

REGISTERED COMPANY NUMBER: 01776496 (England and Wales)
REGISTERED CHARITY NUMBER: 288462

**REPORT OF THE TRUSTEES AND STRATEGIC REPORT AND
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017
FOR
ST MICHAEL'S HOSPICE HASTINGS AND ROTHER**

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ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

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YEAR ENDED 31 MARCH 2017**

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ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

REPORT OF THE TRUSTEES AND STRATEGIC REPORT YEAR ENDED 31 MARCH 2017

TRUSTEES REPORT

The Trustees present their report and accounts for the year ended 31 March 2017 including the Strategic Report for the company.

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

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

1. OBJECTIVES AND ACTIVITIES

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

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

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

St Michael's Hospice provides palliative care for patients (over the age of sixteen) and their families living with the impact of a life-limiting illness. Referrals are made by General Practitioners or healthcare professionals to address physical symptoms including: pain, vomiting and breathlessness, or to help with the emotional distress of living with their illness.

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

- In-patient palliative care (acute and longer term)
- 24/7 Hospice at Home visiting service
- Night sitting service (3 days per week)
- Day services (4 days per week)
- Volunteer Hospice Neighbours who support people with a life-limiting illness living at home
- Bereavement support for any adult within the local catchment area.

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

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

The charity serves a population of 184,400 living in Hastings and Rother. All the activities undertaken by the charity are to further its charitable purposes for the benefit of the people living within its catchment area and all services are provided free of charge.

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

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

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

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

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

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

Providing education and training to other health and social care professionals is indirectly fulfilling the charity's aim of promoting the relief of sickness. Encouraging people to engage in fundraising activities is raising awareness and support for the charity and therefore indirectly fulfilling the charity's aim of promoting relief of sickness.

1.6. Strategies for achieving stated aims

The charity has four strategic aims:

- Build service capacity, quality and reach
 - o Increasing the numbers of people supported
 - o Improving the services currently offered
- Develop our leadership and educational role
 - o Becoming a key provider of end of life care training
- Be better known and understood
 - o Developing influence and reputation, particularly around the border areas
- Develop efficiency, effectiveness and sustainability as a local charity
 - o Developing sustainable income.

In addition to this and in response to the arson attack in July 2015, the charity prioritised:

- A focus on community engagement in appreciation of the support given post-fire
- Developing and implementing new plans for the repair, renovation and upgrading of the in-patient facilities and of the building's infrastructure (IT, telephones, power, fire protection etc.)

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

2.1. Governing document

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

2.2. Organisational structure

During the year the Board met eleven times. There are four sub committees, namely: Audit, Corporate Governance and Nominations, Remuneration and Investment.

The Chief Executive is appointed by the Board of Trustees to manage the day-to-day operations of the charity. The Board seeks to ensure that all the charity's activities are within its charitable objects and its responsibilities include setting the strategic direction and approving the business plan and budgets. The Chief Executive attends and presents information at each Board meeting to enable effective decision-making.

St Michael's Hospice Hastings and Rother has two wholly owned subsidiary companies – St Michael's Hospice Lottery Limited (Lottery) and St Michael's Hospice Retail Limited (Retail). The Boards of these companies meet four times a year to scrutinise the operation of these businesses and explore opportunities to increase their income.

2.3. Recruitment and appointment of Trustees

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

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

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

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At a General Meeting held on 9 December 2016, Julian Avery was re-appointed as President and Angela Chivers was re-appointed as a Trustee. Two new Trustees were also appointed, Dr Peter Dewhurst and Nigel Kirby-Green.

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

- ♦ Audit Committee
- Remuneration Committee
- Investment Committee
- ♣ Corporate Governance and Nominations Committee

Irene Dibben (Chair) ♦ • ■
Steve Barnes ♦
Angela Chivers ♣
Simon Corello (Retired 09/12/16) ♣
Dr Peter Dewhurst (Appointed 09/12/16) ♦ •
Charles Everett ♦ •
Michael Foster ♣
Nigel Gaymer ♦ ■
Dr Rosie Guy •
Bernard Hibbs ♦
Nigel Kirby-Green (Appointed 09/12/16) ♦ ■
Christopher Rowe (Retired 09/12/16) ♦ •
Cliff Wallis ♦ ■

The Board has an annual away day and the Company Secretary conducts a bi-annual review of Board performance. The next review will take place in 2017.

2.4. Remuneration for key management personnel

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

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

3. ACHIEVEMENTS AND PERFORMANCE

Introduction

The arson attack and fire in July 2015 continued to impact the charity in 2016/17. In-patient care was provided at Hastings Court and whilst Day Services remained on site, many staff and volunteers continued to work in temporary accommodation until September 2016 when the redevelopment work had been completed and all services were reunited back at the main St Michael's Hospice site. Since then, there has been a period of adaption to new surroundings and facilities, particularly for the inpatient unit team but for the organisation as whole as it reintegrates into a familiar, yet different environment. The process of coming back onto the site has reignited memories of the night of the fire and recovering from that will take some time.

East Sussex Fire and Rescue Service continued with their investigation throughout 2016/17 and although outside the financial year being reported, the Hospice was notified on 3 May 2017 that the fire service intended to prosecute the Hospice.

Despite these challenges the charity directly supported 1148 individuals in need of palliative care in the local area. Some of those people accessed more than one hospice service as follows: 257 people were supported via the in-patient unit, 1049 people via the Hospice at Home service, either through visits or telephone support and 116 patients attended Day Services. The bereavement service supported 256 people.

The services support people at home, in care homes or at the Hospice; this diverse approach enables patients to be cared for in the place of their choosing.

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In January 2017, the Care Quality Commission (CQC) undertook an unannounced inspection and the Hospice was considered to be 'Good' in all areas: safe, caring, responsive, effective and well-led.

3.1. Achievements against business plans

3.1.1. Complete the renovation of the building and re-establish services on one site

In September 2016, the new in-patient facilities on the ground and first floors were completed enabling patients and staff to return to the building. A new staff room, reception and treatment rooms were also completed and the kitchen upgraded. Building works to the office accommodation on the second and third floors and improvements to the car park continued into early 2017.

Impact: All services consolidated on to one site (with the exception of the marketing team which remained at the Donation Centre) enabling more effective team working and creating a sense of cohesion. Patients and families are now being cared for in facilities that have been designed to provide the best possible care environment.

