

Company Registration No. 01776496 (England and Wales)
Registered Charity No. 288462

St Michael's Hospice Hastings and Rother

**Report of the Trustees and consolidated financial statements
for the year ended 31 March 2018**

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St Michael's Hospice Hastings and Rother

Reference and administrative information

Company information

St Michael's Hospice Hastings and Rother, a registered charity and a company limited by guarantee, was established on 8 December 1983 and formally opened its service in April 1987. Our Articles of Association were last revised and agreed on 27 January 2012.

The Trustees of the charity (who are also Directors of the company) are drawn from the local community. The Chair is elected by the Trustees from amongst those on the Board.

President	Julian Avery	
Board of Trustees	Irene Dibben (Chair) Steve Barnes Evelyn Bignell Angela Chivers Dr Peter Dewhurst Charles Everett Michael Foster Nigel Gaymer Dr Rosie Guy Bernard Hibbs Nigel Kirby-Green Cliff Wallis	(appointed 19 May 2017) (resigned 8 December 2017)
Company Secretary	Richard Ostle	
Chief Executive	Celia Pyke-Lees Karen Clarke	Chief Executive (until 30 April 2017) Chief Executive (from 1 May 2017)
Senior Management Team	Dr Mursheda Chowdhury Peter Ellis Vinyo Aidam Perdita Chamberlain Bruni Llovet Michael Charlton Caroline White	Medical Director Head of Clinical Services (until 10 November 2017) Head of Finance and Facilities Head of Income Generation Head of Marketing Head of Voluntary Services Head of Human Resources and Education

St Michael's Hospice Hastings and Rother

Reference and administrative information (continued)

Registered information

Registered charity name	St Michael's Hospice Hastings and Rother
Charity number	288462
Company registration number	01776496
Registered office	25 Upper Maze Hill St Leonards on Sea East Sussex TN38 0LB

Professional advisors

Auditors	Saffery Champness LLP Chartered Accountants 71 Queen Victoria Street London EC4V 4BE
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Bankers	Lloyds Bank Plc 17 Wellington Place Hastings East Sussex TN34 1NX
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Solicitors	Gaby Hardwicke 34 Wellington Square Hastings East Sussex TN34 1PN
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Investment advisors	Rathbone Investment Management 8 Finsbury Circus London EC2M 7AZ
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**Report of the Trustees and strategic report
For the year ended 31 March 2018**

The Trustees present their report and accounts for the year ended 31 March 2018 including the Strategic Report for the company.

These accounts comply with the charity's governing document, which states that the charity's objective is to promote the relief of sickness, the Companies Act 2006, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and with the Charities SORP (FRS 102).

St Michael's Hospice Hastings and Rother is regulated by the Care Quality Commission (CQC) which is the independent regulator of all health and social care services in England.

1. OBJECTIVES AND ACTIVITIES

1.1. Purpose of the charity as set out in the governing document

The charity was established to "promote the relief of sickness in such ways as the Trustees shall from time to time think fit and, in particular (but without prejudice to the generality of the foregoing), to provide services so as to support the physical, psychological, social and spiritual needs of those affected by life-limiting illnesses."

1.2. Main activities of the charity undertaken in relation to those purposes

St Michael's Hospice provides palliative care for patients (over the age of sixteen) living with the impact of a life-limiting illness and support for their families. Referrals are made by General Practitioners or healthcare professionals to address physical symptoms including: pain, vomiting and breathlessness, to help with the emotional distress of living with their illness and/or to provide advice and support regarding the social and spiritual concerns an individual may have as they approach the end of life.

Care and support is delivered by a multidisciplinary team of specialist doctors, nurses, therapists, a social worker and spiritual support lead who work in accordance with professional codes of practice (where applicable) legal and ethical principles. The range of services includes:

- In-patient palliative care (acute and longer term)
- Community Clinical Nurse Specialist service
- 24/7 Hospice at Home visiting service
- Night sitting service (3 days per week)
- Day services
- Volunteer Hospice Neighbours who support people with a life-limiting illness living at home
- Bereavement support for any adult within the local catchment area.

The Hospice provides palliative care training and support to health and social care professionals and nursing homes.

1.3. Main activities undertaken to further the charity's purposes for the public benefit

The charity serves a population of 185,800 living in Hastings and Rother. All the activities undertaken by the charity are to further its charitable purposes for the benefit of the people living within its catchment area and all services are provided free of charge.

Much of the charity's funding comes from local individuals and organisations and most of its beneficiaries tend to be predominantly, but not exclusively, drawn from Hastings and Rother. Services are also available for those who have not been resident locally but are in need of support, e.g. someone who has moved into the area to be closer to their family.

The Trustees have considered the Charity Commission's guidance on public benefit and can confirm that the charity's activity does deliver public benefit. The main benefits that have arisen throughout the year are detailed in the following pages.

1.4. Aims, details of issues the charity seeks to tackle, changes or differences it seeks to make

Through the services it provides, the training it delivers and numerous fundraising activities, the Hospice aims to raise awareness of, and support the end of life care and bereavement needs of those living in the local area.

1.5. How achievement of aims will further the charity's legal purposes

Providing Hospice care directly fulfils the charity's legal aim of promoting the relief of sickness by supporting the physical, psychological, social and spiritual needs of those affected by life-limiting illness.

Providing education and training to other health and social care professionals is indirectly fulfilling the charity's aim of promoting the relief of sickness. Encouraging people to engage in fundraising activities is a way of enabling them to do something positive in someone's memory as well as raising awareness and support for the charity. This therefore indirectly fulfils the charity's aim of promoting relief of sickness.

1.6. Strategies for achieving stated aims

In 2017/18, the charity had five strategic aims:

- Build service capacity and reach
- Build service quality
- Develop our leadership and educational role
- Be better known and understood
- Develop our efficiency, effectiveness and sustainability as a local charity.

Achievement against those aims will be described in section 3, page 6.

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

2.1. Governing document

St Michael's Hospice Hastings and Rother is a company limited by guarantee and registered with Companies House. Its Articles of Association were last revised and agreed on 27 January 2012. The Trustees of the Charity (who are also Directors of the Company) are drawn from the local community.

2.2. Organisational structure

During the year 2017/18, the Board met eleven times. In addition to the existing four sub committees: Audit, Corporate Governance and Nominations, Remuneration, and Investment, Health and Safety Committees (Hospice, and Retail and Lottery) were introduced in January 2018. A new Clinical Governance Committee was established in July 2018. The Chief Executive is appointed by the Board of Trustees to manage the day-to-day operations of the charity. The Board seeks to ensure that all the charity's activities are within its charitable objectives and its responsibilities include setting the strategic direction and

Report of the Trustees and strategic report (continued)
For the year ended 31 March 2018

approving the business plan and budgets. The Chief Executive attends and presents information at each Board meeting to enable effective decision-making.

St Michael's Hospice Hastings and Rother has two wholly owned subsidiary companies, one for its lottery and another for its retail business. The Boards of these companies meet four times a year to scrutinise the operation of these businesses and explore opportunities to increase their income.

2.3. Recruitment and appointment of Trustees

The Articles of Association state that there must be a minimum of four and a maximum of fifteen Trustees. The initial appointment of Trustees is for a period of three years followed by a second term of three years. Thereafter, the position is reviewed annually up to the maximum of nine years.

The Board of Trustees has delegated responsibility for succession planning, recruitment and induction of Board Trustees to the Corporate Governance and Nominations Committee who then make recommendations to appoint to the Board. The skills of existing Board members are assessed and where a skills gap exists, advertising will take place using the most cost-effective method for the skills being sought. Members of the Corporate Governance and Nominations Committee will then interview candidates who meet the selection criteria. Once appointed, all new Trustees are issued with a Handbook and an induction programme specific to their needs.

At a General Meeting held on 19 May 2017, Evelyn Bignell was appointed as a Trustee. At a General Meeting on 8 December 2017, Angela Chivers, Irene Dibben, Charles Everett and Michael Foster were re-appointed as Trustees.

