

"How We Are Doing"

OUR DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

A Company Limited by Guarantee not having share capital

Registered company number 02700516

Registered charity number 1011712

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Introduction from the Chairman

Chairman's Statement for 2019/20 Directors' Report

It is with pleasure that I introduce the Annual Report for 2019/20.

May I begin by expressing my, and the Board's appreciation for the contribution made by our former Chair, Lady Judith Mitting. Judith has a long-standing history of involvement and commitment with Katharine House, firstly as a Volunteer since 1997, and then as a Trustee from 2004 and serving as Chair from 2013 to 2019. During her tenure Judith steered the Board through many complex and challenging situations and it is reassuring that she will continue to offer her expertise to the hospice as a Co-opted Member on the Nominations & Governance Committee.



I am keen to recognise and thank those trustees who left the Board in 2019/20. David Harding served for 10 years following his arrival in 2009 and, along with Barry Baggott who became a trustee in 2016, contributed an enormous amount to our retail and fundraising activities. And Bernard Bester, ably supported our clinical and finance endeavours from 2014 until 2019. We were also pleased to welcome Mark Evans to the Board in Spring 2019.

On taking on the role of Chairman in November 2019 I think it is fair to say that it was impossible to predict what the year ahead would bring. Much of this report focuses on Katharine House's response to Covid-19.

Our principle aim during the pandemic was to continue to serve our community especially by supporting the NHS. Our team of staff and volunteers all played their part, whether that was by working from home to maintain social distancing, continuing to go into work, or being furloughed. I am proud of how they continue to adapt to the changing demands of the pandemic.

In-patient care was offered to less complex patients who could be overseen by one Registered Nurse so that, if needed, we could redeploy some of our registered nurses to support the NHS at County Hospital, Stafford, by caring for Covid patients on their Covid ward. It was also our intention to redeploy specialist medical time. Fortunately at the time of writing the need for this has not materialised.

We continued to support patients in the community through our Hospice at Home, 'PCNS' (palliative care nurse specialist) and Embrace services. Medical Director Dr Bruckner-Holt and her team developed a remote support package for nursing homes, including preparing advance care plans and treatment guidance.

We initially offered Day Therapies, Lymphoedema support, and counselling through telephone contact instead of face-to-face contact, and as the period of lockdown extended we began to offer support to day patients virtually, including via Zoom meetings.

Our Care Managers commenced a seven day rota to support our services and our retired Medical Director Dr Elizabeth Hindmarsh was on hand to provide remote clinical advice and guidance to our inpatient team.

We offered respite sits for patients whose carers needed to be able to get out of the house to buy food and supplies.

In collaboration with Stafford & District Bereavement & Loss Support Service we increased the capacity of our bereavement services to support relatives of those who had died of the Covid virus.

With regards to income generation, it was, and remains, a challenging time indeed. Our retail outlets were closed for months and shop staff were furloughed. Most of the landlords of our shops kindly agreed to a rent freeze or reduction whilst stores were closed. Our retail team began to re-open shops on 15th June 2020 and all of our stores are now open, but at the time of writing revenues are significantly lower than anticipated.

From March 2020 onwards most of our fundraising events were cancelled, although a few were converted into 'virtual' events. We had to halt the recruitment of more lottery players, and could no longer collect lottery payments door to door. Nevertheless, our

generous community continued to support us throughout, both financially and in terms of the kindest gifts, by donating vital PPE making handmade items and sending treats as well as countless messages of encouragement.

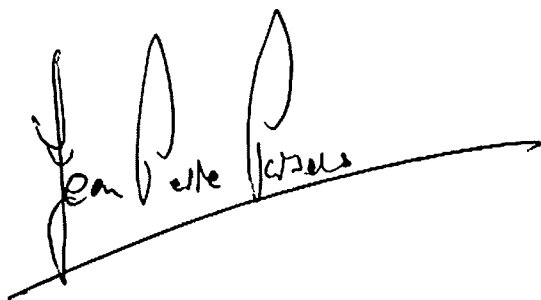
My sincere thanks to everyone who helped to keep the 'ship afloat' especially to our staff and volunteers, including my fellow Trustees.

I must also express thanks for the financial support we, and the other Hospices, received, from the Government, facilitated by Hospice UK.

The people of mid-Staffordshire were incredibly supportive in offering to donate, make, or locate goods that we needed and we were humbled by the incredible support from our community. The assistance, the passion, and the commitment of our supporters, our staff, and volunteers was overwhelming.

Whilst we have come through the first five months of the Pandemic with relatively little financial detriment, our immediate future is overshadowed by concerns for the hospice's financial position. The reduction in retail and fundraising revenues continues, whilst government support has fallen away.

The pandemic means the hospice faces an uncertain future, but I am confident the board will take the necessary decisions, and with the support of local people, we will ensure we continue to deliver essential palliative care services to the people of mid-Staffordshire. However, I expect next year's report will reflect a much changed hospice.

A handwritten signature in black ink, appearing to read 'Jean Pierre Parsons', written over a horizontal line.

Jean-Pierre Parsons
Chairman

A YEAR OF OUR CARE

Directors and Trustee Report 2019-2020



Welcome to Ward 12



The collaboration between Katharine House Hospice and Ward 12 at County Hospital has the potential to transform end of life care for people in mid-Staffordshire ”

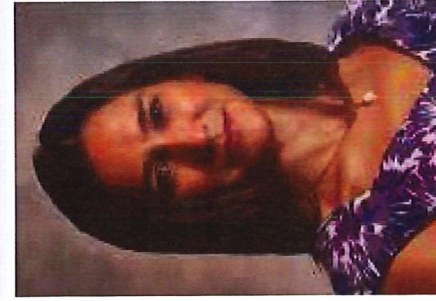
33%

As a charity it cost us £3.1M to provide our care



1/3rd of our funding

is from statutory sources. We need to raise the remaining 2/3rds ourselves.



Innovating in difficult times

The end of the year was dominated by the emergence of the Covid-19 pandemic. The entirety of 2020/21 will be subject to the implications of this virus. It has and continues to impact upon all areas of the charity: the delivery of our care, retail and fundraising, and management processes.

Whilst the overwhelming sense is a negative one, there are a number of positive

advancements. We have seen much more rapid decision-making within the NHS, and a greater sense of urgency within our own staff teams. Forced to change working practices, we have seen a much greater degree of innovation in the way care staff have approached their role. Noteworthy has been the willingness to move to video-conferencing to provide greater support to nursing and care homes, the provision of counselling and support to day therapy and lymphoedema patients via telephone or video.

The core components of good end of life care is that people should receive the appropriate intervention and support when they need it and where they want to be cared for. The development of a collaboration between Katharine House Hospice and Ward 12 at County Hospital in Stafford has the potential to transform end of life care for people in mid-Staffordshire. It will increase the speed with which palliative and end of life care decisions can be made, reducing the amount of time people need to spend in hospital; increasing the time they can spend with their loved ones.

The collaboration involves consultants in palliative medicine funded by Katharine House working on ward 12, which is run by University Hospitals of North Midlands NHS Trust. The collaboration should create a seamless service between the acute hospital and the hospice's services.

Dr. Caroline Bruckner-Holt Medical Director

CORONA VIRUS IMPACT

Coronavirus has and will continue to have a serious impact on our services. Our patients are clinically very vulnerable, making it essential that they are protected from the Coronavirus. Our Day Therapies had to close to face-to-face contact, but has been replaced by a vibrant system of on-line and telephone support services. Our inpatient unit has had to introduce unpalatable social distancing measures, which have reduced visiting hours.

Our community services have been at full stretch as patients and their families seek to support people in their own homes rather than have them admitted into the acute or hospice settings.



Patients and families... at the hospice at home

Alison's sons have run in the Stafford half marathon amongst other fundraising activities for their mum's hospice

WHAT ALISON DID NEXT

Alison Buckley made front page news in January as she spent Christmas at Katharine House. Here's what she has to say about her experience...

"My health threw me a curveball and I spent my Christmas in the inpatient unit. I want to say a huge public thank you to this amazing hospice after staff pimped up my room with two Christmas trees, lights, baubles, the lot. Christmas is what you make it, it's who you're with, not where you are, that matters. The staff are amazing and they just made my last Christmas as special as they could, we even sang carols. I dressed as Mrs Elf and my husband, three sons and my daughter-in-law-to-be, joined me for bacon butties, Buck's Fizz and present opening on Christmas morning.

The staff also made up a bed ready for my husband to stay Christmas Day



THANKS TO YOU LAST YEAR OUR INPATIENT UNIT PROVIDED 2269 DAYS OF CARE WITH 143 ADMISSIONS



WAYNE CLIMBS A MOUNTAIN FOR CARE

Wayne Tomlinson's wife, Val, was cared for in her final days by the Katharine House at Home team. Late last year Wayne, 70, took on the ultimate endurance challenge with his friend Paul Polowyj and climbed to the summit of Kilimanjaro - the highest, single, freestanding mountain in the world at a dizzying 5,895 metres. Wayne took on the mountain in Val's memory and to help raise funds for her hospice

Wayne said, "Doing this challenge is our way of paying them back. A way of saying thank you and showing our appreciation and love to them for what they did for us at such a difficult time.

"The Hospice At Home Team made everything easier for us both. They weren't just there to look after Val, they were there for me too. They were interested in me as a person and having a laugh and a joke with

someone at the worst time is really quite precious. They also took physical tasks away from me so I didn't have to worry about doing things that didn't come naturally to me. It was an opportunity for me to be me and, because I wasn't the carer, I could be Val's husband

Through his heroic effort, Wayne has raised over £10,000 for the hospice which will help to provide vital free care for other local people like Val. Wayne also very kindly offers his time to be Hospice Ambassador, spreading the word about our care services and how important they are to the community.



THANKS TO YOU LAST YEAR OUR AT HOME TEAM PROVIDED 7,056 HOURS OF SUPPORT



Help for Carers

898 visits and attendances
£32,124 to provide services
£35.77 per visit/contact

Support at Home

7056 hours of support
£373,708 to run the service
£52.49 per visit

PCNS

3688 patient contacts
(phone support and visits)
£201,212 to run the service
£54.56 cost per contact

Lymphoedema Support

1,685 treatments
£133,408 to run the service
£79.17 per treatment

Day Therapies

1853 Day Therapy Attendances
£358,798 to run the service
£193.63 per attendance

263 Well Being Day Attendances
£49,921 to run the service
£182.21 per attendance

Counselling & Bereavement

1219 individual counselling sessions

Complementary Therapy

451 treatments for patients
371 treatments for carers

In-patient Care

2,269 days of care
143 admissions
£1,579,802 to run the service
£696.25 per day

We need to raise around
£6,000 every day
to keep our
services running

Last year we cared for 1,679 patients and supported their families

Our amazing Volunteers

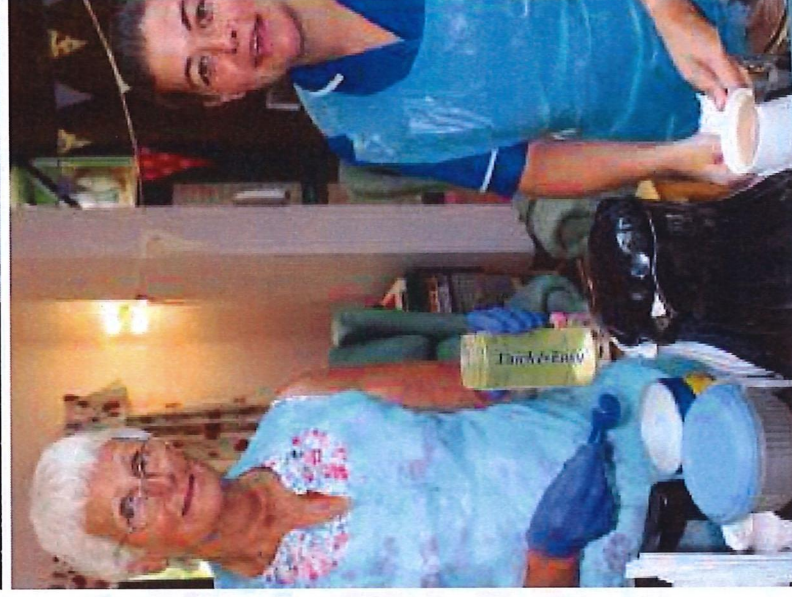
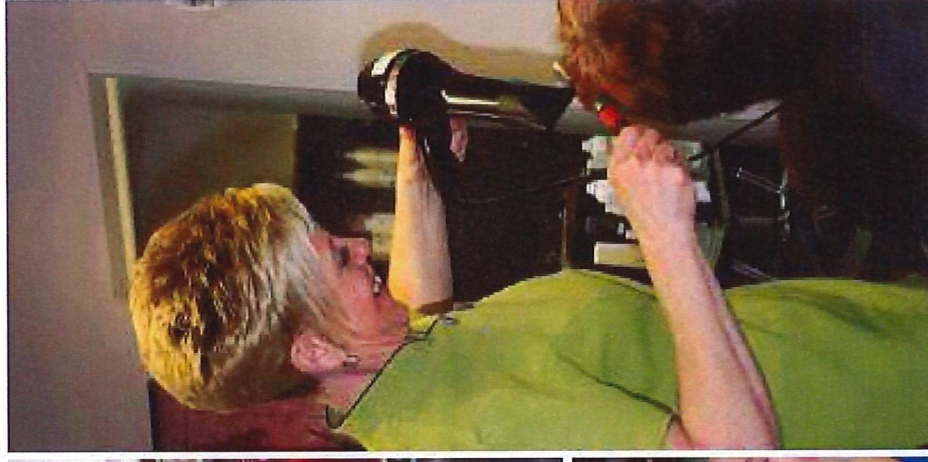
We value people
We employed over 230 staff.
635 volunteers
contributed 86,419 hours

Katharine House Hospice simply would not exist without the volunteers who were so heavily involved in the Hospice's inaugural steering committee and we would not be able to provide the quality and variety of services we do without the ongoing passion, time and commitment of this amazing group of people who have continued to support the Charity.

The pandemic has had a major impact on the levels of volunteering. Factors include: the closure of retail shops; the need to reduce non-essential travel to work; and the age profile of our volunteers.

At the end of the 2019/20 financial year we had a total of 635 volunteers supporting the Charity (2019: 652). Although volunteer numbers have fallen, volunteering hours have increased considerably during 2018/19 the Charity benefitted from 86,419 hours of support (2019: 88,288).

From a monetary perspective, based on the minimum wage, this has saved the Hospice over £711,228



**"I loved volunteering at the hospice it taught me so much.
My experience helped me to get my new job" Evlie Connor**

Fundraising and shops

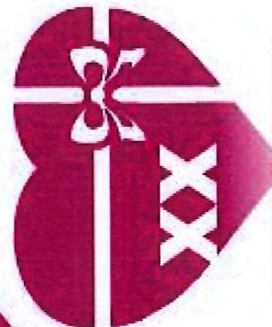


87p in every £1 donated was spent on supporting patients and their families

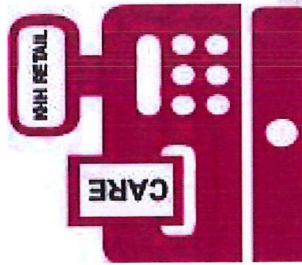
lottery players contributed a further **£221,644**

which is the equivalent cost of our family support services

£424,694 was raised from fundraising activities



People left a gift in their will and donated **£114,880** for 1 in 26 of our Patients



28,500 items were sold each week in our shops contributing...