3.1.2. Ensure new health and safety policies are in place, implemented and monitored

A new fire risk assessment and strategy has been developed and implemented across the organisation, including retail. Staff and volunteer evacuation training has taken place and will continue to be refreshed throughout the year and for new starters as they join. Fire marshals' training has also been developed and implemented and members of the Senior Management Team attended IOSH training. A new Business Continuity plan has been developed. Progress against health and safety and fire risk assessment action plans are reported to the Senior Management Team on a six-monthly basis and health and safety is a standing agenda item at the monthly Board meetings.

Impact: Health and safety has always been a high priority but these additional measures have enhanced the way the entire organisation engages with and ensures the health and safety of all those who use the building.

3.1.3. Ensure clinical services are running effectively

The CQC inspection gave reassurance that the services provided by the Hospice were safe, caring, responsive, effective and well-led.

In addition to the work associated with health and safety, risk assessments for all clinical services have been updated.

There was a target of 90% satisfaction rate in surveys set for clinical areas. The results were as follows:

Clinical area	Achievement
Day Services	"The care provided during your attendance in Day Services has met your expectations?" 81% strongly agree and 19% agreed.
Hospice at Home patients	95% of Hospice @ Home patients stated that their overall opinion of the service was excellent or very good.
In-Patients	"The care we have provided during your stay has met your expectations?" 80% strongly agreed and 10% agreed.
Bereavement clients	Clients were asked to score: Satisfaction with initial contact with the bereavement service: 96% gave a score of between 6 and 8 (where 8 is excellent). Usefulness of the support itself: 92% gave a score of between 6 and 8.
Carers	99% of respondents felt the service was either excellent or good. This rating compares to an excellent or good rating of 89% for the previous year.

89% of Hospice at Home patients who expressed a preference achieved their wish to die at home.

80% of referrers to the Hospice at Home service rated it as excellent or very good and 20% stated it was good.

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A Clinical Audit and Research Group was re-established with new terms of reference and a new audit process and register implemented.

Impact: Independent, external scrutiny by the CQC provides some assurance that the service is running well. This is supported by quantitative feedback from the patients and carers who completed questionnaires suggesting that Hospice services are more than satisfactory.

3.1.4. Increase responsiveness of clinical services

A rapid discharge service, incorporated within the Hospice at Home team, was launched in May 2016. Its aim is to increase the number of patients who die in their preferred place of care by offering:

- Rapid assessment and regular review by a registered nurse
- Assessment by a specialist palliative care doctor, if required
- Skilled health care assistants to provide hands on nursing care until other care providers can be sourced such as continuing healthcare (CHC) fast track packages of care
- Health care assistants who can provide night sittings.

Referrals to the rapid discharge service are taken from the hospital gateway areas: Accident & Emergency, Medical Assessment Unit, Acute Assessment Unit and Surgical Assessment Unit.

The Hospice at Home team register their patients with the Intelligence Based Information System (IBIS) data base, case management and clinical information system. This means they can respond quickly when an ambulance is called to see a Hospice at Home patient preventing unnecessary hospital admissions.

In January 2017, the community clinical nurse specialists (CNS), with whom the Hospice had worked in partnership for many years, successfully transferred to the Hospice from the NHS Trust. A new senior doctor was also recruited who took up his position in April 2017.

Impact: The rapid discharge service enables more patients to die in their preferred place of care/death and out of hospital, in line with their wishes. The recruitment of a new senior doctor will facilitate this and provide more medical staffing cover.

The integration of the CNS to the community team enables an enhanced specialist, seamless service to be provided to patients, reduces duplication, improves information governance and is a more cost effective use of resources across the healthcare economy.

3.1.5. Increased community engagement

A number of initiatives took place throughout the year to engage the community in the work that we do. Some activities focused on raising awareness of the services that are available and how to access them, others focused on encouraging support.

The Hospice also planned a number of events to celebrate its 30th anniversary, subject to it being awarded a grant from the National Lottery 'Celebrate' Fund in 2017/18.

There was a concerted effort to increase the number of people engaging with social media as this enables the Hospice to reach different audiences. The number of Twitter followers increased by 20% and Facebook by 29%. The Hospice continues to consider ways it can quantify the impact of increased community engagement.

Impact: The positive results with social media participation suggest that the Hospice has continued to build on existing relationships and engaged new audiences in its work, e.g. social media users and creative groups such as photographers who may not have come into contact with the Hospice previously. This harnesses new supporters and potentially changes people's perceptions of the role of hospices in the community.

3.1.6. Provide training and support for staff and volunteers

Staff and volunteer training is well established within the charity and there is an education department focused on this and on providing education to health and social care professionals in the local community. With regards to in-house training, the notable achievements were:

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- Establishing regular opportunities for volunteers to meet with key Hospice staff and attend training
- Role specific training for Hospice Neighbours
- Revitalising the introduction days for new staff and volunteers and ensuring they are held regularly
- Food hygiene training for volunteers to help at Hospice events.

In terms of staff support, a staff survey was undertaken and an action plan developed in response to it; a new Pay Policy was developed and implemented; a values-based recruitment process was introduced and research commenced in relation to develop a competency framework. Mechanisms for internal communication were also reviewed resulting in notice boards being installed and the Monthly Information Bulletin being redesigned.

A 'Simply Thanks' scheme was also introduced whereby staff or volunteers are nominated to receive a "thank you" card for doing a good deed. This promotes our values as well as recognising achievements and team working.

Impact: A well-trained, supported and informed workforce is essential to providing good end of life care and therefore investment in this area does benefit patients and their families. However, it is also vital in ensuring that the Hospice can attract and retain high quality people.

3.1.7. Enhance palliative care skills of local healthcare professionals

St Michael's Hospice has been a key provider of palliative care skills training in East Sussex for a number of years, and in conjunction with St Wilfrid's Hospice (Eastbourne) is a regional training centre for the Gold Standards Framework (GSF) which is a nationally recognised accreditation for care homes. During 2016/17, a cohort of care homes undertook their GSF training facilitated by both hospices. The hospices also collaborated on delivery of the University of Brighton level 6 and 7 modules for post-registration nurses.

Impact: Given that in 2012 the highest number of care home beds per 1,000 population aged 75+ was in East Sussex, it is essential that staff in care homes are adequately trained to provide good end of life care. The training the Hospice provides, plus on-going, informal support is enabling care home staff to feel more confident and capable of doing this which in turn helps to prevent hospital admissions at the end of life.

