ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Company registration number: 02141770
Charity registration number: 298555

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ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Contents **Page**

Reference and administrative information	1
Trustees' report (incorporating strategic report)	2
Independent auditor's report	18
Consolidated statement of financial activities (incorporating an income and expenditure account)	20
Balance sheets	22
Statement of consolidated cash flows	23
Notes to the financial statements	24

ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

REFERENCE AND ADMINISTRATIVE INFORMATION

Registered Name	St Luke's Hospice (Harrow & Brent) Limited	
Registered charity Number	298555	
Registered Company Number	02141770	
Registered office and principal address	Kenton Grange Kenton Road Harrow Middlesex HA3 OYG	
Trustees	S Aldridge-Bent C Bennett – appointed 2 March 2017 R Bhanderi – retired 2 March 2017 R Bhatia- Vice Chair and Treasurer C Boon- appointed 2 March 2017, retired 17 April 2018 N Brier – appointed 2 March 2017 C Brodie – appointed 2 March 2017 G Dawson – appointed 2 March 2017, retired 5 June 2018 R Elkeles J McDonald- retired 1 June 2017 R Majus – appointed 1May 2017 J Newland S Radia A Rawal – appointed 2 March 2017 Dr G Schiller- Chairman K Tighe – retired 1 June 2017 C Glenn (appointed 1 September 2017)	
Senior Staff	R Webb – in post until 3 March 2017	Chief Executive Officer
	J Fuller – in post from 15 May 2017 till November 2017	Chief Executive Officer
	A Malde from November 2017	Chief Executive Officer
	J Archer BA (Hons) RGN PGDip MSc	Director of Patient Services & Registered Manager
	Dr C Daniels BSc (Hons) MB ChB MRCGP	Medical Director
	P Russell BA MinstF- in post till October 2017	Director of Fundraising & Community Relations
	A Malde FCCA to 11 November 2017	Director of Finance and Resources
	Mohammed Mirza- January 2018 to August 2018	Interim Head of Finance
Principal Bankers	Allied Irish Bank (GB) 22-35 Wembley Hill Road Wembley Middlesex HA9 8AS	
Auditors	haysmacintyre 10 Queen Street Place London EC4R 1AG	
Solicitors	Curry Popeck 380 Kenton Road Harrow Middlesex HA3 8OP	

The Trustees, who are also the directors for the purposes of the Companies Act, submit their report, together with the financial statements for the year ended 31 December 2017, for St Luke's Hospice (Harrow & Brent) Limited ("the Hospice") and its subsidiary, St Luke's Hospice (Harrow & Brent) Charity Shops Limited. The responsibilities of the trustees for the preparation of the financial statements are set out on page 17. This Trustees' Report incorporates the Strategic Report of the company.

Objectives and Activities

Our Vision
A world where everyone can access the care, treatment and support they need to live well, know that their family and carers are supported, and die with dignity in the place of their choice.

Our Mission
We will be the driving force for high quality, compassionate palliative care for the people of Harrow and Brent, and will:

- Extend our services and reach more people, earlier in their illness, working in collaboration where this is most effective
- Support and empower health and social care professionals through education and training
- Influence and shape End of Life care policies to improve the provision and quality of care

Main activities
We provide specialist palliative care services to people living with a terminal illness in the London Boroughs of Harrow and Brent and support for their families. Our services include:

- Support for people in their home through our Specialist Community Palliative Care and Hospice at Home Teams
- A wide range of outpatient sessions and day-hospice services through our Woodgrange Centre
- Intensive support for patients in our in-patient unit
- Support for families and carers including bereavement support
- Education of health & social care professionals

Objects
All of our work flows from the objects contained in our Memorandum of Association which include the following:

- the relief of sickness and distress
- medical care and support to patients and their families in the home environment
- residential support and day care for persons suffering from any chronic or terminal illness
- conduct, promote and encourage research into care and treatment of persons suffering from any such illness
- advance the education and training of doctors, nurses, physiotherapists, psychologists and other persons engaged in the care of such sufferers.

Objectives and Activities (continued)

STRATEGIC REPORT

Strategies for achieving aims

Strategic direction for 2016-2018

In 2015, the Board agreed the following broad strategic direction for the years 2016-18. Achievements against these in 2017 and detailed plans for the future follow in later sections of this report.

Patients and families

- Extend our services to reach more people earlier in their illness
- Develop and embed continuous quality improvement across the organisation
- Continue to develop our education and training programmes both for staff and for local health and social care professionals
- Influence End of life policies

Fundraising

- Generate fundraising income of £3m pa by 2018 by continuing to diversify our income streams, developing new products and exploring new markets for our existing products.

Shops

- Expand our charity shops network to double the profit paid to the charity to £1.5m pa from 2018

These two strands of our income generation strategy aim to deliver an additional £1.5m pa of income to fund our ambitious plans to extend our services

Staff & Volunteers

- Continue to invest in staff and volunteer recruitment, development, engagement and support to ensure we have the right people with the right skills in the right roles

Overview of 2017

During the year we extended our services to reach 1,619 people, a decrease of 94 on the previous year mainly due to the reduction in the In-patient unit and the Woodgrange centre

We continued to receive excellent feedback from patients and families for every part of the care and support we provide. We have used feedback and any concerns raised by patients and families to continuously drive improvement to our services.

We were fortunate to have received significant legacies in 2015 and 2016 which has meant that we are able to sustain the financial deficit of almost £800,000 in 2017. However, we recognise that we cannot continue to rely on exceptional legacies and will focus in 2018 and 2019 on consolidating and reviewing all of our activities to ensure that we are sustainable as a hospice to continue to deliver our excellent care for the people of Harrow and Brent.

The table below shows that we have cared for more people and that the demand for our services continues to grow significantly year on year. This poses a challenge to us as a hospice as we are not receiving increased statutory funding to reflect the increase in activity. We will therefore focus in the next two years on growing our voluntary and retail income and identifying savings in expenditure by identifying efficiencies or working in collaboration.

We have also started work on our strategic plan for the next five years and this will be finalised in the first quarter of 2019.

Care activities – year on year

	2016	2017	Increase / (Decrease)	Comment
Total Patients supported	1,300 (1713)*	1619	(6%)	*:2016 didn't include SPA figures. If we include these the overall headcount for 2016 is 1713 which represents a decrease in total numbers supported which is also reflected in the days of care in IPU
Days of Inpatient care	2,799	2516	(11%)	
Individual service users who attended Day-care and outpatients	289	274	(5%)	Out-patient numbers are included within overall Woodgrange numbers but going forward will be separated out.
Complementary therapy and Physiotherapy sessions	2,525	3507	39%	Service users may have attended more than one session and therefore be counted multiple times and groups sessions count each attendee rather than the session provided
Patients supported by Hospice at Home	335	379	12%	This represented 12,381 hours of care (2015 - 13,561)
Colleagues in Care Homes Supported through training	90	152	69%	This service was introduced slowly from late 2015 and the number of care homes supported has grown incrementally each year
Telephone calls, assessments and rapid response visits made by our Single Point of Access Team	6,371	8995	41%	The service had 721 active patients meaning each patient receive an average of 12 calls
Patients Supported by Community Specialist Palliative Care team	518	518	-	Number of active patients in each year. Some patients will have been referred and active in more than one year.
Telephone Support Sessions provided by the Community Specialist Palliative Care team	6,492	6541	1%	
Social Work Sessions	486	1193	145%	In 2016 we had significant vacancy in the team in the earlier part of the year which has resulted in lower activity
Bereavement Sessions	93	342	268%	As above

Public Benefit

We have referred to the guidance in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. Specifically, all of our services are provided free of charge to patients and their families.