The Trustees who served during the year are shown below and their membership of a sub-committee is indicated using the following key:

- ♦ Audit Committee
- ♠ Corporate Governance and Nominations Committee
- ♪ Health and Safety Committee
- Investment Committee
- Remuneration Committee

Irene Dibben (Chair) ♠ ● ■

Steve Barnes ♦

Evelyn Bignell ■

Angela Chivers ♪ ♠

Dr Peter Dewhurst ♠ ●

Charles Everett ♦ ●

Michael Foster ♠

Nigel Gaymer ♦ ♠ ♪ ■

Dr Rosie Guy ●

Bernard Hibbs ♦

Nigel Kirby-Green ♦ ■

Cliff Wallis ♦ ■

The Board has an annual away day and the Company Secretary conducts a bi-annual review of Board performance. The next review will take place in 2019.

2.4. Remuneration for key management personnel

The Trustees consider that the Trustees and the Senior Management Team comprise the key management individuals of the charity responsible for directing, controlling and operating the charity on a day to day basis. All Trustees give their time freely and received no remuneration within the year.

Senior staff remuneration is reviewed annually by the Remuneration Committee as part of the annual budget cycle where inflation, other hospices and general NHS increases are taken into consideration.

3. ACHIEVEMENTS AND PERFORMANCE

Introduction

East Sussex Fire and Rescue Service (ESFRS) continued with their investigation into the fire at the Hospice, in July 2015, throughout 2017/18. ESFRS notified the Hospice on 3 May 2017 of its intention to prosecute for breaches of the Fire Safety Order 2005. At a hearing in March 2018, the Hospice pleaded guilty to two charges and not guilty to eleven charges. The pleas were accepted and a fine was issued. The Hospice is currently seeking leave to appeal against the size of the fine.

Despite these challenges the charity directly supported over 1,200 individuals in need of palliative care in the local area, some of whom accessed more than one hospice service. The services support people at home, in care homes or at the Hospice; this diverse approach enables patients to be cared for in the place of their choosing.

Achievements in relation to the business plan

The following section highlights some of the key achievements in 2017/18 according to the strategic aims identified in section 1.6, page 4.

3.1. Build service capacity and reach

Medical Team

In April 2017, a new Associate Specialist was appointed who provided additional, senior medical input and support to the in-patient unit and enabled the Hospice to re-start the community multi-disciplinary team meeting and senior medical staff to undertake some community visits. This has ensured that community patients benefit from specialist medical expertise and community nurses are better supported.

A Clinical Pharmacist role was piloted during 2017/18 resulting in the appointment of a part-time Clinical Pharmacist in March 2018. This post helps to ensure safe prescribing practice and better standards of medicines management.

Regular Joint Doctors Meetings (every quarter) with doctors from St Wilfrid's Hospice started in April 2017. This has meant closer collaboration with a neighbouring Hospice where doctors share learning from conferences/ study days attended, case presentations and audits. Two audits were done jointly: one involved the Hospice Referral Form and assessed how much of the form was completed and the ability to triage a patient based on the information provided. This led to a redesign of the form which is currently being piloted. The second audit assessed the effectiveness of Lidocaine Plasters and the findings supported the case for palliative care specialists to continue prescribing Lidocaine plasters as clear benefit was shown and no additional costs were incurred.

Report of the Trustees and strategic report (continued)
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Clinical activity summary

a) In-Patient Unit

The total number of patients cared for in the in-patient unit in 2017/18 was 265 compared with 257 in the previous year. 12.5% of those patients had a non-cancer diagnosis which was 3.5% more than the previous year.

b) Community services

The combined Hospice at Home and community Clinical Nurse Specialists (CNS) team received 1,033 referrals and undertook 5,489 visits, day and night. They did an average 457 visits per month and had, on average, 61 patients on the caseload per month.

c) Day Services

136 patients were supported, 79 of them were new referrals. 30% of those patients had a non-cancer diagnosis, predominantly heart failure or circulatory disease (10%), respiratory conditions (7%) and motor neurone disease (4%).

d) Bereavement Service

There was a 38% increase in referrals from GPs to the bereavement service compared with the same period last year. Most clients self-referred into the service (41%) but 30% were referred by their GP.

1,711 hours of one to one support was given compared with 1,554 in 2016/17 (10% increase) and 251 clients benefited from the service either via one-to-one support or by attending one of the therapy groups.

The Hospice provides two social support groups for individuals who have been bereaved:

- Grief Recovery with Support (GRoWS): meets monthly with an average attendance of 16 people
- Walk and Talk: meets twice monthly with an average attendance of 8 people.

3.2. Build service quality

Patient and carer feedback

a) In-Patient Unit

In response to the question, *"The care we have provided during your stay has met your expectations?"* 89% strongly agreed or agreed. The comments included:

"The care for the patient and loved ones has been beyond what is necessary. I cannot think how one can improve on such care. You take the holistic approach already. Thank you so much. My burden was becoming so heavy."

"You have all provided me with a safe and loving place. I could not have asked for more care and understanding. I was apprehensive (a little) on coming in the Hospice but I was desperate and in so much pain. I felt at home immediately and could relax in your care. Thank you so much for all your help."

b) Hospice at Home

Relatives wrote to the Hospice to praise the support that the team provided to patients in their own homes:

"I would never have coped without your support..... Thank you for all your team's kindness and care of our mum in the last weeks and hours of her life and for all the support that was given to us. Your care and

Report of the Trustees and strategic report (continued)
For the year ended 31 March 2018

attention ensured her wish, to remain at home until the end, was able to be granted. It eases our pain to know that Mum was so well looked after in her last hours."

"Myself and all our family want to say a great big thank you for all the love and care you gave to X and the support and strength you gave to me to keep going, especially when days were such a struggle. Those last few days I could never have got through without their support."

"It was wonderful to know I could call on you at any time, day and night, and it took away a lot of my worries and concerns for his welfare. It was so good to be able to contact you after he had passed away. The nurses arrived extremely promptly and looked after him with care and consideration – I couldn't have asked for anything better. You all gave me such reassurance and confidence. I know he was much happier to be at home for those last few days"

"X wanted most of all to be able to die in his own home, in his own bed, and with his closest family beside him. You made it possible for us to make that happen for him and we are immensely grateful to you. You visited us in our home, always pristine clean, calm, gentle, reassuring, professional and competent. Your nurses worked day and night, always contactable and always dependable and kind. You do an extremely difficult task extremely well – thank you."

c) Day Services

100% of survey respondents agreed or strongly agreed that the Day Services team fully understood their needs and that they were fully involved and supported in making decisions around planning their support whilst attending Day Services. Respondents were invited to add further comments about their Day Services experience and their responses included:

"Revitalised, more contented and happier."

"I now know I am cared for and not alone and it has made all the difference to my life."

"If it hadn't been for what you said, then I wouldn't have got the help I needed so thank you."

A relative wrote to the Hospice saying, *"Thank you so much for everything you did for my father. He really enjoyed his Tuesdays, the activities, trips out, chats, friends, lunch and a sleep in the afternoon! As a family we are so grateful for the support you gave both him and us."*

d) Bereavement Service

Clients were asked to score:

- Satisfaction with initial contact with the bereavement service: 100% gave a score of between 6 and 8 (where 8 is excellent)
- Usefulness of the support itself: 93.5% gave a score of between 6 and 8.

In response to the question, *"What has helped you most?"* respondents fed back:

"Being able to cry and talk about my wife and our love and life together. To understand my loss and how to cope with it."

"It helped just to have someone to talk to and un-muddle things and know how I feel is normal."