3.1.8. Improve quality of management information

The Hospice invested in a clinical database and the aim for 2016/17 was to effectively report from the system. This is now in place and a dashboard has been developed to provide "at a glance" information. Work in this area will continue in 2017/18.

Effective reporting was also a key objective from the HR management information system – CIPHR - and good progress has been made. All staff have access to their own personal details and all annual leave and sickness absence is now reported via the system.

A monitoring system for health and safety was also implemented and regular alerts are being received when items become due for review. A further assessment of the efficacy of this system and how it can best be utilised will be undertaken in the forthcoming year.

Impact: Accurate and contemporaneous data improves management decision-making and enables the Hospice to evidence the work that it does. It can also enable the Hospice to access new sources of income because it can demonstrate the value of the service it provides to the local community.

3.2. Income generation

Gross income for the year was £7.0 million. Legacy income was £1.17 million which was above average, but below the previous year of £2.6 million which was the highest amount ever received in legacies. 52 notifications were received in the year compared to 51 the previous year.

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Donations and gifts were 60% above budget. These donations are those which cannot be attributed to a particular event, activity or in memoriam which makes them all the more remarkable and demonstrates community support for the Hospice. In Memoriam generated £219k representing 552 tributes in memory which is directly attributable to the care provided by the clinical teams.

The Hospice Lottery generated £750k in income against a budget of £690k and gifted a covenant of £384k to the Hospice, an increase of 11% on the previous year. It finished the year with a total of 15,214 players. A survey of Hospice Lotteries showed that St Michael's Hospice Lottery had the second highest percentage of local households playing (17.8%).

The Retail Company provided a covenant of £92k which was lower than anticipated due to a number of retail outlets being closed for refurbishment and disruption due to essential maintenance.

3.3. Education

Education and training income increased by 9% and we have worked collaboratively with other organisations to respond to the learning needs of health and social care professionals locally.

The Hospice provided placements for 16 clinical students which is noteworthy given the dislocation of services and the impact of this.

3.4. Volunteers

The charity could not deliver its services, fundraise or operate its shops without the invaluable support of its 903 volunteers. Their roles are many and varied and they provide an important link to our community. Voluntary support from local organisations such as the Department for Work and Pensions and NatWest have also assisted in the delivery of projects such as shop renovation, saving the Hospice time and money.

The volunteer Hospice Neighbours scheme continues to grow offering social and practical support to patients and carers including: collecting prescriptions, walking the dog, light housework or companionship. In 2016/17, 3,330 hours of support were provided to people living in Hastings and Rother. There are now nearly 100 Hospice Neighbours and approximately 60 individuals receiving support at any one time.

In late 2016, volunteers were invited to feed back on their experience of volunteering at the Hospice. Of those who responded, 95% rated their volunteering experience as either 'excellent' or 'good' and would "likely recommend volunteering to their friends and family". With over 200,000 hours donated last year, it is estimated that this would have cost in the region of £1.8 million (based on the Living Wage). Aside from saving money, volunteer groups such as the Hastings and St. Leonards Support group raised £49K from coffee mornings and fetes.

4. FINANCIAL REVIEW

4.1. Financial review

The results for the year are shown in the Statement of Financial Activities. Income totalled £7.0 million (2016 - £9.3 million). The prior year was unique in terms of legacy income which was £2.6 million and the highest amount ever recorded.

The charity received a grant from Hastings and Rother Clinical Commissioning Group of £2 million (2016 - £1.7 million). The increase was partly attributable to the successful transfer of the community clinical nurse specialists from the local NHS Trust in January 2017.

Total expenditure was £6.6 million (2016 - £5.7 million) an increase of 17%. 9% of this was attributable to costs associated with the fire in 2015 and other costs were due to increases in IT software and additional expenditure in medical staffing and physiotherapy.

The year ended with a surplus of £512k (2016 - £3.5 million).

4.2. Reserves Policy

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

The short term reserves include a working capital and contingency reserve as well as some designated reserves for essential capital/maintenance works. The contingency funds are set at £2.6 million which amounts to 12 months' expenditure after allowing for an amount of income that can reasonably be relied upon.

The Trustees have designated a capital buildings project fund of £430k.

The fixed asset reserve represents the amount of the total reserves that are tied up in tangible fixed assets, mainly freehold property including the Hospice building. As at 31 March 2017, the Consolidated Balance Sheet total was £13.0 million (2016 - £12.5 million).

General fund:	£4.1 million	(2016 - £4.9 million)
Fixed assets:	£4.7 million	(2016 - £4.1 million)
Building project:	£430K	(2016 - £430K)
Contingency fund:	£2.6 million	(2016 - £2.6 million)
Restricted funds:	£1.2 million	(2016 - £578K).

Hospice UK has developed a financial sustainability index and St Michael's Hospice was ranked in the 2nd quartile. This position is regarded as optimal as it demonstrates the organisation is effectively managing income and expenditure with healthy, but not excessive reserves.

Since the year end the trustees have carried out their annual review of reserves and as a result agreed to increase the Contingency Fund to £2.8m and set aside £2m for the Strategic Development Fund, previously Building Project Fund.

4.3. Investment Policy and objectives

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

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

4.4. Investment performance

At 31 March 2017, the market value of the portfolio was £1.2 million, with an estimated yield of 2.3%. Members of the Investment Committee review the brief given to the investment managers on an annual basis with regard to the proportion of investments to be held in each asset category; the level of risk which is acceptable and the level of income required.

4.5. Risk management

The Risk Register is reviewed in detail, by the Audit Committee, on a six-monthly basis, identifying potentially significant risks, assessing their likelihood and impact and agreeing mitigating action. This is subsequently reported to the Board.

The key risks faced by the charity in 2016/17 was a drop in fundraising income due to the new Fundraising Regulations; a changing NHS landscape which could disrupt long-standing and supportive relationships; competition from other charities and an inability to recruit medical staff due to a national shortage of specialist palliative care consultants.

5. PLANS FOR THE FUTURE

National studies reflect an ageing population, with increasingly complex needs at a time when health and social care services are under pressure and informal (family) caregivers are ageing and diminishing. In order to respond to this, hospices must consider how they can meet the likely increase in demand for their services without additional statutory funding to support them. In 2017/18 the Hospice will ensure it has the appropriate infrastructure in place to cope with increased and changing demands and start to develop its strategic plan.

