michael's Hospice (incorporating The Freda Pearce Foundation)

### Notes to the financial statements

For the year ended 31 March 2014

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#### 1. Accounting policies

##### a) Basis of accounting

The financial statements have been prepared under the historical cost convention except for investments which have been included at revalued amounts and in accordance with applicable accounting standards and the Companies Act 2006. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in March 2005).

##### b) Consolidation

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 two companies are disclosed in the notes of the charitable company's balance sheet. Advantage is taken of the FRS 8 exemption from disclosure of intra-group transactions. A separate statement of financial activities, or income and expenditure account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

##### c) Depreciation

Items are capitalised where the purchase price exceeds £250.

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value at the following rates:

Freehold land and hospice buildings	See below
Leasehold improvements	Over the period of the lease
Medical and nursing equipment and beds	25-33⅓%
Motor vehicles	20-25%
Other equipment, fixtures, furnishings and fixtures	20-25%
Computer equipment	33⅓%
Shop equipment	25%

Land and buildings are included at cost and houses are included at valuation. Buildings held at cost and are depreciated over their expected useful life of 40 years. Houses held at valuation are not depreciated but are re-valued independently at 3 yearly intervals at open market value for existing use.

Assets in the course of construction are not depreciated.

Furnishings, crockery and linen are not depreciated but their replacements are charged to repairs and renewals.

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

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**1. Accounting policies (continued)**

**d) Pension schemes**

**Defined benefit scheme**

The 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 schemes.

**Defined contribution scheme**

Where staff are not eligible to join the NHS pension scheme, the company 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.

**e) Stocks and donated goods**

Income from goods donated for resale in the Hospice shops is accounted for in the year in which the goods are sold. No value is placed on any stock of donated goods. Other stocks are valued at the lower of cost and net realisable value.

**f) Investments**

Investments are stated at market value, calculated as follows:

UK Equities	Middle of the quotation from the Stock Exchange daily official list.
Unit Trusts	Bid price.
Others	As valued by the Investment Managers.

Realised gains or losses arising on the disposal of investments are determined by reference to the difference between the market valuation at the beginning of the year, plus the cost of additions, and the sale proceeds. Unrealised gains or losses are determined by the movement in the market valuations from the beginning of the year, plus the cost of additions and the market valuations at the balance sheet date, and are taken to the Statement of Financial Activities.

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

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**1. Accounting policies (continued)**

**g) Incoming resources**

Income including grants and legacies is accounted for on a receivable basis, recognised when entitlement to the income has been established, the amounts can be ascertained and receipt is certain. Income relating to tax claims for donations made net of tax relief is accounted for in the year in which the donation was received.

Donated investments are accounted for at market value at the date the donation became receivable.

The value of services provided by volunteers has not been included.

**h) Resources expended**

Resources expended are recognised in the period in which they are incurred.

Direct and support costs represent specific attributable costs directly in relation to the activity and where specific allocation has not been possible these have been allocated on the basis of average salary (see note 4).

Governance costs include those costs associated with meeting constitutional and statutory requirements and include audit fees and costs linked to strategic management.

**i) Operating leases**

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

**j) Funds**

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

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the 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.

Designated 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.

**k) Deferred capital grants**

Deferred capital grants in respect of capital expenditure are treated as deferred income and are credited to the statement of financial activities over the estimated useful life of the assets to which they relate.

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

**2. Voluntary income**

	Unrestricted £	Restricted £	2014 Total £	2013 Total £
Donations, covenants, corporate & GAYE	664,735	1,358,206	2,022,941	1,366,028
Support groups	263,570	112,324	375,894	204,222
Legacies	1,110,400	-	1,110,400	511,087
<b>Total</b>	<b>2,038,705</b>	<b>1,470,530</b>	<b>3,509,235</b>	<b>2,081,337</b>

**3. Incoming resources from charitable activities**

	Unrestricted £	Restricted £	2014 Total £	2013 Total £
Grants from Primary Care Trusts	531,339	-	531,339	530,803
Grants from grant making trusts	21,559	1,444,841	1,466,400	48,050
Department of Health grant	-	680,000	680,000	-
<b>Total</b>	<b>552,898</b>	<b>2,124,841</b>	<b>2,677,739</b>	<b>578,853</b>

**4. Total resources expended**

Direct and support costs represent specific attributable costs directly in relation to the activity and where specific allocation has not been possible these have been allocated on the basis of staff costs as follows:

	2014		2013	
	Direct %	Support %	Direct %	Support %
Average salary allocation:				
Retail shop expenditure	12.95	0.68	10.25	0.75
Fundraising and publicity	5.71	1.35	5.39	1.77
Lottery expenditure	0.74	-	0.80	-
Nursing services	60.49	3.09	63.28	3.10
Medical care services	14.31	0.68	13.91	0.75

St Michael's Hospice (Incorporating The Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2014

4. Total resources expended (continued)

	Fundraising and publicity	Activities for generating funds	Nursing services	Medical care services	Governance costs	Support costs	Total 2014	Total 2013
	£	£	£	£	£	£	£	£
Staff costs (Note 6)	167,307	401,210	1,772,568	419,186	-	169,935	2,930,206	2,731,571
Other staff costs	3,351	5,680	23,262	53	-	3,379	35,725	38,677
Communications	40,316	-	40,315	-	-	-	80,631	49,285
Education	-	-	7,807	-	-	867	8,674	5,626
Fundraising and events	65,025	-	-	-	-	-	65,025	91,880
Lottery expenses	-	130,122	-	-	-	-	130,122	171,553
Shop expenses	-	407,276	-	-	-	-	407,276	377,873
Chapel supplies	-	-	-	-	-	-	-	6,147
Office and administration	5,458	13,089	57,826	13,676	-	5,544	95,593	74,708
Catering and domestic	-	-	51,357	-	-	5,706	57,063	65,221
Fuel, Rates and Water	3,742	8,974	39,648	9,376	-	3,800	65,540	57,269
Maintenance	2,382	5,711	25,233	5,967	-	2,419	41,712	55,934
Nursing and medical supplies	-	-	23,779	-	-	-	23,779	38,867
Legal and professional fees	6,487	15,556	68,728	16,253	-	6,588	113,612	36,740
Audit and accounts	-	-	-	-	15,036	-	15,036	10,099
Depreciation & impairment costs	8,699	20,860	93,003	21,796	-	8,836	153,194	238,275
Loss on disposal of fixed assets	-	-	-	-	-	-	-	13,920
Irrecoverable VAT	4,370	10,479	46,297	10,948	-	4,439	76,533	13,726
Restricted funds - direct expenditure	-	-	66,052	-	-	-	66,052	160,334
Support Costs	307,137	1,018,957	2,315,875	497,255	15,036	211,513	4,365,773	4,237,705
	46,999	23,561	115,114	23,561	2,278	(211,513)	-	-
<b>Total resources expended</b>	<b>354,136</b>	<b>1,042,518</b>	<b>2,430,989</b>	<b>520,816</b>	<b>17,314</b>	<b>-</b>	<b>4,365,773</b>	<b>4,237,705</b>

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

**5. Net incoming resources for the year**

This is stated after charging:

	2014	2013
	£	£
Depreciation	153,194	162,280
Operating lease rentals:		
▪ property	257,692	258,030
▪ other	5,468	9,950
Auditors' remuneration:		
▪ audit	12,000	11,600
▪ under accrual of audit services	-	2,965
▪ other services	1,000	4,250
	<u>1,000</u>	<u>4,250</u>
Included within fixed assets work in progress:		
Auditors' remuneration:		
▪ audit	2,200	2,200
▪ other services	1,200	350
	<u>1,200</u>	<u>350</u>

None of the Trustees received any remuneration or reimbursement of expenses during the year. (2013: Nil)

**6. Staff costs and numbers**

Staff costs were as follows:

	2014	2013
	£	£
Salaries and wages	2,574,937	2,375,979
Social security costs	159,065	156,114
Pension contributions	196,204	199,478
	<u>2,930,206</u>	<u>2,731,571</u>
Total staff emoluments were:	<u>2,771,141</u>	<u>2,575,457</u>

One employee earned between £60,000-£70,000 during the year (2013: one employee).  
Pension contributions for this staff member amounted to £8,939 (2013: £8,939)

The average weekly number of employees (full-time equivalent) during the year was as follows:

	2014	2013
	No.	No.
Charitable activities	72	67
Fundraising and publicity	24	21
	<u>96</u>	<u>88</u>

**7. 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 2014

8. Tangible fixed assets Group and Charity	Other Equipment						
	Freehold land and buildings £	Assets in the course of construction £	leasehold property £	Medical and nursing equipment and beds £	Fixtures, furnishings and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>							
At the start of the year	2,861,343	680,633	169,946	123,005	210,374	103,464	4,148,765
Additions in year	-	3,391,609	1,088	7,340	26,233	-	3,426,270
At the end of the year	2,861,343	4,072,242	171,034	130,345	236,607	103,464	7,575,035
<b>Depreciation</b>							
At the start of the year	1,127,992	-	95,554	98,336	158,965	76,759	1,557,606
Charge for the year	87,355	-	19,201	11,719	25,574	9,345	153,194
At the end of the year	1,215,347	-	114,755	110,055	184,539	86,104	1,710,800
<b>Net book value</b>							
At the end of the year	1,645,996	4,072,242	56,279	20,290	52,068	17,360	5,864,235
At the start of the year	1,733,351	680,633	74,392	24,669	51,409	26,705	2,591,159

Freehold land and buildings includes three houses adjacent to the main hospice building. The houses are included in the accounts at £584,732. No depreciation is charged in respect of these houses.