We work to ensure that people from all backgrounds are able to access our services and we are pleased to see that our patient mix is similar to the demography of our local communities and we continue to build our relationships with a wide range of community groups and faith groups in the area we serve.

Ethnicity monitoring to embrace the diversity of the area we serve and ensure promotion of equal access to hospice services				
	St. Luke's	%	Brent %	Harrow %
Asian other	81	6.9%	9.2%	11.3%
Pakistani	15	1.2%	4.6%	3.3%
Indian	218	18.6%	18.6%	26.4%
Chinese	9	0.8%	1%	1.1%
Caribbean Black	88	7.5%	7.6%	2.8%
African Black	21	1.8%	7.8%	3.6%
Black other	14	1.2%	3.4%	1.8%
White British	498	42.5%	18%	30.9%
White Irish	80	6.8%	4%	3.1%
Other White	84	7.2%	14.3%	8.2%
Other	39	0.3%	2.1%	1.4%
Mixed	23	1.9%	--	--

We have not included above people who preferred not to complete the ethnicity monitoring sections of the relevant paperwork.

Notes
Comparative data from 2011 census (Wikipedia)

Achievements against objectives for 2017

Our activities for 2016-18 are planned to deliver our strategic aims detailed above.

The following pages outline our achievements in 2017 and our plans for 2018.

IN-PATIENT UNIT

Key achievements in 2017

We embarked on a recruitment drive because of poor staffing levels on the Inpatient Unit. Among other initiatives we attended RCN recruitment day and offered shadow shifts on the wards. As a result staffing has improved and we are nearly up to full complement in 2018.

To improve our services we established a new patient feedback mechanism called Care Opinion. This is providing us with valuable input to adjust and modify our services to serve

We established a role of education facilitator on the ward. This supported staff with no previous experience to have a development and mentorship programme which has been very well received.

Aims in 2018-19

- Connect and engage with community groups to improve our understanding and support patients with different issues such as Mental Health, Learning Disabilities, LGBTQ community, homeless, and addicts.
- Look at the development of a triage nurse to ensure patient is referred to the right service at the right time, for an appropriate outcome. This will reduce unnecessary hospital admission and ensure a more timely patient centred approach.
- To be more focused on measurement of patient and carer experience to improve our care.
- Recommence staff reflection opportunities and offer clinical supervision.
- Develop nurse champions in specific areas of care.

BRENT COMMUNITY PALLIATIVE CARE TEAM

Key achievements 2017

- We evaluated the pilot of a community doctor role within the team which saw benefits to patients care and experience and more efficient use of clinical nurse specialist time. Financial constraints meant we have been unable to establish this as a substantive post.
- Collaborative working with the Care Home Support Team to develop a Multi-Disciplinary Team model in one specific care home and the development of the pilot that will be supported by a Clinical Research Fellow in conjunction with Cambridge University in 2019.
- Delivery of monthly education sessions to community nurses. 54 attendances at 8 sessions with positive evaluations scored at 8-10.
- Introduction of a feedback from for service users which led to the introduction of a new contact information slip, greater use of technology, introduction of clinical outcome measures, changes to working practices to increase efficiency including a reduction in waiting time from referral to first visit and an improvement in the proportion of non-cancer patients seen.

Key objectives 2018-2019

- Work towards establishing a 7 day service to support more people.
- Review service user feedback process to strengthen what we achieved in 2017.
- Carry out a survey for healthcare professionals to make sure our service is addressing their needs.
- Raise service profile by increased outreach into Community Primary Care by attending G.P / District nurse end of life care support meetings (establish reflective practice and after death analysis).
- Establish health related palliative care outcome system using the OACC /POs system:
- Provide education with in the community setting for health and social care professionals in effective communication, advance care planning, treatment escalation planning, symptom control recognising dying medication management and use of T34 syringe pump.

CARE HOME SUPPORT SERVICE

Key Achievements in 2017

- A planned review of the team was carried out and the team was expanded to 3 Care Home facilitators and an administrator.
- A review of data collection and impact measurement processes was started and is still being worked on.
- A Service Impact Survey was carried out for Staff at Birchwood Grange Care Home with very positive responses received. This will be on going work for the team in 2018.
- The team maintained and extended its support to 11(2016 -4) nursing and residential homes in North Brent.
- We redesigned the Last Phase of Life Care Home Training Programme in collaboration with the Harrow PACT project. All care homes have been offered places on this programme both on site at the home and at the hospice. Care Home staff are also being offered additional places for other training that the hospice runs.
- As planned we introduced shadow shifts at the hospice for Care Home staff to consolidate the learning on the training programme.

Key Objectives 2018-2019

- To continue to develop measurements of impact of quality of the Care Home Support Service
- To represent the Care Home Support Service at all key professional groups outside the hospice setting in relation to care homes. To have a key role and contribution within the care home initiatives that are being implemented
- To pilot a Care Home Support Service for Harrow Care Homes in collaboration with the Single Point of Access Service
- To implement the Coordinate My Care (CMC) system at three care homes as a pilot programme and evaluate the impact of the use of CMC in the care home setting
- To plan a Health Fayre for Care Homes in North Brent engaging with all partners in the community setting

WOODGRANGE CENTRE

Key Achievements in 2017

- We had planned to recruit additional volunteers to help support facilitation of activities and in particular to develop a painting group with the recruitment of an art volunteer. Two complementary therapy volunteers and two volunteers to support therapeutic activities were recruited. An Art Volunteer now supports the delivery of art activities.
- As planned we are working with the Volunteer Development Manager to review induction and training processes for volunteer drivers who transport our patients to the Woodgrange Centre.
- We had planned to introduce specific support groups and a breathlessness support group and a support group for carers are now being piloted.

Key Objectives for 2018

- To develop improve data collection/analysis skills i.e. what, when and how.
- Work in collaboration with the inpatient unit and the physiotherapy service to improve and develop a more streamlined and appropriate physiotherapy service.
- Adopt a tool to empower patients to more clearly identify their issues and use this to measure outcomes for patients accessing Woodgrange centre services.

HOSPICE AT HOME SERVICE

Key achievements 2017

- We cared for 381 patients compared to 335 in 2016 an increase of almost 15%
- We developed a Senior Healthcare Assistant competency program to develop the skills of our team.

Objectives for 2018

- To develop comfort pack/welcome packs for patients when we start delivery of care.
- Review the increasing use of external agencies to identify alternative means to deliver care.

HARROW SINGLE POINT OF ACCESS SERVICE

Key Achievements 2017

We aimed to work with our commissioners to secure funding for the service in future. We have been funded till March 2019 pending the development of an Integrated Care System. We have engaged with this process and have been very involved in the design of new Models of Care to provide a better experience for patients.

We have piloted offering telephone support to patients in North Brent who also use our Hospice at Home Service. We are collecting data to evidence the impact of this to Brent CCG.

Key Objectives 2018

- Work with the Care Home team to support staff in specific care homes.
- Work with GPs to agree a Nurse Verification of Death Service which will require all SPA nurses to be trained to verify death so that they can attend a home death and undertake the Verification process.

Patient and Family Support Service

Key Achievements in 2017

- Relationship development with key providers of statutory Social Work services incorporating mutually beneficial agreements e.g. St Luke's Social Workers now have free access to training courses provided by Harrow council and Harrow Council staff accessing St Luke's training.
- Delivery & completion of pilot 'Money Matters' project with Citizen's advice Harrow in our Woodgrange Centre. Financial constraints have meant we have not continued this service.
- Delivery of 13 mandatory training sessions to all clinical staff on Adult Protection
- Delivery of Grief, Loss & Bereavement training to Nursing homes working in collaboration with the Care Home team.