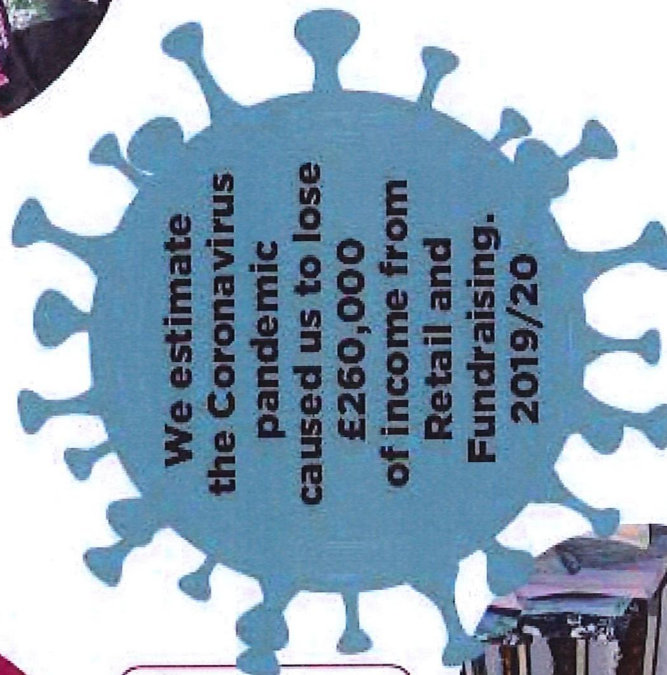
£915,000 to our cause



Retail giftaid raised **£207,345**

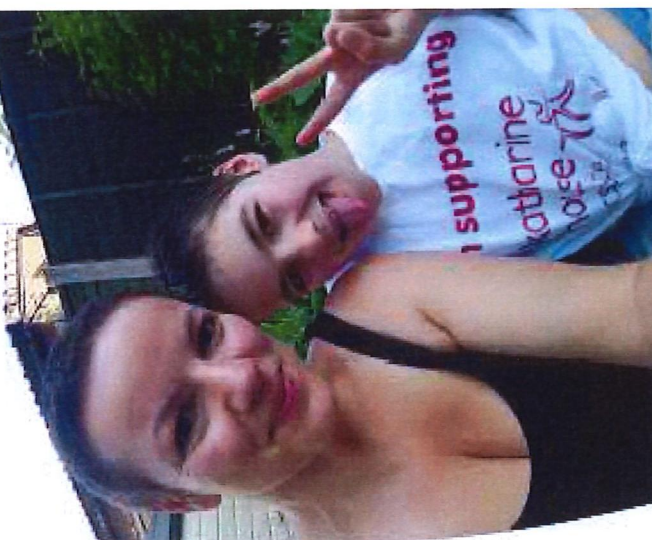


were donated in the first week of our shops reopening



We estimate the Coronavirus pandemic caused us to lose **£260,000** of income from Retail and Fundraising. 2019/20

"We knew that we needed to do something to show how much we appreciated what they did for Uncle Geoff. They really do provide amazing care."
Karen Greaves



TRUSTEES ANNUAL REPORT 2020

1. Introduction

The Trustees of Katharine House Hospice are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiaries for the year ending 31 March 2020, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The end of the year was dominated by the emergence of the Covid-19 pandemic. The entirety of 2020/21 will be subject to the implications of this virus. It has and continues to impact upon all areas of the charity: the delivery of our care, retail and fundraising, and management processes.

Whilst the overwhelming sense is a negative one, there are a number of positive advancements. We have seen much more rapid decision-making within the NHS, and a greater sense of urgency within our own staff teams. Forced to change working practices, we have seen a much greater degree of innovation in the way care staff have approached their role. Noteworthy has been the willingness to move to video-conferencing to provide greater support to nursing and care homes, the provision of counselling and support to day therapy and lymphoedema patients via telephone or video. We also saw the closer working relations with our local hospital – County Hospital – bear fruit as we prepared to offer them specialist palliative care resources to support opening up additional capacity for Covid patients. As at the time of writing this has not been required.

These innovations are overshadowed by the considerable financial damage to the charity. Without the support of Hospice UK, and the Government's initiatives on business rate grants and the Job Retention Scheme, Katharine House would have been forced to reduce its operations considerably before the beginning of summer 2020. Despite this support Katharine House is still having to downsize our operations to remain viable. Retail and fundraising income remain a significant concern to us.

2. How we make a difference

2.1 Legal purpose

Our Memorandum of Association defines the purpose of the Charity as **to promote the relief of sickness and suffering**, in particular:

- a) by the establishment of day or domiciliary care and to establish, maintain and manage a Hospice Hospital or Residential Home;
- b) To promote the teaching or training of doctors, nurses, and other persons;
- c) To provide counselling or spiritual help.

2.2 Our services

In fulfilling the legal purpose Katharine House provides services free of charge to support people and their families affected by any progressive, life-limiting conditions. The nature of these services and the implication of the pandemic are detailed below.

Community Services

Services provided in the community include: a specialist nursing service providing advice to healthcare professionals in primary care; a healthcare assistant led, rapid response, hospice at home service providing hands on care and support to patients and families; a respite sitting service to support carers; and a care agency.

Embrace Quality Care Limited was established in April 2012, to provide home care services reflecting the quality of care of the charitable hospice, but charging for its services. The Trustees take the view that there are a number of additional benefits including increased donations to the Charity, improved integration of our community services enabling better use of the charitable Hospice at Home service, and improved recruitment of healthcare assistants for the Hospice. The work of Embrace falls fully within the charitable objects of the Hospice, so Trustees are willing to subsidise these. Whilst Embrace Quality Care Limited is expected to break even, in practice the costs of this service are underwritten by the Charity.

All these services have continued to function as normal during the pandemic with increased demand for service provision.

Day Therapies

12 week programmes of therapeutic support for up to 15 patients a day operating 4 days a week. This service has moved to a telephone support service at present.

Well Being Programmes

6 week programmes of advice, education, and support for up to 15 patients once a week. The programme is designed for patients earlier in the disease to learn about different aspects of their condition and improve self-management. This is now relaunched as a virtual programme.

Inpatient Care

24 hour specialist in-patient care providing symptom control, terminal care or respite care for up to 10 patients. To maintain social distancing the bed capacity has been reduced to 8 during the pandemic and the respite service has been suspended.

Lymphoedema services

A specialist lymphoedema service provided to outpatients. At present this is a mixture of a telephone or teleconferencing service and face to face assessments and treatments.

Other services

Our Family Support services, including Counselling and Bereavement support, and complementary therapies. This service also runs support groups for carers. Counselling and bereavement support is currently being offered remotely. We also provide a volunteer transport service for patients which is currently suspended.

2.3 Our mission

“to offer the best care so that people in our community affected by progressive illnesses can live their lives to the full”.

2.4 Strategic aims and plans for the future

In March 2018 the Trustees approved a strategy for 2018-2023. The key themes are to:

1. Reach more patients through specific initiatives including:
 - a. More productive use of our care resources
 - b. Enhancing support to patients in hospitals
 - c. Working with nursing homes
 - d. Developing and delivering a compassionate communities programme
 - e. Demystifying the work of hospices.
2. Seek opportunities to collaborate and integrate our services with other organisations, including: the local hospital, community service providers, neighbouring hospices, and nursing and care homes.
3. Develop our workforce and enhance the use of volunteers, work placements and apprenticeships.
4. Raise more funds through new initiatives within retail and fundraising.
5. Make our money go further by reducing operational costs.

2.5 Short-term objectives

The primary concern is to ensure the hospice remains a viable entity in the post-pandemic operating environment. The hospice will need to rebalance its expenditure to the income that can be generated in the future. At the time of writing there is too much uncertainty to enable a reasonable judgement of what this might look like.

There is also an intention to capture the positive aspects of the pandemic that have engendered much operational change and build these into long-term, sustainable models for reaching more patients. This is reflective of both a new normal for what patients and families expect and what staff will see is feasible.

The next twelve to twenty four months will be primarily geared to recovering from and learning from the Pandemic.

3. Achievements and Performance

3.1 Summary of main achievements

The most significant development has been the opening of a 10 bed specialist palliative care unit at County Hospital, part of the University Hospitals of North Midlands NHS Trust. The hospice funds the two consultants running this facility, whilst the NHS trust funds the all other care and support services. The facility opened in December 2019 and was beginning to make significant progress in moving patients to their preferred place of care or death, speeding up discharges to the community and hospice. The pandemic has required major alterations to service delivery at County Hospital. The relationships built up in opening these beds enable more rapid dialogue to enable the hospice to offer specialist support should County Hospital need to open a further Covid-19 ward. As at the time of writing this support has not been needed.

3.2 Progress with 2019/20 Objectives

Progress on the objectives outlined in last year's annual report is assessed below.

1. Carry out and implement a skill-mix review across care services **Completed**
The primary outcome has been to increase senior nurse practitioners and develop a nursing assistant role on the inpatient unit, whilst reducing the staff grade nurses. Time will be needed to fully effect the changes and to integrate these with other services.
2. Review the capacity of each service to determine where / how we could support more people within our current resources **On-going**
This work has commenced and is ongoing. The pandemic has created opportunities to implement alternative models of support to patients at a rapid pace.
3. Introduce an internal triage system to increase responsiveness to patient needs **Completed**
A daily clinical management meeting enables all referrals to be assessed, and if the original service was not appropriate or could not be provided, the hospice is better able to offer alternative services.
4. Introduce a single point of access for all referrals **Completed**
This has been completed in conjunction with objective 3.
5. Deliver a project to improve end of life care in 9 local Nursing Homes **Commenced and On-going**
Although the start was delayed, this work has commenced. The pandemic has made it harder to continue, but the relationships built up in the project made it easier for the hospice to provide support to the homes.

- | | |
|--|------------------|
| 6. Produce and implement a development plan for our Norton Bridge retail site | Deferred |
| <i>Concern over potential infrastructure costs and the need for technical knowledge on some of the proposals has meant this was deferred.</i> | |
| 7. Develop a plan to increase levels of gift aided retail sales to £19,000 per week by March 2020 | Completed |
| <i>Before the shops were closed the weekly gift aid revenues were over £20,000</i> | |
| 8. Conduct a review of administrative functions across the organisation | Completed |
| <i>The review was much more extensive in its outcome than expected, with administrative functions being integrated from across the organisation.</i> | |
| <i>The first phase of implementation was implemented from 1 April 2020, but many staff have been furloughed.</i> | |

3.3 How We Measured Performance and Success

The provision of metrics to measure performance in the delivery of any health care service is made complex by the inter-relationship between resources, quality of provision and amount of care provided. The main sources for assessing the care that we provide are quantitative and qualitative.

1. Quantitative data

- Measures of activity – such as number of occupied bed days, attendances, sessions held and treatments delivered
- Monitoring and thematic review of safety incidents including medication errors, falls, pressure ulcers and infections to identify areas for improvement. Where possible these are benchmarked against national statistics

2. Qualitative data

- Patient and Carer Satisfaction Surveys
- Minutes from Hospice User Group meetings
- Thematic review of Compliments to identify areas of good practice
- Thematic review of Complaints and adverse comments to identify areas for improvement.

The detail is provided to the Clinical Committee for scrutiny quarterly and to the local Clinical Commissioning Group Quality Review Meeting. For further information on the qualitative aspects of our services readers can access the Hospices Quality Accounts, which are produced annually.

3.4 2019/20 Charitable Activities

During 2019/20 there was a mixed pattern of performance across our care services. The number of individual patients we supported increased from 1,302 to 1,679. A summary of some of the key metrics for our main services is set out in the following table – with some patients accessing services more than once and accessing multiple services.

Year ended	2020	2019	2018	2017	2016
Inpatient bed days	2,269	2,454	2,388	2,455	2,650
Inpatient admissions	143	176	180	175	190
Day therapy attendances	1,853	2,053	1,791	2,000	1,991
Specialist nurse contacts	1,071	242	-	-	-
Community care contacts	6,521	6,806	4,974	5,248	2,794
Lymphoedema support	1,685	1,593	1,778	2,486	2,168

3.5 Summary of Main Operational Challenges

The pandemic is now the major challenge for the hospice, more for the future than for the year under review.

There continue to be changes within the local health economy. Given the dependence of our services on the referral pathways through the NHS, each time there are major changes it disrupts the referrals into our services.

Public misconceptions about death and dying, the nature of our services, and the work of hospices continue to create a barrier to patients accessing our services.

Increasing demands from government on a range of compliance issues has meant efficiency and innovation has been stifled as senior management time is diverted to addressing legal requirements rather than improving internal efficiency.

4. Income Generation

To ensure our services can be delivered at no charge the Charity carries out income generation activities, most notably retail, fundraising and a lottery.

4.1 Approach to Fundraising

The Hospice's fundraising activities are carried out by members of our community, volunteers, and paid members of our staff. Fundraising activities are monitored by our Income Generation Committee, and requirements of the Fundraising Regulator are monitored by our Nominations & Governance Committee.

On occasion we will employ the services of professional fundraisers where we do not have the in-house skills to carry out the work and in 2019/20 we worked with a company to

increase the membership of our Lottery. Their activities were monitored by our Head of Fundraising through regular contact with the Sales Manager of the company, by monitoring for any adverse comments or complaints, and through a weekly in-house monitoring report.

4.1.1 Fundraising Regulator

All charities with fundraising costs of £100,000 or more have been asked to pay an annual voluntary contribution to fund the Fundraising Regulator. Trustees are unable to ascertain the value of this expenditure and have chosen not to do this.

4.1.2 Fundraising Standards

The Charity conducts its fundraising in accordance with the best practice guidelines available, for example from the Fundraising Regulator's Codes of Practice and guidance from the Institute of Fundraising. We take a relationship-based approach to our fundraising and think about the needs of our supporters (and our beneficiaries) when undertaking all of our fundraising activities.

4.1.3 Fundraising Complaints

Fundraising complaints are considered by two Committees. In 2019/20 in relation to our fundraising activities the Charity received no formal complaints, 1 informal complaint and 6 adverse comments, which is fewer than last year (2018/19: 2, 9, 1). All were followed up swiftly, and concluded within the charity's complaints policy.

4.1.4 Vulnerable People

By working within the Fundraising Regulator's Codes of Practice and maintaining a relationship based approach to our fundraising activities we endeavor to protect vulnerable members of our community. We have a policy in place regarding liaison with supporters who may be vulnerable.

4.1.5 Proportion of Income Spent on Raising Funds

In addition to raising funds, fundraising costs include managing the receipt, counting, banking of all donations, thanking all supporters, reclaiming Gift Aid on relevant donations, as well as supporting others to raise funds on our behalf.

We received almost 15,000 donations last year the smallest of which was 9 pence and the largest was £45,000.

14 people left a gift in their will (2019: 24) and donated £114,880 (2019: £499,277) this will fund the care for 1 in 26 of our patients in the coming year.

There were 6,835 lucky winners of our Hospice Lottery and annual Snowball who received £90,900 in prize money (2019: £90,900). Players contributed £221,644 (2019: £194,157) over the year which is a sum equivalent to the costs of our entire Family Support Services.

	<u>2020</u>	<u>2019</u>
Event Income ¹	222,329	204,991
Event costs ¹	(88,716)	(87,458)
Net income from events	133,613	117,533
Other Income	614,747	801,035
Income after event costs	748,360	918,568
Other direct costs	(252,501)	(229,334)
Net Income raised	495,859	690,234
Less allocated support and overhead costs	(71,165)	(86,075)
Net funds raised	424,694	604,159

¹ Includes costs of events that were cancelled in March due to Covid-19, which also reduced income.

4.2 Retail Performance

Investment in a range of initiatives in retail in the 2017/18 financial year have begun to yield the returns expected through 2018-2020. Although costs, in particular in payroll from the national minimum wage and pension auto-enrolment, have increased, the overall performance of the department was good. Net revenues before recharges increased from £1,048,387 to £1,188,955, despite revenues falling considerably in March 2020 due to the pandemic. Further growth was expected in 2020/21, but this will not materialise as shops were closed from 23rd March 2020 and did not reopen until June and July 2020.