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

Notes to the financial statements

For the year ended 31 March 2014

9. Investments - group and charity

	2014 £	2013 £
Market value at the start of the year	5,336,512	5,132,184
Additions at historic cost	3,387,971	4,909,762
Disposal proceeds	(3,042,743)	(4,881,892)
Unrealised gain	18,625	2,126
Realised gain	1,747	174,332
Market value at the end of the year	<u>5,702,112</u>	<u>5,336,512</u>
Investments - cash holdings	79	546,171
Market value at the end of the year	<u>5,702,191</u>	<u>5,882,683</u>
Historic cost at the end of the year	<u>5,682,590</u>	<u>5,880,704</u>
Investments comprise:		
	2014 £	2013 £
Cash and cash funds	5,702,190	5,882,682
Investment in subsidiary undertakings incorporated in the UK	<u>1</u>	<u>1</u>
	<u>5,702,191</u>	<u>5,882,683</u>

10. Stock

	Group		Charity	
	2014 £	2013 £	2014 £	2013 £
Goods for resale	<u>18,552</u>	<u>24,036</u>	-	-
	<u>18,552</u>	<u>24,036</u>	-	-

11. Debtors

	Group		Charity	
	2014 £	2013 £	2014 £	2013 £
Trade debtors	43,590	59,818	43,590	56,623
Other debtors	463,764	131,523	440,998	136,083
Prepayments and accrued income	<u>72,520</u>	<u>121,219</u>	<u>72,520</u>	<u>121,219</u>
	<u>579,874</u>	<u>312,560</u>	<u>557,108</u>	<u>313,925</u>

12. Creditors: amounts due within one year

	Group		Charity	
	2014 £	2013 £	2014 £	2013 £
Trade creditors	78,925	208,817	70,020	185,891
Tax and social security	45,436	46,053	45,436	46,053
Bank overdraft	11,294	2,955	5,195	2,955
Accruals and deferred income	1,031,995	299,073	1,093,120	296,198
Other creditors	<u>120,872</u>	<u>290</u>	<u>28,517</u>	<u>290</u>
	<u>1,288,522</u>	<u>557,188</u>	<u>1,242,288</u>	<u>531,387</u>

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

Notes to the financial statements

For the year ended 31 March 2014

13. Analysis of group net assets between funds

	Restricted funds £	Designated funds £	General funds £	Total funds £
Tangible fixed assets	-	5,718,238	145,997	5,864,235
Investments	539,649	1,643,960	3,518,582	5,702,191
Net current assets/ (liabilities)	209,364	195,792	778,986	1,184,142
<b>Net assets at the end of the year</b>	<b>749,013</b>	<b>7,557,990</b>	<b>4,443,565</b>	<b>12,750,568</b>

14. Movements in group funds

	At the start of the year £	Incoming resources £	Outgoing resources £	Transfers £	At the end of the year £
<b>Restricted funds:</b>					
Patient care	16,779	1,080	(2,501)	-	15,358
Funds for other specific items	9,298	54,912	(31,538)	-	32,672
Development project	584,113	3,525,076	(16,597)	(3,391,609)	700,983
Eric Bayliss nurses fund	-	16,250	(16,250)	-	-
<b>Total restricted funds</b>	<b>610,190</b>	<b>3,597,318</b>	<b>(66,886)</b>	<b>(3,391,609)</b>	<b>749,013</b>
<b>Unrestricted funds:</b>					
<i>Designated funds:</i>					
Property fund	2,413,984	-	(87,355)	3,391,609	5,718,238
Development fund	1,638,106	305,855	(104,209)	-	1,839,752
<b>Total designated funds</b>	<b>4,052,090</b>	<b>305,855</b>	<b>(191,564)</b>	<b>3,391,609</b>	<b>7,557,990</b>
<b>General funds</b>	<b>3,922,669</b>	<b>4,628,219</b>	<b>(4,107,323)</b>	<b>-</b>	<b>4,443,565</b>
<b>Total unrestricted funds</b>	<b>7,974,759</b>	<b>4,934,074</b>	<b>(4,298,887)</b>	<b>3,391,609</b>	<b>12,001,555</b>
<b>Total funds</b>	<b>8,584,949</b>	<b>8,531,392</b>	<b>(4,365,773)</b>	<b>-</b>	<b>12,750,568</b>

Transfer between funds

Transfers represent the movement of restricted development funds as they are expended and included within designated property funds.

