

Company number: 4325622

Charity number: 1089826

# The Retreat York

Report and financial statements

For the year ended 31 December 2018



## **The Retreat York**

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#### **For the year ended 31 December 2018**

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## The Retreat York

### Reference and administrative information

For the year ended 31 December 2018

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**Company number** 4325622

**Charity number** 1089826

**Registered office and operational address**

107 Heslington Road  
York  
YO10 5BN

**Country of registration** England & Wales

**Country of incorporation** United Kingdom

**Trustees** Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Sallie Ashe <sup>1 3</sup>

Jennifer Barraclough <sup>1 3 4 5</sup>

Malcolm Bowker <sup>1 4</sup> (Resigned 7 March 2018)

James Eddington <sup>1 2</sup>

Martin Ford <sup>1</sup> (Appointed 7 June 2018)

Rob Griffiths <sup>3</sup>

John Miles <sup>1 4</sup>

Jane Muers <sup>2</sup> (Resigned 5 January 2018)

David Robson<sup>2</sup> (Appointed 12 April 2018)

Mike Wash <sup>2</sup>

1 Member of the Resources Committee

2 Member of the Governance Committee

3 Member of the Remuneration Committee

4 Member of the Audit Committee

5 Clerk to the Trustees

**Key management personnel**

Cathy Waters Chief Executive (until 31 March 2019)

Kim Bevan Director of Development

Ian Holborn Director of Finance & IT

Marie Hopkins Interim Director of Operations (until 17 May 2018)

Ingrid Jenner Interim Director of HR (until 31 March 2019)

Jo Skinner Marketing & Communications (until 31 March 2019)

Chris Hallewell Interim Medical Director (until 17 February 2018)

Sue Hodgson Director of Operations (until 31 March 2019)

## **The Retreat York**

### **Reference and administrative information**

**For the year ended 31 December 2018**

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**Bankers** HSBC Bank plc  
13 Parliament Street  
York  
YO1 1XS

**Solicitors** Weightmans  
Westgate Point  
Westgate  
Leeds  
LS1 2AX

**Investment Managers** Sarasin & Partners  
Juxon House  
100 St Paul's Churchyard  
London  
EC4M 8BU

**Auditor** Sayer Vincent LLP  
Chartered Accountants and Statutory Auditor  
Invicta House  
108-114 Golden Lane  
LONDON  
EC1Y 0TL

**Report of the Clerk to the Trustees**

In 2018, The Retreat faced one of its most difficult and challenging years. We had experienced significant financial challenges throughout 2017 and our occupancy levels were continuing to decrease. We were also acutely aware of the changing healthcare landscape that we were working in, with commissioners moving to models of outpatient and community based care, as close to home as possible. Given that our model was predominantly a bed based model, heavily reliant on NHS funding, we knew that we needed to radically change what we were offering. In late 2017, we commissioned external advice to help us to determine what our options were for the future of The Retreat.

In response to this advice, and after consulting with our key stakeholders, the Board of Trustees made the difficult decision in March 2018 to withdraw from the provision of inpatient services by the end of December 2018 and move to a new business model. This model initially included three main strategic directions: a) a major development of the services currently provided by the Tuke Centre, including the autism and ADHD service, community psychological services and training and consultancy; b) an expansion of the domiciliary care and supported living services from the existing learning disability services to a broader range of services; and c) delivering care for older adults with complex dementia and behavioural challenges in a residential care setting.

However over the summer months, it became clear that we would not be able to pursue expansion of our learning disability service, largely due to restrictions around registering the service. We were also obliged to recognise that the risks around setting up a residential care older adults service were significant, including financial risks and the lack of suitable premises to set up such a service.

Encouragingly, contacts with other providers began to develop during this period. We were able to work with Mencap to provide learning disability service, and Mencap took over the service from 1 January 2019. In the spring of 2018, we began to work closely with a family-run, international organisation, Schoen Clinic, who had recently taken over an eating disorder service in the West Midlands, and are an organisation with a strong delivery and performance reputation. They had aspirations to grow and develop their services in the UK and were interested in working with us to acquire our adult services – the eating disorder service (Naomi Unit) and our personality disorder service (Kemp Unit). This service transferred to Schoen Clinic on 1 January 2019.

The entire process, of determining our own strategic direction and of developing new relationships, required a significant programme of change management which inevitably created major uncertainty for our staff in particular and for the wider community. Many of our staff had worked at The Retreat for many years and had formed a strong attachment and allegiance to the organisation and the building. Managing the transition from a hospital with a range of inpatient services to a much smaller enterprise with no inpatients and significantly fewer staff was a complex and demanding process.

Our staff have been admirable in their responses, given the uncertainty that many of them faced around their own personal futures, and particularly in their continued and unwavering commitment to the patients for whom they were responsible. We have been grateful for the clarity and determination of the leadership team in addressing so many complex and difficult matters. All these challenges have been faced, a clear direction has emerged, and we now have a strong base from which to progress into the next exciting phase of The Retreat.

We are able to record a number of positive factors which have proved greatly encouraging. These include the news in late 2017-early 2018 that we had moved from an 'inadequate rating' with the Care Quality Commission (CQC) to a 'good' rating in the space of eight months.

We were also able to save a significant number of redundancies through our work with other organisations to acquire or transfer services, therefore saving over 70% of jobs. We have also been able to help those staff who were made redundant to find alternative work through positive outsource support.

Financially we are in a relatively strong position now with over £8.7m in free reserves, stabilisation of our finances, a positive and sustainable outpatient model and a growing community based model that is able to demonstrate diversification of funding sources.

We look forward to a very different 2019 in which The Retreat York is the place from which therapists and others offer services for those whose mental health needs care and treatment, but who do not need the intensive treatment of a hospital. It will be the vehicle by which the continuing duties of the present Retreat, to people, property and finances, are carried out.

It will have its base in the present Tuke Centre, but new technology will enable treatment to be provided over a much wider geographical area. It will have the chance to express in modern terms enduring Quaker values: compassion, dignity, the valuing of each individual and the support to help each of us live as our true selves.



Jennifer Barraclough  
Clerk to the Trustees

The trustees present their report and the audited financial statements for the year ended 31 December 2018.

Reference and administrative information set out on pages 1 and 2 form part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

## **Objectives and activities**

### ***The focus of our work***

The Retreat is a charitable, not-for-profit provider of specialist mental health care. We work with the NHS to provide services for people with complex and challenging needs. The Retreat was established in 1796 and was the first place where people with mental health problems were treated humanely and with dignity and respect. Over ninety percent of our inpatients have been funded by the NHS, with over 30 Clinical Commissioning Groups and NHS England referring people to us for support.

The Retreat believes that successful therapeutic relationships are based on respect, dignity and tolerance and ensures the voice of the people who use its services, along with their friends, families and carers, are given every opportunity to be heard. Our main objectives for the past year continued to be the promotion of positive mental health. The strategies we used to meet these objectives included:

- Providing a range of high quality hospital based in-patient services designed to meet the needs of adults with complex and challenging mental health problems;
- Providing a range of community services designed to meet the needs of the general public who are experiencing mental ill-health;
- Ensuring that, wherever possible, our work is externally accredited and combines our distinctive values, clinical model and evidence-based best practice into an effective and accessible service;
- Working in partnership with other organisations and agencies to ensure the widest range of support of available in order to improve people's mental health.

The trustees review the aims, objectives and activities of the charity each year. This report looks at what the charity has achieved and the outcomes of its work in the reporting period.

***Purposes and aims***

The Retreat's purpose as set out in the objects contained in the company's Articles of Association, are to relieve suffering from mental illness. In simple language we describe this as 'improving people's mental health'.

Our mission statement is: "We promote and support the well-being of people affected by mental ill-health, working with them to nurture their unique potential so that they can have a life worth living".

The aims of the charity are to achieve its purpose through the provision of services and related activities that prevent and treat mental ill-health. The charity defines mental ill-health as any condition that affects an individual's mental functioning, leading to reduced ability to take part in the regular day-to-day activities most of us take for granted.

**Ensuring our work delivers our aims**

We review our aims, objectives and activities each year. This review looks at what we achieved and the outcomes of our work in 2018. The review looks at the success of each key activity and the benefits they have brought to those groups of people we are set up to help. The review also helps us ensure our aims, objectives and activities remained focused on our charitable objects. The Trustees consider how planned activities will contribute to the aims and objectives of the Charity. The Objectives for 2018 included:

- Improvement in standards and safety as reflected in the Care Quality Commission review of delivery in November 2017 ( "Good" Rating)
- Contract review of the eating disorders service by NHS England throughout 2018
- Friends and Family feedback reporting in comparison to prior period reporting.
- Staff retention and staff delivery performance as measured by number and quality of qualified staff and staff retention measures.
- Management of safe and effectively delivery on our Units whilst maintaining occupancy levels to an economic plan.
- Further development of partnership working to ensure pathways can be joined and outcomes for health improved.