5. Financial review

5.1 Factors affecting financial performance

5.1.1 Review of Factors Affecting Performance

The major factors within the control of the Charity are managed effectively, enabling the Trustees to move the Charity forward. There are sound systems for reviewing the quality and safety of patient care, financial management, staff management and staff representation, staff and volunteer recruitment and induction, and the management of Health and Safety.

There are a wide range of factors lying outside the direct control of the Charity, of which the pandemic is having the greatest impact at present, as noted earlier.

5.1.2 The relationship with the Clinical Commissioning Groups (CCGs).

£1.298m of the £3.036m needed to fund and operate our services comes from CCGs: (42.5%). The Trustees are pleased to see that end of life care is a high priority with the local NHS, but are concerned to see another local reorganisation of commissioning arrangements. Whilst relationships are strong, the local NHS is under extraordinary financial pressures and has been unable to uplift our main grant for the last four years.

5.1.3 Leaving the European Union

The charity is uncertain of the economic consequences of leaving the European Union, in particular on charity retailing and fundraising.

5.1.4 Cost pressures

We continue to see unavoidable costs imposed on the charity: pension auto-enrolment from April 2014 and the increases in employer contributions from April 2018 and 2019, a 0.5% apprenticeship levy from 2017, a 30% increase in the national minimum wage since January 2016 have all created cost burdens that have hampered the charity's ability to take our services forward. There are also very considerable increases in the internal costs of compliance for example with new fundraising and data protection legislation and gender pay gap reporting.

5.1.5 Recruitment

The ongoing low levels of unemployment in the local area continue to make it difficult to recruit to certain positions – in particular care agency workers and retail assistants.

5.1.6 Competition

The external conditions for all income generation have become increasingly competitive, particularly in retail where more charity shops are competing for donations and customers, whilst commercial companies will pay former potential donors for their donations.

5.1.7 Regulatory burden

The regulatory burdens on the Hospice are extensive, burdensome and costly, both financially and in time taken. The next significant change will be compliance with HMRC requirements on making tax digital.

5.2 Review of the Financial Accounts

The accounts for 2019/20 are prepared in accordance with the requirements of the Charities Statement of Recommended Practice (2015) (FRS 102).

5.2.1 Review of the Financial Position

The overall financial performance for the year has been somewhat distorted by the pandemic. Diminishing retail revenues in March and the closure of shops from 23rd March had a negative impact on retail performance. Fundraising was adversely affected by the cancellation of three events in March, one being a major source of income. Events cancelled after the year end will see the unavoidable costs being written off in the year they were incurred.

Key financial aspects of performance are:

1. Legacy income fell by £384,397 (see note 4)
2. Revenues from the statutory sector increase by £267,374 due to the full year revenue for the specialist community nursing team, and a one off grant in support of the development of services at County Hospital.
3. Gross and net fundraising income fell by £168,950 and £179,465 (see note 5), in part due to lower donations from individuals and groups, lower revenues from grant giving bodies, and the cancellation of events in March.
4. The lottery contribution increased by £27,487 to £221,644 (see note 7)
5. The retail operation's contributions come through the operation of Charity shops in the Hospice, the net surplus of the retail company, gift aided sales, and gift aid on these sales. In total retail contributed £915k (2019: £930k) a decrease of £15k.
6. The Hospice's charitable costs reduced by £161,918 to £3,384,626.
7. The Hospice's group recorded a reduction in total funds of £115,534 mainly due to a fall in investments of £112,537 and the impact of Covid-19 in March (2019: increased £87,807). This was better than forecast in the three year financial plan.

5.2.2 Sources of Funding

The Charity's primary sources of funding derive from its retail trading activities, from the statutory sector, from fundraising (including a lottery) and from legacies and unsolicited donations. Income from the key sources is shown below.

Year ended	2020	2019	2018	2017	2016
Statutory sector	1,301,082	1,033,708	987,379	990,294	1,036,814
Net Retail	915,392	930,245	881,425	1,001,253	1,058,076
Net Fundraising	424,694	604,159	406,433	546,141	633,509
Net Lottery	221,644	194,157	201,503	204,854	207,353
Legacies	114,880	499,277	280,954	165,856	335,372
Voluntary	31,790	38,400	77,037	72,045	46,874
Other	64,412	21,030	24,332	29,838	8,171
Total	3,073,894	3,320,976	2,859,063	3,010,281	3,326,169

The Trustees have serious concerns about future revenues. The local Clinical Commissioners have agreed to maintain the Hospice's grant without reduction for 2020/21. Notwithstanding the very negative impact of the pandemic, retail revenues were already under pressure from declining high streets as shoppers move to out of town retail parks (where charity retail units are harder to obtain) and onto the internet. Fundraising and lottery are mature income streams and continued growth is hard to achieve.

5.2.3 Reserves Policy

The reserve funds of the Charity for the last five years are summarised below.

At 31 March	2020	2019	2018	2017	2016
Restricted	73,758	93,268	83,254	87,523	74,957
Free	628,698	488,213	781,114	1,252,209	1,322,674
Designated:					
For income	120,000	120,000	120,000	147,156	120,000
For expenses	617,023	700,664	303,135	63,000	65,000
For capital spend	100,000	200,000	260,000	156,000	62,000
Total Funds	1,539,479	1,602,145	1,547,503	1,705,888	1,644,531
Capital assets	2,184,598	2,325,277	1,745,643	1,811,349	1,924,009
Creditors > 1 year ¹	(463,793)	(550,238)	--	--	--
Provisions	(752)	(2,118)	(5,887)	(13,507)	--
Total Net Assets	3,259,532	3,375,066	3,287,259	3,503,730	3,568,540

¹ From 2019 repayment of term loans are included in the designated reserves for expenses.

The Trustees have established seven designated funds. Details of funds are contained in Note 22 to the accounts.

The Trustees' reserves policy is that in order to fulfil the Charity's obligations to the communities it serves it is desirable for there to be unrestricted funds (or free reserves) available as current assets, or investments, equivalent to one year's running costs of the Hospice. The free reserves stand at £628,698 (2019: £488,213) equating to 2 months operating costs for the Hospice. Whilst the reserves are below the desired level Trustees believe that it is more important to maintain the existing services than to achieve the desired reserves position. Furthermore, trustees were satisfied that the Charity has sufficient liquidity within the reserves to maintain the Charity's current operations over a medium term of three years in normal operating environment. Covid-19 has changed this significantly.

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £21,914, and has retained losses of £274,731. The Trustees of the Charity have agreed to continue funding Embrace Quality Care as its prime purposes are in accordance with the objects of the Charity. This decision is reviewed annually and it is expected to break even for 2020/21.

Details of the funds held by the Charity are provided in note 22.

5.2.4 Going concern

When setting the 2020/21 budget the trustees look at a further two year forecast and the implications on the charity's reserves. At the time of setting the budget the forecasts would see a reduction in reserves as the hospice invested in new initiatives, but with scope to bring the operating position back into balance. As a result of the pandemic the trustees have maintained scrutiny of the cash-flow projections for the period to March 2021, but have no real way of knowing about the validity of the assumptions being made. The trustees have instigated a cost reduction programme. These accounts are prepared on a going concern basis, this is reliant on a reasonable return to normal revenues at the commencement of 2021.

5.2.5 Investment Policy

The Memorandum of Association empowers the Trustees to invest the monies of the Association not immediately required for its purposes in or upon such investments, securities or property as may be thought fit. Perspective (Midlands and Cheshire) provide advice and formal reports to the Finance and Remuneration Committee every six months, or more frequently as requested by the Committee. The assets held are disclosed in Note 18.

The primary objective of the investment portfolio is to provide capital growth over the medium term. Perspective Managing Wealth take an active approach to the management of the portfolio, seeking to take defensive positions in times of volatility. The pandemic has had a significant negative impact on the portfolio, with losses of £130k occurring between February 2020 and the year end.

The investment portfolio is reviewed by the Trustees to ensure the portfolio consists of socially responsible investments.

No funds have been added to or withdrawn from the investments for the last ten years. Performance over this time is set out in the table below based on the portfolio market valuation at the relevant year end.

Year ending	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Value (£000's)	499	609	618	628	574	598	553	519	465	504
Annual Growth %	-18.0	-1.5	-1.6	9.5	-4.0	8.1	6.6	11.6	-7.7	9.3

The compound annual growth rate over the last 9, 7, 5, and 3 years as at year ends 2017-2020 are:

Years	2020	2019	2018	2017
Over 9 years	-0.10%	3.13%	6.37%	--
Over 7 years	-0.54%	3.92%	2.95%	4.51%
Over 5 years	-3.53%	1.93%	3.55%	6.19%
Over 3 years	-7.36%	1.98%	1.10%	4.32%

6. Structure, Governance and Management

6.1 How the charity is constituted

Katharine House Hospice is a charity and company limited by guarantee. Its governing document is the Memorandum and Articles of Association of the company, which may be altered by a simple majority of voting members at an Annual or Extraordinary General Meeting. This document was last amended on 26th November 2019.

6.2 Organisational structure

Katharine House Hospice has four wholly owned subsidiaries.

1. Katharine House Retail Limited (Registered company number 03949314), operates eBay, house clearances, sales in prisons, new goods, and merchandising activities.
2. KH Promotions Limited (Registered company number 03295776), operates the Hospice's own society lottery.
3. Embrace Quality Care Limited (Registered company number 08050417), operates a care agency.
4. KHH Development Limited (Registered company number 08120430), operates administrative services.

Each subsidiary company of the Hospice gift aids any profits it makes to the Hospice.

Note 6 to the financial accounts summarises the performance of these companies, and their accounts will be filed at Companies House.

6.3 Decision-making processes

6.3.1 Board of Trustees

The Trustees (who are also directors of the company) act as a corporate entity through the Board of Trustees, which meets six times in each year. Additional meetings may be called from time to time, for example monthly during the pandemic. The Board oversees all strategic, tactical, and governance aspects of the Hospice's operation and its future direction.

The board delegates most of its functions to five committees, each with their own terms of reference. Governance is undertaken by each Trustee committee in their areas of responsibility, monitored by the Nominations & Governance Committee and the Board of Trustees. These committees are:

1. Clinical Committee

Oversees all aspects of the Hospice's clinical services including: clinical policies; clinical governance; quality assurance; scrutiny of activity and staffing levels; consideration of new practices and procedures; approval of clinical research; and ensuring compliance with relevant health and social care legislation.

2. Income Generation Committee

Oversees all aspects of the Hospice's income generation activities: fundraising, lottery, and retail. This includes: approval of relevant policies; scrutiny of activity and performance; consideration of new initiatives; oversight of compliance; and oversight of all aspects of marketing for the Hospice.

3. Finance and Remuneration Committee

Undertakes detailed scrutiny of the Hospice's proposed annual budget; reviews the Charity's reserves; monitors the Charity's management accounts; monitors the Charity's investments; approves financial policies and procedures; approves pay awards and pay rate increases for staff; and inspects systems of financial control.

4. Staffing and Support Services Committee

Monitors general personnel issues especially staffing and volunteer levels, training, and attendance; approves staffing policies and procedures; monitors health and safety performance; agrees issues to be resolved within support service areas; and inspects support service departments.

5. Nominations and Governance Committee

Oversees the appointment, induction, and mentorship of new Trustees and manages trustee appraisal. The committee also oversees general areas not supported by another committee: organisational risk management, disaster planning, succession planning, non-clinical regulatory compliance, insurances, complaints management, and monitors new legislation.

6.3.2 Management

The day-to-day operation of the Charity is delegated through the annual budget setting and operational planning process to the Chief Executive and through him to the management teams. There are three management committees.

1. Executive Team
2. Operations Team
3. Staff Forum

6.4 Trustees appointment, induction, and support

Recruitment of trustees is overseen by the Nominations and Governance Committee. In 2018/19 advertising was used for the first time to seek a wider and more diverse pool from which to recruit. Consideration is given to suitability in relation to the current skills and attributes of existing Trustees, the skills that are deficient on the Board, and the need to plan for succession of Trustees who are due to stand down.

Following a shortlisting process candidates are invited to attend a meeting with two current Trustees. The full Board must approve any initial appointment. At the AGM immediately after appointment trustees are formally elected and can serve for up to six years. Thereafter Trustees may stand for two further elections each for two year terms, but thereafter must stand down for a period of 11 months.

New Trustees meet with senior staff, tour the services, and receive an induction folder together with relevant company information. New Trustees have a Trustee mentor who acts as a confidential advisor on Trustee issues. They have the option to spend time in key areas for example care and retail.

Every three years appraisals take place for Trustees and for the full board.

7. Other relevant or required disclosures

7.1 Principal Risks and Uncertainties

The Trustees have drawn up a detailed assessment of key risks that they feel are important to consider in the management of the Charity. Risks come under one of six domains (Welfare, Compliance, Finances, Governance and Management, Operational, and Environmental and External). A structured methodology is in place for the assessment and management of risk. This is reviewed annually and was under review when the pandemic virus interrupted normal operations. A formal review of these risks was last done in Spring 2019.

However, all risks have been subsumed under the existential threat to the charity arising from the pandemic. The main issues of concern are:

1. Whether and how quickly retail and fundraising revenues will recover to enable the charity to continue to fund its services.
2. The impact of the pandemic on the long-term welfare of our staff and volunteers and whether volunteering hours will recover.

7.2 Vital Volunteer Support

Katharine House Hospice simply would not exist without the volunteers who were so heavily involved in the Hospice's inaugural steering committee and we would not be able to provide the quality and variety of services we do without the ongoing passion, time and commitment of this amazing group of people who have continued to support the Charity.

The pandemic has had a major impact on the levels of volunteering. Factors include: the closure of retail shops; the need to reduce non-essential travel to work; and the age profile of our volunteers.

At the end of the 2019/20 financial year we had a total of 635 volunteers supporting the Charity (2019: 652). Although volunteer numbers have fallen, volunteering hours have increased considerably during 2018/19 the Charity benefitted from 86,419 hours of support (2019: 88,288). From a monetary perspective, based on the minimum wage, this has saved the Hospice over £676,600

What is inspirational is the increase in the variety of ways that our volunteers continue to passionately support the Charity. More and more individuals have been able and willing to offer their time, skills and knowledge on an occasional basis, whether that has been by helping in a regular role, by taking on a short term project, or offering specialist advice or training. We have a list of key roles within the Hospice and our retail section, but remain keen to hear from any individuals who have talents, expertise or knowledge they feel the Charity could benefit from and would like to help, however limited their time might be.

Our volunteers, who vary in age from 14 years old to over 85, bring with them a diverse set of life experience, passion and enthusiasm. We are immensely proud and appreciative of all of our volunteers and have large numbers who have completed and have been recognised for long service (in excess of 5 years). During 2018/19 69 of our volunteers were acknowledged for long service, including 1 volunteer who has completed 25 years of voluntary service, 3 with 20 years of service and 14 with 15 years of service. Also in 2018/19 we hosted 23 work placements for students who are required to secure a placement in support of their studies. In addition we hosted 14 individuals who completed Duke of Edinburgh awards at Bronze, Silver and Gold levels. These youngsters have not only provided the Hospice with valuable time, but have taken away an invaluable perspective and understanding of hospice care that will help guide them both personally and with their future career choices.

7.3 Relationships with other organisations

Katharine House Hospice is an independent charity, but is affiliated to or has connections with a number of organisations these being: the local council for voluntary services – Support Staffordshire; the National Association of Hospice Fundraisers; and Katharine House Hospice is a member of Hospice UK.