In addition to activities aimed at achieving our strategic aims, during 2017/18 the governance structure for health and safety and clinical services will be reviewed and enhanced to ensure the Hospice achieves the highest standards in safe, effective, responsive, well-led and caring services.

Work will also continue to develop and improve our use of information and databases; Crosscare (clinical) and CIPHR (HR Management Information System).

Unfortunately, time and resources will also need to be allocated to responding to the pending fire service prosecution.

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

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COMPANY INFORMATION

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

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

President

Julian Avery

Board of Trustees

Irene Dibben (Chair)	
Steve Barnes	
Angela Chivers	
Simon Corello	- (Retired 09/12/16)
Dr Peter Dewhurst	- (Appointed 09/12/16)
Charles Everett	
Michael Foster	
Nigel Gaymer	
Dr Rosie Guy	
Bernard Hibbs	
Nigel Kirby-Green	- (Appointed 09/12/16)
Christopher Rowe	- (Retired 09/12/16)
Cliff Wallis	

Company Secretary

Richard Ostle

Chief Executive

Celia Pyke-Lees	Chief Executive (Until 30/04/17)
Karen Clarke	Chief Executive (From 01/05/17)

Senior Management Team

Dr Mursheda Chowdhury	Medical Director
Elaine McDonough	Head of Clinical Services (Until 02/12/16)
Peter Ellis	Head of Clinical Services (From 02/01/17)
Vinyo Aidam	Head of Finance and Facilities
Perdita Chamberlain	Head of Income Generation
Bruni Llovet	Head of Marketing
Jane Cave	Head of Voluntary Services (Until 09/02/17)
Michael Charlton	Head of Voluntary Services (From 02/01/17)
Caroline White	Head of Human Resources & Education
Dr Debbie Benson	Consultant in Palliative Medicine (Until 31/01/17)

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

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Registered information

Registered Charity Name	St Michael's Hospice Hastings and Rother
Charity Number	288462
Company Registration Number	01776496
Registered Office	25 Upper Maze Hill St Leonards on Sea East Sussex TN38 0LB

Professional advisors

Auditors	Gibbons Mannington & Phipps LLP Chartered Accountants and Statutory Auditors 82 High Street Tenterden Kent TN30 6JG
Bankers	Lloyds Bank Plc 17 Wellington Place Hastings East Sussex TN34 1NX
Solicitors	Gaby Hardwicke 34 Wellington Square Hastings East Sussex TN34 1PN
Investment Advisors	Rathbone Investment Management 8 Finsbury Circus London EC2M 7AZ

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of St Michael's Hospice Hastings and Rother for the purpose of company law) are responsible for preparing the Report of the Trustees and Strategic Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charity SORP
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Report of the Trustees and Strategic Report was approved by the Board of Trustees on 17 October 2017 and were signed on its behalf by:



Mrs I O Dibben - Trustee

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

We have audited the financial statements of the charity and the group for the year ended 31 March 2017 on pages fifteen to thirty-six. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's and the group's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Report of the Trustees and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment, we have not identified any material misstatements in the Report of the Trustees.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ST MICHAEL'S HOSPICE HASTINGS AND ROTHER**

Matters on which we are required to report by exception

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

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

Samantha Whiting ACA (Senior Statutory Auditor)
For and on behalf of Gibbons Mannington & Phipps LLP
Chartered Accountants
& Statutory Auditor
82 High Street
Tenterden
Kent, TN30 6JG

25 October 2017

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
YEAR ENDED 31 MARCH 2017**

	Notes	Unrestricted funds £	Restricted Funds £	2017 Total funds £	2016 Total Funds £
INCOME AND ENDOWMENTS FROM					
Donations and legacies	4	1,815,277	763,957	2,579,234	4,130,344
Charitable activities					
Hospice services	7	2,295,155	-	2,295,155	2,212,871
Other trading activities	5	1,932,202	-	1,932,202	1,942,940
Investment income	6	79,344	-	79,344	66,632
Other income	8	62,575	-	62,575	905,024
Total		6,184,553	763,957	6,948,510	9,257,811
EXPENDITURE ON					
Raising funds	9	1,341,575	1,735	1,343,310	1,176,902
Charitable activities	10				
Hospice services		4,660,380	58,621	4,719,001	4,443,384
Other: governance costs		59,451	-	59,451	50,408
Other expenditure	13	488,819	-	488,819	-
Total		6,550,225	60,356	6,610,581	5,670,694
Net gains / (losses) on investments	17	173,818	-	173,818	(78,747)
Net income / (expenditure)		(191,854)	703,601	511,747	3,508,370
Transfers between funds	26	34,372	(34,372)	-	-
Net movement in funds		(157,482)	669,229	511,747	3,508,370
RECONCILIATION OF FUNDS					
Total funds brought forward		11,958,718	577,717	12,536,435	9,028,065
TOTAL FUNDS CARRIED FORWARD	26	<u>11,801,236</u>	<u>1,246,946</u>	<u>13,048,182</u>	<u>12,536,435</u>

CONTINUING OPERATIONS

All incoming resources and resources expended arise from continuing activities.

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2017

	Notes	Unrestricted Funds £	Restricted funds £	2017 Total funds £	2016 Total Funds £
FIXED ASSETS					
Tangible assets	19	4,715,865	1,190,048	5,905,913	4,131,693
Investments	20	<u>1,252,097</u>	<u>-</u>	<u>1,252,097</u>	<u>1,254,578</u>
		5,967,962	1,190,048	7,158,010	5,386,271
CURRENT ASSETS					
Stocks	21	25,244	-	25,244	27,195
Debtors	22	763,896	-	763,896	1,561,556
Cash at bank and in hand		<u>5,293,120</u>	<u>56,898</u>	<u>5,350,018</u>	<u>6,045,395</u>
		6,082,260	56,898	6,139,158	7,634,146
CREDITORS					
Amounts falling due within one year	23	<u>(248,986)</u>	<u>-</u>	<u>(248,986)</u>	<u>(483,982)</u>
NET CURRENT ASSETS		<u>5,833,274</u>	<u>56,898</u>	<u>5,890,172</u>	<u>7,150,164</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,801,236</u>	<u>1,246,946</u>	<u>13,048,182</u>	<u>12,536,435</u>
NET ASSETS		<u>11,801,236</u>	<u>1,246,946</u>	<u>13,048,182</u>	<u>12,536,435</u>
FUNDS	26				
Unrestricted funds				11,801,236	11,958,718
Restricted funds				<u>1,246,946</u>	<u>577,717</u>
TOTAL FUNDS				<u>13,048,182</u>	<u>12,536,435</u>