Mechanisms for achieving the stated objectives are in place: these include the Strategic Vision which is reviewed annually and supported by a more detailed Business Plan. Staff supervision and appraisals are a means by which progress on targets is monitored to ensure that the agreed work programme is achieved.



## Public benefit

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

## Strategic report

### Risk Review

#### Risk Governance: Strategic Risk

The Trustees of the Retreat, through the work of the Governance Committee, review the key strategic risk of the Retreat at least quarterly. The following table reflects the position of high level strategic risks at the date of the approval of the Financial Statements.

Key Risks	Mitigation	Next steps
Financial sustainability	Careful reserve management	Identify surplus in annual plans
Filling clinical roles	Staff retention plan	Agency "action plan" for gaps
Clinical record keeping	Internal audit and sampling plan	Key resource to complete audit identified
Business continuity plan	Revised plan with governance team	Issued revised plan and solutions to Trustees
Care planning record system	Review of processes	Governance team to lead step by step unit reviews

# **Risk Management: Operational risks**

The Trustees are responsible for reviewing major financial and operational risks to which the charity is exposed, and systems have been established to mitigate those risks. These risks include changes in NHS Commissioning, loss of key personnel and inability to attract sufficient trained clinicians. Methods of dealing with these risks include maintaining close working relationships with key NHS Commissioners and paying market rates to our staff in order to aid recruitment and retention. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects. Systems have been established to ensure that risks are reviewed on a regular basis.

Operational risks are reviewed annually by the Trustees through the Board Assurance Framework. The following objectives and associated risks for 2018 were considered and reviewed:-

OBJECTIVE	REVIEW OF OBJECTIVE
1.Ensure The Retreat's 2020 strategy is fit for purpose, in place and shared across the organisation	<b>The Retreat's 2020 strategy has been superseded by the major change programme to withdraw from inpatient services and to withdraw from Learning Disability Services (see objective 10 on page 10).</b> Building on development of the Tuke Centre and community services will be the growth area for the Retreat in 2019. This is being monitored through regular updates to the Board through performance reports.
2.Develop a dynamic, empowered leadership team, that demonstrates effective decision making, that supports current and future business opportunities	There have continued to be a number of changes to the Leadership Team over the last year. The Interim Director of Operations departed and her deputy was appointed as Director of Operations. The focus of the Leadership Team has been threefold:- <ul style="list-style-type: none"> <li>• Business as usual</li> <li>• Managing the change programme</li> <li>• Developing the new business</li> </ul> All of the above has been monitored through performance reporting and regular review of the risk register matrix

OBJECTIVE	REVIEW OF OBJECTIVE
3. Implement a 2018/19 Quality Improvement Plan capable of tracking continuous and sustained improvement across the organisation	Given the changes that took place in 2018, we streamlined the governance framework and structure to make it more effective and this was monitored through the Governance Committee. The number of incidents and safeguarding issues were carefully monitored and reviewed and appropriate action taken. All of the Clinical Units continued to work on their Quality Improvement Plans throughout the year.
4. Develop an estates strategy to ensure our environment is fit for modern purposes and that it can be used flexibly and smartly	Significant work has been commissioned and is being delivered around our Estates Strategy and this is being led by our Estates Group which is made up of some of the Trustees and appropriate members of the Leadership Team. The Estates Group reports directly into the Board and regularly updates the Board on progress. The Board now has a good understanding of the overall estate and plans are being developed to determine how it is used over the next few years.
5. Develop care pathways, in suitable environments, supported by staff with appropriate skills and competencies, working in an efficient and effective way	See objectives 2 and 3.
6. Ensure organisation achieves a stable financial position	The change programme has been designed, in part, to address the organisation's financial position. The Board receives monthly updates on the financial position of The Retreat and the Finance and Resources Committee meet every two months to review our overall resources
7. Improve The Retreat's Business Continuity Plan	The Business Continuity Plan has been monitored and reviewed throughout 2018 by the Governance Committee and by the Board directly.

## The Retreat York

### Trustees' annual report

For the year ended 31 December 2018

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OBJECTIVE	REVIEW OF OBJECTIVE
8. Become agile within the changing mental health landscape, developing appropriate and effective partnerships and collaborations	See objective 1.
9. Improve the delivery of care and responsiveness of services through effectiveness and efficiency of our systems and processes	See objectives 2 and 3
10. Improve the recruitment and retention of staff	See the Change programme under objective 1 above.

### Change Programme 2018

Changes in NHS commissioning objectives and the direction of travel of the NHS 5-year plans (now 10 year) have resulted in The Retreat taking external expert advice on the future direction of the organisation. In response to this advice, and after consulting with our key stakeholders, the Board of Trustees made the difficult decision in March 2018 to withdraw from the provision of inpatient services on 31<sup>st</sup> December 2018 and move to a new business model.

This Change programme has included the transfer of two inpatient units to Schoen Clinic, a highly regarded family run-business with interests in Birmingham and London; and the transfer of our Learning Disability units to Mencap under a contract with City of York Council for continued care of the clients transferred from the Retreat. A further three inpatient units have been closed during 2018 with the transfer of patients to suitable alternative care facilities.

At the conclusion of the change programme we look forward to a very different 2019 in which The Retreat York becomes a focused outpatient service and is a place from which therapists and others offer services for those whose mental health needs, care and treatment are addressed, but who do not need the intensive treatment of a hospital.

## Achievements and performance

Following externally commissioned advice in late 2017/early 2018 through Deloitte UK, who conducted a robust analysis and diagnostic of the organisation, a number of future options were generated for The Retreat. This was to aid the decision making for the Trustees.

During the Board discussions in January 2018, attention was focused on reconfiguration of services and the discontinuation of inpatient services.

Guided by the experience of the past five years and supported by the detailed analyses which were available, the Board determined that a withdrawal from inpatient provision, and the development of a new form of support which would more widely involve communities and other services, would enable us to manage our financial and other resources more effectively, and would introduce a new phase in The Retreat's history.

In execution of the plans, September 2018 was a significant month for The Retreat and the Board in terms of making final and key decisions about the mental health services offered in future by The Retreat.

1. Learning Disability service – having received unequivocal advice from our barrister on the matter of continuing with the LD services on a hospital site, regrettably we had to make the decision to withdraw from this service, as the CQC will not allow supported living services on a hospital site
2. Complex care service – having considered the commissioned advice contained in an extensive analysis report, we made the decision not to pursue this as an option given that there would be considerable risks
3. Outpatient (Tuke Centre), ADHD/Autism and community based services the Board agreed that this would be the future for The Retreat as a hub for community-focused mental health support. This would be more than the maintenance of the present Tuke Centre; this would become the springboard for growth and development – a new beginning for The Retreat of the future.

### Closure and Transfer of remaining Units

We needed to ensure that all older adults were appropriately and successfully moved to new care facilities, a process that was handled with compassion, dedication and professionalism at all times. All clients were successfully and positively moved by end of November 2018 to their new 'homes'. This meant that our older adult services were closed by the end of November 2018.

The sales and transfer of Naomi and Kemp units to Schoen Clinic was agreed in November 2018, and supported by an unconditional contract. The operations for these units transferred on 1<sup>st</sup> January 2019.

The Learning Disability services (City of York Care contract) transferred to Mencap on 1<sup>st</sup> January 2019.

The first redundancies became effective from 30<sup>th</sup> November with the last ones planned to take place at the end of March 2019, the majority of staff leaving in December 2018.

### **Estates Development**

Throughout 2018, major work has also been taking place to review our overall estates and determine how we can make the best use of the space. In the short term, some areas not required in the main building are being decommissioned, until final decisions are made about the overall estate during 2019.