Report of the Trustees and strategic report (continued)
For the year ended 31 March 2018

"I don't know where I would be if it weren't for her guidance and encouragement. The counsellor has helped me to begin to put my personal losses into perspective and to work through them. I am now beginning to see that there may be a future for me. I am so very grateful".

e) Carers

A survey is sent to the carers of patients who have been admitted to the in-patient unit and according to the results of that survey:

- 99% of carers agreed or strongly agreed that they had trust and confidence in the staff caring for their friend or relative
- 97% agreed or strongly agreed that the quality of care provided was satisfactory
- 94% said that they would rate the in-patient unit as good or excellent.

Their feedback included the following comments:

"The treatment my husband and I received was exemplary which consoled me and gave my husband so much comfort. The nurse made him feel better and the Dr explained everything with great sensitivity. We as a family are very grateful for everything which was done for him and we cannot suggest how you can improve on perfection."

"The loving care of every person on Holly Ward from the top to the bottom, once again cannot be measured, I honestly think they saved me as well, I was near to breaking after many years of caring."

"I am in awe of the dedication and care my wife received plus I could not fault communication. The many cups of tea were very welcome."

"I was extremely anxious when it came to my dad being admitted to the Hospice as my husband had spent 4 weeks in the Hospice prior to his death. It was all very raw for me as it wasn't even 2 years since my husband was there. I'm saying this because the care that I received was amazing, I felt that I was being cared for as well as my dad and I thank you for that."

f) Friends and Family Test

91% of respondents to the Friends and Family Test (which asks patients, on a scale of 1-10, whether they would recommend St Michael's Hospice) gave a score of 10/10, three other respondents gave a score of 8 or 9. Comments included:

"Absolutely everyone I have met here has helped me feel safe and supported and cared for."

"Staff are 'in tune' with patients. Things are done at the rate of the patient. Staff are friendly and helpful. The food options are good. The rooms are clean and light. Nothing is too much trouble."

"Helped give me back my quality of life to same degree and more."

Strengthening governance arrangements

In January 2018, two new Health and Safety Committees were established, one focused on the main Hospice site and the other on retail and lottery. The purpose of the Committees is to set the strategic direction for health and safety and regularly review the safety performance of the organisation.

**Report of the Trustees and strategic report (continued)
For the year ended 31 March 2018**

There is a close alignment between clinical governance and health and safety and so to enable this, whilst also strengthening clinical governance, a new clinical governance structure was developed and agreed. The new Clinical Governance Committee met for the first time in July 2018 once new clinical directors were in post.

A steering group including Trustee representation was set up to develop and implement an action plan to support the Hospice in being compliant with the new General Data Protection Regulations (GDPR) which took effect in May 2018. Awareness raising of the new regulations and the consequences of non-compliance took place throughout the year. Audits of the information departments were holding were undertaken and the data protection officer responsibilities were defined and allocated to an existing member of staff. As a result, the Hospice has more robust processes in place, has tightened its controls on data and reviewed where further improvements can be made.

A new appraisal system

During 2017/18 a new appraisal system was developed and piloted with a focus group of staff and managers. The new scheme was implemented in March 2018 in preparation for performance and development reviews which took place between April and June 2018.

Improve quality of management information

A review of the clinical information database was conducted which highlighted a number of areas for improvement which would result in contractual and efficiency savings, make data entry easier and less onerous, reduce workload and provide more accurate and contemporaneous data. A project to implement these changes commenced in April 2018.

Enhanced customer experience in Retail

In the retail company, the customer experience was improved by introducing paid managers to all shops, at least on a part-time basis. This has resulted in improved financial performance, greater management and oversight of health and safety and regulatory compliance and more support to the volunteers upon whom the retail company is so reliant.

Two premises were completely refurbished providing a fresh, modern look, improved lighting and aesthetics whilst creating a better working environment for the team. The changes have resulted in improved sales and positive feedback from members of the public.

3.3. Develop our leadership and educational role

New clinical leadership

Plans to recruit to the roles of Director of Nursing and Quality and Director of Wellbeing Services were approved in November 2017 and appointments made in January and March respectively. The new incumbents took up their positions in the new financial year. The changes were made from restructuring a number of vacant posts with the aim of:

- enhancing specialist palliative care expertise at a senior level
- ensuring strong strategic, clinical leadership to more effectively influence the wider health and social care system
- mitigating the risks in having all clinical services reporting in to one person
- strengthening clinical governance
- aligning with senior roles in other hospices.

**Report of the Trustees and strategic report (continued)
For the year ended 31 March 2018**

Management development

April 2017 saw the launch of the Hospice's revised management training where all line managers undertook five hours management training, focussing on practical tips for improving their management skills. Seven new managers also embarked on the Hospice's "Empowering and Enabling Managers" development programme, that used a blended learning approach and culminated in a business case being presented for consideration by the Chief Executive.

Education

The Hospice's 30th Anniversary Conference "Striving for Excellence through Collaboration – End of Life Care" held on 10 October 2017 was one of the highlights of the year. It was attended by a multidisciplinary audience of 66 healthcare professionals from across the region. The event was CPD accredited by the Royal College of Physicians and delegates were given an insight into the work of the Hospice and how it collaborates with other organisations, and with colleagues in other settings to improve end of life care in Hastings and Rother. Excellent feedback was received from the delegates who also received the newly produced "St Michael's Hospice Symptom Control" booklet in their delegate pack which was also commended.

Over 4,200 placement hours were provided to 33 students. The majority of whom were doctors on placements and University of Brighton nursing or therapy students.

3.4. Be better known and understood

As part of the Hospice's 30th anniversary celebrations, 30 free thank you events were held in locations across the catchment area where the Hospice had not previously had a strong presence. This enabled the team to meet and thank supporters in person and was a great example of inter-departmental working.

Thanks to a £1,000 grant from the Foreshore Trust, the Christmas on the Coast event generated over 1,000 visitors and made £2,905 (£1,677 in 2016). This event is primarily aimed at thanking families and the community for their support rather than fundraising but it also enabled the team to introduce the Hospice to potential new supporters.

The Hospice's Instagram channel was relaunched in June 2017 and by the year end had over 500 followers. Instagram has one of the most active and engaged user bases and as a more image led social media channel, this has allowed the Hospice to reach a new audience and interact with them in a different way.

Sharing patient stories enables the Hospice to raise awareness of its work and helps to reduce anxiety about hospice care. Throughout 2017/18 the Hospice's patient stories reached social media audiences of over 64,000, with one post receiving over 1,100 reactions.

In response to the new Fundraising Regulations, the Hospice worked with Action Planning, a firm of third sector consultants, to monitor together the Fundraising Regulator's stipulations and to work within an achievable timeframe to ensure compliance.

3.5. Develop our efficiency, effectiveness and sustainability as a local charity.

Finance and Facilities

Co-locating the maintenance and housekeeping teams resulted in improved collaboration and more effective team-working between the different support services provided by the Facilities Department. This played a significant part in the excellent strategic and operational RiskMAP scores achieved in the Health and Safety/Risk Management audit undertaken by an external, independent organisation - Ford Risk Management.

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The outcome of a Business Healthcheck undertaken by an external company was that the Hospice was operating efficiently in the marketplace for major cost areas such as water, waste, stationery, and janitorial supplies, and no further cost savings could be identified. The mobile phone contracts were also reviewed and changed in order to achieve cost savings and improved service.

A comprehensive review was undertaken by the Accounts Team following the recent replacement of a significant number of capital expenditure items across the organisation. This involved the identification, location and recording of items; streamlining records from several spreadsheets onto the Sage accounting system; and introducing a rigorous process for budgeting, procuring, monitoring and disposal of fixed assets.

As part of good governance, the Hospice re-tendered for Auditors in January 2018 and then successfully transitioned from its highly valued long term accountants and statutory auditors Gibbons Mannington and Phipps LLP, to a new firm Saffery Champness LLP.

HR

The 2017 Staff Survey showed improved results compared with last year. Departmental managers are discussing areas for improvement with their teams and developing their own action plans in addition to an organisation wide action plan.

Providing information and enabling managers to become more engaged in organisation communication has been a key focus with the introduction of a monthly Managers Meeting where a Team Briefing is discussed and created with the Chief Executive. Managers are then tasked with briefing their teams.