Katharine House Hospice is a Corporate Trustee of Stafford District Bereavement and Loss Support Service (SDBLSS), providing office accommodation and helping to raise funds. Should SDBLSS require financial support, Katharine House Hospice would consider doing this as the objects of SDBLSS fall wholly within the objects of Katharine House Hospice.

Katharine House Hospice's and Embrace Quality Care Limited's care services are regulated by and registered with the Care Quality Commission.

Katharine House has a number of shared posts with the University Hospitals of North Midlands NHS Trust.

Katharine House collaborates to deliver enhanced local services, including offering support in Uttoxeter through a supportive care centre with St Giles' Hospice and the Hermitage Centre.

The Hospice seeks to develop further relationships in the furtherance of its objectives with other providers and charities.

7.4 Related Parties

None of our Trustees receive remuneration or other benefit from their work with the Charity. There are a number of connected entities associated with trustees and executives and these are disclosed in full at note 25 to the accounts.

Katharine House jointly funds posts with the University Hospitals of North Midlands Trust. Decisions in relation to these posts either pre-date the appointment of the Trustee or the Trustee has declared an interest in the decision and been absent when any such decision has taken place. The relevant Trustees have taken no part in the contract negotiations. Hand Morgan and Owen are the organisation's solicitors, but commercial relations are handled directly with the relevant partner or through the company secretary. These mainly relate to property matters.

7.5 Pay Policy for Senior Staff

The directors, who are the Trustees, and the executive management team comprise the key management personnel of the Charity responsible for directing, controlling, running and operating the Charity on a day-to-day basis. All directors give of their time freely and no director received remuneration in the year. Details of directors' expenses are disclosed in notes 12 and 13 to the accounts and were nil (2019: Nil).

The pay of all staff is reviewed annually by the Finance and Remuneration committee comprising Trustees and the Chief Executive and on an ad hoc basis as and when it is felt appropriate to adjust salaries. The committee seeks to ensure fairness and equity in the pay of staff for the roles performed, whilst balancing this against affordability for the Charity. For positions where recruitment is more difficult higher wages may be offered. Certain groups of staff – in particular nursing and care staff – have structured pay grades that are broadly commensurate with similar roles in the NHS Agenda for Change pay scale.

The Chief Executive's pay is determined by Trustees at a full board meeting.

The Remuneration Committee is empowered to award discretionary payments to staff for exceptional performance; however this is rare, but 6 awards were made in the year under review (2019: 0). Senior officers are not on bonus schemes.

Staffing levels, pensions and emoluments are detailed in notes 14, 15 and 16 to the accounts.

7.6 Employment Policy

Katharine House seeks to be an equal opportunities employer. The nature of some of the tasks required to be done in retail and care (the two largest employment sectors of the

Charity) make it difficult to employ people with significant physical disabilities. All positions are open to people with a range of mental health issues. We do not record and maintain comprehensive data on employees with disabilities. Only when the organisation has a need to know do we keep such records, for example where we have a duty of care as an employer. We are therefore only able to report on the minimum numbers of people with disabilities known to us.

We provide a free and confidential advice line to all employees, but have no data on levels of access. We offer access to staff counselling, and have made over 30 referrals to this service (2019: over 30) – but as we consider this information to be confidential no further details (for example whether they attended for counselling) is routinely captured.

During the year we established the role of a Mental Health Champion, who has gathered considerable engagement from staff and managers. During the current pandemic her focus on mental health issues has been a key part of the charity's response for our staff. It is expected that this role will become more and more visible within the charity.

The Charity is required to report its pay arrangements under The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The following table provides a summary.

As at:	<u>April</u> <u>2019</u>	<u>April</u> <u>2018</u>	<u>April</u> <u>2017</u>
Mean gender pay gap	- 13.46	- 7.87	- 0.21
Median gender pay gap	- 10.13	- 9.62	- 9.32

The mean gender pay gap is negative meaning women are paid on average 13% more than men. This gap has consistently widened since 2017. The median gender pay gap is also negative, showing the median pay for women is over 10% higher than for men. There are several relevant factors that may explain this difference. The business is care and retail orientated, which are attractive sectors for women. The highest number of professional roles are in care. There are a range of part-time roles which offer opportunities for family friendly hours which may also be more attractive for women than men.

8. Public Benefit Statement

All services provided by Katharine House Hospice are provided free of charge to patients and families; Trustees consider that all this activity is, in its entirety, charitable. In providing access to these services, the Trustees have sought to ensure that the only considerations are: the appropriateness of meeting the needs of each patient; the capacity to meet this need; and the safety and welfare of all patients.

In making decisions in relation to the delivery of current services, the proposed development of new services, and the use of the Charity's funds, the Trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

9. Reference and Administrative Details

Charity Name:	Katharine House Hospice
Charity Registration:	1011712
Incorporation:	Company Limited by Guarantee Registered
Company Number:	02700516
Date of incorporation:	25th March 1992
Registered Office:	Weston Road, Stafford, ST16 3SB
	The Registered Office is also the principal address of the Charity

Trustees and Directors and Key Management Personnel:

The Directors of the Charity are its Trustees for the purpose of charity law. The Trustees and Officers serving during the year and since the year end were as follows:

Trustees:	Lady Mitting	Chairman	(Retired 26 November 2019)
	Mr J-P Parsons	Chairman	(From 26 November 2019)
	Mr I D Starkie	Treasurer	
	Mr B Baggott		(Resigned 11 October 2019)
	Mr B Bester		(Resigned 24 September 2019)
	Dr M Bland		
	Mrs A Cape		
	Mr M Evans		
	Mr D Harding		(Retired 24 September 2019)
	Mrs S Harris		
	Mr A Jeffries		
	Mrs S Milakovic		(Appointed 28 July 2020)
	Mrs T Mingay		
	Mrs K Overmass		(Resigned 18 October 2019)
	Dr C Secker		(Resigned 30 May 2020)
	Ms J Woodyard		
Company Secretary:	Cllr P M M Farrington		
Registered Manager:	Mrs S Whitmore		
Officers:			
Director of Care:	Mrs S Whitmore		
Medical Director:	Dr C Bruckner-Holt		
Chief Executive:	Dr R T Soulsby		
Deputy Chief Executive:	Miss L M Taylor		
Retail General Manager:	Mr S Dodd		(From 3 June 2019)
Head of Human Resources:	Mrs B Wheat		

Auditors / Accountants:	Dyke Yaxley Limited 8 Hollinswood Court, Stafford Park 1, Telford. TF3 3DE
Investment Brokers:	Perspective (Midlands and Cheshire) Ltd Whitehall House, Sandy Lane, Newcastle-Under-Lyme, Staffordshire, ST5 0LZ
Fund Managers:	Standard Life Wrap Customer Centre, Dundas House, 20 Brandon Street, Edinburgh, EH3 5PP
Bankers:	Lloyds Bank Plc Market Square, Stafford, ST16 2JL
Solicitors:	Hand Morgan & Owen 17 Martin Street, Stafford ST16 2LF

10. Responsibilities in Relation to the Financial Statements

The Board of Trustees is required to prepare financial statements which give a true and fair view of the state of affairs of the Charity and Group at the end of the financial year and of the income and expenditure of the Charity and Group for the year ending on that date. In preparing those financial statements, the Board of Trustees is required to:

1. Select suitable accounting policies and apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and 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 1st January 2015).

11. Statement as to Disclosure to our Auditors

The directors will recommend to members the re-appointment of our present auditors Dyke Yaxley Limited. In so far as the Trustees are aware at the time of approving our Trustees' annual report:

- There is no relevant information, being information needed by the auditor in connection with preparing their report, of which the Group's auditor is unaware, and
- The Trustees, having made enquiries of fellow Directors and the Group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board on 27th October 2020 and signed on its behalf by Jean-Pierre Parson, Chairman

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KATHARINE HOUSE HOSPICE

Opinion

We have audited the financial statements of Katharine House Hospice (a company limited by guarantee) for the year ended 31 March 2020 which comprise the Parent Charity's Statement of Financial Activities, the Group Statement of Financial Activities, the Group and Parent Charity's Company 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 Parent Charity's and the Group's affairs as at 31 March 2020 and of its incoming resources and application of resources, 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 accounts section of our report. We are independent of Katharine House Hospice in accordance with the ethical requirements that are relevant to our audit of the accounts 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 Katharine House Hospice'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 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' report (incorporating the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report (incorporating the Directors' 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 Charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report including the Directors' report.

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

- the information given in the financial statements is inconsistent in any material respect with the Trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations necessary for the purposes of our audit.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities, the Trustees, who are also the Directors of the Katharine House Hospice for the purpose 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 Katharine House Hospice'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.

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

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 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 as a body, and the charitable company's trustees as a body for our audit work, for this report, or for the opinions we have formed.



Ian Walsh (Senior Statutory Auditor)
for and on behalf of Dyke Yaxley Limited

Chartered Accountants
Statutory Auditor



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Stafford Park 1
Telford
TF3 3DE

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2020

	Note	Unrestricted £	Designated £	Restricted £	2020 Totals £	2019 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	31,490	114,880	300	146,670	537,677
Fundraised Income	(5)	721,835	--	115,241	837,076	1,006,026
Gift Aid - Promotions Subsidiary	(7)	221,644	--	--	221,644	194,157
Gift Aid - KHH Development	(7)	9,845	--	--	9,845	3,569
Gift Aid - Retail Subsidiary	(7)	78,638	--	--	78,638	956
Charity Shops Income		3,354,609	--	--	3,354,609	3,777,073
Retail sales donations - gift aid		1,040,202	--	--	1,040,202	648,873
Investment Income	(8)	12,378	--	--	12,378	13,779
Charitable activities						
Statutory Sector Income	(9)	3,500	--	1,297,582	1,301,082	1,033,708
Fee Income Received	(6)	--	--	4,674	4,674	11,680
Other Income						
HMRC Job Retention Scheme		38,511	--	--	38,511	--
Miscellaneous		7,735	--	--	7,735	969
Total Income		5,520,387	114,880	1,417,797	7,053,064	7,228,467
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	412,382	--	--	412,382	401,867
Investment Management Fees	(8)	8,731	--	--	8,731	8,967
Charity Shop Costs		3,558,057	--	--	3,558,057	3,496,657
		3,979,170	--	--	3,979,170	3,907,491
Net income for charitable application		1,541,217	114,880	1,417,797	3,073,894	3,320,976
Hospice Operating Costs	(10)	1,407,274	109,209	1,437,307	2,953,790	3,103,978
Governance Costs	(11)	82,243	--	--	82,243	71,639
		1,489,517	109,209	1,437,307	3,036,033	3,175,617
Interest Payable		18,944	--	--	18,944	10,338
Total Expenditure		5,487,631	109,209	1,437,307	7,034,147	7,093,446
Net gains (losses) on investment assets		(112,537)	--	--	(112,537)	(13,783)
Net income / (expenses) before transfers		(79,781)	5,671	(19,510)	(93,620)	121,238
Gross transfers between funds	(23)	189,312	(189,312)	--	--	--
Net movement in Funds		109,531	(183,641)	(19,510)	(93,620)	121,238
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,504,212	1,020,664	93,268	3,618,144	3,496,906
Fund Balances Carried Forward		2,613,743	837,023	73,758	3,524,524	3,618,144

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2020

	Note	Unrestricted £	Designated £	Restricted £	2020 Totals £	2019 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	31,490	114,880	300	146,670	537,677
Fundraised Income	(5)	721,835	--	115,241	837,076	1,006,026
Gross Income - KHH Development	(7)	10,392	--	--	10,392	4,233
Gross Income - Promotions	(7)	443,651	--	--	443,651	403,834
Gross Income - Retail	(7)	312,155	--	--	312,155	226,017
Retail sales donated to hospice		1,040,202	--	--	1,040,202	648,873
Charity Shops Income		3,354,609	--	--	3,354,609	3,777,073
Gross Income - EQC Limited	(7)	326,300	--	--	326,300	337,496
Investment Income	(8)	12,402	--	--	12,402	13,779
Charitable activities						
Statutory Sector Grants	(9)	3,500	--	1,297,582	1,301,082	1,033,708
Fee Income Received	(6)	--	--	4,674	4,674	11,680
Other Income						
HMRC Job Retention Scheme		42,265	--	--	42,265	--
Miscellaneous		7,735	--	--	7,735	969
Total Income		6,306,536	114,880	1,417,797	7,839,213	8,001,365
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	412,382	--	--	412,382	401,867
Cost of Operating KHH Development	(7)	547	--	--	547	664
Cost of Operating Promotions	(7)	222,268	--	--	222,268	209,677
Cost of Operating Retail	(7)	236,685	--	--	236,685	226,964
Cost of Operating Charity Shops		3,558,057	--	--	3,558,057	3,496,657
Investment Management Fees	(8)	8,731	--	--	8,731	8,967
		4,438,670	--	--	4,438,670	4,344,796
Net income for charitable application		1,867,866	114,880	1,417,797	3,400,543	3,656,569
Hospice Operating Costs	(10)	1,407,274	109,209	1,437,307	2,953,790	3,103,978
Embrace Quality Care Costs	(7)	348,593	--	--	348,593	370,927
Governance Costs	(11)	82,243	--	--	82,243	71,639
		1,838,110	109,209	1,437,307	3,384,626	3,546,544
Interest payable		20,280	--	--	20,280	12,204
Total Expenditure		6,297,060	109,209	1,437,307	7,843,576	7,903,544
Net gains (losses) on investment assets		(112,537)	--	--	(112,537)	(13,783)
Net income / (expenses) before provisions and transfers		(103,061)	5,671	(19,510)	(116,900)	84,038
Provision for deferred tax liabilities		1,366	--	--	1,366	3,769
Gross transfers between funds	(23)	189,312	(189,312)	--	--	--
Net Movement in Funds		87,617	(183,641)	(19,510)	(115,534)	87,807
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,261,134	1,020,664	93,268	3,375,066	3,287,259
Fund Balances Carried Forward	(22)	2,348,751	837,023	73,758	3,259,532	3,375,066

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 2020 - Comparative for 2019

	Note	Unrestricted £	Designated £	Restricted £	2019 Totals £
INCOME					
Generated funds					
Voluntary Income	(3)	37,700	494,779	5,198	537,677
Fundraised Income	(5)	790,174	--	215,852	1,006,026
Gift Aid - KHH Development	(7)	3,569	--	--	3,569
Gift Aid - Promotions Subsidiary	(7)	194,157	--	--	194,157
Gift Aid - Retail Subsidiary	(7)	956	--	--	956
Retail sales donations - gift aid		648,873	--	--	648,873
Charity Shops Income		3,777,073	--	--	3,777,073
Investment Income	(8)	13,779	--	--	13,779
Charitable activities					
Statutory Sector Income	(9)	3,500	--	1,030,208	1,033,708
Fee Income Received	(6)	9	--	11,671	11,680
Other Income					
		969	--	--	969
Total Income		5,470,759	494,779	1,262,929	7,228,467
EXPENDITURE					
Costs of generating income					
Fundraising Costs	(5)	401,867	--	--	401,867
Investment Management Fees	(8)	8,967	--	--	8,967
Charity Shop Costs		3,496,657	--	--	3,496,657
		3,907,491	--	--	3,907,491
Net income for charitable application		1,563,268	494,779	1,262,929	3,320,976
Hospice Operating Costs	(10)	1,622,956	228,107	1,252,915	3,103,978
Governance Costs	(11)	71,639	--	--	71,639
		1,694,595	228,107	1,252,915	3,175,617
Interest Payable		10,338	--	--	10,338
Total Expenditure		5,612,424	228,107	1,252,915	7,093,446
Net gains (losses) on investment assets		(13,783)	--	--	(13,783)
Net income / (expenses) before transfers		(155,448)	266,672	10,014	121,238
Gross transfers between funds	(23)	(70,857)	70,857	--	--
Net movement in Funds		(226,305)	337,529	10,014	121,238
RECONCILIATION OF FUNDS					
Fund balances brought forward		2,730,517	683,135	83,254	3,496,906
Fund Balances Carried Forward		2,504,212	1,020,664	93,268	3,618,144