The financial statements were approved by the Board of Trustees on 17 October 2017 and were signed on its behalf by:


Mrs I O Dibben - Trustee

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	<u>1,109,291</u>	<u>2,912,563</u>
Net cash provided by (used in) operating activities		<u>1,109,291</u>	<u>2,912,563</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(2,063,202)	(1,694,680)
Purchase of fixed asset investments		(146,185)	(71,410)
Sale of tangible fixed assets		4,601	308,088
Sale of fixed asset investments		303,044	73,326
Movement on cash held for investments		19,440	(26,625)
Interest received		43,591	37,855
Dividends received		34,043	34,455
 Net cash provided by (used in) investing activities		<u>(1,804,668)</u>	<u>(1,338,991)</u>
 Change in cash and cash equivalents in the reporting period		(695,377)	1,573,572
 Cash and cash equivalents at the beginning of the reporting period		<u>6,045,395</u>	<u>4,471,823</u>
 Cash and cash equivalents at the end of the reporting period		<u>5,350,018</u>	<u>6,045,395</u>

The notes form part of these financial statements

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER**NOTES TO THE CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2017****1. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2017	2016
	£	£
Net income for the reporting period (as per the statement of financial activities)	511,747	3,508,370
Adjustments for:		
Depreciation charges	286,566	244,883
Losses / (gain) on investments	(173,818)	78,747
Profit on disposal of fixed assets	(2,185)	-
Interest received	(45,301)	(32,177)
Dividends received	(34,043)	(34,455)
Decrease / (increase) in stocks	1,951	2,645
(Increase) / decrease in debtors	799,370	(1,175,451)
(Decrease) / increase in creditors	(234,996)	<u>320,001</u>
Net cash inflow from operating activities	<u>1,109,291</u>	<u>2,912,563</u>

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2017

1. STATUTORY INFORMATION

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

2. ACCOUNTING POLICIES

Accounting convention

The financial statements of the charitable company, which is a public benefit entity under FRS 102, and group have been prepared in accordance with the Charities SORP (FRS 102) "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)", Financial Reporting Standard 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, as modified by the revaluation of certain assets.

The Statement of Financial Activities and Balance Sheet consolidate the financial statements for the charity and its subsidiary undertakings. The results of the subsidiary undertakings are consolidated on a line by line basis. A separate Statement of Financial Activities is not presented for the charity itself following the exemptions afforded by section 408 of the Companies Act 2006.

Incoming resources

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

Gifts in kind

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

Fees, contributions and grants

These comprise amounts receivable during the year.

Voluntary income

Voluntary income represents amounts received during the year.

Legacies

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

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

Investment income

Investment income comprises amounts receivable during the year.

Shop income

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

Lottery income

Lottery income generated by one of the trading subsidiaries represents ticket sales received in

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES – continued

respect of lotteries held during the year and scratch card sales.

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

Debtors

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

Resources expended

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

Allocation and apportionment of costs

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

Tangible fixed assets

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

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

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

No depreciation is provided on freehold land.

Investments

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

Stocks

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

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

Leasing Commitments

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

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017**2. ACCOUNTING POLICIES – continued**

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

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

Fund accounting

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

Where funds are received for a significant and specific project these are allocated to restricted funds. These funds are then used to meet the capital costs of that specific project by way of an annual depreciation charge set against the restricted fund. Any funds received in excess of the capital requirements of the project will be used to help with the associated future running costs of the project. The amount charged to restricted funds on a regular basis will be determined by calculating the total running costs of the associated project and by making a suitable deduction so as to use up the funds over a period of time.

Pension costs and other post-retirement benefits

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

3. FINANCIAL ACTIVITIES OF THE CHARITY

A summary of the financial activity undertaken by the charity is set out below:

	2017 £	2016 £
Total incoming resources	6,085,415	8,426,217
Total resources expended	(5,756,382)	(4,879,475)
Net incoming resources	329,033	3,546,742
Other gains / (losses)	173,818	(78,747)
Net movement in funds	502,851	3,467,995
Funds brought forward	12,465,278	8,997,283
Funds carried forward	12,968,129	12,465,278
Represented by:		
Unrestricted funds	11,721,183	11,887,561
Restricted funds	1,246,946	577,717
	12,968,129	12,465,278

4. DONATIONS AND LEGACIES

	2017 £	2016 £
Donations and gifts	1,083,892	997,239
In memoriam	218,740	230,328
Regular giving and gift aid	85,347	118,936
Legacies	1,172,948	2,608,180
Grants	-	153,450
Gift aided items sold in shops	18,307	22,211
	2,579,234	4,130,344

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED YEAR ENDED 31 MARCH 2017

4. DONATIONS AND LEGACIES – continued

The charity has in place a gift aid scheme for items donated by individuals to be sold in the shops operated by St Michael's Hospice (Retail) Limited, as an agent. The net amount sold is shown above and the gift aid element is included within gift aid.

Grants received, included in the above, are as follows:

	2017 £	2016 £
Department of Health – Nursing and Tech Fund	-	153,450

5. OTHER TRADING ACTIVITIES

	2017 £	2016 £
Lottery income	749,818	642,423
Retail income	646,523	703,830
Fundraising events	482,073	548,482
Arthur Easton hall hire	6,278	5,375
Coffee shop and catering	18,805	15,118
Sundry income	28,705	27,712
	<u>1,932,202</u>	<u>1,942,940</u>

6. INVESTMENT INCOME

	2017 £	2016 £
Income from UK listed investments	34,043	34,455
Deposit account interest	45,301	32,177
	<u>79,344</u>	<u>66,632</u>

7. INCOME FROM CHARITABLE ACTIVITIES

	Activity	2017 £	2016 £
Grants	Hospice services	2,001,204	1,730,992
Palliative care fees	Hospice services	271,213	446,268
Patient income	Hospice services	16,936	16,728
Rents	Hospice services	5,700	18,696
Doctors' fees received	Hospice services	102	187
		<u>2,295,155</u>	<u>2,212,871</u>

Grants received, included in the above, are as follows:

	2017 £	2016 £
Hastings and Rother CCG	2,001,204	1,730,992

8. OTHER INCOME

Other income includes £60,275 (2016 - £905,024) representing the remainder of net insurance proceeds following a fire in 2015. The total insurance claim was £2,188,759 to replace assets destroyed by the fire and to meet additional operational costs as a result of the fire.