Key Objectives 2018

- Carry out a comprehensive review of the Patient and Family Support Services to all stakeholders. The aim will be to redefine and prioritise the range of services to be offered by the team. This will lead to a systems review to determine the changes required to meet the objectives of the service.

Other Key Achievements 2017

- As planned we introduced a more bespoke training e learning programme called Training Tracker which has been well received.
- We have developed a comprehensive incident reporting system allowing us to have better oversight of the issues that arise, respond more promptly, ensure all appropriate authorities are informed and understand our opportunities for learning

Other Key Objectives 2018

- Review of our IT infrastructure and support.
- Fully implement a facilities management system (CAFM)
- Complete an Information Governance Review and implement recommendations

Fundraising and Trading Subsidiary

We are enormously grateful for the generous support of individuals who have been touched by the work of St. Luke's Hospice, our local community and grant making funders. Without this support we would not be able to provide high quality care for people at the end of their lives in Harrow and Brent.

Key Financial Objectives set in 2016 for 2017-18	Financial Achievements and Performance in 2017
Fundraising	
Raise the income needed to fund our services from a balanced portfolio of fundraising streams as follows: Donations £601K Trusts £370K Legacies £800K Events £798K Lottery £230K New projects £273K	Achieved fundraising income by meeting most of the objectives as follows: Donations and gift aid £699K Trusts £395K Legacies £926K Events £414K Lottery £215K
Shops (Trading Subsidiary)	
Continue to open shops and develop the network to increase the profits to £1.5 per annum by the end of 2018	By the end of 2017 (half way through the period for this profit increase objective) contribution of £867k per annum was achieved.

The Development of Key Objectives 2018 and beyond – Fundraising and Trading Subsidiary

Towards the end of 2017, the Board of Trustees and the Senior Executive Team identified the need for a review of the strategic development plans to realise undeveloped potential for both Fundraising and the Trading Subsidiary. Since then, a new role of Director of Fundraising, Retail and Communications has been recruited, in order to lead the development and successful implementation of robust integrated strategy to ensure that we are developing relationships of the greatest mutual value between supporters and St. Luke's Hospice to support the delivery of our overall strategic plan.

Financial Review

Overview

The Trustees are pleased to report that despite the deficit of £1,051,000 (2016– surplus £2,040,000) the budgeted income targets from many income streams were met. A significant reduction in the income from legacies (circa £1.96m year-on-year) and donations (circa £0.2m year-on-year) coupled with an increase in fundraising costs resulted in the deficit from activities of £764,000 during the year. An incremental provision of £287,000 was made during the year towards pension liabilities as a result of the revaluation conducted by TPT, our pension providers, in September 2016. This incremental provision had the effect of increasing the deficit to £1,051,000 for the year. The realised and unrealised gains on the hospice's unrestricted investments amounted to £59,000 (2016: £86,000).

Fundraising

We rely on income from Fundraising and our Charity Shops for over 65% of the costs of the services we provide. Income from fundraising events were 29% lower than the previous year despite success for our Midnight Walk and Annual Walk. We had good support from a wide range of community organisations and groups. Overall unrestricted donations (excluding donations and gift aid through the shops company) decreased to £810,000 (2016 - £991,000). Legacies brought in £926,000 (2016 - £2,892,000) with a number of bequests.

Shops & Lottery

	2017	2016
		£
Shops profits/(loss) (non-Gift Aid)	71	(43)
Donations of goods under gift aid	464	604
Gift Aid	117	151
Shops total	**652**	**712**
Lottery profits	215	224
Total	**867**	**936**

The Hospice operates charity shops and its Lottery within a wholly owned trading subsidiary company, St Luke's Hospice (Harrow & Brent} Charity Shops Limited. Sales at our shops improved year-on-year by 16%. Administrative expenses increased by 11%. The reclaimed Gift Aid on donated goods of £117,000, was 22% lower than the previous year.

Lottery sales was stable at £321,000(2016- £323,000) and net income was marginally lower at £215,000 (2016- £224,000). Overall therefore, before deductions for head office administrative costs, the activities of the whole shops company generated £867,000(2016: £936,000) towards the work of the Hospice.

Approach to Fundraising

St Luke's Hospice values the incredible contribution supporters make and the special relationship that many supporters have with the Hospice. St. Luke's Hospice is registered with the Fundraising Regulator and seeks to uphold the Code of Fundraising Practice which includes a wide breadth of comprehensive regulatory requirements and additionally reflects best practice.

We work with established and reputable service providers which include mailing houses, event management companies and phone fundraising agencies. Monitoring of activity is done by investigating complaints, seeking supporter feedback and monitoring the tone and content of fundraising phone calls. The phone fundraising agency provides high quality training to their staff on engaging with vulnerable people.

Complaints from Supporters are taken very seriously and followed up immediately. During 2017 there were 14 complaints that were dealt with to our satisfaction. There were 9 complaints which related to letters which we had sent to supporters. They were related to the cost, the content or the donor's status. There were 2 complaints about the shops collection service and one complaint about a lottery fundraising phone call and two other complaints.

Staff & Volunteers

As at 31 December 2017 St Luke's employed an average of 98 full time equivalent paid staff, with a further 54 full time equivalent staff employed in our trading subsidiary which runs our charity shops and lottery.

We also rely on the support of a significant team of around 900 unpaid volunteers, of which approx. 750 work in the charity shops run by the Shops Company. The remaining volunteers work across all areas of the Hospice, including

- Driving patients to and from Day-Care
- Working in Day-Care and the In-Patient Units
- Complementary therapy volunteers
- Gardening
- Receptionists
- Fundraising
- Administrative support
- Bereavement support

The support of our volunteers is of vital importance to the Hospice. Not only do they save the Hospice a considerable amount of money by performing tasks that would otherwise have to be done by paid staff, they are representatives, of and ambassadors to, the communities the Hospice serves and thus bring to patient care an extra dimension of support and help that is the quintessence of hospice care and which distinguishes it from palliative care in other settings. Increasingly we are seeing younger volunteers but for shorter periods than has been traditional. Many of our younger volunteers are seeking to improve their CVs in a difficult employment market. The Hospice's opportunity is to engage with these volunteers to give them the best possible volunteer experience in the aim of engaging their support for St Luke's.

During the year our band of dedicated volunteers gave over 150,000 hours of their time equivalent to 77 full time members of staff. The financial value of this is estimated at a staggering £1.46 million.

Risk management

The key Strategic Risks ranked by overall rating (1 = highest risk) and a summary of our approach to manage/mitigate are:

Rank	Risk	Actions to manage / mitigate
1	Workforce – inability to recruit / retain skills & resources	• Regular review of pay & benefits • Training & professional development • Developing Flexibility between roles • Succession planning – internal promotions
2	Volunteers– inability to recruit / retain skills & resources	• Training Managers in volunteer management • Development opportunities
3	Major Failure of infrastructure	• Planned Maintenance Programme • Refresh Business Continuity Plan • Multiple data lines & data centres
4	Issue / event that damages our reputation	• Effective management of all activities • Stakeholder engagement / feedback sought • Effective communications processes
5	CQC criticism / poor report	• Professional management • Policies & Procedures • Oversight by Clinical Governance Committee
6	Significant reduction in Fundraising	• Focus on innovation and new donor acquisition • Effective donor communications plan • Develop collaborations
7	Regulatory changes	• Engage with key national bodies • Maintain strong relationships with local MPs to lobby if necessary
8	Inadequate governance	• Regular Board review process • Targeted trustee recruitment based on skills mix • Clear board / committee structure & effective meetings
9	Significant reduction in statutory income	• Build partnership approach • Evidence outcomes and impact of work • Identify new services to meet commissioner priorities
10	Other regulatory sanctions	• Clear governance process • Regular reporting & review of H&S and patient issues
11	Shops – significant reduction in profits	• Plan to double number of shops • Investment in staff training & development • Regular donor communications
12	Failure of another employer in pension scheme which means deficit payment unsustainable.	• Pension provider has changed covenant monitoring arrangements. • Review of deficit with every interest rate rise • Have retained experts to advise on implications of above.