The key definitions of the job evaluation process were further refined to reflect the levels of responsibility held by those in stand-alone roles and the degree of autonomy they had. This will support the Hospice in attracting and retaining high calibre staff.

Income generation

a) Fundraising

Gross income for the year was £6.89 million. Legacy income was £1.5 million compared with £1.17 million the previous year. 53 notifications were received in the year compared to 52 and 51 in the previous two years. In Memoriam generated £221k which is directly attributable to the care provided by the clinical teams.

b) Lottery

The Hospice Lottery generated £905k in income versus £750k the previous year and gifted a covenant of £527k to the Hospice, an increase of 37% on the previous year. It had a very successful year with the top three highlights being:

- the lottery grew by 19.3%; from 15,214 players on 31 March 2017 to 18,154 numbers playing in the draw on 30 March 2018. The lottery has grown by 59% in the last 3 years (from 11,400 on 27 March 2015)
- the team recruited the highest number of new members in a year – 6,875 and now has a lottery member in 23% of households in the catchment area
- £527k was the highest covenant figure given to the Hospice and £77k over budget.

Report of the Trustees and strategic report (continued)
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St Michael's Hospice Lottery has handed over a total covenant to the Hospice of £6.6 million since the Lottery was set up in 1997.

For every £1 played in the lottery, 57p went to St Michael's Hospice (the legal requirement is to pay at least 20p), 18p goes into the prize fund and 25p covers the administration, promotion, and legal regulation costs.

c) Retail and E-Commerce

The Retail Company generated £662k and provided a covenant of £130k despite having a number of retail outlets closed for refurbishment and essential maintenance.

Improvements were made to the E-Commerce office to provide a better working environment for the team but also to maximise and optimise the use of space. In the first two months post-change, the average number of listings on eBay increased from 300 to over 700 which in turn transferred into income.

3.6. Volunteers

The charity could not deliver its services, fundraise or operate its shops without the invaluable support of its volunteers. Their roles are many and varied and they provide an important link to the community. Voluntary support from local organisations also assisted in the delivery of projects such as shop renovations and gardening, saving the Hospice time and money. Aside from saving money, volunteer groups such as the Hastings and St. Leonards Support group raise thousands of pounds by running coffee mornings and fetes on the Hospice's behalf.

The volunteer Hospice Neighbours scheme continues to grow offering social and practical support to patients and carers including: collecting prescriptions, walking the dog, light housework or companionship. In 2017/18, 3,688 hours of support were provided to people living in Hastings and Rother and on average 50 individuals are receiving support at any one time. In early 2018, people being supported by Hospice Neighbours were invited to feedback on their experience. A summary of their feedback is shown below:

- 100% of those supported by a Hospice Neighbour said their relationship with them and the quality of service was excellent or good
- 89% said that the support from a Hospice Neighbour had reduced the pressure on their carer or family
- 83% said that the quality of life at home had improved as a result of the support from the Hospice Neighbour.

Comments included:

"Knowing that I have someone else to help and support me day to day, means that my son and daughter are less worried about me. Also, as xx can take me to doctors' appointments etc., it means my children don't have to take time off work to travel down to Hastings. They know I am in safe hands with her."

"Having respite weekly has enabled xx to feel more reassured e.g. I am able to have a break from caring and we have no relatives locally. Having a volunteer adds interest to the week and gives us both time to look forward to."

"I live on my own and have no relatives in Hastings and xx has been a source of strength to me every week since my wife died."

4. FINANCIAL REVIEW

The results for the year are shown in the Statement of Financial Activities. Income totalled £6.89 million (2017 - £6.95 million).

The charity received a grant from Hastings and Rother Clinical Commissioning Group of £2 million (2017 - £2 million).

Total expenditure was £6.49 million (2017 - £6.61 million) a decrease of 1% despite an 8% increase in the costs of charitable activities due to 7% of 2016/17 expenditure being attributable to costs associated with the fire in 2015.

The year ended with a surplus of £415k (2017 - £512k).

4.1. Reserves Policy

A key risk that the charity faces is a fall in its income as a result of a drop in donated funds. The charity is heavily dependent on the public's generosity, 65% of income for the past year having been raised through voluntary sources and trading. In order to sustain the organisation's ability to deliver the services it is committed to, the Trustees have agreed to maintain financial reserves as they deem necessary to ensure there can be continuity.

The short term reserves include a working capital and contingency reserve as well as some designated reserves for essential capital/maintenance works. The contingency funds are set at £2.8 million which amounts to 12 months' expenditure after allowing for an amount of income that can reasonably be relied upon.

The Trustees have designated a Strategic Development Fund of £2.0 million to develop facilities on the Hospice site, subject to agreeing a five-year strategic plan.

The fixed asset reserve represents the amount of the total reserves that are tied up in tangible fixed assets, mainly freehold property including the Hospice building. As at 31 March 2018, the Consolidated Balance Sheet total was £13.46 million (2017 - £13.05 million).

4.2. Investment Policy and objectives

The charity's investment objective for short-term reserves is to preserve the capital value with a minimum level of risk ensuring that the Hospice is able to meet unanticipated cash flow requirements. Funds treated as short-term would usually be invested only in a mix of short and medium-term deposits.

The investment objective for long-term reserves is to secure a return in excess of inflation, generating an income to support the Hospice's on-going activities. The Hospice has adopted an ethical investment policy to ensure that its investments do not conflict with its aims, and therefore precludes direct or indirect investments in companies that generate revenue from tobacco or arms and those companies whose principal activity is either gambling or pornography.

4.3. Investment performance

At 31 March 2018, the market value of the portfolio was £1.29 million, with an estimated yield of 2.3%. Members of the Investment Committee review the brief given to the investment managers on an annual basis with regard to the proportion of investments to be held in each asset category, the level of risk which is acceptable and the level of income required.

4.4. Risk management

Risk Registers are reviewed by the senior management team on a monthly basis and by the Health and Safety, Audit and Clinical Governance Committees, on a quarterly basis, identifying potentially significant risks, assessing their likelihood and impact and agreeing mitigating action. Corporate risks are subsequently reported to the Board at each meeting.

The key risks faced by the charity in 2017/18 were a drop in fundraising income due to potential adverse publicity arising from the prosecution case; a changing NHS landscape which could disrupt long-standing and supportive relationships; competition from other charities and an inability to recruit medical staff due to a national shortage of specialist palliative care doctors.

4.5. Fundraising

The Trustees take their responsibilities under the Charities (Protection and Social Investment) Act 2016 seriously and have considered the implications on their fundraising activities.

St Michael's Hospice Hastings and Rother is committed to its donors and remains dedicated to treating all donors and supporters with the highest level of care, consideration and respect. The Hospice undertakes fundraising activity via support of volunteer fundraising in the community, applying to and partnering with companies and grant-giving trusts, direct mailings and appeals and the organising of events. St Michael's Hospice Lottery Limited also runs a weekly lottery with the profits of the company being gift aided to the charity.

St Michael's Hospice Hastings and Rother is registered with the Fundraising Regulator and abides by the Regulator's Code of Fundraising Practice and the Fundraising Promise. The Hospice is careful to ensure that it takes all reasonable steps to treat a donor fairly, enabling donors to make an informed decision about any potential donation. The Hospice adopts guidance on best fundraising practice provided by regulatory bodies, and will continue to do so as these are updated.

During the year to 31 March 2018, the charity received no complaints in relation to fundraising.

5. PLANS FOR THE FUTURE

National studies reflect an ageing population, a significant increase in the number of people who are dying and with increasingly complex needs at a time when health and social care services are under pressure and informal (family) caregivers are ageing and diminishing. In order to respond to this, hospices must consider how they can meet the likely increase in demand for their services without additional statutory funding to support them.

Following an away day in November 2017, the Board approved a two-year strategic plan in March 2018 with the following strategic objectives:

- a) Increase our clinical reach
- b) Improve and demonstrate our effectiveness
- c) Develop and value our people
- d) Ensure long-term sustainability.