### **KEY ACHIEVEMENTS FOR 2018**

- Continuation of a 'Good' CQC rating gained in November 2017
- Sustainable outpatient model and a community-based model demonstrating diversification of funding sources
- Development of robust governance processes and structures to reflect the changing organisation
- Strategic review of the organisation and its future options and opportunities and delivery of the Board's preferred option – closure of inpatient units within agreed timeframe
  - Successful closure of historic inpatient hospital, through selling adult services to an acquirer and transferring learning disability services to another provider
  - Successful part-delivery of the 2018 Change Programme including planned redundancies, TUPE transfer of staff and new operating model based on significant outsourced services provision.
  - Reduction of potential significant number of redundancies – through acquisition and transfer – 70% of jobs saved. Majority of those staff made redundant who wanted to find alternative work have been helped to do so, largely through positive outsource work.
- Establishment of stable financial position with circa £11.7m in investments and cash resources to grow and develop the organisation
- Maintenance of a healthy pension position with a scheme in a well-funded position

## **The Retreat York**

### **Trustees' annual report**

#### **For the year ended 31 December 2018**

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- Maintenance and creation of positive external relationships e.g. Scrutiny Committee at York City Council, local press, Quakers in Britain, local CCGs, local councillors, local MPs
- Maintenance of appropriate and professional relationships with pensions advisers, auditors and other advisers
- Continuing development of the strategy for implementing our overall estate development plans.

## The Retreat York

### Trustees' annual report

For the year ended 31 December 2018

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#### Financial review

The Statement of Financial Activities for the period is set out on page 26 of the financial statements.

The financial results can be summarised in the following table.

	£
Operating deficit	(3,120,575)
Change Program Impacts	(2,048,735)
Impairment of Tangible Fixed Assets	(4,684,311)
Fixed Asset write down	(222,524)
Revaluation of Investment Properties	(1,671,422)
Accounting adjustments in relation to defined benefit pension scheme	(1,117,000)
<b>Net Movement of funds per SOFA</b>	<b>(12,864,567)</b>

The operating deficit of The Retreat, which includes expenditure on the charity's two key areas of operation of Specialist Older Adult Services and Specialist Adult Services, in the year ended 31 December 2018 produced a deficit of £3,120,575 (2017 – deficit £3,359,929). Included within this is other income from investments, donations, legacies and grants produced income of £709,320 (2017 – £868,883).

A total of £1,679,902 (2017 – £266,980) was spent during the year on development of The Retreat York, The Tuke Centre and the closure and sale of inpatient services. These are described as transition costs on the face of the Statement of Financial Activities

An impairment review of Tangible fixed assets was carried out as at 31 December 2018, producing a loss on revaluation of £4,684,311.

The result after these unusual items was an overall net deficit, before losses on investments and movement on pensions, for the year amounting to £9,412,768 (2017 – deficit £2,183,840). This deficit comprises a deficit on continuing activities of £188,692 (2017 – surplus £1,085,173) and a deficit on discontinued activities of £9,200,901 (2017 – deficit £3,270,406)

After taking into account net investment losses of £462,690 (2017 – gains £899,082), a loss on revaluation of investment properties of £1,671,422 (2017 – £Nil) and an actuarial loss on the defined benefit pension scheme of £1,317,687 (2017 – gain £3,564,032), there was a net adverse movement of funds of £12,864,567 (2017 – positive movement £2,279,274).

Our financial results for the year have been affected by a net pension expense of £125,000 (2017 – expense £471,000) relating to the current services costs for the Trust, net of interest expense.



## Reserves policy and going concern

### Reserves Policy

It is the policy of the charity to maintain undesignated funds, which are the free reserves of the charity, at a level sufficient to cover between 6 and 18 months of expenditure on continuing activities, a range between £1,000,000 and £3,000,000. This is to ensure that in periods of weaker trading, the company can continue to operate without cash-flow problems.

	£m's
Net Assets - 31 December 2018	30.7
Restricted funds and donations	(0.1)
Pensions reserve	(6.7)
Tangible fixed asset value	(7.7)
Investment Property value	(4.6)
General future development fund	(2.9)
Unrestricted/free reserves 31 December 2018 (Per Note 21a)	<u>8.7</u>

Presently the unrestricted undesignated reserves reported on the Balance Sheet amount to £8,738,257 (2017 - £11,526,022). This figure excludes the pension asset of £6,673,000 on the basis that this asset does not result in any cash flow to the charity and is likely to diminish over time.

Reserves for the necessary upgrade and development of the charity's operational and investment properties and other non-capital, future strategy development projects are segregated into a separate development fund, currently totalling £2,853,425 (2017 - £4,533,327).

Our policy is, therefore, to continue managing reserves to the required level by means of annual operating position and judicious management of our investment assets. The Retreat has gone through a period of significant change and the current level of reserves, over and above the Reserves Policy, reflects the ongoing risks and that the future remains uncertain

### **Investment Policy**

The Retreat holds investments in a portfolio approach that includes a number of forms of holdings including cash balances, Investment properties, long-term reserves and short-term reserve instrument holdings.

The investments are held to enable the charity to discharge its charitable purposes and serving as a safety-net in the face of challenges and to enable some sustainability and capital investment in the medium term.

Short term reserves are held with a minimal return objective and are used to preserve capital, longer term reserves are held to obtain a return above inflation over the medium term.

As a Quaker charity, the Retreat has an ethical investment approach , avoiding direct investments in companies that derive more than 5% of their revenue from Arms sales, tobacco manufacture and sale of alcohol, gambling, and facilitation of pornography or prostitution.

### **Going Concern**

The Retreat's activities, its current financial position and factors impacting on its future development and associated risks are set out here. The Retreat has been through significant change to put the company on a sustainable footing and well within the reserves policy. Forecasts have been sensitised to take account of the possible crystallisation of major risks and to show how the charity has adequate resources to continue in operational existence for the foreseeable future. For this reason The Retreat continues to adopt the going concern basis in preparing the financial statements and the Trustees are comfortable that no material uncertainties exist which would threaten the operational existence of the Retreat for the next 12 months.

### **Plans for the future**

The next few years promise to be challenging for The Retreat as have been the past few. The pressure on the Government debt position is bringing to bear financial constraints upon the NHS and we need to manage our own cost base carefully, whilst continuing to maintain high quality services. This is a particularly challenging objective to achieve given the ever increasing demands placed upon us by the NHS funding position, the changes to commissioning intentions and additional and increasing compliance requirements imposed on NHS funded providers.

There is also a general requirement to provide care outside of hospital environment and occupancy has been under significant pressure. We have to think carefully about new service developments ensuring that they expand our range of clinical services via a non-inpatient service offer, whilst developing our financial strength.

## **The Retreat York**

### **Trustees' annual report**

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The Retreat in looking to the future is working to a series of strategic plans which have identified risk issues and contingency responses. These range from a review of new offers and business models, consolidation of a number of key partnerships during 2019 and management of cash-flow, non-restricted reserves and a number of new investments in 2019 and into 2020.

These plans consider the possible success and failure of each initiative and the likely impact on the business plan during the next 12 months.

## **Structure, governance and management**

### **Constitution**

The Retreat York is a charitable company limited by guarantee. It was formed on 20 November 2001 and was granted charitable status on 18 December 2001. Its governance arrangements are set out in its Articles of Association, which were amended at the AGM held on 24 June 2010 and the EGMs held in February 2011, February 2012 and November 2016.

### **Directors**

The management of The Retreat York is vested in the Board of Directors. The Directors are also charity trustees as defined in the Charities Act.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 8 to the accounts.

### **Management**

Whilst strategic decisions are taken by the Directors, the day-to-day management of the charity is the responsibility of the Leadership Team which comprises six individuals who come from a range of disciplines. The Leadership Team reports directly to the Board of Directors.

### **Resources Committee**

This committee meets 5 times a year to consider matters of a financial nature, including investments, together with human resource issues

### **Governance Committee**

This committee meets 4 times a year to consider matters related to the governance of the clinical and corporate activities

### **Remuneration Committee**

The Remuneration Committee is formed as a sub-committee of the Board and is responsible for meeting annually to consider the remuneration of the members of the Leadership Team at Director level.

### **Audit Committee**

The Audit committee is formed as a sub-committee of the Board and is responsible for reviewing the Audit processes and work of the external auditors in addressing financial assurance issues of the company.

### **Appointment of trustees**

Trustee Directors are appointed for a period of four years and are eligible for re-appointment for a further four years. The maximum number of Directors is eleven and the minimum three. The person appointed as the chair of the Directors is known as the Clerk. The Clerk and Deputy Clerk must be members of The Religious Society of Friends.

The Society of Friends has three representatives on The Retreat Nominations Committee that is responsible for recommending the names of individuals for appointment as Directors and for other working groups at the Retreat. Both Friends and non-Friends are appointed as Directors but there must always be more Friend Directors than non-Friend Directors.