The Senior Executive Team is responsible for managing the actions identified against each risk and reporting the Risk Register to each meeting of the Board's Finance & General Purposes Committee (which reports to the Board) highlighting any new risk and where any score has deteriorated. A full review of the risk register is undertaken annually.

Pension liability – a Key Risk
Before 1 May 2015, the hospice offered a multi-employer pension scheme providing a defined benefit (career average) pension for members. This scheme was closed to further accrual in July 2016. The scheme was a "last man standing" arrangement.

The scheme is run by the Pensions Trust and is in deficit. The last full scheme valuation in September 2016 resulted in the Hospice agreeing to pay £70,000 each year in deficit contributions since 1 April 2018. This contribution will increase by 3% each year till 2028. The Scheme actuaries estimated in September 2016 that these deficit recovery payments from employers would be sufficient to return the scheme to a fully funded position. We were informed at the time of this last valuation that the cost to "buy out" the Hospice liability would be £4.9 million. The accounts for 2017 reflect the additional balance sheet provision needed to reflect the future value of payments. A designated reserve of £300,000 has been retained towards this potential future buy-out.

The Board recognises this as a key risk and has been actively working with the Senior Team to manage it:

- We have engaged actuarial experts to help us with monitoring the scheme performance and covenant.
- We have looked at ways we can engage with individual members of staff to incentivise and offer alternative arrangements. The first phase of this process offering this to staff with larger pension transfer values has been completed leading to a reduction in liability of approx. £350,000. A second phase has been implemented in 2017 for people with smaller pension pots. This resulted in further reduction of approximately £150,000
- We will continue to monitor the level of buyout cost and review whether it would be prudent to take out a mortgage to pay this off, thereby swapping the variable pension deficit risk for an interest rate risk.

Reserves policy
The Hospice relies on fundraising for 42% of its income, around 12% from the profits of its charity shops and around 22% from contracts with Harrow & Brent Clinical Commissioning Groups. As a result, it needs to ensure that it has a sufficient reserve of funds available to meet unexpected shortfalls in one or more of its funding streams, or sudden increases in costs, through external events beyond its control.

Historically the Board had set its reserves level based on a number of months of operating expenses, in line with the approach taken by many charities. However, recognising the mix of income streams that the Hospice relies on to fund its work and the different risks associated with each income stream, the Board recently decided to take a different approach and undertook a detailed review and assessment of each individual income stream and the potential risks associated with it, including an assessment of the likelihood and impact of any changes. Each income stream was given a risk weighting and a potential reserve amount allocated. As a result, the Trustees agreed a target level of designated risk management reserves of £2.650m (including £1m to underpin future deficit). This Risk management reserve was at £2.496 as at 31 December 2017. The Reserve was set up so that the Hospice is able to manage any unexpected shortfall in income to protect the needs of the patients served and also to give a reassurance of security for the staff. The funds released have been transferred to funds to support investment in development and pilot projects towards the strategic vision for the future of the hospice and to meet a 10 year planned maintenance schedule.

The trustees have designated assets equivalent to the fixed assets of the hospice and also of the subsidiary charity shops company, which are not covered by that company's working capital. This is to better identify which funds are available to cover risk or to set aside for other purposes.

The Finance & General Purposes Committee reviews the level of reserves and considers any amendments to the policy which may be necessary and reports its conclusions to the Board. In 2017 a further review of reserves was carried out.

Reserves policy (continued)

As at 31 December 2017 the company had the following designated and general reserves excluding reserves linked to fixed assets such as freehold and leasehold property:

	£ 000s	Timeline for use
Designated Fixed Asset Fund	5039	The designated fixed asset fund represents the net book value of the Hospice's fixed assets. It has been set up to assist in identifying funds which are not free funds
Designated Shop Assets Fund	385	The designated shops asset fund has been set up to identify fixed assets of the shops company not covered by their working capital.
Risk Management Reserve	2,496	£1,496 against perceived risks to income. A further £1,000 to underpin future deficit.
Planned Maintenance fund	300	Held for planned work in 2018 and 2019.
Pension Deficit Reserve	300	Held towards a potential future buy-out of the Defined Benefit Pension Scheme.
Development Fund	760	To be expended at Trustees discretion on projects linked to strategic objectives.
General Fund	70	

All of the above will be reviewed in 2018 when the new organisational strategy is finalised.

Investment policy

As outlined above, the approval of the new reserves policy, which created a Risk Management fund of £2.65m and agreed specific reserves for Planned Maintenance of the hospice premises, a Development Fund to support new projects and a Capital Development Fund towards expected future capital projects.

The Board agreed to review the best way to manage the monies supporting these reserves and following a tender exercise we appointed Rathbones PLC as our Investment Managers. Approximately £1.65m will be held by them in underlying investments appropriate to the purpose and anticipated timescale of the designated reserve to which it relates.

The Senior Executive Team monitors the performance of the investment funds and reports quarterly to the Finance & General Purposes Committee.

Funding

The Hospice's principal funding sources (as a % of income) are:

- 29% Fundraising through donations and fundraising events (2016:27%)
- 13 % Legacy Gifts (2016: 31%)
- 12% Profit from Trading Subsidiary (2016:10%) including Gift Aided sales, Gift Aid recovered through charity and lottery
- 22 % Harrow & Brent Clinical Commissioning Groups (NHS) (2016: 17%)
- 1 % Investment and other income (2016: 1%)

All of these funds are employed in providing the specialist palliative care which is the primary purpose of the hospice.

Tangible fixed assets

Movements in tangible fixed assets are shown in note 10 to the financial statements.

Going Concern

The trustees have prepared the financial statements on a going concern basis and consider that no disclosures relating to the charity's ability to continue as a going concern need to be made in the financial statements.

Structure, Governance and Management

The Hospice was incorporated as St Luke's Hospice (Harrow & Wembley) Limited under the Memorandum & Articles of Association dated 22 June 1987 as amended on 8 January 1988, 11 November 1993, 15 August 2000, 26 June 2001 and 18 December 2008. In 1993, following local government reform, the Hospice changed its registered name to St Luke's Hospice (Harrow & Brent) Limited to reflect the change of name of part of its catchment area from the London Borough of Wembley to the London Borough of Brent.

The Company has a wholly owned trading subsidiary, St Luke's Hospice (Harrow & Brent) Charity Shops Ltd, through which it operates a growing network of charity shops and a Lottery. The trading subsidiary exists to maximise income for the hospice and all profits are paid to the hospice using Gift Aid.

St Luke's is governed by a Council of Management (Board of Trustees). Trustees are appointed for an initial 3-year period and are eligible for re-election for a further 3 years. Thereafter a year must elapse before they are eligible to stand again. Those holding the posts of Chairman, Vice Chairman and Treasurer serve for an initial period of 3 years and are eligible for re-election for a further 3 years – this may be in addition to a term(s) served as a Trustee.

Trustees are appointed by the Board following open recruitment with internal and external press advertising. The Board reviews the skills it needs in deciding selection criteria to maintain breadth of skills. During the year 4 trustees resigned at the end of the term of office and 3 new trustees were recruited following an extensive process which included external advertising and open evenings for prospective candidates to find out more about the work of the hospice and the role of the Board. Over 20 applications were received and the majority of these were shortlisted for interview before 3 were selected to join the Board

All trustees are required to complete a thorough induction programme during their first 6 months in post including spending time with different departments in the organisation and attending different committee meetings. The induction process is supported and overseen by the Chair and the CEO.