Strategic Objectives

a) Increase clinical reach

A key priority for the Hospice is to support more people and, wherever possible, to reduce the number of hospital admissions at the end of life, unless this is in line with the patient's wishes.

To increase our clinical reach we will ensure:

- in-patient beds are used appropriately to meet the needs of the local population
- services meet the needs of all those with a life-limiting illness irrespective of diagnosis
- there are no barriers to accessing hospice services.

b) Improve and demonstrate our effectiveness

In order to achieve greater reach without incurring significant, additional costs, the Hospice must ensure that it is working effectively and efficiently. Furthermore, it must ensure that it is providing safe, caring, effective, responsive and well-led care to meet its regulatory obligations but more importantly the needs of patients and families. This focus on quality assurance, continuous improvement and cost-effectiveness should extend to all areas of the business.

To improve our effectiveness we will:

- Focus on quality in clinical and non-clinical settings
- Ensure effective clinical and non-clinical governance
- Improve data collection, accuracy and reporting.

c) Develop and value our people

People are an organisation's most valuable asset and so attracting, developing and retaining good people is key to the Hospice's success both in terms of quality care and long-term sustainability.

To develop and value our people the Hospice will:

- Develop the diversity, capability and motivation of the team (staff and volunteers)
- Develop strategies to deliver closer integration between all team members
- Ensure the Hospice is an attractive employer.

d) Ensure long-term sustainability

The Hospice must ensure that it carefully manages the funds that are given, granted and earned by it to maintain business continuity, but it must also ensure that it remains vigilant in securing new sources of income to enable it to continue to serve the local population.

To ensure the Hospice's long term sustainability it will:

- Prudently manage resources and invest for future
- Generate new income and optimise existing income streams to support more people.

In formulating its longer term strategic plans, the Hospice will be engaging with all stakeholders in 2019/20. This will involve visiting the communities that the Hospice serves and seeking their views and input into what they would like from their local Hospice. As primary funders of Hospice care, public opinion must and should inform our future services.

Report of the Trustees and strategic report (continued)
For the year ended 31 March 2018

Statement of Trustees' responsibilities

The Trustees (who are also Directors of the charity for the purposes of company law) are responsible for preparing the Trustees' 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 the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable 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 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the 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; and
- 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 charity and the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Saffery Champness LLP were auditors during the period and their reappointment will be considered at the annual general meeting.

The Trustees have taken advantage of the small companies' regime in preparing the Trustees' Annual Report.

On behalf of the board


.....

Mrs I O Dibben
Trustee

28/9/.....2018

**Independent auditors' report to the members
For the year ended 31 March 2018**

Opinion

We have audited the financial statements of St Michael's Hospice Hastings and Rother for the year ended 31 March 2018 which comprise the consolidated statement of financial activities, the group and charity balance sheets, the consolidated cash flow statement and the 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 affairs of the group and the parent charitable company as at 31 March 2018 and of the group and the parent charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent 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 group's or the parent 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 Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Independent auditors' report to the members (continued)
For the year ended 31 March 2018

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.

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' Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report which includes the Directors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report which includes the Directors' Report and the Strategic Report.

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

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

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members (continued)
For the year ended 31 March 2018

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charitable company's members and the Trustees, 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 and Trustees 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, the charitable company's members and Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Cara Turlington (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Saffery Champness LLP
Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE



.....2018

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

St Michael's Hospice Hastings and Rother

**Consolidated statement of financial activities (incorporating an income and expenditure account)
For the year ended 31 March 2018**

	Notes	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
Income and endowments from					
Donations and legacies	3	2,144,660	91,630	2,236,290	2,579,234
Charitable activities					
Hospice services	6	2,495,630	-	2,495,630	2,289,455
Other trading activities	4	2,074,994	-	2,074,994	1,932,202
Investment income	5	79,250	-	79,250	85,044
Other income	7	5,218	-	5,218	62,575
Total		6,799,752	91,630	6,891,382	6,948,510
Expenditure on					
Raising funds	8	1,336,204	982	1,337,186	1,343,310
Charitable activities					
Hospice services	9	5,025,769	124,744	5,150,513	4,778,452
Other expenditure	12	-	-	-	488,819
Total		6,361,973	125,726	6,487,699	6,610,581
Net gains on investments	16	11,525	-	11,525	173,818
Net income/(expenditure)		449,304	(34,096)	415,208	511,747
Transfers between funds	25	1,190,048	(1,190,048)	-	-
Net movement in funds		1,639,352	(1,224,144)	415,208	511,747
Reconciliation of funds					
Total funds brought forward		11,801,236	1,246,946	13,048,182	12,536,435
Total funds carried forward	26	13,440,588	22,802	13,463,390	13,048,182

Continuing operations

All incoming resources and resources expended arise from continuing activities.

The notes on pages 25 to 45 form part of these financial statements.

St Michael's Hospice Hastings and Rother

**Consolidated and charity balance sheets
At 31 March 2018**

		Group 2018 £	Charity 2018 £	Group 2017 £	Charity 2017 £
Fixed assets					
Tangible assets	18	5,775,481	4,896,907	5,905,913	5,045,853
Investments	19	1,285,886	1,285,987	1,252,097	1,252,198
		<u>7,061,367</u>	<u>6,182,894</u>	<u>7,158,010</u>	<u>6,298,051</u>
Current assets					
Stocks	20	24,809	19,586	25,244	17,282
Debtors	21	255,143	1,150,180	763,896	1,612,676
Cash at bank and in hand		6,604,667	6,452,275	5,350,018	5,216,636
		<u>6,884,619</u>	<u>7,622,041</u>	<u>6,139,158</u>	<u>6,846,594</u>
Creditors: amounts falling due within one year	22	(482,596)	(395,636)	(248,986)	(176,516)
Net current assets		<u>6,402,023</u>	<u>7,226,405</u>	<u>5,890,172</u>	<u>6,670,078</u>
Total assets less current Liabilities		<u>13,463,390</u>	<u>13,409,299</u>	<u>13,048,182</u>	<u>12,968,129</u>
Net assets		<u>13,463,390</u>	<u>13,409,299</u>	<u>13,048,182</u>	<u>12,968,129</u>
Funds	25				
Unrestricted funds		13,440,588	13,386,497	11,801,236	11,721,183
Restricted funds		22,802	22,802	1,246,946	1,246,946
Total funds		<u>13,463,390</u>	<u>13,409,299</u>	<u>13,048,182</u>	<u>12,968,129</u>

The total income of the Hospice as an individual entity for the year was £6,045,535 (2017 - £6,085,415) and its net income was £441,170 (2017 - £502,851). A Statement of Financial Activities for the Hospice as an individual entity is not included using the exemption given in section 408 of the Companies Act 2006.

The financial statements were approved by the Board of Trustees on
signed on its behalf by

2018 and were



Mrs I O Dibben
Trustee

The notes on pages 25 to 45 form part of these financial statements.
Company number 01776496

St Michael's Hospice Hastings and Rother

**Consolidated cash flow statement
For the year ended 31 March 2018**

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	A	1,463,599	1,103,591
Net cash provided by operating Activities		1,463,599	1,103,591
Cash flows from investing activities			
Purchase of tangible fixed assets		(273,087)	(2,063,202)
Purchase of fixed asset investments		(96,961)	(146,185)
Sale of tangible fixed assets		7,150	4,601
Sale of fixed asset investments		93,309	303,044
Investment income		79,250	83,334
Net cash used in investing activities		(190,339)	(1,818,408)
Change in cash and cash equivalents in the reporting period	B	1,273,260	(714,817)
Cash and cash equivalents at the beginning of the reporting period		5,370,312	6,085,129
Cash and cash equivalents at the end of the reporting period	B	6,643,572	5,370,312

The notes on pages 25 to 45 form part of these financial statements.