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 2020 - Comparative for 2019

	Note	Unrestricted £	Designated £	Restricted £	2019 Totals £
INCOME					
Generated funds					
Voluntary Income	(3)	37,700	494,779	5,198	537,677
Fundraised Income	(5)	790,174	--	215,852	1,006,026
Gross Income - KHH Development	(7)	4,233	--	--	4,233
Gross Income - Promotions	(7)	403,834	--	--	403,834
Gross Income - Retail	(7)	226,017	--	--	226,017
Retail sales donated to hospice		648,873	--	--	648,873
Charity Shops Income		3,777,073	--	--	3,777,073
Gross Income - EQC Limited	(7)	337,496	--	--	337,496
Investment Income	(8)	13,779	--	--	13,779
Charitable activities					
Statutory Sector Grants	(9)	3,500	--	1,030,208	1,033,708
Fee Income Received	(6)	9	--	11,671	11,680
Other Income		969	--	--	969
Total Income		6,243,657	494,779	1,262,929	8,001,365
EXPENDITURE					
Costs of generating income					
Fundraising Costs	(5)	401,867	--	--	401,867
Cost of Operating KHH Development	(7)	664	--	--	664
Cost of Operating Promotions	(7)	209,677	--	--	209,677
Cost of Operating Retail	(7)	226,964	--	--	226,964
Cost of Operating Charity Shops		3,496,657	--	--	3,496,657
Investment Management Fees	(8)	8,967	--	--	8,967
		4,344,796	--	--	4,344,796
Net income for charitable application		1,898,861	494,779	1,262,929	3,656,569
Hospice Operating Costs	(10)	1,622,956	228,107	1,252,915	3,103,978
Embrace Quality Care Costs	(7)	370,927	--	--	370,927
Governance Costs	(11)	71,639	--	--	71,639
		2,065,522	228,107	1,252,915	3,546,544
Interest payable		12,204	--	--	12,204
Total Expenditure		6,422,522	228,107	1,252,915	7,903,544
Net gains (losses) on investment assets		(13,783)	--	--	(13,783)
Net income / (expenses) before provisions and transfers		(192,648)	266,672	10,014	84,038
Provision for deferred tax liabilities		3,769	--	--	3,769
Gross transfers between funds	(23)	(70,857)	70,857	--	--
Net Movement in Funds		(259,736)	337,529	10,014	87,807
RECONCILIATION OF FUNDS					
Fund balances brought forward		2,520,870	683,135	83,254	3,287,259
Fund Balances Carried Forward	(22)	2,261,134	1,020,664	93,268	3,375,066

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2020

	2020	2019
	£	£
Gross Income from continuing operations	7,839,213	8,001,365
Total expenditure of continuing operations	7,842,210	7,899,775
Net income / (expenditure) for the year before transfers and investment asset disposal	(2,997)	101,590
Gain / (Loss) on disposal of fixed asset investments	(112,537)	(13,783)
Net income / (expenditure) for the year	(115,534)	87,807

• Total income comprises:	2020	2019
	£	£
Unrestricted	6,306,536	6,243,657
Designated	114,880	494,779
Restricted	1,417,797	1,262,929

- A detailed analysis of income by source is provided in the Statement of Financial Activities.
- Net income / expenditure before asset disposals all relates to the activity of the unrestricted and restricted funds.
- Turnover of non-charitable trading activities amounted to £4,447,107 (2019: £4,748,653). Detailed analyses of the trading results are shown in Note 7 to the financial statements.
- Restricted income comprises funds raised where the donor has specified a particular use of the funds. These are described in detail in Note 22.
- All other income is unrestricted.

• Total expenditure comprises:	2020	2019
	£	£
Unrestricted	6,297,060	6,422,522
Designated	109,209	228,107
Restricted	1,437,307	1,252,915

- Detailed analysis of the expenditure is provided in the Statement of Financial Activities at Notes 5, 10 and 11 to the financial statements.
- The summary Income and Expenditure Account is derived from the Consolidated Statement of Financial Activities on Page 37, which together with the notes to the account on Pages 41 to 62 provides full information on the movements within the year on all the funds of the Charity.

KATHARINE HOUSE HOSPICE
(Registered No. 02700516)

BALANCE SHEET
at 31 March 2020

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2020 Total Funds £	Unrestricted Funds £	Restricted Funds £	2019 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	2,134,117	--	2,134,117	2,226,710	--	2,226,710
Investments	(18)	499,282	--	499,282	608,539	--	608,539
Investment in Group	(18)	5,602	--	5,602	5,602	--	5,602
		<u>2,639,001</u>	<u>--</u>	<u>2,639,001</u>	<u>2,840,851</u>	<u>--</u>	<u>2,840,851</u>
CURRENT ASSETS							
Debtors	(19)	1,253,620	--	1,253,620	911,545	--	911,545
Cash at bank and in hand		439,832	73,758	513,590	744,037	93,268	837,305
		<u>1,693,452</u>	<u>73,758</u>	<u>1,767,210</u>	<u>1,655,582</u>	<u>93,268</u>	<u>1,748,850</u>
CREDITORS	(21)	(417,894)	--	(417,894)	(430,206)	--	(430,206)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,275,558</u>	<u>73,758</u>	<u>1,349,316</u>	<u>1,225,376</u>	<u>93,268</u>	<u>1,318,644</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,914,559</u>	<u>73,758</u>	<u>3,988,317</u>	<u>4,066,227</u>	<u>93,268</u>	<u>4,159,495</u>
CREDITORS	(21)	(463,793)	--	(463,793)	(541,351)	--	(541,351)
amounts falling due after one year							
TOTAL NET ASSETS		<u>3,450,766</u>	<u>73,758</u>	<u>3,524,524</u>	<u>3,524,876</u>	<u>93,268</u>	<u>3,618,144</u>
REPRESENTED BY:							
Restricted Funds		--	73,758	73,758	--	93,268	93,268
Designated Funds		837,023	--	837,023	1,020,664	--	1,020,664
Unrestricted Funds		2,613,743	--	2,613,743	2,504,212	--	2,504,212
		<u>3,450,766</u>	<u>73,758</u>	<u>3,524,524</u>	<u>3,524,876</u>	<u>93,268</u>	<u>3,618,144</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006.

Approved by the Board of Trustees meeting on 27 October 2020 and signed on its behalf by:-


I D Starkie
Treasurer



J P Parsons
Chairman


KATHARINE HOUSE HOSPICE
(Registered No. 02700516)
CONSOLIDATED BALANCE SHEET
at 31 March 2020

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2020 Total Funds £	Unrestricted Funds £	Restricted Funds £	2019 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	2,184,598	--	2,184,598	2,325,277	--	2,325,277
Investments	(18)	499,282	--	499,282	608,539	--	608,539
		<u>2,683,880</u>	<u>--</u>	<u>2,683,880</u>	<u>2,933,816</u>	<u>--</u>	<u>2,933,816</u>
CURRENT ASSETS							
Debtors	(19)	662,057	--	662,057	350,170	--	350,170
Stock	(20)	1,679	--	1,679	19,090	--	19,090
Cash at bank and in hand		863,490	73,758	937,248	1,110,553	93,268	1,203,821
		<u>1,527,226</u>	<u>73,758</u>	<u>1,600,984</u>	<u>1,479,813</u>	<u>93,268</u>	<u>1,573,081</u>
CREDITORS	(21)	(560,787)	--	(560,787)	(579,475)	--	(579,475)
amounts falling due within one year							
NET CURRENT ASSETS		<u>966,439</u>	<u>73,758</u>	<u>1,040,197</u>	<u>900,338</u>	<u>93,268</u>	<u>993,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,650,319</u>	<u>73,758</u>	<u>3,724,077</u>	<u>3,834,154</u>	<u>93,268</u>	<u>3,927,422</u>
CREDITORS	(21)	(463,793)	--	(463,793)	(550,238)	--	(550,238)
amounts falling due after one year							
PROVISIONS							
deferred tax liabilities		(752)	--	(752)	(2,118)	--	(2,118)
TOTAL NET ASSETS		<u>3,185,774</u>	<u>73,758</u>	<u>3,259,532</u>	<u>3,281,798</u>	<u>93,268</u>	<u>3,375,066</u>
REPRESENTED BY:							
Restricted Funds	(22)	--	73,758	73,758	--	93,268	93,268
Designated Funds	(22)	837,023	--	837,023	1,020,664	--	1,020,664
Unrestricted Funds	(22)	2,613,743	--	2,613,743	2,504,212	--	2,504,212
Subsidiary Retained Losses		(264,992)	--	(264,992)	(243,078)	--	(243,078)
		<u>3,185,774</u>	<u>73,758</u>	<u>3,259,532</u>	<u>3,281,798</u>	<u>93,268</u>	<u>3,375,066</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006.

Approved by the Board of Trustees meeting on 27 October 2020 and signed on its behalf by:-


I D Starkie
Treasurer


J P Parsons
Chairman

KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2020

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS	2020 £	2019 £
Net movement in funds	(115,534)	87,807
Deferred taxation	(1,366)	(3,769)
Depreciation	182,209	193,369
(Gains)/Losses on investment assets	112,537	13,783
Income from fixed asset investment	(12,275)	(13,677)
Interest received	(127)	(102)
Interest payable on loans	20,280	12,204
Gain on disposal of fixed assets	(250)	--
(Increase) / decrease in Debtors	(311,887)	(64,319)
(Increase) / decrease in Stock	17,411	(12,794)
Increase / (decrease) in Creditors	4,448	(28,402)
Net cash (outflow) inflow from operating activities	(104,554)	184,100

CASHFLOW STATEMENT

Cashflow from operating activities		(104,554)	184,100
Returns on investments and servicing of finance	Note 1	(7,878)	1,575
		(112,432)	185,675
(Purchase) / Sale of fixed assets	Note 1	(60,857)	(793,516)
Payment of Corporation Tax		--	--
Financing	Note 1	(75,045)	409,776
Increase / (Decrease) in cash		(248,334)	(198,065)

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2020

NOTE 1 TO THE CASHFLOW STATEMENT

	2020 £	2019 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	12,275	13,677
Total Income from fixed asset investments	12,275	13,677
Other Interest received	127	102
Interest payable on loans	(20,280)	(12,204)
	<u>(7,878)</u>	<u>1,575</u>
Financing		
Repayments of loan capital	(75,045)	(44,724)
Bank Loan for purchase of fixed assets	--	454,500
	<u>(75,045)</u>	<u>409,776</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(41,529)	(773,003)
Sale Proceeds of other fixed assets	250	--
Capital Payment on HP	(34,536)	(24,199)
Purchase of fixed asset investments	(813,138)	(1,151,700)
Proceeds of sale of fixed asset investments	828,096	1,155,386
	<u>(60,857)</u>	<u>(793,516)</u>

NOTE 2 TO THE CASHFLOW STATEMENT - Reconciliation of Net Cash Flow to Movement in Net Funds

Net cash inflow / (outflow)	(248,334)	(198,065)
Change in net funds in the year	(248,334)	(198,065)
Net funds at 1 April	1,278,607	1,476,672
Non-Cash changes	16,237	
Net funds at 31 March	<u><u>1,046,510</u></u>	<u><u>1,278,607</u></u>

NOTE 3 TO THE CASHFLOW STATEMENT - Analysis of Changes in Net Funds

	As at 1 April 2019	Cash Flows	Non cash Changes	As at 31 March 2020
Cash in hand and at bank	1,203,821	(266,573)	--	937,248
Cash in current asset investments	74,786	18,239	16,237	109,262
TOTAL	<u><u>1,278,607</u></u>	<u><u>(248,334)</u></u>	<u><u>16,237</u></u>	<u><u>1,046,510</u></u>

NOTE 4 TO THE CASHFLOW STATEMENT - Analysis of Changes in Net Debt

	As at 1 April 2019	Cash Flows	Non cash Changes	As at 31 March 2020
Cash at hand and in bank	1,203,821	(266,573)	--	937,248
Debt due within 1 year	(99,429)	99,429	(76,293)	(76,293)
Debt due after 1 year	(550,238)	10,152	76,293	(463,793)
Cash in investments	74,786	18,239	16,237	109,262
TOTAL	<u><u>628,940</u></u>	<u><u>(138,753)</u></u>	<u><u>16,237</u></u>	<u><u>506,424</u></u>

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts (financial statements) have been prepared under the historical cost convention with items recognized at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the second edition of the Charities Statement of Recommended Practice issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

Katharine House Hospice meets the definition of a public benefit entity under FRS 102. The financial statements have been prepared by the trustees to give a 'true and fair' view and on a going concern basis under the historical cost convention as modified by the revaluation of investments. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest pound. The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

b) Going concern

The charity reported a consolidated cash outflow of £248,334 for the year and has cash reserves of £937,248. The trustees have no plans to restructure the debt or investments of the charity. In March the Board approved a balanced budget for financial years 2020/21 to 2022/23. However COVID-19 has rendered these budgets meaningless and until a more stable financial operating environment can be achieved the Hospice is preparing contingency plans to achieve financial sustainability. These accounts have therefore been prepared on an ongoing basis.

c) Branch Accounting

There exist a number of support groups within the community, raising awareness about and funds to support the work of Katharine House Hospice. Under the SORP, trustees consider these to be branches of Katharine House Hospice but consider the expense involved in accounting for these Groups on a full accruals basis and auditing these accounts to be unwarranted in relation to the size of the funds generated.

d) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. The charity receives income from different sources :-

i) Voluntary Donations

Voluntary donations are unsolicited gifts to the charity.

ii) Legacy Income

Legacies are treated as voluntary donations. Entitlement to legacy income 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 Trust 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. When legacies have been notified to the charity, or the charity is aware of probate being granted, and the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material. Further details regarding the legacy income received by the charity are set out in note 4.

iii) Donated goods

Donated goods refer to items donated to the hospice for resale through the charity shops. The income from these items is recognised at the point of sale. Any stocks of donated goods held at the financial year end is not attributed a value as it is not practical or otherwise uneconomical to do this.

iv) Fundraising income

Fundraising income is income received as a result of time taken by fundraisers in organising fundraising events, soliciting donations and arranging for donations to be made to the charity. Further details regarding the fundraising income received by the charity are set out in note 5.

v) Investment Income

Investment income includes dividends and interest on funds held on deposit. This income is included when receivable and the amount can be measured reliably by the charity. Further details regarding investment income received by the charity are set out in note 8.

1. ACCOUNTING POLICIES (Cont.)

d) Income (cont.)

vi) Grants

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. Further details regarding statutory sector grant income received by the charity are set out in note 9.

vii) Fees and other income

Fees and other income include miscellaneous charges for use of facilities and services.

e) Donation of assets

Gifts of tangible assets are included in these accounts at an estimated valuation which approximates to cost. Donations are included in the income and expenditure account as such, and in the balance sheet under the appropriate headings.

f) 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:

i) Costs of generating income

These include the expenditure on fundraising to generate donations and to record and thank donors (see note 5), the costs associated with managing the investment portfolio (including brokerage costs, see note 8), and the costs involved in managing properties owned for investment purposes. The consolidated accounts detail the cost of carrying out subsidiary operations such as lotteries and retail outlets, the surplus from these activities is donated to the charity.

ii) Expenditure on charitable activities

Expenditure on charitable activities includes the expenditure incurred to operate the hospice services, including the overheads of the charity and the cost of governance.

iii) Irrecoverable VAT

Irrecoverable VAT is written off in the year it is recognised as such.

g) Basis for the allocation of costs

i) Direct costs

Where possible costs are charged directly to one of the primary services of the charity.

ii) Support costs

Support costs are those deemed to be essential to the operation of the charity's primary purposes, for example catering and laundry, and are allocated on the basis of usage. These also include costs that cannot be charged directly to one primary service as they support all primary services, these are allocated either on the basis of usage where this can be easily determined or otherwise apportioned on the basis of total costs of services.

iii) Overhead costs

Overhead costs are those that support not only the primary services of the charity but also other functions, including those of the subsidiary companies. These are allocated on the basis of fair usage of the relevant overhead or otherwise apportioned on the basis of cost. Overheads are allocated directly to primary services, governance, fundraising and subsidiary companies rather than allocating or apportioning costs to other support and overhead functions.

h) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Capital items in excess of £5,000 are capitalised.