### **Trustee induction and training**

All Members and Directors receive induction upon appointment to their respective roles. Directors receive training in relation to their role as Trustees. Directors receive a copy of a range of documents including the Annual Report and Accounts and the charitable deed. Training is provided on a variety of topics relevant to the work conducted at The Retreat York.

### **Related parties and relationships with other organisations**

For some years The Retreat York has undertaken a joint venture with The Disabilities Trust to operate a unit for individuals with an acquired brain injury. The unit is known as York House and the joint venture company is called York House Ventures Limited. Transactions with The Disabilities Trust are disclosed in Note 16 to the accounts.

For some years The Retreat York has undertaken a joint venture with Turning Point to operate a women's high support unit. The unit is known as Garrow House and the joint venture company is called Northern Pathways Limited. Transactions with Turning Point are disclosed in Note 16 to the accounts.

The Retreat has an associate, The Retreat York Benevolent Fund, which provides funds for the care of individuals on both inpatient and outpatient basis. Note 17 to the financial statements explain the related nature of the relationship.

## Remuneration policy for key management personnel

The Remuneration Committee is formed as a sub-committee of the Board and is responsible for meeting annually to consider the remuneration of the members of senior members of staff. In June 2018 the Remuneration Committee undertook a benchmarking exercise to review the pay levels of senior post-holders in the Retreat, including members of the leadership team, CEO and senior consultant and clinical staff. At the same time the salary scales across the organisation were reviewed compared to third sector charitable organisations, NHS and NHS funded organisations and this was undertaken to review the competitiveness of the Retreat offer to the local employment market-place. Some changes to pay across the banding levels were made, and salary bands have been applied to new posts informed by this review.

## Employee Information

### Policy for employment of disabled persons

In accordance with the charity's equal opportunities policy, the charity has long-established fair employment practices in the recruitment, pay, selection, retention and training of disabled staff.

### Employee Consultation

Employees have been consulted on issues of concern to them by means of regular staff consultative committee meetings and staff briefings and have been kept informed on specific matters directly by management. The charity carries out exit interviews for all staff leaving the organisation.

### The Gender Pay Review

The Gender pay gap exercise was completed and reported to DBIS in March 2019. The Retreat reported a zero differential in pay between men and women across the organisation.

### The Living Wage

The Retreat operates a living wage policy and regime. The Retreat adheres to minimum wage legislation and is a living wage employer. The Retreat ensures that contractor staff also adhere to living wage guidance and seek positive assurance from key suppliers each year.

## Statement of responsibilities of the trustees

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

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

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

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure 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.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is 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 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.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 December 2018 was 10 (2017:10).

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

**The Retreat York**

**Trustees' annual report**

**For the year ended 31 December 2017**

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The trustees' annual report which includes the strategic report has been approved by the trustees on 6 June 2019 and signed on their behalf by

A handwritten signature in black ink, reading 'Jennifer Barraclough'. The signature is written in a cursive style with a large, looping 'J' and a long, sweeping underline.

Jennifer Barraclough  
Clerk to the Trustees

## Opinion

We have audited the financial statements of The Retreat York (the 'charitable company') for the year ended 31 December 2018 which comprise the statement of financial activities, balance sheet, statement of 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 charitable company's affairs as at 31 December 2018 and of its 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
- 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 charitable company 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **Other information**

The other information comprises the information included in the trustees' annual report, including the strategic report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual report, including the strategic 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report including the strategic 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, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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; or

## Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual 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, 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 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 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

## **Independent auditor's report**

### **To the members of The Retreat York**

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during 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.

Judith Miller (Senior statutory auditor)

13 June 2019

for and on behalf of Sayer Vincent LLP, Statutory Auditor

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

The Retreat York

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2018

		2018				2017			
	Note	Unrestricted Continuing Activities £	Unrestricted Discontinued Activities £	Restricted £	Total £	Unrestricted Continuing Activities £	Unrestricted Discontinued Activities £	Restricted £	Total £
<b>Income from:</b>									
Donations and legacies	2	54,847	-	1,430	56,277	68,880	-	5,261	74,141
Charitable activities	3	-	-	-	-	-	-	-	-
Specialist older adult services		-	1,797,969	-	1,797,969	-	3,720,429	-	3,720,429
Specialist adult services		891,985	4,629,211	-	5,521,196	812,447	5,843,113	-	6,655,560
Other trading income		-	232,751	-	232,751	-	132,464	-	132,464
Net income from joint ventures	16	12,085	-	-	12,085	81,888	-	-	81,888
Investments	4	653,043	-	-	653,043	794,692	-	-	794,692
Other - pension income	30	193,000	-	-	193,000	108,000	-	-	108,000
<b>Total income</b>		<b>1,804,960</b>	<b>6,659,931</b>	<b>1,430</b>	<b>8,466,321</b>	<b>1,865,907</b>	<b>9,696,006</b>	<b>5,261</b>	<b>11,567,174</b>
<b>Expenditure on:</b>									
Raising funds		28,224	-	-	28,224	15,096	-	-	15,096
Charitable activities	5a	-	-	-	-	-	-	-	-
Specialist older adult services		-	5,276,422	8,408	5,284,830	-	5,708,019	3,868	5,711,887
Specialist adult services		1,432,107	9,437,829	16,197	10,886,133	670,985	7,086,066	-	7,757,051
Transition costs		533,321	1,146,581	-	1,679,902	94,653	172,327	-	266,980
<b>Total expenditure</b>	5a	<b>1,993,652</b>	<b>15,860,832</b>	<b>24,605</b>	<b>17,879,089</b>	<b>780,734</b>	<b>12,966,412</b>	<b>3,868</b>	<b>13,751,014</b>
<b>Net income / (expenditure) before net gains / (losses) on investments</b>		<b>(188,692)</b>	<b>(9,200,901)</b>	<b>(23,175)</b>	<b>(9,412,768)</b>	<b>1,085,173</b>	<b>(3,270,406)</b>	<b>1,393</b>	<b>(2,183,840)</b>
Net gains / (losses) on investments	14	(462,690)	-	-	(462,690)	899,082	-	-	899,082
Net loss on revaluation of investment properties	13	(1,671,422)	-	-	(1,671,422)	-	-	-	-
<b>Net income / (expenditure) for the year</b>		<b>(2,322,804)</b>	<b>(9,200,901)</b>	<b>(23,175)</b>	<b>(11,546,880)</b>	<b>1,984,255</b>	<b>(3,270,406)</b>	<b>1,393</b>	<b>(1,284,758)</b>
Transfers between funds	21a	(9,183,714)	9,200,901	(17,187)	-	(3,270,406)	3,270,406	-	-
<b>Net income / (expenditure) before other recognised gains and losses</b>		<b>(11,506,518)</b>	<b>-</b>	<b>(40,362)</b>	<b>(11,546,880)</b>	<b>(1,286,151)</b>	<b>-</b>	<b>1,393</b>	<b>(1,284,758)</b>
Actuarial gains / (losses) on defined benefit pension schemes	29	(1,317,687)	-	-	(1,317,687)	3,564,032	-	-	3,564,032
<b>Net movement in funds</b>		<b>(12,824,205)</b>	<b>-</b>	<b>(40,362)</b>	<b>(12,864,567)</b>	<b>2,277,881</b>	<b>-</b>	<b>1,393</b>	<b>2,279,274</b>
<b>Reconciliation of funds:</b>									
Total funds brought forward		43,547,420	-	76,068	43,623,488	41,269,539	-	74,675	41,344,214
<b>Total funds carried forward</b>		<b>30,723,215</b>	<b>-</b>	<b>35,706</b>	<b>30,758,921</b>	<b>43,547,420</b>	<b>-</b>	<b>76,068</b>	<b>43,623,488</b>

All of the above results are derived from continuing activities, except where shown. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 21 to the financial statements.