Notes to the cash flow statement
For the year ended 31 March 2018

A. Reconciliation of net income to net cash flow

	2018 £	2017 £
Net income for the reporting period (as per the statement of financial activities)	415,208	511,747
Adjustments for:		
Depreciation charges	401,585	286,566
Gains on investments	(11,525)	(173,818)
Profit on disposal of fixed assets	(5,217)	(2,185)
Investment income	(79,250)	(85,044)
Decrease in stocks	435	1,951
Decrease in debtors	508,753	799,370
Increase/(decrease) in creditors	233,610	(234,996)
Net cash inflow from operating activities	1,463,599	1,103,591

B. Analysis of cash and cash equivalents

	At 31 March 2017 £	Movement £	At 31 March 2018 £
Cash at bank and in hand	5,350,018	1,254,649	6,604,667
Investment cash	20,294	18,611	38,905
	5,370,312	1,273,260	6,643,572

**Notes to the financial statements
For the year ended 31 March 2018**

1. Statutory information

St Michael's Hospice Hastings and Rother is a private charitable company limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found in the reference and administrative details in the Report of the Trustees.

2. Accounting policies

2.1 Accounting convention

The financial statements of the charitable company, which is a public benefit entity under FRS 102, and group have been prepared in accordance with the Charities SORP (FRS 102) "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)", Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value.

2.2 Incoming resources

All incoming resources are included on the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

2.2.1 Gifts in kind

Gifts donated for resale are included as income when they are sold. Donated items for use in the Hospice are valued at a reasonable approximation to market value. Donated facilities are included at the value to the charity where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

2.2.2 Fees, contributions and grants

These comprise amounts receivable during the year.

2.2.3 Voluntary income

Voluntary income represents amounts received during the year.

2.2.4 Legacies

Reversionary legacies are accounted for on receipt. Pecuniary and residuary legacies are accounted for at the earlier of receipt of the legacy or the point at which the final accounts of the estate are agreed by the charity. In the event that legacies are settled after the accounting year end they are included in the accounts provided the charity was certain of the amounts to be distributed at the balance sheet date.

The hospice has received notification of a number of legacies which have not been included in these accounts because they are not certain in value or certain of receipt.

2.2.5 Investment income

Investment income comprises amounts receivable during the year.

Notes to the financial statements (continued)
For the year ended 31 March 2018

2 Accounting policies (continued)

2.2.6 Shop income

Shop income generated by one of the trading subsidiaries represents net invoiced sales of goods, excluding valued added tax.

2.2.7 Lottery income

Lottery income generated by one of the trading subsidiaries represents ticket sales received in respect of lotteries held during the year and scratch card sales.

Income from tickets sold in advance of a draw being held is carried forward to the period in which the draw takes place.

2.2.8 Debtors

Income resources recognised in the year but not received at the year end are included within debtors unless there are doubts as to the estimation of value or likelihood of receipt.

2.3 Resources expended

Liabilities are recognised as expenditure as soon as there is a legal obligation or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where cost cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

2.4 Allocation and apportionment of costs

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

2.5 Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	2% and 10% on cost
Fixtures, fittings and equipment	15% to 33% on cost
Motor vehicles	25% on cost

Notes to the financial statements (continued)
For the year ended 31 March 2018

2 Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Where extensions and improvements have been made to freehold property, depreciation has been charged over the remaining life of the underlying property.

No depreciation is provided on freehold land.

2.6 Investments

Listed investments are included at market value at the year end. Gains and losses on disposal and revaluation of investments are charged or credited to the Statement of Financial Activities.

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Donated items are not valued until sold. Consequently, no value is attributed to their stock carrying value, as this cannot be determined with certainty until sold.

2.8 Leasing commitments

Operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

2.9 Taxation

The charity is party to a group registration for VAT purposes and is therefore able to recover some but not all of the VAT the charity incurs. Irrecoverable VAT is charged as a single item in the Statement of Financial Activities.

The charity is exempt from corporation tax on its charitable activities and therefore no provision has been made for either corporation tax or deferred tax.

Where a trading subsidiary is registered for VAT the expenditure is shown exclusive of VAT.

Both trading subsidiaries have entered an agreement to covenant their taxable profits to the parent undertaking and therefore no corporation tax provision is required.

2.10 Fund accounting

In the Trustees' opinion, with certain exceptions, the incoming resources and resources expended are all derived for the benefit of running the Hospice. Therefore, the Trustees choose to classify all income and expenditure as unrestricted. In certain instances, funds may be designated by the Trustees for specific purposes.

Where funds are received for a significant and specific project these are allocated to restricted funds. These funds are then used to meet the capital costs of that specific project by way of an annual depreciation charge set against the restricted fund. Any funds received in excess of the capital requirements of the project will be used to help with the associated future running costs of the project.

Notes to the financial statements (continued)
For the year ended 31 March 2018

2 Accounting policies (continued)

2.10 Fund accounting (continued)

The amount charged to restricted funds on a regular basis will be determined by calculating the total running costs of the associated project and by making a suitable deduction so as to use up the funds over a period of time.

2.11 Pension costs and other post-retirement benefits

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

3. Donations and legacies

	2018	2017
	£	£
Donations and gifts	410,064	1,083,892
In memoriam	220,662	218,740
Regular giving and Gift Aid	85,411	85,347
Legacies	1,501,358	1,172,948
Gift Aided items sold in shops	18,795	18,307
	<u>2,236,290</u>	<u>2,579,234</u>

4. Other trading activities

	2018	2017
	£	£
Lottery income	905,318	749,818
Retail income	661,635	646,523
Fundraising events	449,334	482,073
Arthur Easton hall hire	7,211	6,278
Coffee shop and catering	20,181	18,805
Sundry income	31,315	28,705
	<u>2,074,994</u>	<u>1,932,202</u>

5. Investment income

	2018	2017
	£	£
Income from UK listed investments	31,287	34,043
Deposit account interest	42,863	45,301
Rents	5,100	5,700
	<u>79,250</u>	<u>85,044</u>

Notes to the financial statements (continued)
For the year ended 31 March 2018

6. Income from charitable activities

	2018 £	2017 £
Grants	2,169,714	2,001,204
Palliative care fees	307,862	271,213
Patient income	15,653	16,936
Rents	2,350	-
Doctors' fees received	51	102
	<u>2,495,630</u>	<u>2,289,455</u>

	2018 £	2017 £
Grants from government sources received, included in the above, are as follows:		
Hastings and Rother CCG	<u>2,169,714</u>	<u>2,001,204</u>

7. Other income

Other income includes £5,217 gain on disposal of tangible fixed assets. In 2017 £60,275 was received in net insurance proceeds following a fire in 2015. The total insurance claim was £2,188,759 to replace assets destroyed by the fire and to meet additional operational costs as a result of the fire.

8. Raising funds

	2018 £	2017 £
Raising donations and legacies		
Staff costs	656,058	655,802
Cost of sales	314,263	301,354
Premises	118,386	121,384
Depreciation	47,693	30,647
Other direct costs	200,786	234,123
	<u>1,337,186</u>	<u>1,343,310</u>

St Michael's Hospice Hastings and Rother

Notes to the financial statements (continued)
For the year ended 31 March 2018

9. Charitable activities costs

	Direct costs (Note 10)	Support costs (Note 11)	Totals
	£	£	£
Hospice services	4,471,727	633,903	5,105,630
Other	-	44,883	44,883
	<u>4,471,727</u>	<u>678,786</u>	<u>5,150,513</u>

10. Direct costs of charitable activities

	2018 £	2017 £
Staff costs	3,148,412	3,152,829
Clinical costs	543,241	540,414
Training costs	23,683	41,380
Premises	234,364	142,278
Depreciation	342,648	251,876
Other direct costs	179,379	131,975
	<u>4,471,727</u>	<u>4,260,752</u>

Notes to the financial statements (continued)
For the year ended 31 March 2018

11. Support costs

Support costs are as follows:

	2018	2017
	£	£
Staff costs	586,256	403,915
Rates and water	796	464
Insurance	2,169	1,818
Light and heat	3,922	2,319
Telephone	1,731	1,003
Postage, stationery and IT	8,377	32,399
Sundries	8,725	10,752
Repairs and maintenance	11,150	1,536
Freehold property depreciation	10,777	4,043
	<u>633,903</u>	<u>458,249</u>

Governance costs

	2018	2017
	£	£
Bank charges	4,435	16,256
Legal and professional fees	19,953	16,202
Auditors' remuneration	9,800	3,500
Auditors' remuneration in respect of accountancy and other services	10,695	23,493
	<u>44,883</u>	<u>59,451</u>

12. Other

	2018	2017
	£	£
Fire related costs	<u>-</u>	<u>488,819</u>

Notes to the financial statements (continued)
For the year ended 31 March 2018

13. Net income/expenditure

	2018	2017
	£	£
Net income/expenditure is stated after charging:		
Auditors' remuneration	9,800	3,500
Auditors' remuneration in respect of accountancy and other services, including the audit fees of subsidiaries	10,695	23,493
Depreciation	401,585	286,566
(Surplus) on disposal of fixed assets	(5,217)	(2,185)

14. Trustees' remuneration and benefits

There was no trustees' remuneration or other benefits for the year ended 31 March 2018 nor for the year ended 31 March 2017.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 March 2018 nor for the year ended 31 March 2017.

15. Staff costs

	2018	2017
	£	£
Wages and salaries	3,796,858	3,660,592
Social security costs	357,801	309,375
Other pension costs	234,610	242,579
	4,389,269	4,212,546

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

	2018	2017
	Number	Number
Nursing and medical staff	105	110
Catering and housekeeping staff	18	14
Maintenance staff	6	7
Training staff	5	5
Fundraising staff	11	17
Administration staff	18	18
Bereavement	4	5
Lottery staff	4	4
Retail staff	18	17
	189	197

Notes to the financial statements (continued)
For the year ended 31 March 2018

15. Staff costs (continued)

The numbers of employees whose emoluments for the year fell within the following bands were:

	2018	2017
	Number	Number
£70,000 to £79,999	1	1
£80,000 to £89,999	2	1

The key management personnel comprise members of the Senior Management Team (SMT). The total employee benefits of the key management personnel of the charity were £485,982 (2017 - £439,031).

16. Gains/(losses) on investments

	2018	2017
	£	£
Realised gains/(losses)	22,090	38,337
Unrealised (losses)/gains	(10,565)	135,481
	11,525	173,818

Notes to the financial statements (continued)
For the year ended 31 March 2018

17. Comparatives for the statement of financial activities

	Unrestricted funds £	Restricted funds £	Total funds £
Income and endowments from			
Donations and legacies	1,815,277	763,957	2,579,234
Charitable activities			
Hospice services	2,295,155	-	2,295,155
Other trading activities	1,932,202	-	1,932,202
Investments income	79,344	-	79,344
Other income	62,575	-	62,575
Total	6,184,553	763,957	6,948,510
Expenditure on			
Raising funds	1,341,575	1,735	1,343,310
Charitable activities			
Hospice services	4,719,831	58,621	4,778,452
Other	488,819	-	488,819
Total	6,550,225	60,356	6,610,581
Net gains/(losses) on investments	173,818	-	173,818
Net income	(191,854)	703,601	511,747
Transfer between funds	34,372	(34,372)	-
Net movement in funds	(157,482)	669,229	511,747
Reconciliation of funds			
Total funds brought forward	11,958,718	577,717	12,536,435
Total funds carried forward	11,801,236	1,246,946	13,048,182

Notes to the financial statements (continued)

For the year ended 31 March 2018

18. Tangible fixed assets

Group	Freehold property	Fixtures fittings and equipment	Motor vehicles	Totals
	£	£	£	£
Cost				
At 1 April 2017	6,330,750	997,384	146,275	7,474,409
Additions	170,854	62,683	39,550	273,087
Disposals	(1,345)	(16,312)	(42,818)	(60,475)
At 31 March 2018	6,500,259	1,043,755	143,007	7,687,021
Depreciation				
At 1 April 2017	925,661	527,196	115,639	1,568,496
Charge for year	193,289	191,331	16,965	401,585
Eliminated on disposal	(1,345)	(14,378)	(42,818)	(58,541)
At 31 March 2018	1,117,605	704,149	89,786	1,911,540
Net book value				
At 31 March 2018	5,382,654	339,606	53,221	5,775,481
At 31 March 2017	5,405,089	470,188	30,636	5,905,913

Included in freehold property land of £152,761 (2017 - £152,761) which is not depreciated.

Notes to the financial statements (continued)
For the year ended 31 March 2018

18. Tangible fixed assets (continued)

Charity	Freehold property	Fixtures fittings and equipment	Motor vehicles	Totals
	£	£	£	£
Cost				
At 1 April 2017	5,380,043	974,471	91,263	6,445,777
Additions	115,052	62,683	39,550	217,285
Disposals	-	(9,590)	(42,818)	(52,408)
At 31 March 2018	5,495,095	1,027,564	87,995	6,610,654
Depreciation				
At 1 April 2017	821,659	510,388	67,877	1,399,924
Charge for year	161,200	189,757	13,340	364,297
Eliminated on disposal	-	(7,656)	(42,818)	(50,474)
At 31 March 2018	982,859	692,489	38,399	1,713,747
Net book value				
At 31 March 2018	4,512,236	335,075	49,596	4,896,907
At 31 March 2017	4,558,384	464,083	23,386	5,045,853

Notes to the financial statements (continued)
For the year ended 31 March 2018

19. Fixed asset investments

Group		Listed investments £	Cash held for investments £	Totals £
Market value				
At 1 April 2017		1,231,803	20,294	1,252,097
Additions		96,961	-	96,961
Disposals		(71,219)	-	(71,219)
Revaluations		(10,564)	-	(10,564)
Cash movement		-	18,611	18,611
At 31 March 2018		1,246,981	38,905	1,285,886
Net book value				
At 31 March 2018		1,246,981	38,905	1,285,886
At 31 March 2017		1,231,803	20,294	1,252,097
Charity	Shares in group undertakings £	Listed investments £	Cash held for investments £	Totals £
Market value				
At 1 April 2017	101	1,231,803	20,294	1,252,198
Additions	-	96,961	-	96,961
Disposals	-	(71,219)	-	(71,219)
Revaluations	-	(10,564)	-	(10,564)
Cash movement	-	-	18,611	18,611
At 31 March 2018	101	1,246,981	38,905	1,285,987
Net book value				
At 31 March 2018	101	1,246,981	38,905	1,285,987
At 31 March 2017	101	1,231,803	20,294	1,252,198

There were no investment assets outside the UK.

Notes to the financial statements (continued)
For the year ended 31 March 2018

19. Fixed asset investments (continued)

The charity holds 20% or more of the share capital of the following companies:

Company	Country of incorporation	Class	Shares %
St Michael's Hospice (Retail) Limited – 02404963	England & Wales	Ordinary	100%
St Michael's Hospice Lottery Limited – 03351501	England & Wales	Ordinary	100%

St Michael's Hospice (Retail) Limited operates a number of charity shops. St Michael's Hospice Lottery Limited supports the Hospice through fundraising largely from the operation of a lottery. Both companies covenant their taxation profits to the parent company.