Depreciation is provided at rates calculated to write off the cost of fixed assets less their estimated residual value, over the expected useful lives on the following bases:-

Charity leasehold buildings	2%	straight line basis
Subsidiaries leasehold buildings	10-33%	straight line basis
Equipment, furniture and vehicles	20%	straight line basis
General IT equipment	20%	straight line basis
Household equipment	100%	

1. ACCOUNTING POLICIES (Cont.)

i) Investments

Fixed asset investment in quoted shares, traded bonds and similar investments are valued initially at cost and subsequently at fair value (their market value) at year end. The same treatment is applied to unlisted investments unless fair value cannot be measured reliably in which case it is measured at cost less impairment.

j) Stock

Stock is the value of Christmas card stocks held for sale stated at the lower of cost and net realisable value.

k) Debtors

Trade and other debtors are recognised at the settlement amount due after trade discounts have been applied. Subsequently they are measured at the cash or other consideration expected to be received. Prepayments are valued at the proportionate amount pre-paid relating to future accounting periods at the balance sheet date.

l) Cash

Cash at bank and cash in hand includes all operating cash held and immediately available for the charity's use. In addition to this there is cash sitting within the investment portfolio.

m) Creditors

Creditors are recognised where the charity has a present obligation arising from a past event that will probably result in a transfer of funds to a third party and the amount to be transferred can be reliably determined.

n) Payments on Account

Payments on account is income received but at the balance sheet date the charity has no legal entitlement to the funds, in particular donor's money held by the retail company, which donors are yet to confirm may be donated to the charity and lottery players who have paid in advance of future draws.

o) Deferred income

Other grants are credited to the profit and loss account as the related expenditure is incurred. Income received prior to an event which would be returnable if the event does not occur is deferred until the event has occurred.

p) Pensions

The Charity operates a number of employees's pension schemes. Further details regarding the schemes operated are set out in note 16 of these accounts.

Contributions payable for the year are charged in the income and expenditure account.

q) Fund accounting

General Funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objects of the charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be used solely for particular areas of the charity's work. The nature and purpose of each restricted fund is explained in note 22.

r) Method of consolidation

The financial statements consolidate the accounts of Katharine House Hospice and all its subsidiary undertakings using the acquisition method.

s) Deferred taxation

Deferred tax is provided in full on timing differences which represents a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is now provided on timing differences arising from accelerated capital allowances as in accordance with SORP (FRS 102). Deferred tax assets and liabilities are not discounted.

t) Operating leases

Rental applicable to operating leases where substantially all of the benefit and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

1. ACCOUNTING POLICIES (Cont.)

u) Volunteers

The charity benefits greatly from the involvement and enthusiastic support of its many volunteers, details of which are given in the annual report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the accounts.

2. LEGAL STATUS OF THE CHARITY

The charity is incorporated in England as a Company Limited by Guarantee and does not have share capital. Each member of the company has undertaken to contribute to the assets of the company in the event of it being wound up while s/he is a member, or within one year after s/he ceases to be a member, for payment of the debts and liabilities of the company contracted before s/he ceases to be a member, and of the rights of the contributions amongst themselves, such amount as may be required not exceeding £1. Each member pays a subscription fee annually. Income from membership is the annual subscription, see note 5.

3. VOLUNTARY INCOME

	Note	Unrestricted £	Designated £	Restricted £	2020 Total £	Unrestricted £	Designated £	Restricted £	2019 Total £
Unsolicited donations		31,490	--	300	31,790	37,700	--	700	38,400
Legacies	(4)	--	114,880	--	114,880	--	494,779	4,498	499,277
		31,490	114,880	300	146,670	37,700	494,779	5,198	537,677

4. LEGACIES

During the year the charity was in receipt of legacies and bequests as follows:-

	No.	Designated £	Restricted £	2020 Total £	No.	Designated £	Restricted £	2019 Total £
Up to £10,000	9	17,378	--	17,378	24	37,429	4,498	41,927
£10,000 to £49,999	5	97,502	--	97,502	4	137,350	--	137,350
£50,000 to £99,999	-	--	--	--	-	--	--	--
Over £100,000	-	--	--	--	1	320,000	--	320,000
	14	114,880	--	114,880	29	494,779	4,498	499,277

5. FUNDRAISING INCOME AND EXPENDITURE

The charity operates a fundraising department, whose objectives are: to raise funds to support the work of the charity; to acknowledge support given to the charity; to account for each donation given to the charity; to raise awareness about the work of the charity; and to raise awareness of the charity's need for funds.

It is not always easy to determine whether certain donations have been raised as a direct consequence of fundraising activity. In presenting this assessment of the fundraising performance trustees draw attention to the fact that activity in one year may produce income in the following year, and therefore matching income and expenditure can be extremely difficult.

The trustees are grateful to the many tax-paying donors who are willing to sign Gift Aid forms, this enhances the value of the donation to the Hospice and last year raised an additional £57,798 (2019: 55,162).

The performance set out on the following page specifically excludes: 114,880 of legacy income (2019: 499,277); 31,790 of unsolicited donations (2019: 38,400); grants from the statutory sector; and fee income derived from education, consultancy and similar.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

5. FUNDRAISING INCOME AND EXPENDITURE (Cont.)

	Note	Unrestricted £	Restricted £	2020 Total £	Unrestricted £	Restricted £	2019 Total £
Income Sources							
Individuals and groups		296,635	25,708	322,343	367,449	38,836	406,285
Gift Aid		57,798	--	57,798	55,162	--	55,162
Collections		26,223	--	26,223	14,222	--	14,222
Membership	(2)	625	--	625	675	--	675
Corporate Support		55,170	--	55,170	79,401	1,279	80,680
Trusts and grant giving bodies		59,919	81,442	141,361	44,145	175,737	219,882
Events		214,238	8,091	222,329	204,991	--	204,991
Support groups		6,294	--	6,294	18,003	--	18,003
Tea bar income		3,014	--	3,014	4,028	--	4,028
Other sources		1,919	--	1,919	2,098	--	2,098
		721,835	115,241	837,076	790,174	215,852	1,006,026
Direct Costs							
Payroll costs		227,862		227,862	198,690		198,690
IT Costs		4,148		4,148	4,915		4,915
Event costs		88,716		88,716	87,458		87,458
Other costs		18,614		18,614	18,696		18,696
Depreciation		1,877		1,877	6,033		6,033
		341,217		341,217	315,792		315,792
Recharges							
Support Costs		41,673		41,673	3,583		3,583
Overhead Costs		29,492		29,492	82,492		82,492
		71,165		71,165	86,075		86,075
Total Fundraising Costs		412,382		412,382	401,867		401,867
Net Income from Fundraising				424,694			604,159

6. FEE INCOME

The main object of the charity is to provide home care, day care and inpatient care to people in mid-Staffordshire in need of specialist palliative care. The charity makes no charge for the provision of these services. A subsidiary object is to provide training, education and other resources for those involved in the provision of specialist palliative care services. To this end medical and nursing students from universities have paid placements at the hospice and a training room is provided at the Katharine House Business Centre. Training and education is often provided without charge, but for some a fee is charged to external trainees. Furthermore, the facilities are not always in use for the objects of the charity, and at times when the facilities are idle they are available to external organisations.

7. TRADING SUBSIDIARIES

A summary of the results of the subsidiary companies of the charity are set out in this note. Accounts have been approved by the Directors of these companies and will be filed with the Registrar of Companies.

KHH Development Ltd

Company registration no. 08120430

KHH Development Ltd was established to provide book keeping activities, office administrative services and management consultancy activities to other charities.

	2020 £	2019 £
Turnover	10,392	4,233
Operating costs	(547)	(664)
Net Profit	9,845	3,569
Distribution under Gift Aid to Katharine House Hospice	(9,845)	(3,569)
Retained earnings carried forward	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	27,010	20,697
Liabilities	(26,510)	(20,197)
Funds	500	500

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

7. TRADING SUBSIDIARIES (Cont.)

KH Promotions Ltd

Company registration no. 03295776

KH Promotions was established to operate a society lottery. The Funds for KH Promotions Limited represent 100 Ordinary Shares of £1 each.

	2020 £	2019 £
Turnover	443,888	403,834
Operational costs	(200,036)	(187,757)
Recharges paid to Katharine House	(22,232)	(21,920)
Interest payable	--	--
Interest Received	24	--
NET PROFIT	221,644	194,157
Distribution under Gift Aid to Katharine House Hospice	(221,644)	(194,157)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	134,270	120,968
Liabilities	(134,170)	(120,868)
Funds	100	100

Katharine House Retail Ltd

Company registration no. 03949314

Katharine House Retail Ltd was established to operate charity shops on behalf of the parent charity. The Funds for Katharine House Retail Limited represent 2 Ordinary Shares of £1 each and £9,739 retained profit.

From 1 April 2017 the hospice has operated the charity shops directly, and the retail company have sold donated goods through Ebay Sales and the Prison outlets and any new goods sold through the shops. The company also acted as an agent for the selling of donated goods that are Gift Aided to the Hospice.

	2020 £	2019 £
Turnover	315,293	226,017
Operational costs	(306,011)	(215,748)
Net Recharges to(from) Katharine House	70,692	(7,447)
Interest payable	(1,336)	(1,866)
Interest Received	--	--
NET PROFIT	78,638	956
Amounts written off investments	--	--
Distribution under Gift Aid to Katharine House Hospice	(78,638)	(956)
Retained in subsidiary undertaking	--	--
Retained earnings brought forward	9,739	9,739
Retained earnings carried forward	9,739	9,739
The aggregate of the assets, liabilities and funds at 31 March was:		
Fixed Assets	50,481	98,568
Assets	289,035	279,851
Liabilities	(329,775)	(368,678)
Funds	9,741	9,741

Additional Financial Value from KH Retail Ltd

Gift Aided sales donated to Katharine House Hospice	832,857	519,634
Gift Aid on these sales	207,345	129,239

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

7. TRADING SUBSIDIARIES (Cont.)

DLT Trading Ltd

Company registration no. 06834846

DLT Trading is a wholly owned subsidiary of Katharine House Retail Ltd and was established to run charity shops on behalf of another charity. The Funds for DLT Trading Limited represent 1 Ordinary Shares of £1 each and retained earnings of £0

This agreement was terminated as at 22nd December 2017 at which point DLT Trading Ltd ceased trading.

	2020 £	2019 £
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	1	1
Liabilities	--	--
Funds	1	1

Embrace Quality Care Limited

Company registration no. 08050417

The charity established a subsidiary company for the purposes of operating as a care agency. The Funds for Embrace Quality Care Limited represent 5000 Ordinary Shares of £1 each and retained losses of £274,731.

	2020 £	2019 £
Turnover	326,679	337,496
Operational costs	(331,455)	(340,748)
Recharges paid to Katharine House	(17,138)	(30,179)
Interest payable	--	--
Interest Received	--	--
GROSS LOSS	(21,914)	(33,431)
Retained in subsidiary undertaking	(21,914)	(33,431)
Retained earnings brought forward	(252,817)	(219,386)
Retained losses carried forward	(274,731)	(252,817)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	66,231	24,178
Liabilities	(335,962)	(271,995)
Funds	(269,731)	(247,817)

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

8. INVESTMENT INCOME AND FEES

Investment income comprises:

	Company		Group	
	2020	2019	2020	2019
	£	£	£	£
Bank Interest	103	102	127	102
Interest from Investments	352	3,750	352	3,750
Dividends	11,892	9,898	11,892	9,898
Rent	--	--	--	--
Tax reclaim due in investments	31	29	31	29
	<u>12,378</u>	<u>13,779</u>	<u>12,402</u>	<u>13,779</u>

Investment fees reported are incurred in the operation of the charity's Investment Portfolio and for the company and group comprise:

	2020	2019
	£	£
Management of the portfolio	<u>8,731</u>	<u>8,967</u>
	<u>8,731</u>	<u>8,967</u>

9. STATUTORY SECTOR INCOME

The charity is in receipt of income from a number of statutory agencies. Trustees are pleased to report that the four local Clinical Commissioning Groups (Stafford and Surrounds, Cannock Chase, East Staffordshire, and Seisdon and South Staffordshire) have continued commitments to fund the hospice's work. The percentages shown are of total incoming resources on the unconsolidated SOFA, page 33.

	2020		2019	
	£	%	£	%
Local Clinical Commissioning Groups				
Stafford & Surrounds	(a) 911,452	12.92	625,154	8.65
Cannock Chase	(a) 309,254	4.38	309,254	4.28
East Staffordshire	(a) 16,341	0.23	16,341	0.23
Seisdon & South Staffordshire	(a) 6,536	0.09	6,536	0.09
Derby Clinical Commissioning Group	27,405			
Midlands Partnership NHS Foundation Trust	(d) --	-	46,329	0.64
Stafford Borough Council	(b) 3,500	0.05	3,500	0.05
NHS Pension Rebate	(c) 26,594	0.38	26,594	0.37
Student placements	(e) --	-	--	-
	<u>1,301,082</u>	<u>18.05</u>	<u>1,033,708</u>	<u>14.31</u>

(a) A one year recurring conditional grant the value of which is derived annually.

(b) A continuing annual service level agreement.

(c) The hospice is in receipt of an annual rebate from the Department of Health, paid through Stafford & Surrounds and Cannock Chase CCGs, to cover the increased costs to the employer of the NHS pension scheme.

In addition the hospice has received non-recurring grants from local councils for specific objectives, as described below and reported in notes 5 and 22.