The Retreat York

Balance sheet

Company no. 4325622

As at 31 December 2018

	Note	£	2018 £	£	2017 £
<b>Fixed assets:</b>					
Tangible assets	12		7,737,390		14,866,520
Investment properties	13		4,634,000		4,351,000
Investments	14		9,652,960		12,874,307
Investments in joint ventures	16		12,500		12,500
			<u>22,036,850</u>		<u>32,104,327</u>
<b>Current assets:</b>					
Debtors	18	1,337,693		2,193,986	
Short term deposits		282,484		271,694	
Cash at bank and in hand		2,064,544		2,191,449	
		<u>3,684,721</u>		<u>4,657,129</u>	
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	19	(1,635,650)		(927,968)	
<b>Net current assets</b>			<u>2,049,071</u>		<u>3,729,161</u>
<b>Net assets excluding pension asset</b>			<u>24,085,921</u>		<u>35,833,488</u>
Defined benefit pension scheme asset	29		6,673,000		7,790,000
<b>Total net assets</b>			<u><u>30,758,921</u></u>		<u><u>43,623,488</u></u>
<b>The funds of the charity:</b>	20a				
Restricted income funds			35,706		76,068
Unrestricted income funds:					
Designated funds		15,311,958		24,231,398	
General funds		8,738,257		11,526,022	
Pension reserve		6,673,000		7,790,000	
<b>Total unrestricted funds</b>			<u>30,723,215</u>		<u>43,547,420</u>
<b>Total charity funds</b>			<u><u>30,758,921</u></u>		<u><u>43,623,488</u></u>

Approved by the trustees on 6 June 2019 and signed on their behalf by

*Jennifer Barraclough*

Jennifer Barraclough  
Clerk to The Trustees

The Retreat York

Statement of cash flows

For the year ended 31 December 2018

	Note	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Net cash provided by / (used in) operating activities	22	(3,423,637)		(2,302,321)	
<b>Cash flows from investing activities:</b>					
Dividends, interest and rents from investments	4	653,043		794,692	
Purchase of fixed assets	12	(104,178)		(700,647)	
Proceeds from sale of investments	14	8,369,177		11,121,667	
Purchase of investments	14	(11,614,317)		(1,393,739)	
Net cash provided by / (used in) investing activities		(2,696,275)		9,821,973	
<b>Change in cash and cash equivalents in the year</b>					
Cash and cash equivalents at the beginning of the year		10,877,605		3,357,953	
Cash and cash equivalents at the end of the year	23	4,757,693		10,877,605	

**1 Accounting policies**

**a) Statutory information**

The Retreat York is a charitable company limited by guarantee and is incorporated in England and Wales. The registered office address is 107 Heslington Road, York, YO10 5BN.

**b) 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) (September 2015) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

**c) Public benefit entity**

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

**d) Going concern**

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

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

**e) Income**

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

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

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

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

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

**1 Accounting policies (continued)**

**f) Interest receivable and dividends**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividends are amounts received from listed investments as notified by investment managers and are re-invested in the funds available to the investment managers.

**g) Fund accounting**

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

**h) Expenditure and irrecoverable VAT**

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

Expenditure is classified under the following activity headings:

- Costs of raising funds are the invoiced costs of professional investment managers
- Expenditure on charitable activities includes the costs of delivering Specialist Older Adult and Specialist Adult Mental Health Services undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

**i) Grants payable**

Grants payable are made to third parties in furtherance of the charity's objects. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the charity.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

**j) Allocation of support costs**

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

- |                                  |        |
|----------------------------------|--------|
| ● Specialist Older Adult Service | 41.67% |
| ● Specialist Adult Services      | 58.33% |

Support and governance costs are re-allocated to each of the activities on the following basis which is an estimate, based on the ratio of direct unit specific costs compared to total unit specific, of the amount attributable to each activity

- |                                   |        |
|-----------------------------------|--------|
| ● Specialist older adult services | 31.77% |
| ● Specialist adult services       | 68.23% |

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.



**1 Accounting policies (continued)**

**k) Operating leases**

Rental charges are charged on a straight line basis over the term of the lease.

**l) Tangible fixed assets**

Items of equipment are capitalised where the purchase price exceeds £1,200. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

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

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

● Short Leasehold Buildings	Over the period of the lease
● Furniture, plant and equipment	16.5% straight line
● Vehicles	25% reducing balance
● Fire Precaution Work	4% straight line
● Computer Equipment and Software	25% straight line

**m) Investment properties**

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

**n) Listed investments**

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

**o) Investments in subsidiaries**

Investments in subsidiaries are at cost.

**p) Investments in joint ventures**

Investments in joint ventures are valued at fair value based on the share of the net assets of the joint venture.

**q) 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.

**r) Short term deposits**

Short term deposits includes cash balances that are invested in accounts with a maturity date of between 3 and 12 months.

**s) Cash at bank and in hand**

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

**1 Accounting policies (continued)**

**t) 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.

**u) Financial instruments**

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

**v) Pensions**

The charity operates a defined benefit plan for the benefit of its employees. A liability for the charity's obligations under the plan is recognised net of plan assets. The net change in the net defined benefit liability is recognised as the cost of the defined benefit plan during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The Scheme closed to new entrants in 2013.

The charity also operates a Defined Contribution Scheme for those members of staff not eligible to join the Defined Benefit Scheme. This Scheme is also used to discharge our auto enrolment obligations.

**2a Income from donations and legacies (Current Year)**

	Unrestricted £	Restricted £	2018 Total £
Donations	54,847	1,430	56,277
	<u>54,847</u>	<u>1,430</u>	<u>56,277</u>

**2b Income from donations and legacies (Prior Year)**

	Unrestricted £	Restricted £	2017 Total £
Donations	68,880	5,261	74,141
	<u>68,880</u>	<u>5,261</u>	<u>74,141</u>

**The Retreat York**

**Notes to the financial statements**

**For the year ended 31 December 2018**

**3 Income from charitable activities**

	2018 Total £	2017 Total £
In-patient services	1,797,850	3,455,878
Patient Observations	119	264,551
Sub-total for specialist older adult services	<u>1,797,969</u>	<u>3,720,429</u>
In-patient services	4,393,132	5,721,159
Out-patient services	891,985	812,447
Grants from Benevolent Fund	56,142	41,678
Patient Observations	179,937	80,276
Sub-total for specialist adult services	<u>5,521,196</u>	<u>6,655,560</u>
Total income from charitable activities	<u><u>7,319,165</u></u>	<u><u>10,375,989</u></u>

All income from charitable activities was unrestricted

**4 Income from investments**

	2018 Total £	2017 Total £
Rental income	377,436	409,873
Dividends	266,416	372,596
Interest	9,191	12,223
	<u><u>653,043</u></u>	<u><u>794,692</u></u>

All income from investments was unrestricted

## 5a Analysis of expenditure Current Year)

	Charitable activities						2018 Total £	2017 Total £
	Raising funds £	Specialist older adult services £	Specialist adult services £	Transition costs £	Governance costs £	Support costs £		
Staff costs (Note 8)		1,995,745	4,821,961	-	27,265	780,547	7,625,518	8,369,253
Direct costs	-	1,085,605	1,587,694	1,146,581	15,296	70,410	3,905,586	4,295,544
Office costs	-	16,368	78,856	-	-	301,266	396,490	536,426
Property costs	-	63,000	-	533,321	-	-	596,321	76,008
Investment manager fees	28,224	-	-	-	-	-	28,224	15,096
Auditor's remuneration	-	-	-	-	29,101	-	29,101	38,121
Depreciation and Loss on disposal	-	35,660	-	-	-	558,915	594,575	400,835
Trustee expenses	-	-	-	-	18,444	-	18,444	15,324
Fixed Asset Impairment	-	-	-	-	-	4,684,311	4,684,311	-
Other	-	-	-	-	519	-	519	4,407
	28,224	3,196,378	6,488,511	1,679,902	90,625	6,395,449	17,879,089	13,751,014
Support costs	-	2,029,100	4,366,349	-	-	(6,395,449)	-	-
Governance costs	-	59,352	31,273	-	(90,625)	-	-	-
<b>Total expenditure 2018</b>	<b>28,224</b>	<b>5,284,830</b>	<b>10,886,133</b>	<b>1,679,902</b>	<b>-</b>	<b>-</b>	<b>17,879,089</b>	
<b>Total expenditure 2017</b>	<b>15,096</b>	<b>5,978,867</b>	<b>7,757,051</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>13,751,014</b>

Of the total expenditure, £17,854,484 was unrestricted (2017: £13,747,146) and £24,605 was restricted (2017: £3,868).

## 5b Analysis of expenditure (Prior Year)

	Charitable activities					2017 Total £
	Raising funds £	Specialist older adult services £	Specialist adult services £	Governance costs £	Support costs £	
Staff costs (Note 8)	-	3,473,927	4,194,733	28,629	671,964	8,369,253
Direct costs	-	1,714,149	2,472,663	-	108,732	4,295,544
Office costs	-	33,741	148,028	-	354,657	536,426
Property costs	-	76,008	-	-	-	76,008
Investment manager fees	15,096	-	-	-	-	15,096
Auditor's remuneration	-	-	-	38,121	-	38,121
Depreciation	-	35,660	-	-	365,175	400,835
Trustee expenses	-	-	-	15,324	-	15,324
Other	-	3,868	-	539	-	4,407
	15,096	5,337,353	6,815,424	82,613	1,500,528	13,751,014
Support costs	-	605,568	894,960	-	(1,500,528)	-
Governance costs	-	35,946	46,667	(82,613)	-	-
<b>Total expenditure 2017</b>	<b>15,096</b>	<b>5,978,867</b>	<b>7,757,051</b>	<b>-</b>	<b>-</b>	<b>13,751,014</b>

Of the total expenditure, £13,732,050 was unrestricted (2016: £13,127,662) and £3,868 was restricted (2016: £5,046).