A summary of the result of these undertakings is set out below:

	St Michael's Hospice (Retail) Limited		St Michael's Hospice Lottery Limited	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£	£	£	£
Turnover	661,635	652,223	905,318	749,818
Cost of sales	(13,813)	(10,815)	(300,450)	(290,539)
Gross profit	647,822	641,408	604,868	459,279
Administrative expenses	(543,589)	(540,878)	(78,407)	(76,917)
Other income	-	-	747	1,643
Net profit/(loss)	104,233	100,530	527,208	384,005
Assets – fixed and current	979,744	941,524	125,997	121,957
Liabilities	(925,625)	(861,444)	(125,923)	(121,883)
	54,119	80,080	74	74
Share capital	100	100	1	1
Retained reserves	54,019	79,980	73	73
	54,119	80,080	74	74

St Michael's Hospice Hastings and Rother

Notes to the financial statements (continued)
For the year ended 31 March 2018

20. Stocks

Group	2018	2017
	£	£

Stocks	24,809	25,244
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Charity	2018	2017
	£	£

Stocks	19,586	17,282
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Notes to the financial statements (continued)
For the year ended 31 March 2018

21. Debtors

Group: Amounts falling due within one year

	2018 £	2017 £
Trade debtors	12,270	61,332
Legacies due	74,494	198,196
Gift Aid tax recoverable	-	9,189
Other debtors and prepayments	68,824	276,393
VAT	36,317	199,836
Accrued income receivable	63,238	18,950
	<u>255,143</u>	<u>763,896</u>

Charity: Amounts falling due within one year

	2018 £	2017 £
Trade debtors	12,213	60,732
Amounts owed by group undertakings	69,808	16,076
Legacies due	74,494	198,196
Gift Aid tax recoverable	-	9,189
Other debtors	2,998	1,536
Prepayments	61,477	65,796
VAT	32,030	194,724
Accrued income receivable	45,160	18,427
Other accrued income	-	196,000
	<u>298,180</u>	<u>760,676</u>

Charity: Amounts falling due after one year

Amounts owed by group undertakings	852,000	852,000
	<u>1,150,180</u>	<u>1,612,676</u>

Amounts falling due after more than one year relates to a loan to St Michael's Hospice (Retail) Limited, in order to purchase a new warehouse. Interest is being charged at 2.5% per annum, with £21,300 (2017- £21,300) being received during the year. There are no fixed terms for repayment.

Notes to the financial statements (continued)
For the year ended 31 March 2018

22. Creditors

Amounts falling due within one year

Group	2018 £	2017 £
Trade creditors	112,440	43,166
Lottery ticket sales paid in advance	108,297	100,042
Other creditors	135,415	65,848
Accruals and deferred income	126,444	39,930
	<u>482,596</u>	<u>248,986</u>

Charity	2018 £	2017 £
Trade creditors	106,159	33,722
Amounts owed to group undertakings	42,781	42,781
Other creditors	134,368	65,848
Accruals and deferred income	112,328	34,165
	<u>395,636</u>	<u>176,516</u>

Notes to the financial statements (continued)
For the year ended 31 March 2018

23. Operating lease commitments

Minimum lease payments under non-cancellable operating leases fall due as follows:

Group	2018 £	2017 £
Expiring:		
Within one year	56,147	26,360
Between one and five years	161,238	153,947
In more than five years	16,000	112,000
	<u>233,385</u>	<u>292,307</u>
Charity	2018 £	2017 £
Expiring:		
Within one year	20,087	20,420
Between one and five years	55,238	70,927
In more than five years	-	-
	<u>75,325</u>	<u>91,347</u>

24. Pension commitments

The charity operates two defined contribution pension schemes. Contributions are charged to the Statement of Financial Activities in the period to which they related.

For qualifying St Michael's Hospice Hastings and Rother staff, participation in the NHS Superannuation Scheme provides benefits based on final pensionable pay. However, the contributions paid by the charity in respect of the NHS Superannuation scheme are accounted for as if the scheme was a defined contributions scheme as the charity is unable to identify its share of the underlying assets and liabilities in the scheme. The Government Actuary, using the Projected Unit Method, determines contributions charged to the Statement of Financial Activities.

The total contributions paid to both pension schemes for the year ended 31 March 2018 are shown in note 15. The amount outstanding at the balance sheet date is £nil (2017 – £nil).

Notes to the financial statements (continued)
For the year ended 31 March 2018

25. Movement in funds

	At 1 April 2017 £	Net movement in funds £	Transfers between funds £	At 31 March 2018 £
Unrestricted funds				
General fund	4,055,371	449,304	(1,639,568)	2,865,107
Fixed assets	4,715,865	-	1,059,616	5,775,481
Strategic Development fund	430,000	-	1,570,000	2,000,000
Contingency fund	2,600,000	-	200,000	2,800,000
	<u>11,801,236</u>	<u>449,304</u>	<u>1,190,048</u>	<u>13,440,588</u>
Restricted funds				
Rolling equipment replacement	45,490	(35,940)	-	9,550
Phoenix fund	1,196,203	1,533	(1,190,048)	7,688
Other funds	5,253	311	-	5,564
	<u>1,246,946</u>	<u>(34,096)</u>	<u>(1,190,048)</u>	<u>22,802</u>
Total	<u>13,048,182</u>	<u>415,208</u>	<u>-</u>	<u>13,463,390</u>

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	6,799,752	(6,361,973)	11,525	449,304
	<u>6,799,752</u>	<u>(6,361,973)</u>	<u>11,525</u>	<u>449,304</u>
Restricted funds				
Rolling equipment replacement	56,225	(92,165)	-	(35,940)
Phoenix fund	5,376	(3,843)	-	1,533
Other funds	30,029	(29,718)	-	311
	<u>91,630</u>	<u>(125,726)</u>	<u>-</u>	<u>(34,096)</u>
Total funds	<u>6,891,382</u>	<u>(6,487,699)</u>	<u>11,525</u>	<u>415,208</u>

25. Movement in funds (continued)

Unrestricted funds

The Trustees have applied the funds as shown above. Of the available funds held at the year-end £5,775,481 (2017 - £4,715,865) is held in the form of land and building and other tangible fixed assets.

Contingency funds are calculated each year according to the reserves policy set out in the Report of the Trustees. This policy identifies the cash resources needed to sustain twelve months of net running costs in the event of a severe downturn in voluntary income.

The Trustees have retained a designated Strategic Development fund of £2,000,000 (2017 - £430,000).

The general fund at the year-end of £2,865,107 (2017 - £4,055,371) represents funds available to the Trustees to pursue and further the activities of the Hospice

Restricted funds

Rolling Equipment Replacement – funds received to purchase new or upgrade existing equipment are recorded within the Rolling Equipment Replacement fund. Funds received during the year were as follows and were all fully expended in accordance with their restriction, unless stated otherwise. The additional balance carried forward on the fund represents fixed assets held on the balance sheet.

Phoenix Fund – funds received to enable the rebuild of the Hospice after the fire. The majority of these funds have been expended during the year ended 31 March 2018.

Notes to the financial statements (continued)
For the year ended 31 March 2018

26. Net Assets by fund

Group	Unrestricted funds £	Restricted funds £	Total funds £
Tangible Fixed Assets	5,775,481	-	5,775,481
Investments	1,285,886	-	1,285,886
Current Assets	6,861,817	22,802	6,884,619
Current liabilities	(482,596)	-	(482,596)
Net assets	13,440,588	22,802	13,463,390

Charity	Unrestricted funds £	Restricted funds £	Total funds £
Tangible Fixed Assets	4,896,907	-	4,896,907
Investments	1,285,987	-	1,285,987
Current Assets	7,599,239	22,802	7,622,041
Current liabilities	(395,636)	-	(395,636)
Net assets	13,386,497	22,802	13,409,299

27. Contingent liabilities

On 3 May 2017, East Sussex Fire and Rescue Service served notice of its intention to prosecute the Hospice in relation to the fire at the Hospice in July 2015. At a hearing in March 2018, the Hospice pleaded guilty to two charges and not guilty to eleven charges. The pleas were accepted and a fine was issued. The Hospice is currently seeking leave to appeal against the size of the fine.

28. Capital commitments

The charity had no building commitments as at the year-end (2017 - £63,000).

29. Contingent assets

The charity has been notified of two legacies which are subject to life tenancies or other such conditions. The total amount of the legacies is estimated at £135,000 (2017 - £135,000). They have not been included in the accounts.