	2020	2019
	£	£
Rugeley Town Council for Day Therapies riser recliner chairs	429	--
Uttoxeter Town Council for Day Therapies dining room chairs	278	200
Hednesford Town Council for the provision of Hospice Services	--	100
Rugeley Town Council for Paracentesis	--	50
Staffordshire County Council for IPU Equipment	--	250

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

10. EXPENDITURE ANALYSIS

		Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2020 Total	2019 Total
Charitable Activity								
Inpatient Care		928,682	187,468	24,435	338,763	100,454	1,579,802	1,830,912
Day Care		178,480	26,427	23,771	87,103	43,017	358,798	298,615
Lymphoedema		73,533	5,692	5,609	39,927	8,647	133,408	186,869
At Home Care		294,070	22,606	1,773	34,589	20,670	373,708	438,926
Palliative Nurse Specialists		163,943	3,668	634	22,859	10,108	201,212	61,070
Family Support		63,333	49,452	2,364	16,591	7,996	139,736	206,475
County Hospital Ward 12		--	59,435	--	4,326	2,184	65,945	--
Nursing Homes		16,981	112	--	--	--	17,093	--
Drop-In/ Wellbeing Day		18,294	900	1,927	17,653	9,147	47,921	49,533
Carers Support		--	24,921	--	4,585	2,618	32,124	28,596
Other Care / Education		--	--	--	2,771	1,272	4,043	2,982
Charitable Expenditure		1,737,316	380,681	60,513	569,167	206,113	2,953,790	3,103,978
Governance	(11)	34,090	12,515	--	16,495	19,143	82,243	71,639
Fundraising	(5)	227,862	111,478	1,877	41,673	29,492	412,382	401,867
Charity Shops		2,156,449	1,082,611	52,443	90,482	176,072	3,558,057	3,496,657
Recharges to Subsidiaries								
To KH Retail		--	296	--	5,607	2,768	8,671	7,447
To Embrace		--	245	--	12,782	4,111	17,138	30,179
To KH Promotions		--	160	282	11,294	10,496	22,232	21,920
To KH Developments		--	--	--	--	--	--	--
Total Recharges		--	701	282	29,683	17,375	48,041	59,546
Analysis of Direct Support and Overhead recharges					747,500	448,195		
Direct Support Services								
Management of Care		91,578	63,958	1,773			157,309	199,974
Catering		55,586	19,075	4,959			79,620	83,298
Laundry		--	--	2,495			2,495	8,507
Housekeeping		60,512	19,153	113			79,778	78,855
Property Costs		101,865	108,955	--			210,820	209,284
Information Services		74,990	57,224	--			132,214	--
Administration		44,099	39,392	1,773			85,264	96,042
Total Direct Support		428,630	307,757	11,113			747,500	675,960
Overhead Costs								
Management		119,019	59,478	5,078			183,575	340,054
Finance Department		77,066	5,826	1,840			84,732	88,046
Personnel		74,322	5,940	751			81,013	112,302
Voluntary Services		40,836	10,285	227			51,348	31,199
Marketing		41,291	6,237	--			47,528	51,373
Total overhead		352,534	87,766	7,896			448,196	622,974
Total Direct Expenditure		4,936,881	1,983,509	134,124				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 2020 - Note 10 Comparative for 2019

(Continued)

10. EXPENDITURE ANALYSIS - PRIOR YEAR COMPARISON

	Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2019 Total
Charitable Activity						
Inpatient Care	1,138,640	53,792	23,160	398,243	217,077	1,830,912
Day Care	157,587	7,390	24,801	73,563	35,274	298,615
Lymphoedema	95,211	19,018	5,796	42,786	24,058	186,869
At Home Care	295,818	26,107	1,960	45,173	69,868	438,926
Palliative Nurse Specialists	41,919	2,041	500	9,343	7,267	61,070
Family Support	152,391	1,978	2,476	23,347	26,283	206,475
Drop-In/ Wellbeing Day	22,827	--	1,964	14,654	10,088	49,533
Carers Support	18,409	502	--	4,857	4,828	28,596
Other Care / Education	--	--	--	184	2,798	2,982
Charitable Expenditure	<u>1,922,802</u>	<u>110,828</u>	<u>60,657</u>	<u>612,150</u>	<u>397,541</u>	<u>3,103,978</u>
Governance (11)	<u>30,069</u>	<u>15,680</u>	<u>--</u>	<u>2,041</u>	<u>23,849</u>	<u>71,639</u>
Fundraising (5)	<u>198,690</u>	<u>111,069</u>	<u>6,033</u>	<u>4,992</u>	<u>81,083</u>	<u>401,867</u>
Charity Shops	<u>2,372,608</u>	<u>977,463</u>	<u>27,403</u>	<u>40,657</u>	<u>78,526</u>	<u>3,496,657</u>
Recharges to Subsidiaries						
To KH Retail	--	20	295	2,433	4,699	7,447
To Embrace	--	--	--	10,868	19,311	30,179
To KH Promotions	--	147	989	2,819	17,965	21,920
Total Recharges	<u>--</u>	<u>167</u>	<u>1,284</u>	<u>16,120</u>	<u>41,975</u>	<u>59,546</u>
Analysis of Direct Support and Overhead recharges				<u>675,960</u>	<u>622,974</u>	
Direct Support Services						
Management of Care	151,805	37,731	10,438			199,974
Catering	55,908	22,431	4,959			83,298
Laundry	--	6,012	2,495			8,507
Housekeeping	60,992	17,750	113			78,855
Property Costs	96,987	112,222	75			209,284
Information Services						--
Administration	44,657	49,425	1,960			96,042
Total Direct Support	<u>410,349</u>	<u>245,571</u>	<u>20,040</u>			<u>675,960</u>
Overhead Costs						
Management	185,310	154,744	--			340,054
Finance Department	75,892	7,251	4,903			88,046
Personnel	82,763	26,902	2,637			112,302
Voluntary Services	30,265	518	416			31,199
Marketing	41,604	9,769	--			51,373
Total overhead	<u>415,834</u>	<u>199,184</u>	<u>7,956</u>			<u>622,974</u>
Total Direct Expenditure	<u>5,350,352</u>	<u>1,659,962</u>	<u>123,373</u>			

KATHARINE HOUSE HOSPICE
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(Continued)

11. GOVERNANCE COSTS - Company and Group

	2020	2019
	£	£
Allocation of the costs of Management Time	34,090	30,069
Professional advice to trustees	--	--
Trustee Indemnity insurance	1,235	1,050
Audit and accountancy fees	11,280	14,630
Other Costs	--	--
Direct Support Recharge	16,495	2,041
Management and Admin Recharge	19,143	23,849
	<u>82,243</u>	<u>71,639</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fee for the group were £11,280 (2019: £14,630).

Directors expenses were £NIL (2019: £NIL), see note 13.

13. DIRECTORS' REMUNERATION AND EXPENSES

None of the directors or connected persons received any remuneration during the year, nor did they have any financial interest in the Company's activities (2019: £NIL). The secretary received expenses of £NIL (2019 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

The number of staff and whole time equivalents employed by the charity, analysed by function was:

Company	2020		2019	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	66	53.57	66	54.99
Medical and Therapies	4	1.20	6	1.99
Ancillary	18	11.88	15	8.96
Fundraising	10	6.81	9	7.44
Charity shops	150	101.46	146	103
Administration / Management	20	14.56	23	19.18
	<u>268</u>	<u>189.48</u>	<u>265</u>	<u>195.98</u>

Group	2020		2019	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	86	68.36	86	70.29
Medical and Therapies	4	1.20	6	1.99
Ancillary	18	11.88	15	8.96
Generating Funds	12	8.25	10	8.11
Charity shops	155	106.46	146	103
Administration / Management	20	14.56	23	19.18
	<u>295</u>	<u>210.71</u>	<u>286</u>	<u>211.95</u>

The costs of employment were:

	Company		Group	
	2020	2019	2020	2019
	£	£	£	£
Salary	4,408,439	4,377,497	4,818,346	4,754,205
National Insurance	293,626	291,621	311,510	306,925
Pension	234,816	190,870	243,907	196,112
	<u>4,936,881</u>	<u>4,859,988</u>	<u>5,373,763</u>	<u>5,257,242</u>
Bought-in staff	254,860	235,258	254,860	235,258
	<u>5,191,741</u>	<u>5,095,246</u>	<u>5,628,623</u>	<u>5,492,500</u>

KATHARINE HOUSE HOSPICE
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15. EMOLUMENTS

The number of staff whose actual emoluments during the year exceeded £60,000 was:

	Company		Group	
	2020	2019	2020	2019
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	0	0	0	0
£80,001 - £90,000	1	1	1	1

The number of staff whose emoluments would have exceeded £60,000 during the year had they worked full-time (37.5 hours) for a full year is assessed as:

	Company		Group	
	2020	2019	2020	2019
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	1	3	1	4
£80,001 - £90,000	4	1	4	1
£90,001 - £100,000	0	1	0	1
£100,001 - £110,000	1	0	1	0

The gross cost of the Executive Team responsible for running the group of companies (including all emoluments, employer's national insurance contributions, and employer's pension contributions) was £384,682 (2019: £384,741). There were 4 employees and 1 non-employee on the team until June 2019 and 5 employees and 1 non-employee for the rest of the year (2019: 5 employees and 1 non-employee on the team until December 2018 and 4 employees and 1 non-employee for the rest of the year).

16. PENSIONS

The Hospice makes provision for employees' pensions in accordance with the Memorandum of Association and its legal obligations. The Hospice does not operate its own pension scheme, but contributes to schemes as follows:

a) NHS Defined Benefit Scheme

Employees who are members of the NHS pension scheme, if eligible, may continue to contribute to this scheme. Employer contributions are 14.38%. Employee contributions range from 5% to 13.5% dependent upon the level of their notional full-time pensionable pay. This scheme is an unfunded defined benefit scheme that covers NHS employees, General Practitioners and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is managed in a manner that does not make it practical for the Hospice to ascertain its share of the assets and liabilities under the scheme and the scheme is therefore treated in the accounts as if it were a defined contribution scheme, with the cost being taken as the contributions payable during the accounting period.

b) Standard Life Group/Stakeholder Pension Scheme

The Charity, in response to requirements to provide access to employees to pension schemes, opened a scheme in 2000 for eligible employees to the Standard Life Group Pension Scheme. The charity matches Employee contributions up to 7%. From 1 April 2015 Standard Life closed this scheme. This scheme is a defined contribution scheme.

c) Employees' own schemes

Where employees wish the Hospice to contribute to their own defined contribution schemes. This is done on the same basis as for the Standard Life Scheme.

d) National Employment Savings Trust (NEST)

Eligible employees who are not in any of the three types of scheme above are automatically enrolled into the NEST scheme. The automatic enrolment is done at the statutory minimum (at present 5% for employers) but employees can increase their contributions and the charity will match these up to 7%. This is a defined contribution scheme.

Numbers of staff and contributions to the different schemes are:

	2020		2019	
	Average Number	Employer Contribution	Average Number	Employer Contribution
Company				
NHS	29	106,060	28	99,695
Standard Life	16	40,907	20	46,896
Scottish Widows	0	0	1	2,730
NEST	165	87,849	146	60,661
	210	234,816	195	209,982
Group				
NHS	29	106,060	28	99,695
Standard Life	16	40,907	20	46,896
Scottish Widows	0	0	1	2,730
NEST	185	96,940	177	66,117
	230	243,907	226	215,438

KATHARINE HOUSE HOSPICE
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17. TANGIBLE FIXED ASSETS

COMPANY	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Cost					
At 1 April 2019	2,748,707	511,250	196,940	98,763	3,555,660
Additions	--	41,529	--	--	41,529
Disposals	--	--	--	--	--
At 31 March 2020	<u>2,748,707</u>	<u>552,779</u>	<u>196,940</u>	<u>98,763</u>	<u>3,597,189</u>
Depreciation					
At 1 April 2019	735,842	389,944	134,667	68,497	1,328,950
Charge for the year	58,614	52,028	14,833	8,648	134,123
Disposals	--	--	--	--	--
At 31 March 2020	<u>794,456</u>	<u>441,972</u>	<u>149,500</u>	<u>77,145</u>	<u>1,463,073</u>
Net Book Value					
At 31 March 2020	<u>1,954,251</u>	<u>110,808</u>	<u>47,440</u>	<u>21,618</u>	<u>2,134,117</u>
At 1 April 2019	<u>2,012,865</u>	<u>121,306</u>	<u>62,273</u>	<u>30,266</u>	<u>2,226,710</u>
GROUP					
Cost					
At 1 April 2019	3,098,077	733,102	196,940	98,763	4,126,882
Additions	--	41,529	--	--	41,529
Disposals	--	13,895	--	--	13,895
At 31 March 2020	<u>3,098,077</u>	<u>788,526</u>	<u>196,940</u>	<u>98,763</u>	<u>4,182,306</u>
Depreciation					
At 1 April 2019	1,063,153	535,288	134,667	68,497	1,801,605
Charge for the year	58,614	100,114	14,833	8,648	182,209
Disposals	--	13,895	--	--	13,895
At 31 March 2020	<u>1,121,767</u>	<u>649,297</u>	<u>149,500</u>	<u>77,145</u>	<u>1,997,709</u>
Net Book Value					
At 31 March 2020	<u>1,976,310</u>	<u>139,230</u>	<u>47,440</u>	<u>21,618</u>	<u>2,184,598</u>
At 1 April 2019	<u>2,034,924</u>	<u>197,814</u>	<u>62,273</u>	<u>30,266</u>	<u>2,325,277</u>

The Net Book Value of the Groups assets, which are all unrestricted, represent assets used for:

As at 31 March 2020:

Care and education	937,376	66,053	--	21,619	1,025,048
Fundraising	67,670	473	--	--	68,143
Retail Subsidiary	9,481	--	--	41,000	50,481
Charity Shops	643,016	35,178	44,037	--	722,231
Trading Subsidiary	13,534	95	--	--	13,629
Support Services	42,670	5,500	--	--	48,170
Administration	249,986	3,508	3,402	--	256,896
	<u>1,963,733</u>	<u>110,807</u>	<u>47,439</u>	<u>62,619</u>	<u>2,184,598</u>

As at 31 March 2019:

Care and education	968,701	56,078	--	30,266	1,055,045
Fundraising	69,232	788	--	--	70,020
Retail Subsidiary	22,060	16,782	--	59,725	98,567
Charity Shops	660,106	51,208	56,927	--	768,241
Trading Subsidiary	13,846	158	--	--	14,004
Support Services	44,237	11,500	--	--	55,737
Administration	256,742	1,575	5,346	--	263,663
	<u>2,034,924</u>	<u>138,089</u>	<u>62,273</u>	<u>89,991</u>	<u>2,325,277</u>

KATHARINE HOUSE HOSPICE
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(Continued)

18. FIXED ASSET INVESTMENT - Company and Group

	2020	%	2019	%
	£		£	
At 31 March investments were held as:				
Bonds	77,993	15.6	267,045	43.9
UK Equities and funds	120,445	24.1	127,759	21.0
Overseas Equities and funds	164,673	33.0	99,893	16.4
Other Assets	26,909	5.4	39,056	6.4
Total Invested Funds	390,020	78.1	533,753	87.7
Cash held for investment	109,262	21.9	74,786	12.3
Total Funds in Investment portfolio	499,282	100.0	608,539	100.0

	2020	2019
	£	£
Listed investments		
Market Value at 31 March	533,753	551,222
Less Disposals at opening book value (proceeds £828,096)	(838,956)	(1,169,732)
Less return of capital	(16,237)	
Add acquisitions at cost	813,138	1,151,700
Net gain/(loss) on revaluation at 31 March	(101,678)	563
Market Value at 31 March of listed investments	390,020	533,753
Historical Cost at 31 March	497,234	534,316

All investments are held in unrestricted funds. The net gains and losses on revaluation are based on the market value of investment provided by Perspective Managing Wealth who manage the fund on behalf of the trustees. The large loss showing in 2020 is a result of the market volatility due to COVID-19, the investment market has since shown an improvement with a current 13% gain as at 17 September 20.

FIXED ASSET INVESTMENT - Company

The company's investments at the balance sheet date in the share capital of unlisted companies which are registered in the UK comprising:

	Company registration no.	% of shareholding held by KH Hospice	2020 £	2019 £
KH Promotions Limited	03295776	100%	100	100
Katharine House Retail Limited	03949314	100%	2	2
Embrace Quality Care Limited	08050417	100%	5,000	5,000
KHH Development Limited	08120430	100%	500	500
			5,602	5,602

Results for the year are shown in note 7 and are included in the consolidated accounts.