Notes to the financial statements

For the year ended 31 December 2018

6 Grant making

There are no grant making activities.

7 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2018 £	2017 £
Depreciation	372,051	400,835
Loss on disposal of fixed assets	222,524	-
Operating lease rentals:		
Property	63,000	63,000
Auditor's remuneration (excluding VAT):		
Audit	20,850	20,250
Other services	3,401	8,333
	<u>7,625,518</u>	<u>8,369,253</u>

8 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2018 £	2017 £
Salaries and wages	6,041,395	7,103,836
Redundancy and termination costs	676,315	44,136
Social security costs	477,187	540,944
Employer's contribution to defined contribution pension schemes	225,621	241,337
Operating costs of defined benefit pension schemes	205,000	439,000
	<u>7,625,518</u>	<u>8,369,253</u>

The following number of employees received employee benefits in excess of £60,000 (excluding employer pension costs and employer's national insurance) during the year between:

	2018 No.	2017 No.
£60,000 – £69,999	-	2
£70,000 – £79,999	1	1
£80,000 – £89,999	2	-
£90,000 – £99,999	1	2
£100,000 – £109,999	1	-
£110,000 – £119,999	3	-
£130,000 – £139,999	2	-
	<u>7</u>	<u>5</u>

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £596,260 (2017: £405,145).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2017: £nil). No charity trustee received payment for professional or other services supplied to the charity (2017: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £18,444 (2017: £15,324) incurred by 5 (2017: 6) members relating to attendance at meetings of the trustees.

**9 Staff numbers**

Staff are split across the activities of the charitable company as follows (average head count based on number of staff employed):

	2018 No.	2017 No.
Specialist older adult services	105.0	138.0
Specialist adult services	124.0	140.0
Support	46.0	61.0
Governance	2.0	2.0
	<u>277.0</u>	<u>341.0</u>

**10 Related party transactions**

There are no related party transactions to disclose for 2018 (2017: none).

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

**11 Taxation**

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

**12 Tangible fixed assets**

	Freehold property £	Leasehold property £	Equipment £	Total £
<b>Cost</b>				
At the start of the year	14,199,404	337,690	2,374,664	16,911,758
Additions in year	38,027	-	66,151	104,178
Disposals in year	-	-	(1,401,761)	(1,401,761)
Reclassification to Investment Properties	(1,954,422)	-	-	(1,954,422)
At the end of the year	<u>12,283,009</u>	<u>337,690</u>	<u>1,039,054</u>	<u>13,659,753</u>
<b>Depreciation</b>				
At the start of the year	309,267	182,720	1,553,251	2,045,238
Charge for the year	25,431	35,660	310,960	372,051
Eliminated on disposal	-	-	(1,179,237)	(1,179,237)
Impairment of Freehold Property	4,684,311	-	-	4,684,311
At the end of the year	<u>5,019,009</u>	<u>218,380</u>	<u>684,974</u>	<u>5,922,363</u>
<b>Net book value</b>				
At the end of the year	<u>7,264,000</u>	<u>119,310</u>	<u>354,080</u>	<u>7,737,390</u>
At the start of the year	<u>13,890,137</u>	<u>154,970</u>	<u>821,413</u>	<u>14,866,520</u>

The freehold property was valued by Carter Jonas in April 2019 as at 31 December 2018 on a depreciated replacement cost basis. The operational properties were valued at £7,273,000 and the company decided to incorporate this valuation into the accounts.

All of the above assets are used for charitable purposes.

Notes to the financial statements

For the year ended 31 December 2018

13 Investment properties

	2018 £	2017 £
Fair value at the start of the year	4,351,000	4,351,000
Reclassification from Tangible Fixed Assets	1,954,422	-
Disposals	-	-
Revaluation during the year	(1,671,422)	-
Fair value at the end of the year	<u>4,634,000</u>	<u>4,351,000</u>

The investment properties are known as:	Valued	Valuer
York House	March 2018	Barry Crux & Co
Garrow House	March 2018	Barry Crux & Co
Dower Court	April 2019	Carter Jonas
Fairfax House	April 2019	Carter Jonas
The Retreat Burial Ground	March 2018	Barry Crux & Co
Schoen Clinic Naomi and Kemp Units (2018 addition)	April 2019	Carter Jonas

All properties were valued at the above dates at fair value, which is defined as the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants.

These properties were originally carried in tangible fixed assets and transferred to investment properties as a prior year adjustment during the year ended 31 December 2017. The 2017 value has been applied to be applicable to 1 January 2016 on the basis that there has been no material difference in value.

Notes to the financial statements

For the year ended 31 December 2018

14 Investments

	2018 £	2017 £
Fair value at the start of the year	4,459,845	13,288,691
Additions at cost	11,614,317	1,393,739
Disposal at Opening Market Value	(8,405,883)	(10,271,747)
Unrealised (losses) / gain on change in fair value	(425,984)	49,162
	<u>7,242,295</u>	<u>4,459,845</u>
Cash held by investment broker pending reinvestment	2,410,665	8,414,462
Fair value at the end of the year	<u>9,652,960</u>	<u>12,874,307</u>
Historic cost at the end of the year	<u>9,547,605</u>	<u>12,325,514</u>
	2018 £	2017 £
<u>Realised (losses) / gains on disposal</u>		
Disposal Proceeds	8,369,177	11,121,667
Disposal at Market Value	(8,405,883)	(10,271,747)
	<u>(36,706)</u>	<u>849,920</u>
	2018 £	2017 £
<u>Reconciliation of Movement in unrealised (losses) / gains</u>		
As at 1 January 2017	524,810	1,454,422
In respect of disposals	(15,409)	(978,774)
Net (Losses) / gains on revaluation	(425,984)	49,162
Unrealised gains as at 31 December	<u>83,417</u>	<u>524,810</u>
Investments comprise:	2018 £	2017 £
Fixed Income	3,943,585	1,885,117
Listed securities – UK	1,181,792	831,419
Listed securities – overseas	1,551,277	1,313,756
Property	280,831	202,556
Alternative Investments	284,809	226,996
Unlisted shares in UK registered companies	1	1
Cash	2,410,665	8,414,462
	<u>9,652,960</u>	<u>12,874,307</u>



# 15 Subsidiary undertaking

The charitable company owns the whole of the issued ordinary share capital of Cottage Villa Limited, a company registered in England (company number 09650020). The company is set up to collect rents from The Retreat York's Learning Disability Service. The Learning Disability Service was transferred to Mencap on 1 January 2019 and rents continue to be collected. The results and assets are not consolidated into the financial statements of The Retreat York as it is not considered material. Available profits are distributed under gift aid to the charitable company. A summary of the results of the subsidiary is shown below:

	2018 £	2017 £
Turnover	52,495	30,481
Cost of sales	(52,495)	(30,481)
<b>Profit / (loss) on ordinary activities</b>	-	-
Donation to parent under gift aid	-	-
<b>Profit / (loss) for the financial year</b>	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	1	1
Liabilities	-	-
<b>Funds</b>	<b>1</b>	<b>1</b>

Amounts owed to/from the parent undertaking are shown in note 16.

# 16 Investments in joint ventures

The Retreat York has investments in two joint ventures, York House and Garrow House. The value of the investment in these joint ventures at the last two financial year-ends is as follows:

	2018 £	2017 £
York House	500	500
Garrow House	12,000	12,000
	<b>12,500</b>	<b>12,500</b>

Further details of these investments are as follows:

## York House

The Retreat York has undertaken a joint venture to operate a unit for individuals with an acquired brain injury since 1998. The service is known as York House and in 2015, we opened a third unit, adding a further 10 beds to the 28 beds previously on site. The year end of the joint venture is 31 May. The results, based on audited financial statements to 31 May and management account information since that date, are as follows:

	2018 £	2017 £
Fee income and contributions received	2,748,035	3,205,412
Expenditure on charitable activities	(2,735,950)	(3,124,110)
<b>Share of net results for the year to 31 December</b>	<b>12,085</b>	<b>81,302</b>

16 Investments in joint ventures (continued)

The company's share of the net assets of the joint venture as at 31 May (the figures as at 31 December are not available) is as follows:

	2018 £	2017 £
Fixed assets	60,616	60,610
Current assets	464,892	584,973
Current liabilities	(525,008)	(645,083)
Share of net assets	500	500

As all surpluses are distributed equally to the two joint venture partners, there are no net assets in the balance sheet at 31 December 2017 or 31 December 2018 other than the share capital.