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017**

9. RAISING FUNDS

Raising donations and legacies

	2017	2016
	£	£
Staff costs	655,802	599,615
Cost of sales	301,354	243,712
Rent	52,788	53,858
Rates and water	20,509	12,067
Light and heat	17,098	19,162
Telephone	8,128	7,465
Advertising	38	990
Costs of fundraising activities	147,607	135,578
Repairs and maintenance	22,861	22,618
Insurance	8,898	6,798
Post, stationery and IT	77,580	46,347
Depreciation	30,647	25,940
Loss on disposal	-	2,752
	<u>1,343,310</u>	<u>1,176,902</u>

10. CHARITABLE ACTIVITIES COSTS

	Direct costs (note 11)	Support costs (note 12)	Totals
	£	£	£
Hospice services	4,260,752	458,249	4,719,001
Other	-	59,451	59,451
	<u>4,260,752</u>	<u>517,700</u>	<u>4,778,452</u>

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

11. DIRECT COSTS OF CHARITABLE ACTIVITIES

	2017	2016
	£	£
Staff costs	3,152,829	3,183,774
Rates and water	7,329	6,241
Insurance	27,001	23,757
Light and heat	36,602	35,131
Telephone	16,078	13,733
Advertising	36,738	7,355
Housekeeping and laundry	157,257	157,816
Physio and OOH GP cover	85,617	55,100
Nursing supplies	118,389	78,926
Repairs and maintenance	71,346	188,495
Motor and travel	27,839	23,641
Medical staff cover	143,187	-
Registration fees	3,717	1,822
Training	41,380	27,547
Running costs	35,964	27,770
Postage, stationery and IT	25,239	36,841
Bad debts	-	57
Depreciation of tangible fixed assets	251,876	217,556
Net VAT charge / (recovered)	22,364	(61,771)
	<u>4,260,752</u>	<u>4,023,791</u>

12. SUPPORT COSTS

	Management	Governance costs	Totals
	£	£	£
Hospice services	458,249	-	458,249
Other	-	59,451	59,451
	<u>458,249</u>	<u>59,451</u>	<u>517,700</u>

Support costs, included in the above, are as follows:

Management

	2017	2016
	Hospice services	Hospice services
	£	£
Staff costs	403,915	369,830
Rates and water	464	378
Insurance	1,818	1,440
Light and heat	2,319	2,129
Telephone	1,003	821
Postage, stationery and IT	32,399	21,810
Sundries	10,752	19,882
Repairs and maintenance	1,536	1,916
Freehold property depreciation	4,043	1,387
	<u>458,249</u>	<u>419,593</u>

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

12. SUPPORT COSTS - continued

Governance costs

	2017	2016
	£	£
Bank charges	16,256	15,682
Legal and professional fees	16,202	13,376
Auditors' remuneration	6,340	6,210
Auditors' remuneration in respect of accountancy and other services	<u>20,653</u>	<u>15,140</u>
	<u>59,451</u>	<u>50,408</u>

13. OTHER

	2017	2016
	£	£
Fire related costs	<u>488,819</u>	<u>-</u>

Other expenditure of £488,819 represents the additional net costs incurred by the Hospice not covered by the insurance proceeds.

14. NET INCOME / (EXPENDITURE)

Net resources are stated after charging / (crediting):

	2017	2016
	£	£
Auditors' remuneration	6,340	6,210
Auditors' remuneration in respect of accountancy and other services, including the audit fees of subsidiaries	20,653	15,140
Depreciation - owned assets	286,566	244,883
Surplus on disposal of fixed assets	<u>(2,185)</u>	<u>-</u>

15. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 March 2017 nor for the year ended 31 March 2016.

Trustees' Expenses

There were no trustees' expenses paid for the year ended 31 March 2017 nor for the year ended 31 March 2016.

16. STAFF COSTS

	2017	2016
	£	£
Wages and salaries	3,660,592	3,637,274
Social security costs	309,375	280,405
Other pension costs	<u>242,579</u>	<u>235,540</u>
	<u>4,212,546</u>	<u>4,153,219</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017**16. STAFF COSTS - continued**

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

	2017	2016
	No	No
Nursing and medical staff	110	109
Catering and housekeeping staff	14	16
Maintenance staff	7	5
Training staff	5	3
Fundraising staff	17	10
Administration staff	18	16
Bereavement	5	2
Lottery staff	4	4
Retail staff	17	16
	<u>197</u>	<u>181</u>

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

	2017	2016
	No	No
£80,000 to £89,999	<u>1</u>	<u>1</u>

The average number of employees above shows the average number of full time and part time staff employed. The full time equivalent of those members of staff would be 146 (2016 - 138).

The pension contributions for high paid staff amounted to £10,962 (2016 - £11,212). All high paid staff are members of defined contribution schemes.

The key management personnel comprise members of the Senior Management Team (SMT). The total employee benefits of the key management personnel of the charity were £439,031 (2016 - £422,567).

17. GAINS / (LOSSES) ON INVESTMENTS

	2017	2016
	£	£
Realised gains / (losses)	38,337	(7,018)
Unrealised gains / (losses)	<u>135,481</u>	<u>(71,729)</u>
	<u>173,818</u>	<u>(78,747)</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

18. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted funds £	Restricted funds £	Total funds £
INCOME AND ENDOWMENTS FROM			
Donations and legacies	3,452,364	677,980	4,130,344
Charitable activities			
Hospice services	2,212,871	-	2,212,871
Other trading activities	1,915,546	27,394	1,942,940
Investment income	66,632	-	66,632
Other income	-	905,024	905,024
Total	7,647,413	1,610,398	9,257,811
EXPENDITURE ON			
Raising funds	1,169,902	7,000	1,176,902
Charitable activities			
Hospice services	4,230,388	212,996	4,443,384
Other	50,408	-	50,408
Total	5,450,698	219,996	5,670,694
Net gains / (losses) on investments	(78,747)	-	(78,747)
Net Income	2,117,968	1,390,402	3,508,370
Transfers between funds	1,411,027	(1,411,027)	-
Net movement in funds	3,528,995	(20,625)	3,508,370
RECONCILIATION OF FUNDS			
Total funds brought forward	8,429,723	598,342	9,028,065
TOTAL FUNDS CARRIED FORWARD	11,958,718	577,717	12,536,435

This note shows the Statement of Financial Activities for the year to 31 March 2016 split between Unrestricted and Restricted Funds. The Total Funds column is the same as that shown on page 15.