A programme of workshops for both new and existing trustees was held at the beginning of 2016 covering topics from Good Governance to Finance for non-financial trustees. These were also attended by trustees from other local hospices, helping build relationships with our colleagues.

The full Board meets quarterly and held an annual strategy away day in October jointly with the Senior Executive Team as part of the process to develop a strategic plan for 2016-18. The Board delegates consideration of key areas of its work to 3 standing committees: Finance & General Purposes, Clinical Governance and Fundraising. Additionally, a Remuneration Committee meets ad hoc. Each Trustee sits on at least one of these committees, each of which meets quarterly in advance of the Board meetings. The Board has delegated certain powers to the Chief Executive Officer (CEO) who acts as a conduit between the senior staff and Trustees.

The Board has adopted a governance calendar to ensure that it systematically reviews key management information and data and satisfies itself that the Hospice is properly and correctly run enabling the Board to discharge its governance responsibilities in full.

Structure, Governance and Management (continued)

The Hospice is a member of Hospice UK and works with it and a number of neighbouring hospices where collaboration is the best approach. The Hospice also strives to build good working relationships with the Harrow & Brent Clinical Commissioning Groups, from which it receives part of its funding. St Luke's also maintains links with a variety of professional associations which support the work of the staff.

Senior Executive Remuneration

The charity approach to pay policy is consistent for our staff and the Executive team. Our policy is designed to enable us to attract, retain and motivate high performing Executive team members. It also aims to demonstrate to our stakeholders (particularly funders and service users) that our pay levels are set to support delivery of the charity's aims and are an effective use of charitable funds.

The objectives of our pay policy are to:

- reward staff appropriately and enable the recruitment of a high calibre Executive Team
- ensure the proper use of the charity's resources in accordance with its aims and within affordable limits based on the financial circumstances of the charity
- be non-discriminatory, just and equitable in the evaluation of jobs and their remuneration by providing a stable framework for the remuneration of the Executive team
- operate within the law
- pay at a competitive level taking account of external market rates, with the aim being to set pay at the median level or above for comparable posts in the voluntary sector subject to the charity's financial position.

The charity publishes the salary of its key management personnel within its annual report. The number of staff paid over £60,000 is also published in accordance with the charity accounting requirements.

Executive pay is reviewed on an annual basis by the Remuneration Committee and is subject to approval by the Board of Trustees, which is responsible for ensuring proper application of our pay policy.

Statement of Trustees' Responsibilities

The Trustees 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).

Charity 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 charity and group and of the incoming resources and application of resources, including the income and expenditure, of the charity and group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and 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 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 of 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the charity and group'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 that the auditors are aware of that information

The Trustees are responsible for maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in their jurisdictions.

In approving this Trustees' Report, the Board are also approving the Strategic Report included herein in their capacity as company directors.

By order of the Board

Gillian Schiller

Dr Gillian Schiller, Chairman

Date: 21 Sep 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

Opinion
We have audited the financial statements of St Luke's Hospice (Harrow & Brent) Limited for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, The Charity and Group Balance Sheets, the Statement of Consolidated Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2017 and of the group's and parent charitable company's net movement in funds, including the 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of trustees for the financial statements
As explained more fully in the trustees' responsibilities statement set out on page 17, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information
The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the strategic report and the directors' report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; 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.

Use of our report
This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lee Stokes (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

10 Queen Street Place,
London,
EC4R 1AG

21 September 2018

ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(Including an Income and Expenditure Account)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Unrestricted funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2017 £'000	Total 2016 £'000
Income from:						
Donations and legacies						
. Donations	2	1,389	334	-	1,723	1,951
. Legacies	3	926	-	-	926	2,892
		2,315	334	-	2,649	4,843
Charitable Activities						
. NHS commissioning		1,327	246	-	1,573	1,528
. Other income		75	-	-	75	29
	5	1,402	246	-	1,648	1,557
Other trading activities						
. Fundraising events	2	414	-	-	414	583
. Gross income from shops and lottery	4	2,608	-	-	2,608	2,290
		3,022	-	-	3,022	2,873
Investments		43	-	-	43	79
Total income		**6,782**	**580**	-	**7,362**	**9,352**
Expenditure on:						
Raising funds						
- Fundraising costs		527	-	-	527	456
. Fundraising events costs		502	-	-	502	485
. Shops and lottery expenditure	4	2,564	-	-	2,564	2,331
. Investment management costs		11	-	-	11	-
		3,604	-	-	3,604	3,272
Charitable activities						
. In patient services		1,596	-	-	1,596	1,444
. Day care services		400	11	-	411	345
. Homecare services		976	369	-	1,345	986
. Overall clinical support		1,377	139	-	1,516	1,371
		4,349	519	-	4,868	4,146
Total expenditure	7	**7,953**	**519**	-	**8,472**	**7,418**
Net (expenditure)//income before gains/(losses) on investments		(1,171)	61	-	(1,110)	1,934
Realised gains on sale of investments	11	23	-	(1)	22	22
Unrealised gains/(losses)on investments	11	25	-	12	37	64
Net (expenditure)/income	6	(1,123)	61	11	(1,051)	2,020

ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (continued)
(Including an Income and Expenditure Account)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Unrestricted funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2017 £'000	Total 2016 £'000
Net income/(expenditure)	6	(1,123)	61	11	(1,051)	2,020
Provision for pension liability		-	-	-	-	-
Transfer between funds		24	(24)	-	-	-
Net movement in funds		(1,099)	37	11	(1,051)	2,020
Reconciliation of funds						
Total funds brought forward		10,449	107	208	10,764	8,744
Total funds carried forward		9,350	144	219	9,713	10,764

All amounts relate to continuing activities. There are no recognised gains or losses for the current or preceding financial year other than as shown above, therefore no Statement of Total Recognised Gains & Losses has been presented. Income and expenditure by fund for the year ended 31 December 2016 is given in note 19 to the accounts.

The notes on pages 24 to 40 form part of these accounts.

CHARITY AND GROUP BALANCE SHEETS

AT 31 DECEMBER 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
FIXED ASSETS					
Tangible assets	10	5,424	5,332	5,039	5,022
Investments	11	1,645	1,597	1,645	1,597
		7,069	6,929	6,684	6,619
CURRENT ASSETS					
Debtors	12	1,201	1,410	2,099	1,743
Cash at bank and in hand		2,648	3,460	1,981	3,306
		3,849	4,870	4,080	5,049
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13	(464)	(511)	(322)	(392)
NET CURRENT ASSETS		3,385	4,359	3,758	4,657
Long term liabilities (Pension deficit)	20	(741)	(524)	(741)	(524)
NET ASSETS	14	9,713	10,764	9,701	10,752
Represented by					
Unrestricted funds					
Designated funds		9,280	9,532	9,280	9,532
General fund		70	917	58	905
		9,350	10,449	9,338	10,437
Endowment funds		219	208	219	208
Restricted funds		144	107	144	107
	15	9,713	10,764	9,701	10,752

The net result of the charity's own activities for 2017 was a deficit of £984,000 (2016: surplus £1,045,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 21 Sep 2018 and signed on their behalf by:

Gillian Schiller

G Schiller
Chair of Trustees

The notes on pages 24 to 40 form part of these accounts

ST LUKE'S HOSPICE (HARROW & BRENT) LIMITED

STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Cash flows (used in)/from operating activities:				
Net cash flow provided by operating activities (note A)		(650)		2,259
Cash flows from investing activities:				
Dividends, interest and rents from investments	43		79	
Purchase of property, plant and equipment	(216)		(152)	
Disposal of investments	1,264		-	
Acquisition of investments	(1,253)		-	
Net cash used in investing activities		(162)		(73)
Change in cash and cash equivalents in the reporting period		(812)		2,186
Cash and cash equivalents at the beginning of the reporting period		3,460		1,274
Cash and cash equivalents at the end of the reporting period		2,648		3,460

A) Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2017 £'000	2016 £'000
Net (expenditure)/income for the reporting period (as per the statement of financial activities)	(1,051)	2,020
Adjustments for:		
Depreciation charges	124	94
Gains on investments	(59)	(86)
Dividends, interest and rents from investments	(43)	(79)
Decrease in debtors	209	384
Increase/(decrease) in creditors	170	(74)
Net cash flow (used in)/provided by operating activities	(650)	2,259

Analysis of cash and cash equivalents	2017 £'000	2016 £'000
Cash in hand	2,648	3,460
Total cash and cash equivalents	2,648	3,460

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:

(i) 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) and the Companies Act 2006.

The charity 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 note(s).

(ii)Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are deemed to be in relation to the depreciation rates of tangible fixed assets and accruing for legacies which have not yet been received.

In the view of the trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

(iii)Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised with the exception of investments which are held at fair value. Financial assets held amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

(iv) Preparation of accounts on a going concern basis

The trustees consider there are no material uncertainties about the charity's ability to continue as a going concern. The review of our financial position, reserves levels and future plans gives trustees confidence the charity remains a going concern for the foreseeable future.

(v) Consolidation

These accounts consolidate the results of the charity and its wholly owned subsidiary, St Luke's Hospice (Harrow & Brent) Charity Shops Limited, on a line-by-line basis. A separate Income and Expenditure Account and Statement of Financial Activities is not presented for the charity alone as permitted by the Companies Act 2006 and Charities SORP.

(vi) Income

Income from donations, legacies and grants are recognised where there is entitlement, probability of receipt and the amount can be measured with sufficient reliability. Donations include related gift aid income.

The Shops company acts as agent to sell items donated with a gift aid declaration and to pass the resulting cash donations to the Hospice rather than record them as turnover within the Shops Company. The Hospice also receives the gift aid claimed on these donations.

Legacies are included when the Hospice becomes entitled to the funds and the sum receivable can be reliably quantified. Where they rely on the sale of property or investments, and thus do not have a certain valuation, an estimate of their value is disclosed in the notes to the financial statements.

Investment income is recognised on a receivable basis.

Income from charitable activities includes income from NHS contracts from the Harrow & Brent Clinical Commissioning Groups. They have been dealt with on a receivable basis as a contribution to running costs.

There have been no significant gifts in kind or donated goods and services during the year.

The value of services provided by volunteers is not incorporated in these financial statements. Further detail of the substantial contribution by volunteers can be found in the Report of the Trustees.

(vii) Expenditure

Expenditure is recognised when a liability is incurred. It includes VAT where this is not recoverable.

Expenditure on raising funds is the costs incurred in attracting donation income, organising and managing fundraising events, and the costs incurred in trading activities which raise funds.

Charitable activities include the hospice care services offered to inpatients, day care patients, those receiving hospice services in their own homes, and their carers and families. There are also a range of clinical and other services which apply to all these forms of hospice care. These costs include both the direct costs and support costs relating to these activities.

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g., property costs by floor areas and other costs on the bases shown in Note 7.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with compliance with constitutional and statutory requirements. These have been allocated to activity costs on the same basis as support costs.

(viii) Tangible fixed assets

Tangible fixed assets are held at cost and (except for the freehold property) depreciated on a straight line basis over their estimated useful lives as follows.

Leasehold properties	Over the term of the lease
Fixtures and equipment	20%
Motor vehicles	20%
IT equipment and systems	33.3%

The freehold property is not depreciated as the amount of depreciation is considered to be immaterial.

(ix) Investments

Investments at the year end are held by Rathbones PLC as a consolidated portfolio.

(x) Stock

Stock is included at the lower of cost and net realisable value. No value is attributed to stocks of donated goods as it is considered that the cost of obtaining a valuation of this stock would outweigh the benefit to the user of these accounts.

(xi) Funds

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes.

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

Endowment funds are restricted funds which are to be retained for the benefit of the charity as a capital fund.

The Hospice has a number of restricted income and capital funds. Details of the funds are given in the notes to the financial statements.

(xii) Pensions

The Group currently offers a qualifying defined contribution pension scheme to all staff. In addition the Group is a Direction Employer under the NHS Scheme.

National Health Service Superannuation scheme

This is a statutory superannuation scheme as defined in Section 6.12 (1) Income and Corporation taxes Act 1988, which has no invested funds. Contribution by employers (currently 14.3%) and members are accounted for to the Treasury and benefits are paid from the consolidated fund. This scheme is only open to staff who have been members of the NHS scheme in previous employment under the dispensation rules. The accounting charge represents the employer's contributions for the period.

Defined Contribution Scheme (Pensions Trust)

With effect from 1 May 2015 the group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the group. There is no liability under the scheme other than the payment of those contributions.

(xiii) Taxation

No tax is payable due to the charitable status of the parent company. Taxable profits generated by the trading subsidiary are transferred to the parent company under gift aid.

(xiv) Leases

Operating lease rentals are charged to the Statement of Financial Activities over the period of the lease.

(xv) Legal status
The charitable company is limited by Guarantee and does not have any share capital.

(xvi) Employee benefits
Short term benefits including holiday pay are recognised as an expense in the period in which the service is received. Termination benefits are accounted for on an accrual basis and in line with FRS 102.

(xvii) 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.

(xviii) Cash at bank and in hand
Cash at bank and cash in hand includes cash and short term highly liquid investments.

(xix) Creditors and provisions
Creditors and provisions are recognised where the charity 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.

2. DONATIONS

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
Individual donations	351	-	351	386
In memoriam donations	214	-	214	220
Community groups	45	-	45	37
Trust fund donations	61	334	395	398
Corporate donations	36	-	36	52
Collecting boxes and sundry	28	-	28	28
Gift aid	75	-	75	75
Donations & gift aid from sale of goods in our shops	579	-	579	755
	1,389	334	1,723	1,951

Fundraising events in 2017 were successful in raising £414,000 (2016: £583,000). This was thanks to successful midnight and annual walks, challenge events and fundraising events organised by community organisations.

3. LEGACIES

In addition to the sum of £926,000 from legacies within income (2016: £2,892,000), the Hospice has also received notifications for legacies where the value is currently uncertain until property or equity sales are completed, or probate granted; these are estimated to be in the order of £360,000 (2016: £30,000). In accordance with the Hospice's accounting policy for legacies, these are not included in these accounts on the grounds of uncertainty of measurement.

4. INCOME AND EXPENDITURE FROM SHOPS AND LOTTERY

The charity owns the entire share capital of St Luke's Hospice (Harrow & Brent) Charity Shops Limited, a company registered in England and Wales, which operates charity shops in support of the hospice funding. The subsidiary transfers to the Hospice under gift aid an amount not less than its taxable profits.

A summary of the trading results of the subsidiary is shown below. Audited accounts have been prepared in respect of the trading period for the year ended 31 December 2017.