This joint venture is operated via a limited company, York House Ventures Limited a company whose share capital is owned 50% by The Retreat York and 50% by The Disabilities Trust.

**Garrow House**

The Retreat York has undertaken a joint venture to operate a 12 bedded unit for women. The unit is known as Garrow House. The year end of the joint venture is 31 March. The results for the year to 31 December, based on audited financial statements to 31 March and management account information since that date, are as follows:

	2018 £	2017 £
Fee income and contributions received	1,024,255	1,032,624
Expenditure on charitable activities	(1,069,280)	(1,032,038)
Share of net results for the year to 31 December	(45,025)	586

The company's share of the net assets of the joint venture as at 31 March (the figures as at 31 December are not available) is as follows:

	2018 £	2017 £
Current assets	53,000	133,000
Current liabilities	(41,000)	(121,000)
Share of net assets	12,000	12,000

All surpluses are distributed equally to the two joint venture partners with the exception of a designated asset maintenance reserve of £41,000 (2017: £41,000). The only other net asset in the balance sheet at 31 December is the share capital.

This joint venture is operated via a limited company, Northern Pathways Limited a company whose share capital is owned 50% by The Retreat York and 50% by Turning Point.

## The Retreat York

### Notes to the financial statements

#### For the year ended 31 December 2018

#### 17 Investment in Associates

The Retreat York has an associate, The Retreat York Benevolent Fund, which provides funds for the care of individuals on both an inpatient and outpatient basis.

The Retreat York Benevolent Fund (the Fund) is an independent unincorporated charity (registered number 1115135) that was formed in early 1921. At 31 December 2018, the Fund had six Trustees of which two (Mr Mike Wash and Mrs Sallie Ashe) were also trustees of The Retreat York. The Fund is Chaired (Clerked) by a Trustee not related to The Retreat York.

As one-third of the Trustees are linked between both entities, the fund is considered to be an associate of The Retreat York. As The Retreat York does not prepare consolidated financial statements, accounting standards allow for this investment to be recognised as historic cost. The current governance structure has been in place for much of the Fund's existence, and as such has been deemed to apply from its creation. On this basis, the historic cost of The Retreat York's share of its investment in the Fund in 1921 is considered to be immaterial to the financial performance and position of The Retreat York and so is not included in these financial statements. A summary of the Fund's results is provided below.

The Retreat York Benevolent Fund provides grants to help Friend patients (or those closely associated with Friends) who are unable to meet the lowest fees. Grants made during 2018 amounted to £56,142 for sixteen individuals and five organisations. The total funds of the Benevolent Fund at 31 December 2018 amounted to £2,084,995. Audited financial statements for The Retreat York Benevolent Fund are available from the Charity Commission.

#### 18 Debtors

	2018 £	2017 £
Trade debtors	781,546	1,177,081
Amount due from joint ventures	164,563	356,466
Other debtors	236,000	112,034
Prepayments	152,511	173,035
Accrued income	3,073	2,594
Amounts due from The Retreat Benevolent Fund	–	41,787
Amounts due from The Retreat Pension Scheme	–	330,989
	<u>1,337,693</u>	<u>2,193,986</u>

With the exception of listed investments, all of the charity's financial instruments, both assets and liabilities, are measured at amortised cost. The carrying values of these are shown above and also in note 19 below.

#### 19 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	509,831	383,078
Taxation and social security	111,068	168,672
Other creditors	24,299	67,157
Accruals	776,185	107,776
Monies held on behalf of patients	190,681	201,285
Amounts due to The Retreat Benevolent Fund	99	–
Amounts due to The Retreat Pension Scheme	23,487	–
	<u>1,635,650</u>	<u>927,968</u>

20a Analysis of net assets between funds (current year)

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	7,737,390	-	7,737,390
Investment properties	-	4,634,000	-	4,634,000
Investments	6,812,035	2,853,425	-	9,665,460
Net current assets	1,926,222	87,143	35,706	2,049,071
Defined benefit pension asset / (liability)	6,673,000	-	-	6,673,000
<b>Net assets at 31 December 2018</b>	<b>15,411,257</b>	<b>15,311,958</b>	<b>35,706</b>	<b>30,758,921</b>

20b Analysis of net assets between funds (prior year)

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	14,866,520	-	14,866,520
Investment properties	-	4,351,000	-	4,351,000
Investments	8,353,480	4,533,327	-	12,886,807
Net current assets	3,172,542	480,551	76,068	3,729,161
Defined benefit pension asset	7,790,000	-	-	7,790,000
<b>Net assets at 31 December 2017</b>	<b>19,316,022</b>	<b>24,231,398</b>	<b>76,068</b>	<b>43,623,488</b>

## 21a Movements in funds (current year)

	At 1 January 2018 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 December 2018 £
<b>Restricted funds:</b>					
Parkinson's grant fund	31,490	-	-	-	31,490
Social enterprise fund	8,163	105	(200)	(8,068)	-
Patient holiday fund	4,855	-	(2,285)	(2,570)	-
Other	31,560	1,325	(22,120)	(6,549)	4,216
<b>Total restricted funds</b>	<b>76,068</b>	<b>1,430</b>	<b>(24,605)</b>	<b>(17,187)</b>	<b>35,706</b>
<b>Unrestricted funds:</b>					
<b>Designated funds:</b>					
Tangible fixed assets	14,866,520	-	(4,684,311)	(2,444,819)	7,737,390
Investment properties	4,351,000	-	(1,671,422)	1,954,422	4,634,000
Development fund	4,533,327	-	(1,679,902)	-	2,853,425
Patient legacy fund	100,165	-	(13,022)	-	87,143
Other	380,386	19,084	(351,721)	(47,749)	-
<b>Total designated funds</b>	<b>24,231,398</b>	<b>19,084</b>	<b>(8,400,378)</b>	<b>(538,146)</b>	<b>15,311,958</b>
<b>General funds</b>	<b>11,526,022</b>	<b>8,207,782</b>	<b>(11,550,880)</b>	<b>555,333</b>	<b>8,738,257</b>
<b>Total unrestricted funds</b>	<b>35,757,420</b>	<b>8,226,866</b>	<b>(19,951,258)</b>	<b>17,187</b>	<b>24,050,215</b>
<b>Pension reserve</b>	<b>7,790,000</b>	<b>193,000</b>	<b>(1,310,000)</b>	<b>-</b>	<b>6,673,000</b>
<b>Total funds including pension fund</b>	<b>43,623,488</b>	<b>8,421,296</b>	<b>(21,285,863)</b>	<b>-</b>	<b>30,758,921</b>

The transfers out of restricted funds represents a historic review of patient transactions and a re-assessment of historic payments.

The narrative to explain the purpose of each fund is given at the foot of the note below.

## 21b Movements in funds (prior year)

	At 1 January 2017 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 December 2017 £
<b>Restricted funds:</b>					
Parkinson's grant fund	31,490	-	-	-	31,490
Social enterprise fund	7,963	826	(626)	-	8,163
Patient holiday fund	4,855	-	-	-	4,855
Other	30,367	4,435	(3,242)	-	31,560
<b>Total restricted funds</b>	<b>74,675</b>	<b>5,261</b>	<b>(3,868)</b>	<b>-</b>	<b>76,068</b>
<b>Unrestricted funds:</b>					
<b>Designated funds:</b>					
Tangible fixed assets	14,566,708	-	-	299,812	14,866,520
Investment properties	4,351,000	-	-	-	4,351,000
Development fund	4,765,000	-	(231,673)	-	4,533,327
Patient legacy fund	110,740	-	(10,575)	-	100,165
Other	336,238	68,880	(24,732)	-	380,386
<b>Total designated funds</b>	<b>24,129,686</b>	<b>68,880</b>	<b>(266,980)</b>	<b>299,812</b>	<b>24,231,398</b>
<b>General funds</b>	<b>12,841,853</b>	<b>12,464,147</b>	<b>(13,480,166)</b>	<b>(299,812)</b>	<b>11,526,022</b>
<b>Total unrestricted funds</b>	<b>36,971,539</b>	<b>12,533,027</b>	<b>(13,747,146)</b>	<b>-</b>	<b>35,757,420</b>
<b>Pension reserve</b>	<b>4,298,000</b>	<b>3,809,000</b>	<b>(317,000)</b>	<b>-</b>	<b>7,790,000</b>
<b>Total funds including pension fund</b>	<b>41,344,214</b>	<b>16,347,288</b>	<b>(14,068,014)</b>	<b>-</b>	<b>43,623,488</b>

21 Movement in funds (continued)

Purposes of restricted funds

**Parkinson's grant fund** – This fund comprises funds donated by the Trustees of Albert Parkinson's Settlement, a small charitable trust in appreciation of the quality of care and treatment provided to a particular patient of The Retreat and the donor expressed a wish that at least part of the donation be applied in some way for the benefit of nursing staff.