Katharine House Retail Ltd investment at the balance sheet date in the share capital of the following unlisted company which is registered in the UK:

	Company registration no.	% of shareholding held by KH Retail	2020 £	2019 £
DLT Trading Ltd	6834846	100%	1	1

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

19. DEBTORS

	Company		Group	
	2020	2019	2020	2019
	£	£	£	£
Intercompany accounts	682,772	621,523	--	--
Trade debtors	287,826	--	329,167	24,203
NHS pharmaceutical supplies	22,039	16,550	22,039	16,550
HMRC - tax and social security	91,201	66,683	91,817	101,296
Other debtors	36,048	74,923	84,196	75,445
Accrued legacy income	--	--	--	--
Prepayments	129,859	127,991	130,963	128,801
Deposits provided	3,875	3,875	3,875	3,875
	1,253,620	911,545	662,057	350,170

The intercompany accounts are the balance of funds to be transferred to the Hospice in respect of gift aid payments for the year. The balances are payable on demand. In view of the nature of the balances, interest is not charged by the Hospice on the outstanding amounts, nor has it taken security for the balances.

20. STOCK

	Company		Group	
	2020	2019	2020	2019
	£	£	£	£
Bought in Goods	--	--	1,679	19,090

21. CREDITORS

Amounts due in under one year

	Company		Group	
	2020	2019	2020	2019
	£	£	£	£
Bank Loans	76,293	73,780	76,293	73,780
Hire Purchase Loan	--	--	--	25,649
Payments on account	--	--	106,973	66,590
Trade creditors	194,472	172,570	213,429	180,520
Accruals	72,727	93,373	73,658	107,551
Deferred income (i)	66,925	82,676	66,925	82,676
Other creditors	7,477	7,807	23,509	42,709
	417,894	430,206	560,787	579,475

(i) Income was deferred in accordance with FRS 102 as follows: Income released in 2020 from prior years was: event income £34,879 (2019: £36,379), nursing home project £47,797 (2019: £nil) and a restricted Trust £nil (2019: £40,118). Income received in 2020 and deferred to future years is: event income £43,026 (2019: £34,879) and nursing home project income £23,899 (2019: £47,797).

	Company		Group	
	2020	2019	2020	2019
	£	£	£	£
Bank Loans	463,793	541,351	463,793	541,351
Hire Purchase Loan	--	--	--	8,887
	463,793	541,351	463,793	550,238

The bank loans consists of two different bank loans. The first bank loan is a term loan of 15 years commencing September 2013, with an option to repay at year 5 without penalty, at 2.16% above base rate. The second bank loan is split into two, one half at a fixed rate of 3.96% and the other half at a variable rate of 2.15% above base rate. The second loan is a term loan of ten years which commenced December 2018. The long term loans are secured on all three premises owned by the Hospice: Unit i Priestly Court, Stafford; 150 Weston Road, Stafford; and Trading & Recycling Centre, Stone Road, ST15 0NS. The hire purchase loan is a hire purchase loan of 3 years with an option to purchase the 4 Retail vans it relates to for a nominal amount at the end of the term. The loan is at 5.83%.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

(Continued)

22. FUNDS

General, Designated and Restricted Funds

	General Funds £	Designated Funds £	Restricted Funds £	Total Funds £
Income	6,306,536	114,880	1,417,797	7,839,213
Expenditure in generating funds	(4,438,670)	--	--	(4,438,670)
Financing costs	(20,280)	--	--	(20,280)
	<u>1,847,586</u>	<u>114,880</u>	<u>1,417,797</u>	<u>3,380,263</u>
Opening value of funds	2,261,134	1,020,664	93,268	3,375,066
Provision for deferred tax liabilities	1,366	--	--	1,366
Transfers (to) / from general funds	189,312	(189,312)	--	--
Gains / (losses) on investment assets				
Realised	(10,859)	--	--	(10,859)
Unrealised	(101,678)	--	--	(101,678)
	<u>4,186,861</u>	<u>946,232</u>	<u>1,511,065</u>	<u>6,644,158</u>
Charitable expenditure	(1,838,110)	(109,209)	(1,437,307)	(3,384,626)
Closing value of funds	<u>2,348,751</u>	<u>837,023</u>	<u>73,758</u>	<u>3,259,532</u>

Restricted Funds

Details of restricted funds are shown overleaf. The purposes of these funds are described below and overleaf.

The capital and equipment funds are primarily for the purchase of items of equipment or refurbishments. Some have small cash balances which are used in the maintenance of the asset. The day care equipment fund has been built up to purchase equipment for the development of a therapies day within the service.

The revenue funds to operate specified services are generally funds that are expected to be spent within 12 months to support the operation of whole services. Within some of these funds there are more specifically restricted donations for specific elements of the services. Expenditure against these funds is only for direct costs of running the services, not for recharges or overheads.

The other revenue funds for specified purposes are funds for use in the provision of aspects of services or for provisions not specific to a service.

The patients comfort funds are to acquire unusual items such as Christmas presents solely for the benefit of individual or groups of patients.

Flower donations are given to help pay towards flower displays at the Hospice, predominantly provided by volunteers.

The Keele Medical Students fund originally purchased equipment for use whilst medical students visit the Hospice on placements. It continues mainly to fund support of medical students.

The Garden fund is a specific donation to be used for the Hospice's celebration garden.

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(Continued)

Details of all major restricted funds are set out below, all funds held at 31 March are held as cash at bank:

Movements on Restricted Funds

Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £	Funds Held as Net Current Assets £
Capital and Equipment funds:						
Day Care Equipment	9,873	9,959	(14,628)	--	5,204	5,204
Oxygen Con Day therapies	206	--	(206)	--	--	--
IPU Refurbishment and Equip	9,601	6,097	(5,659)	--	10,039	10,039
Lymphoedema Equipment	372	11,206	(6,636)	--	4,942	4,942
Lymphoedema Consumables	3,546	3,000	(2,942)	--	3,604	3,604
Infusion Pump	600	--	(29)	--	571	571
Multi-sensory Equipment	1,134	--	--	--	1,134	1,134
Uttoxeter Care-Lymphoedema Equi	65	--	--	--	65	65
At Home Team Equipment	150	--	--	--	150	150
Boilers Hospice	2,182	27,290	(29,472)	--	--	--
Hospice Fire Alarm	--	8,000	--	--	8,000	8,000
Revenue funds to operate specified services:						
Lymphoedema Services	--	185	(185)	--	--	--
IPU Fund	--	3,922	(3,922)	--	--	--
Bereaved Carers Group	--	400	--	--	400	400
At Home Team fund	--	25,106	(25,106)	--	--	--
Embrace Quality Care fund	2,875	400	(125)	--	3,150	3,150
Clinical Commissioners	--	1,297,582	(1,297,582)	--	--	--
Carers Group	477	40	--	--	517	517
Respite for carers	--	3,000	(3,000)	--	--	--
Paracentesis	3,750	700	(368)	--	4,082	4,082
Day Therapies Fund	--	9,056	(9,056)	--	--	--
Well being Day	--	2,000	(2,000)	--	--	--
Spiritual Support	6,363	--	(78)	--	6,285	6,285
Day Therapies Co-ordinator	12,342	--	(12,342)	--	--	--
Learning & Develop Co-ordinator	10,260	--	(10,260)	--	--	--
Other revenue funds for specified purposes:						
Patients Comfort Fund Day Care	5,269	2,285	(1,205)	--	6,349	6,349
Patients Comfort Fund IPU	1,705	2,230	(276)	--	3,659	3,659
Embrace Comfort Fund	250	--	(120)	--	130	130
IPU Staff Gift	520	10	--	--	530	530
Materials for Corporate Vols	664	--	--	--	664	664
Keele Medical Students Fund	17,501	4,674	(11,410)	--	10,765	10,765
Garden Fund	1,258	--	(206)	--	1,052	1,052
Flower Donations	170	--	(29)	--	141	141
Complementary Therapies	153	655	(465)	--	343	343
Al Zohra - Dementia Training	1,982	--	--	--	1,982	1,982
	93,268	1,417,797	(1,437,307)	--	73,758	73,758

KATHARINE HOUSE HOSPICE
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Unrestricted Funds - Designated and General Funds

The trustees have established eight designated reserves from within the free and unrestricted funds available. The primary purpose of these funds is to assist the charity in managing its reserves and financial risks, particularly in the light of known future commitments, unexpected failure of income and larger one off items of expenditure. The remaining unrestricted funds are categorised as general funds.

Movements on Designated Funds:

	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £
Designated Fund					
Repairs and Renewals Fund	40,000	--	(2,103)	22,103	60,000
Renewal of IT fund	100,000	--	--	--	100,000
Training and Development Fund	11,000	--	(3,465)	3,465	11,000
Legacy Equalisation Fund	120,000	114,880	--	(114,880)	120,000
Retail Vehicle fund	34,535	--	(26,985)	--	7,550
Fund to repay loan - Priestly Court	170,271	--	(35,977)	--	134,294
Fund to repay loan - Norton Bridge	444,858	--	(40,679)	--	404,179
Norton Bridge Development	100,000	--	--	(100,000)	--
Total Designated	1,020,664	114,880	(109,209)	(189,312)	837,023

The Repairs and Renewals fund has been established to assist in budgeting the Hospices' annual expenditure. The tendency has been to over-budget in certain areas to cover "emergency" expenditure. This fund will enable trustees to allocate larger items of expenditure on maintenance and repair costs against this fund rather than the general funds.

The renewal of IT fund is to be built up to accommodate expected expenditure on the refreshing of the main IT infrastructure sometime between 2020 and 2022. From 2018/19 onwards there has been a rolling programme of renewal of PCs.

The Training and Development fund has been established to ensure that commitments to staff development can be funded. In particular this fund will support staff through Masters, Diploma and Degree courses, as well as the professional development of nursing staff.

The Legacy Equalisation fund has been established to help trustees make sound financial decisions without reference to unpredictable legacy income. The Hospice's legacy income has varied from as low as £35k to as high as £567k in the last nine years. This creates a great deal of uncertainty when setting budgets at the beginning of the year. By establishing this fund trustees will be able to use these funds in the event of a shortfall in legacy income against the annual budget. This will enable trustees to make robust decisions on the commitment of expenditure to new or existing projects over a three year period. The 2020/21 budget for legacies is £120,000.

The Retail Vehicle fund is to provide for the hire-purchase of 4 retail vehicles in 2017/18 to refresh the fleet of vehicles.

The trustees have established a designated fund for the repayment of outstanding capital amounts on the two bank loans which relate to the purchase of two properties.

KATHARINE HOUSE HOSPICE
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23. TRANSFERS BETWEEN FUNDS

	2020	2020	2020
	Transfers In	Transfers Out	Net Transfers
General Funds	<u>214,880</u>	<u>(25,568)</u>	<u>189,312</u>
Designated Funds:			
Repairs and Renewals	22,103		22,103
Training and Development Fund	3,465	--	3,465
Norton Bridge Development	--	(100,000)	(100,000)
Legacy Equalisation Fund	--	(114,880)	(114,880)
	<u>25,568</u>	<u>(214,880)</u>	<u>(189,312)</u>
 Comparative for 2019			
	2019	2019	2019
	Transfers In	Transfers Out	Net Transfers
General Funds	<u>494,779</u>	<u>(565,636)</u>	<u>(70,857)</u>
Designated Funds:			
Repairs and Renewals	962		962
Training and Development Fund	10,174	--	10,174
Norton Bridge Development	100,000	--	100,000
Norton bridge Loan repayment	454,500		454,500
Legacy Equalisation Fund	--	(494,779)	(494,779)
	<u>565,636</u>	<u>(494,779)</u>	<u>70,857</u>

24. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2020.

Operating Lease Commitments

The company and group hold leases for retail outlets. The annual costs of these leases by remaining time to expiry of the lease as at 31 March 2020 with prior year comparatives are:

	Out of lease	<2 years	2-5 years	5-10 years	10 years
Company & Group as at 31.03.20	200,150	72,725	134,540	45,500	--
Company & Group as at 31.03.19	165,150	111,765	96,000	79,500	--

The total commitments (including leases that are out of lease as 6 months' liability) are:

	To next date of cancellation	Total Cost of Lease
Company & Group as at 31.03.20	624,342	990,390
Company & Group as at 31.03.19	787,242	1,203,241

There were no other operating lease commitments at 31 March 2020 that exceeded one year.

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25. RELATED PARTY TRANSACTIONS

During the year some of the trustees, senior managers, and employees of all group entities made donations to the charity, played the lottery run by KH Promotions Ltd, and bought and donated goods to the charity. All these transactions were conducted on an arms length basis in support of the charity. All donations made by the trustees were unrestricted.

Access to the Hospice's care services is based on the assessment of clinical need and the availability of provision. It is possible that relatives of trustees, senior managers, and employees of all group entities may have accessed the Charity's services, but this is not separately identifiable and therefore not disclosed.

Specific related party transactions are:

	2020 £	2019 £
Allison Cape (Trustee of Katharine House Hospice)		
Midlands Partnership Foundation Trust (relationship: Employee)		
(i) Contract for the provision of social work services	21,099	32,278
(ii) Funding for two End of Life District Nursing posts		17,500
Dysphagia training sessions		4,250
Infection Control Training	100	
Income following TUPE of PCNS service		(46,329)
Outstanding Balance as at 31st March	--	7,537
 Chris Secker (Trustee of Katharine House Hospice) & Caroline Bruckner-Holt (Medical Director of Katharine House Hospice)		
County Hospital and University Hospitals of the North Midlands (formerly Mid Staffordshire Hospitals NHS Trust) (relationship: Employees)		
(iii) Provision of pharmacy services and drug supplies	57,741	65,608
Provision of Palliative Medical Consultant Sessions	185,799	105,071
Contract for the provision of occupational and physiotherapy services	36,247	32,905
Provision of manual handling training		930
Outstanding Balance as at 31st March	57,011	49,274
 Richard Soulsby (CEO of Katharine House Hospice)		
AL Services (relationship: Spouse is proprietor)		
Spot purchasing of counselling services	5,058	3,780
Outstanding Balance as at 31st March	--	315
 Jennifer Woodyard (Trustee of Katharine House Hospice)		
Hand Morgan & Owen Solicitors (relationship: Employee)		
Provision of legal services connected with property transactions	253	8,964
Outstanding Balance as at 31st March	--	186
 Iain Miller (Former Retail Manager of Katharine House Hospice)		
(iv) Rouge Marketing (relationship: left KHH to join Rouge)	--	32,981
Provision of bought in goods for sale in retail shops		
Outstanding Balance as at 31st March	--	--

(i) The contract was originally with Staffordshire County Council, until the staff transferred under TUPE

(ii) These posts are funded by a grant from an external body and are intended to strengthen liaison between agencies for patients in the community requiring end of life care.

(iii) The pharmacy services and supplies contract commenced in December 2016.

(iv) Iain Miller left Katharine House Hospice on 31.12.18.

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26. POST BALANCE SHEET EVENTS

The hospice and its subsidiaries have been affected by the Covid-19 pandemic. The Group has been able to access government grant funding through Hospice UK at present totalling over £1.5m and the Government's business rate grants have provided a further £365,000. In addition, the HMRC Coronavirus Job Retention Scheme has provided funding for furloughed staff.

The retail operation was largely closed as non-essential retail for three months, whilst many fundraising events have been cancelled and it is not expected that this programme will resume until late in the 2020, and possibly not until 2021.

As at September 2020 there is a weekly shortfall in revenue amounting to £40,000 to £45,000 per week from retail and fundraising. The reserves of the hospice are not sufficient to sustain this fall in revenues for any significant length of time. Trustees have launched an emergency appeal and are consulting with staff on cost reduction measures. Measures at the start of September will reduce costs by £250,000 per annum, but further savings and improvements in income generation are essential.

27. Audit Liability Limitation Agreement (LLA)

In accordance with Companies Act 2006 (s538), we are required to disclose any audit liability limitation agreements in effect. A resolution was passed 27 October 2020 which limits the liability of the auditor to £5m for any loss or damage suffered by Katharine House Hospice arising out of or in connection with the provision of services provided by the auditor including negligence but not willful default.