	Total 2017 £'000	Total 2016 £'000
Turnover	2,287	1,967
Income from lottery	321	323
	2,608	2,290
Cost of sale of purchased goods	1	11
Administration expenses	2,215	1,999
Lottery expenditure and prizes	106	99
Gross direct expenditure of shops and lottery	2,322	2,109
Net direct income from shops and lottery	286	181
Donations of goods under gift aid	464	604
Gift aid reclaimed	117	151
Contribution generated by Charity Shops Ltd	867	936

In addition to the gross direct expenditure shown above, additional indirect support costs of £242,000 (2016: £221,000) relating to Hospice support services, are allocated to shops and lottery (see note 7).

5. CHARITABLE ACTIVITIES

	Unrestricted funds £'000	Restricted funds £'000	Total 2017 £'000	Total 2016 £'000
NHS commissioning income				
Service level agreement	1,327	246	1,573	1,528
				1,528
Other funding	75	-	75	29
	1,402	246	1,648	1,557

NHS commissioning income in 2017 includes a national contribution towards NHS pension costs of £39,000(2016: £39,000), funding for the pilot SPA project £246,000 (2016: £180,000) and contributions towards medical support staff plus payments for care and treatments agreed in addition to the SLA. After the successful pilot of the SPA project we are pleased that Harrow CCG has continued to support the project for a further year till March 2019.

6. NET INCOME/(EXPENDITURE)

	Total 2017 £'000	Total 2016 £'000
Net income is stated after charging:		
Depreciation	124	94
Auditor's remuneration	13	12
Operating lease rental	469	443

7. EXPENDITURE

	Basis of Allocation	Fundraising costs £'000	Fundraising event costs £'000	Shops & Lottery expenses £'000	Investment Management costs £'000	Inpatient services £'000	Day care services £'000	Homecare services £'000	General clinical support £'000	2017 Total £'000
Staff costs	Direct	271	271	1,312	-	1,162	297	1,208	1,072	5,593
Drugs and medical	Direct	-	-	-	-	87	-	-	-	87
Catering and housekeeping	Direct	-	-	-	-	-	-	-	141	141
Fundraising and community	Direct	141	145	-	-	-	-	-	-	286
Other direct costs	Direct	-	-	1,010	11	38	4	21	87	1,171
		412	416	2,322	11	1,287	301	1,229	1,300	7,278
Support costs										
Management	Staff time	32	32	85	-	16	16	16	16	213
Finance	Staff time	26	26	85	-	32	17	27	45	258
HR	Headcount	12	6	72	-	50	7	17	35	199
Premises	Floor area	14	6	-	-	84	53	13	31	201
Gen overheads	Headcount	31	16	-	-	127	17	43	89	323
		115	86	242	-	309	110	116	216	1,194
Total expenditure 2017		527	502	2,564	11	1,596	411	1,345	1,516	8,472
Total expenditure 2016		456	485	2,331	-	1,444	345	986	1,371	7,418

8. STAFF COSTS AND NUMBERS

	Total 2017 £'000	Total 2016 £'000
Salaries and wages	4,665	4,120
Social security costs	429	368
Pension costs	611	313
Total	5,705	4,801
Average number of employees (full time equivalents)		
Hospice	105	94
Shops	59	53
	164	147

There were on average 190 people employed (2016 – 172) full and part time.

As at the year end there was one employee with emoluments between £60,000 - £70,000 (2016: 2). As at the year end there was one employee with emoluments between £70,000 - £80,000 (2016: 1). Employers' pension contributions to defined benefit schemes for these employees were £nil (2016: £nil).

The total remuneration for key management personnel included in staff costs above is £331,709(2016: £305,232).

The employees are supported by approximately 900 unpaid volunteers.

9. TRUSTEES

None of the trustees received any remuneration or benefits in kind from the charitable company (2016: Nil). Expenses on behalf of one of the trustees or reimbursed during the year amounted to £291 (2016: £995).

10. TANGIBLE FIXED ASSETS

Group	Freehold properties £'000	Leasehold properties £'000	Fixtures & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
Opening balance	4,932	870	858	63	6,723
Additions	-	148	68	-	216
Closing balance	4,932	1,018	926	63	6,939
Depreciation					
Opening balance	-	581	759	51	1,391
Charge for the year	-	74	48	2	124
Closing balance	-	655	807	53	1,515
Net Book Value					
At 31 December 2017	4,932	363	119	10	5,424
At 31 December 2016	4,932	289	99	12	5,332

10. TANGIBLE FIXED ASSETS (continued)

Charity	Freehold properties £'000	Leasehold properties £'000	Fixtures & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
Opening balance	4,932	-	771	9	5,712
Additions	-	-	63	-	63
Closing balance	4,932	-	834	9	5,775
Depreciation					
Opening balance	-	-	681	9	690
Charge for the year	-	-	46	-	46
Closing balance	-	-	727	9	736
Net Book Value					
At 31 December 2017	4,932	-	107	-	5,039
At 31 December 2016	4,932	-	90	-	5,022

Freehold properties otherwise represents the acquisition and conversion costs of Kenton Grange between 1992 and 2002 shown at historic cost and the costs of building the Woodgrange Centre completed in 2015. The additions to leasehold properties represent the costs of fitting out two new and one existing shop during the year.

11. INVESTMENTS

	2017 £'000	2016 £'000
Market value at 1 January 2017	1,597	1,511
Additions	1,253	-
Disposals	(1,264)	-
Realised and unrealised gains	59	86
Market value at 31 December 2017	1,645	1,597

12. DEBTORS: amounts falling due with one year

	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade debtors	105	129	89	129
Other debtors	82	161	63	106
Prepayments and accrued income	1,014	1,120	863	981
Amounts owed by subsidiary undertaking	-	-	1,084	527
	1,201	1,410	2,099	1,743

13. CREDITORS: amounts falling due within one year

	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	104	223	71	185
Other creditors	79	114	67	108
Taxation and social security	157	99	136	79
Accruals and deferred income	124	75	48	20
	464	511	322	392

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

- GROUP

	Unrestricted funds		Endowment	Restricted	Total
	General £'000	Designated £'000	Funds £'000	Funds £'000	2017 £'000
Tangible fixed assets	-	5,424	-	-	5,424
Investments	-	1,426	219	-	1,645
Net current assets/(liabilities)	811	2,430	-	144	3,385
Long term liabilities	(741)	-	-	-	(741)
Net assets	70	9,280	219	144	9,713

- CHARITY

	Unrestricted funds		Endowment	Restricted	Total
	General £'000	Designated £'000	Funds £'000	Funds £'000	2017 £'000
Tangible fixed assets	-	5,039	-	-	5,039
Investments	-	1,426	219	-	1,645
Net current assets/(liabilities)	799	2,815	-	144	3,758
Long term liabilities	(741)	-	-	-	(741)
Net assets	58	9,280	219	144	9,701

15. FUNDS

	Opening balance £'000	Income £'000	Expenditure £'000	Investment gains £'000	Transfers £'000	Closing Balance £'000
Restricted funds						
Alice Wisbey Income fund	6	-	-	-	-	6
Inpatient funds	10	-	-	-	(10)	
Day care funds	5	13	(11)	-	(4)	3
Homecare funds	14	353	(367)	-	-	-
Clinical funds	43	60	(64)	-	-	39
Other sundry funds	29	89	(77)	-	(10)	31
Capital funds	-	65	-	-	-	65
Total restricted funds	107	580	(519)	-	(24)	144
Endowment funds						
Alice Wisbey Capital Fund	18	-	-	1	-	19
D D McPhail	190	-	-	10	-	200
Total endowment funds	208	-	-	11	-	219
Unrestricted funds						
Designated Fixed Asset Fund	4,926	-	(52)	-	165	5,039
Designated shops assets fund	296	-	(72)	-	161	385
Designated risk management fund	2,650	-	-	-	(154)	2,496
Planned Maintenance Fund	300	-	-	-	-	300
Designated Development Fund	760	-	-	-	-	760
Pension Liability Reserve	600	-	-	-	(300)	300
Total designated funds	9,532	-	(124)	-	(128)	9,280
Unrestricted funds						
General charitable funds	904	4,174	(5,265)	48	152	13
General non-charitable Trading funds	13	2,608	(2,564)	-	-	57
Total general funds	917	6,782	(7,829)	48	152	70
Total unrestricted funds	10,449	6,782	(7,953)	48	24	9,350
Total funds	10,764	7,362	(8,472)	59	-	9,713

15. FUNDS (continued)

A small balance in the Restricted funds totalling £24,000 was transferred to the General funds during the year. A review was conducted on the Restricted funds and it was noticed that the balances in the funds pertained to monies that were already expended on the designated projects during the previous years.