**Social enterprise fund** – This fund comprises amounts raised by the sale of goods and refreshments from shops staffed by volunteers. Funds generated will be utilised to fund the Social Enterprise and the development and implementation of the vocational pathway, as defined by the people who use the service, being The Retreat York, York House and Garrow House.

**Patient holiday fund** – This is a fund arising from donations specifically given to pay for holiday breaks for patients.

**Other** – These funds comprise specific donations from external bodies to be spent on other benefits for patients.

Purposes of designated funds

**Tangible fixed assets** – This fund has been set up to identify those funds which are not free funds and it represents the net book value of the charity's fixed assets, which are used almost entirely for the provision of care services. The fund includes a revaluation reserve of £4,500,804.

**Development fund** – An amount of £4,533,327 in total has been earmarked for capital projects for the development of care services at The Retreat York.

**Patient legacy fund** – Trustees have decided, following discussions with the family, that funds bequeathed to The Retreat be designated for use to enhance the experience of patients at The Retreat on units where the former patient received care and treatment. To date expenditure has included drama therapy and patient holidays, as well as a memorial garden for use by patients, as requested by the family.

**Other** – These funds comprise donations from external bodies, which are designated by Trustees to be spent on other benefits for patients.

22 Reconciliation of net (expenditure) to net cash flow from operating activities

	2018 £	2017 £
Net (expenditure) for the reporting period (as per the statement of financial activities)	(9,412,768)	(2,183,840)
Depreciation charges	372,051	400,835
Dividends, interest and rent from investments	(653,043)	(794,692)
Pension income	(193,000)	(108,000)
Pension expense	(7,687)	180,032
(Profit)/loss on the disposal of fixed assets	222,524	-
Impairment of Tangible Fixed Assets	4,684,311	-
(Increase)/decrease in debtors	879,879	152,518
Increase/(decrease) in creditors	684,096	50,826
Net cash (used in) operating activities	<u>(3,423,637)</u>	<u>(2,302,321)</u>

**23 Analysis of cash and cash equivalents**

	At 1 January 2018 £	Cash flows £	Other changes £	At 31 December 2018 £
Cash at bank and in hand	2,463,143	(116,115)	–	2,347,028
Cash awaiting investment	8,414,462	(6,003,797)	–	2,410,665
<b>Total cash and cash equivalents</b>	<b>10,877,605</b>	<b>(6,119,912)</b>	<b>–</b>	<b>4,757,693</b>

**24 Operating lease commitments**

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

	Property 2018 £	2017 £	Equipment 2018 £	2017 £
Less than one year	63,000	63,000	–	–
One to five years	126,000	189,000	–	–
	<b>189,000</b>	<b>252,000</b>	<b>–</b>	<b>–</b>

**25 Rents receivable**

The charity's total future rent receivable from investment properties is as follows for each of the following periods:

	2018 £	2017 £
Less than one year	366,692	366,692
One to five years	738,068	1,104,760
	<b>1,104,760</b>	<b>1,471,452</b>

**26 Contingent liabilities**

The Retreat York received a grant from the NHS towards the cost of capital works carried out to upgrade Garrow House in order that a high support forensic service can be provided in that building. The grant is repayable to the NHS during the first 10 years of use of the building, which commenced in February 2008, if The Retreat were to elect to no longer make the property available for use by the NHS. The amount which is repayable declines by an equal sum as each of the 10 years is completed.

In recognition of this contingent liability in February 2008 The Retreat York granted a legal charge over Garrow House to the NHS which can be exercised in the event of all or a proportion of the grant becoming repayable to the NHS.

**27 Post-balance sheet events**

On 1st January 2019, our Learning Disability units were transferred to Mencap under a contract with City of York Council for continued care of the clients transferred from the Retreat. The landlord function is managed by Cottage Villa Limited, a subsidiary of The Retreat York.

**28 Legal status of the charity**

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

29 Defined benefit pension scheme

The company operates a defined benefit scheme in the UK called The Retreat York Pension Scheme, with both Final Salary and Career Average Revalued Earnings benefits. For service prior to 1 August 2006, benefits are linked to members' final pensionable salaries at their retirement or earlier leaving. For service after 31 July 2006, benefits are built up each year, linked to members' salaries in that year and then increased each year in line with inflation. The Scheme was closed to new entrants on 31 December 2013 but accrual of benefits continues for current members of the Scheme.

The contributions made during the year ended 31 December 2018 for the defined benefit scheme were at a rate of 13.7% (2017: 13.7%) of pensionable salaries for the charity. The employer contributions paid over to the Scheme trustees in the year amounting to £212,687 (2017: £258,968), together with the actuarial gains and losses on the Scheme for the year, are recognised in the statement of financial activities in accordance with FRS102. Insurance premiums for death in service benefits were payable in addition.

The employee benefit obligations recognised in the balance sheet are as follows:

	2018 £	2017 £
Present value of funded obligations	(36,098,000)	(38,331,000)
Fair value of plan assets	42,771,000	46,121,000
	<u>6,673,000</u>	<u>7,790,000</u>
Amounts in the balance sheet:		
Liabilities	(36,098,000)	(38,331,000)
Assets	42,771,000	46,121,000
Net asset	<u>6,673,000</u>	<u>7,790,000</u>

Amounts recognised in net incoming resources are as follows:

	2018 £	2017 £
Current service cost	318,000	579,000
Net interest expense	(193,000)	(108,000)
Total cost	<u>125,000</u>	<u>471,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	2018 £	2017 £
Opening defined benefit obligation	38,331,000	39,503,000
Service cost	205,000	439,000
Interest cost	943,000	1,010,000
Actuarial (gains)/losses	(1,905,000)	(850,000)
Members contributions	92,000	114,000
Benefits paid	(1,568,000)	(1,885,000)
Closing defined benefit obligation	<u>36,098,000</u>	<u>38,331,000</u>



## 29 Defined benefit pension scheme (continued)

Changes in the fair value of plan assets are as follows:

	2018 £	2017 £
Opening fair value of plan assets	46,121,000	43,801,000
Interest Income	1,136,000	1,118,000
Administration expenses	(113,000)	(140,000)
Actuarial gains	(3,110,000)	2,851,000
Contributions by employer	213,000	262,000
Members contributions	92,000	114,000
Benefits paid	(1,568,000)	(1,885,000)
Closing fair value of plan assets	42,771,000	46,121,000

Net actuarial (loss)/gain on defined benefit pension scheme

	2018 £	2017 £
Actuarial gain on plan obligations	1,905,000	850,000
Actuarial (loss)/gain on plan assets	(3,110,000)	2,851,000
	(1,205,000)	3,701,000

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2018 %	2017 %
Retail Price Inflation assumption	3.2%	3.1%
Consumer Price Inflation assumption	2.2%	2.1%
Discount rate at the end of the year	2.9%	2.5%
Future salary increases	1.5%	1.5%
Future pension increases where linked to inflation:		
• Limited price index 5%	2.1%	2.0%
• Limited price index 3%	2.0%	1.9%
• Limited price index 2.5%	1.9%	1.8%

Amounts for the current and previous four periods are as follows:

	2018 £	2017 £	2016 £	2015 £	2014 £
Defined benefit obligation	(36,098,000)	(38,331,000)	(38,331,000)	(32,337,000)	(33,352,000)
Plan assets	42,771,000	46,121,000	46,121,000	37,935,000	36,846,000
Surplus	6,673,000	7,790,000	7,790,000	5,598,000	3,494,000
FRS 102 cap	-	-	-	-	-
Experience gain on benefit obligation	(3,110,000)	2,851,000	5,531,000	85,000	4,000