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

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**Purposes of restricted funds**

Restricted funds totalling £749,013 comprise:

**i. Patient care**

In addition to £16,779 at the start of the year restricted for care purposes an additional £1,080 was received during the year from individual donations for specific patient care purposes. £2,501 was expended for these purposes during the year.

**ii. Funds for other specific items**

In addition to £9,298 at the start of the year, a further £54,912 was received from grant-making trusts and individual donations, for specific items and service related activity including education, of which a total of £31,538 was expended on these purposes during the year.

**iii. Development project**

In addition to £584,113 at the start of the year, £3,525,076 was received from grant-making trusts and individual donations specifically for the development project. £3,408,206 was expended on this purpose during the year.

**iv. Eric Bayliss nurses fund**

£16,250 was donated and used specifically towards nursing salaries.

**Purposes of designated funds**

Unrestricted designated funds totalling £7,557,990 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 Directors for the redevelopment of the Hospice after paying out for salary and marketing costs relating to the capital appeal. An additional £300,000 legacy income was designated to the redevelopment in 2013-14.

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

**15. Operating lease commitments**

The charity had annual commitments at the year end under operating leases expiring as follows:

	2014		2013	
	Land and buildings £	Other £	Land and buildings £	Other £
Less than 1 year	6,540	-	57,672	1,072
1 - 2 years	13,900	-	7,020	-
2 - 5 years	40,512	3,563	15,200	-
Over 5 years	107,600	-	100,750	3,563
	<u>168,552</u>	<u>3,563</u>	<u>180,642</u>	<u>4,635</u>

**16. 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.

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). To ensure proper administration the Hospice outsources the management of this Scheme.

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% - 11.3% of their pensionable pay depending on total earnings.

Further information on benefits can be obtained from the NHS Pension Scheme website.

**St Michael's Hospice (Incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

**17. 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. The subsidiary is used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the statement of financial activities. Available profits are gift aided to the charitable company. A summary of the results of the subsidiary is shown below:

	2014 £	2013 £
Turnover	50,362	61,437
Cost of sales	(38,870)	(25,968)
Gross profit	11,492	35,469
Distribution costs	(4,253)	(13,124)
Administrative expenses	(6,435)	(19,862)
Gift aid donation to parent company	(804)	(2,483)
Operating profit / (loss)	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	18,552	27,231
Liabilities	(17,988)	(26,667)
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. The subsidiary is used for the redevelopment of the hospice buildings and surroundings. All activities have been consolidated on a line by line basis in the statement of financial activities. Available profits are gift aided to the charitable company. A summary of the results of the subsidiary is shown below:

	2014 £	2013 £
Turnover	3,391,609	67,875
Cost of sales	(3,387,429)	(63,624)
Gross profit	4,180	4,251
Administrative expenses	(4,180)	(4,251)
Gift aid donation to parent company	-	-
Operating profit / (loss)	-	-
Taxation	-	-
Profit on ordinary activities for the period	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	1,027,200	25,283
Liabilities	(1,027,193)	(25,276)
Funds	7	7

**St Michael's Hospice (incorporating The Freda Pearce Foundation)**

**Notes to the financial statements**

**For the year ended 31 March 2014**

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**18. Capital commitments**

At the year end the charitable company had capital commitments as follows:-

£6,496,772 commitment in connection with the balance of the new build and refurbishment phases of the proposed hospice development. (2013: £80,000 relating to the design of the timber frame and £100,000 to carry out the preliminary works and temporary car parking in preparation for the new build phase).

**19. 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 (Board member), purchase of printing services totalling £17,564 (2013 - £23,168).

All transactions were on normal arms length commercial terms. At the 31st March 2014 a balance was outstanding to Mr Greene of £238 which has subsequently been paid in full (2013 - £653).

Mr D Campion (Board member), legal services (including fees) totalling £Nil (2013 - £2,214).

All transactions were on normal arms length commercial terms. At the 31st March 2014 a balance was outstanding to Mr Campion of £Nil (2013 - £Nil).

The wife of Board Member Mr D Campion works at the Hospice as a Health Care Assistant and the sister of Board Member Mrs J Winney works at the Hospice in catering. Both are employed under standard Hospice employment terms and conditions.