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

19. TANGIBLE FIXED ASSETS

<i>Group</i>	Freehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST				
At 1 April 2016	4,609,699	745,817	125,159	5,480,675
Additions	1,726,537	307,883	28,782	2,063,202
Disposals	(5,486)	(56,316)	(7,666)	(69,468)
At 31 March 2017	<u>6,330,750</u>	<u>997,384</u>	<u>146,275</u>	<u>7,474,409</u>
DEPRECIATION				
At 1 April 2016	802,828	431,870	114,284	1,348,982
Charge for year	128,319	149,226	9,021	286,566
Eliminated on disposal	(5,486)	(53,900)	(7,666)	(67,052)
At 31 March 2017	<u>925,661</u>	<u>527,196</u>	<u>115,639</u>	<u>1,568,496</u>
NET BOOK VALUE				
At 31 March 2017	<u>5,405,089</u>	<u>470,188</u>	<u>30,636</u>	<u>5,905,913</u>
At 31 March 2016	<u>3,806,871</u>	<u>313,947</u>	<u>10,875</u>	<u>4,131,693</u>

Included in freehold property land of £152,761 (2016 - £152,761) which is not depreciated.

<i>Company</i>	Freehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST				
At 1 April 2016	3,681,048	702,664	70,147	4,453,859
Additions	1,698,995	307,356	28,782	2,035,133
Disposal	-	(35,549)	(7,666)	(43,215)
At 31 March 2017	<u>5,380,043</u>	<u>974,471</u>	<u>91,263</u>	<u>6,445,777</u>
DEPRECIATION				
At 1 April 2016	714,253	395,053	70,147	1,179,453
Charge for year	107,406	148,468	5,396	261,270
Eliminated on disposals	-	(33,133)	(7,666)	(40,799)
At 31 March 2017	<u>821,659</u>	<u>510,388</u>	<u>67,877</u>	<u>1,399,924</u>
NET BOOK VALUE				
At 31 March 2017	<u>4,558,384</u>	<u>464,083</u>	<u>23,386</u>	<u>5,045,853</u>
At 31 March 2016	<u>2,966,795</u>	<u>307,611</u>	-	<u>3,274,406</u>

As was previously permitted under UK Accounting Standards, freehold properties held at 31 March 2000 are being carried at March 1997 valuations and have not subsequently been updated. On transition to FRS102, these valuations were considered deemed cost.

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

20. FIXED ASSET INVESTMENTS

<i>Group</i>	Listed investments £	Cash held for investments £	Totals £
MARKET VALUE			
At 1 April 2016	1,214,844	39,734	1,254,578
Additions	146,185	-	146,185
Disposals	(264,707)	-	(264,707)
Revaluations	135,481	-	135,481
Cash movement	-	(19,440)	(19,440)
At 31 March 2017	1,231,803	20,294	1,252,097
NET BOOK VALUE			
At 31 March 2017	1,231,803	20,294	1,252,097
At 31 March 2016	1,214,844	39,734	1,254,578

<i>Company</i>	Shares in group undertakings £	Listed investments £	Cash held for investments £	Totals £
MARKET VALUE				
At 1 April 2016	101	1,214,844	39,734	1,254,679
Additions	-	146,185	-	146,185
Disposals	-	(264,707)	-	(264,707)
Revaluations	-	135,481	-	135,481
Cash movement	-	-	(19,440)	(19,440)
At 31 March 2017	101	1,231,803	20,294	1,252,198
NET BOOK VALUE				
At 31 March 2017	101	1,231,803	20,294	1,252,198
At 31 March 2016	101	1,214,844	39,734	1,254,679

There were no investment assets outside the UK.

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

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

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

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED YEAR ENDED 31 MARCH 2017

20. FIXED ASSET INVESTMENTS - continued

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

	St Michael's Hospice (Retail) Limited		St Michael's Hospice Lottery Limited	
	31/03/17	31/03/16	31/03/17	31/03/16
	£	£	£	£
Turnover	646,523	703,830	749,818	642,423
Cost of sales	(10,815)	(16,282)	(290,539)	(227,430)
Gross profit	635,708	687,548	459,279	414,993
Administrative expenses	(535,178)	(522,501)	(75,274)	(69,980)
Deed of covenant	(91,831)	(124,283)	(383,808)	(345,402)
Net profit / (loss)	8,699	40,764	197	(389)
Assets – fixed and current	941,524	934,484	121,957	100,874
Liabilities	(861,444)	(863,103)	(121,883)	(100,997)
	80,080	71,381	74	(123)
Share capital	100	100	1	1
Retained reserves	79,980	71,281	73	(124)
	80,080	71,381	74	(123)

21. STOCKS

Group	2017	2016
	£	£
Stocks	25,244	27,195
Company	2017	2016
	£	£
Stocks	17,282	20,395

22. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2017	2016
	£	£
Trade debtors	61,332	273,336
Legacies due	198,196	801,635
Gift aid tax recoverable	9,189	42,141
Other debtors and prepayments	276,393	111,485
VAT	199,836	315,719
Accrued interest receivable	18,950	17,240
	763,896	1,561,556

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017**

22. DEBTORS - continued

<i>Company</i>	2017	2016
	£	£
Trade debtors	60,732	271,776
Amounts owed by group undertakings	16,076	6,198
Legacies due	198,196	801,635
Gift aid tax recoverable	9,189	42,141
Other debtors	1,536	1,181
Prepayments	65,796	101,054
VAT	194,724	305,154
Accrued interest receivable	18,427	16,795
Other accrued income	196,000	-
	<u>760,676</u>	<u>1,545,934</u>

DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR

<i>Company</i>	2017	2016
	£	£
Amounts owed by group undertakings	<u>852,000</u>	<u>852,000</u>
Aggregate amounts	<u>1,612,676</u>	<u>2,397,934</u>

Other accrued income is a property bequeathed to the Hospice which was auctioned in August 2017. It is shown at fair value based on the realised value net of fees.

Amounts falling due after more than one year relates to a loan to St Michael's Hospice (Retail) Limited, in order to purchase a new warehouse. Interest is being charged at 2% per annum above base, with £21,300 (2016 - £21,300) being received during the year. There are no terms for repayment.