A Pension Liability Reserve was set up in 2017 to reflect potential increases in the pension liability. This has now been provided in full, so the reserve has been reduced. The balance on this fund will be used towards the cost of a future buy-out of the liability.

The net deficit arising out of the activities during the year of £764,000 resulted in the reduction of the Unrestricted General Charitable funds balance. A reduction in the income from legacies and donations coupled with an increase in fundraising costs resulted in the deficit during the year. While the activities of the Hospice are expected to result in a deficit for 2018 also, steps are being taken to reduce the deficit over the next 3 years through a combination of income generating and cost saving initiatives. The activities are expected to generate a surplus from 2021 onwards.

The late Mrs Alice Wisbey made a bequest to the Hospice with the instruction that the income therefrom should be applied for the comfort of the nursing staff. This is split between Income and Capital funds.

The departmental and sundry restricted funds represent grants and donations received, from Trusts and individuals, where the use of the funds was restricted to a specific purpose by the donor. These funds have included contributions toward the cost of our Community and Homecare services, to the provision of complementary therapies and a number of other items. Funds carried forward represent service funding and projects to take place in 2016 and beyond.

The D D McPhail Charitable Settlement originally gave £150,000 as an endowment fund. No instructions were given about income so this is applied for the general purposes of the charity. The difference between the original fund value and the current fund value arises through revaluation of the underlying investment.

The designated fixed asset fund represents the net book value of the Hospice's fixed assets. It has been set up to assist in identifying funds which are not free funds. Similarly the designated shops asset fund has been set up to identify fixed assets of the shops company not covered by their working capital.

The designated risk management fund represents funds (mainly invested) to provide a cushion against unexpected costs or shortfalls of income and thus to support the long-term future of the hospice. A review of risks in 2017 concluded that £2.65m was the appropriate sum to hold for his purpose. An amount of £154,000 was transferred from this Reserve to the General fund in order to cover the deficit during the year.

In 2015 the trustees decided to set aside a planned maintenance fund of £300,000 to cover the cost of a long term schedule of repair and maintenance works over 10 years.

Also in 2015, the trustees decided to set aside £410,000 of funds from the surplus, largely arising from unexpected legacies, to help to fund investment and pilot projects to further their strategic plans for the hospice. In 2016 the capital development reserve below has been added to this development totalling £760,000 at the end of 2016.

Also, as a result of their strategic plans the trustees considered that further capital development for expansion of facilities and the resultant staffing was likely to be needed in a few year's time and set aside £350,000 towards .the initial funding for such a project, for example to support a capital appeal. This has now been merged with the development fund above.

The general funds represent the unrestricted funds of the group, which are not designated for any other particular purpose and are therefore "free reserves".

16. OPERATING LEASE COMMITMENTS

The group has the following total commitments under non-cancellable operating leases:

	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts due:				
Within 1 year	469	421	-	-
Within one to two years	462	407	-	-
Within two to five years	1,297	1,157	-	-
After five years	1,091	1,060	-	-
	3,319	3,045	-	-

17. CAPITAL COMMITMENTS

The group has no capital commitments at the year-end (2016: none).

18. RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year (2016: None).

19. STATEMENT OF FINANCIAL ACTIVITIES IN THE PREVIOUS YEAR

	Unrestricted funds £000's	Restricted Funds £000's	Endowment Funds £000's	Total 2016 £000's
Income from:				
Donations and legacies				
. Donations	1,746	205	-	1,951
. Legacies	2,892	-	-	2,892
	4,638	205	-	4,843
Charitable Activities				
. NHS commissioning	1,298	230	-	1,528
. Other income	29	-	-	29
	1,327	230	-	1,557
Other trading activities				
. Fundraising events	583	-	-	583
. Gross income from shops and lottery	2,290	-	-	2,290
	2,873	-	-	2,873
Investments	79	-	-	79
Total income	8917	435	-	9,352

19. STATEMENT OF FINANCIAL ACTIVITIES IN THE PREVIOUS YEAR (continued)

	Unrestricted funds £000's	Restricted Funds £000's	Endowment Funds £000's	Total 2016 £000's
Expenditure on:				
Raising funds				
. Cost of generating voluntary income	456	-	-	456
. Fundraising events costs	485	-	-	485
. Shops and lottery expenditure	2,331	-	-	2,331
	3,272	-	-	3,272
Charitable activities				-
. In patient services	1,444	-	-	1,444
. Daycare services	324	21	-	345
. Homecare services	721	265	-	986
. Overall clinical support	1,191	180	-	1,371
	3,680	466	-	4,146
Total expenditure	6,952	466	-	7,418
Net gains on investments	73	-	13	86
Net income/(expenditure)				
Transfers between funds	2	(2)	-	-
Net movement in funds	2,040	(33)	13	2,020
Reconciliation of funds				
Total funds brought forward	8,409	140	195	8,744
Total funds carried forward	10,449	107	208	10,764

20. THE CAREER AVERAGE REVALUED EARNING SCHEME (PENSIONS TRUST)

Before 1 May 2015, the group offered a multi-employer pension scheme providing a defined benefit (career average) pension for members.

The company participated in the scheme, a multi-employer scheme which provides benefits to some 36 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

20. THE CAREER AVERAGE REVALUED EARNING SCHEME (PENSIONS TRUST) (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2016. This actuarial valuation showed assets of £60.45m, liabilities of £85.3m and a deficit of £24.86m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2018 to 30 November 2028:	£1,400,000 per annum (payable monthly and increasing by 3.0% each year on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION	**31 December 2017 (£000s)**	**31 December 2016 (£000s)**
Present value of provision	808	578

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	**Year ended** 31 December 2017 (£000s)
Provision at start of period	578
Unwinding of the discount factor (interest expense)	-
Deficit contribution paid	(57)
Re measurements - impact of any change in assumptions	(2)
Re measurements - amendments to the contribution schedule	289
Provision at end of period	808

	2017 £'000	**2016 £'000**
Amounts due within one year	67	54
Amounts due after one year	741	524
	808	578

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

20. THE CAREER AVERAGE REVALUED EARNING SCHEME (PENSIONS TRUST) (continued)

ASSUMPTIONS	31 December 2017 % per annum	31 December 2016 % per annum
Rate of discount	1.66	1.62

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The results of the September 2016 valuation have been published. The deficit contribution paid annually by St Luke's Hospice will increase from £57,000 to £70,000 from April 2018 till November 2028.

21. FINANCIAL INSTRUMENTS

	Total 2017 £000's	Total 2016 £000's
Financial assets measured at fair value	1,645	1,597
Financial assets measured by amortised cost	187	290
Financial liabilities measured by amortised cost	183	71

Financial assets measured at fair value include investments.

Financial assets measured at amortised cost include trade and other debtors.

Financial liabilities measured at amortised cost include trade and other creditors.