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<i>Group</i>	2017	2016
	£	£
Trade creditors	43,166	320,244
Lottery ticket sales paid in advance	100,042	89,554
Other creditors	65,848	56,449
Accruals and deferred income	<u>39,930</u>	<u>17,735</u>
	<u>248,986</u>	<u>483,982</u>
 <i>Company</i>	 2017	 2016
	£	£
Trade creditors	33,722	309,141
Amounts owed to group undertakings	42,781	45,223
Other creditors	65,848	56,449
Accruals and deferred income	<u>34,165</u>	<u>12,490</u>
	<u>176,516</u>	<u>423,303</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017**24. OPERATING LEASE COMMITMENTS**

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

Group	2017	2016
	£	£
Expiring:		
Within one year	26,360	64,759
Between one and five years	153,947	208,167
In more than five years	112,000	62,000
	<u>292,307</u>	<u>334,926</u>
 Company	 2017	 2016
	£	£
Expiring:		
Within one year	20,420	16,038
Between one and five years	70,927	36,088
In more than five years	-	-
	<u>91,347</u>	<u>52,126</u>

25. PENSION COMMITMENTS

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

The total contributions paid in the year are shown in the staff costs note to the accounts. The amount outstanding at the balance sheet date is £nil (2016 - £nil).

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

26. MOVEMENT IN FUNDS

	At 01/04/16 £	Net movement in funds £	Transfers between funds £	At 31/03/17 £
Unrestricted funds				
General fund	4,854,269	35,332	(834,230)	4,055,371
Fixed assets	4,074,449	(227,186)	868,602	4,715,865
Building projects	430,000	-		430,000
Contingency fund	<u>2,600,000</u>	<u>-</u>	<u>-</u>	<u>2,600,000</u>
	11,958,718	(191,854)	34,372	11,801,236
Restricted funds				
Rolling Equipment Replacement	75,219	4,643	(34,372)	45,490
Phoenix Fund	502,498	693,705	-	1,196,203
Other Funds	-	5,253	-	5,253
	<u>577,717</u>	<u>703,601</u>	<u>(34,372)</u>	<u>1,246,946</u>
TOTAL FUNDS	<u>12,536,435</u>	<u>511,747</u>	<u>-</u>	<u>13,048,182</u>

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

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	6,184,553	(6,323,039)	173,818	35,332
Fixed assets	-	(227,186)	-	(227,186)
	<u>6,184,553</u>	<u>(6,550,225)</u>	<u>173,818</u>	<u>(191,854)</u>
Restricted funds				
Rolling Equipment Replacement	43,351	(38,708)	-	4,643
Phoenix Fund	703,618	(9,913)	-	693,705
Other Funds	16,988	(11,735)	-	5,253
	<u>763,957</u>	<u>(60,356)</u>	<u>-</u>	<u>703,601</u>
TOTAL FUNDS	<u>6,948,510</u>	<u>(6,610,581)</u>	<u>173,818</u>	<u>511,747</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 MARCH 2017

26. MOVEMENT IN FUNDS - continued

Unrestricted funds

The trustees have applied the funds as shown above. Of the available funds held at the year end £4,715,865 (2016 - £4,074,449) is held in the form of land and buildings and other tangible fixed assets.

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

The trustees have retained a designated capital building projects fund of £430,000 (2016 - £430,000).

The general fund at the year end of £4,055,371 (2016 - £4,854,269) represents funds available to the trustees to pursue and further the activities of the Hospice.

Restricted funds

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

<u>Funder</u>	<u>Restriction applied</u>	<u>Funding received this year</u>	<u>Unspent funds at the year end</u>
HSBC Supporting Our Communities	Wheelchair access to garden	£nil	£25
The Mrs A Lacey Tate Trust	Turner Room furniture	£nil	£434
The D'Oyly Carte Trust		£nil	£9
Isabel Blackman Foundation	Minibus	£10,000	£10,000
Anonymous	Minibus	£28,000	£28,000
Rotary Club	Chair	£3,051	£3,051
Ted Baker	H@H Equipment	£2,000	£nil
Sussex Association Scottish Societies	Cushions	£300	£67
		<u>£43,351</u>	<u>£41,586</u>

The transfer of £34,372 from the Rolling Equipment Replacement fund to the designated Fixed Assets fund represents funds which have been fully expended, the terms of restriction applied have been met and the associated fixed assets are an integral part of the fixed assets of the Hospice.

Other funds – other funds received during the year were as follows:

<u>Funder</u>	<u>Restriction applied</u>	<u>Funding received this year</u>	<u>Unspent funds at the year end</u>
Foreshore Trust	Fundraising	£200	£nil
Sussex Community	Bereavement services	£10,000	£nil
Big Lottery	Celebrate	£5,788	£4,253
All Churches	Chapel repairs	£1,000	£1,000
		<u>£16,988</u>	<u>£5,253</u>

ST MICHAEL'S HOSPICE HASTINGS AND ROTHER

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED YEAR ENDED 31 MARCH 2017

26. MOVEMENT IN FUNDS - continued

Phoenix Appeal – Following the fire at the Hospice, the Phoenix Appeal was launched to raise monies for restoration and enhancement of the building. Other than detailed below, all monies were spent in the year on fixed assets which are currently retained in the fund.

<u>Funder</u>	<u>Restriction applied</u>	<u>Funding received this year</u>	<u>Unspent funds at the year end</u>
Will Charitable Trust	In patient services medical equipment	£20,000	£10,057

Annual Review of Reserves

Since the year end the trustees have carried out their annual review of reserves and as a result agreed to increase the Contingency Fund to £2.8m and set aside £2m for the Strategic Development Fund, previously Building Project Fund.

27. CONTINGENT LIABILITIES

On 3 May 2017, East Sussex Fire and Rescue Service served notice of its intention to prosecute the Hospice in relation to the fire in July 2015, which was caused by arson. The case has not yet gone to court and the outcome is not known.

28. CAPITAL COMMITMENTS

The charity had building commitments as at the year end of £63,000.

29. CONTINGENT ASSETS

The charity has been notified of two legacies which are subject to life tenancies or other such conditions. The total amount of the legacies is estimated at £135,000 (2016 - £135,000). They have not been included in the accounts.

At the year end the charity had been notified of residual legacies where the value of the estates was uncertain as the executors had not yet finalised the estate accounts. Therefore, no amount has been accrued in respect of these legacies which are estimated to be in excess of £627,000 (2016 - £418,000).

