

St Michael's Hospice

(incorporating the Freda Pearce Foundation)



Annual Report and Consolidated Financial Statements

For the year ended 31st March 2021

Company Registration Number: 01634942 (England and Wales)

Charity Registration Number: 511179

st-michaels-hospice.org.uk

 twitter.com/stmichaelsosp

 facebook.com/stmichaelsospicehereford

St Michael's Hospice

Always a place of light and love

Our service is completely free of charge

St Michael's Hospice provides its care, free of charge, to patients, their families and carers. This care is made possible by supporters taking part in fundraising events, playing our lottery, shopping at our retail outlets, making charitable donations, leaving gifts in their wills or giving freely of their time to volunteer.

If you would like to support St Michael's, you can find out more about what we do and ways you can help by visiting our website.

To share your comments or suggestions with us, please contact:

Quality and Compliance Team
St Michael's Hospice
Bartestree
Hereford
HR1 4HA

✉ quality@smhospicehereford.org

St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2021

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St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2021

Reference and Administrative Information

Charity Name	St Michael's Hospice (incorporating The Freda Pearce Foundation)
Charity Number	511179
Company Number	01634942
Address of Registered Office	St Michael's Hospice Bartestree Hereford, HR1 4HA
Country of Registration	England and Wales
Country of Incorporation	United Kingdom
Trustees	Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows: Mr A J Walshe, Chair (Retired 31 st March 2021) Mr D R Teague, Vice Chair (Appointed Chair 31 st March 2021) Mr D J Campion Revd Preb K B Garlick Ms P A Greenwood Mr D T Hammond Mrs C J Winney Mr J M Martin (Appointed 26 th October 2020) Mr M D Thomas (Appointed 31 st March 2021) Mr E D Drummond (Appointed 14 th December 2020)
Life Patrons	Dr R Miller Dr J J Kramer
Chief Executive Officer	Mr M L Keel
Strategic Management Team at 31 st March 2021	Dr T Blower, Medical Director Mrs L Carter, Income Generation and Marketing Director Mrs E Cotton, Finance Director
Company Secretary	Mr M L Keel
Bankers	The Royal Bank of Scotland PLC Drummond House 1 Redheughs Avenue Edinburgh EH12 9JN
Independent Auditor	Crowe U.K. LLP Statutory Auditor Fourth Floor St James House St James Square Cheltenham, GL50 3PR

St Michael's Hospice (incorporating the Freda Pearce Foundation) Report of the Trustees For the year ended 31 March 2021

The Trustees of St Michael's Hospice ('St Michael's') present their report and the audited financial statements for the year ended 31 March 2021. Reference and administrative information set out on page 4 forms part of this report.

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their financial statements in accordance with FRS 102.

The Trustees of St Michael's are charity Trustees for the purpose of the Charities Act and are Directors of St Michael's and Directors for the purposes of the Companies Act. The Trustees form the Trustee Board of St Michael's. Although the Strategic Management Team's (SMT) job titles include the word 'Director', these people are not Directors within the meaning of the Companies Act.

The Trustee Board is responsible under St Michael's governing document for controlling the management and administration of St Michael's within the law. It is ultimately responsible for everything St Michael's does and how it does it. The overriding duty is to act in good faith within charity law and to make sure St Michael's pursues its aims (as set out in the governing document); uses its assets only to pursue those aims; and acts for its community.

It does this by:

- Safeguarding and promoting the values and mission of St Michael's;
- Determining the strategy and structure of St Michael's;
- Ensuring St Michael's operates in an effective, responsible and accountable manner, securing future sustainability;
- Ensuring the effective functioning of the Board of Trustees;
- Ensuring the organisation meets all statutory requirements.

During the year, the Board of Trustees met five times as a complete Board with subcommittee meetings in between. Board members are unremunerated volunteers.

The Board is made up of members according to an analysis that identifies skills, experience and qualities needed for the good governance of St Michael's.

Related Parties and Relationships with other Organisations

St Michael's is the parent undertaking of a group consisting of:

- SMH Trading Limited - St Michael's uses this subsidiary for non-primary purpose trading activities.
- St Michael's Hospice Development Company Limited - St Michael's uses this subsidiary for redeveloping the hospice buildings and surroundings. This company is to become dormant.

Both subsidiaries are English registered companies and Gift Aid all available profits to St Michael's where applicable.

Operating Structure and Charity Governance Code

The Board retains ultimate operational responsibility and sets the aims, policies and objectives of St Michael's together with performance monitoring.

It has however devolved authority for its strategic implementation, attainment, performance and day-to-day running to the Chief Executive Officer and his senior management team who are also responsible for St Michael's meeting all its statutory and contractual obligations. St Michael's Governance Manual describes these arrangements. The Governance Manual is kept under review by the Trustees with reference to the Charity Governance Code.

St Michael's has a comprehensive range of operational policies and procedures that it maintains in line with the requirements of the Care Quality Commission, which regulates the clinical activity of St Michael's, the Gambling Commission that regulates the Lottery and the Fundraising Regulator.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2021

Objectives and Activities

Objectives

The Founders set up St Michael's on 12 May 1982 as the Freda Pearce Foundation. St Michael's is governed by its original Memorandum and Articles of Association, which St Michael's has subsequently amended by special resolutions on 02 November 1998, 02 October 2002, 15 April 2009, 07 November 2012, 28 September 2017 and 25 March 2020. St Michael's changed its name to St Michael's Hospice (incorporating the Freda Pearce Foundation) on 02 November 1998.

The Articles, as amended, state the objects of St Michael's are to promote the relief of sickness in people over the age of 18 years who are Herefordshire residents or living in the immediate surrounding counties. St Michael's may also offer care to young people between the ages of 14 years and 18 years where appropriate to support them in their transition to adult services.

Our mission is to make sure palliative and end of life care is available to all who can benefit from it, regardless of age, gender, diagnosis, social group or setting. This includes supporting those people close to the dying person throughout the pre- and post-bereavement stages too.

St Michael's knows it cannot do all of this on its own and so works with communities, groups and organisations to help them understand the importance of good palliative care and how they can play their part to ensure there is a spectrum of services to meet patient and family needs.

St Michael's runs a comprehensive palliative care education programme as part of its strategy to improve services more widely and increase the awareness of palliative and end of life care issues.

St Michael's also recognises it must help change people's perception and understanding of end of life care as well as their readiness to talk about it – not only their own end of life plans but their families and friends too. St Michael's encourages patients (with their families where appropriate) to produce a plan that describes their needs and preferences. This helps ensure they receive the right care, in the right place, delivered by the right people.

St Michael's provides its services free to patients, carers and families to ensure accessibility.

Our vision is that everyone in Herefordshire and the surrounding areas who needs and wants palliative care has timely access to it, delivered in a way that suits them.

Principal Activities

St Michael's fulfils its purpose through its principal activity of providing adult hospice care to the people of Herefordshire and immediate surrounding areas as follows:

1. Adult inpatient palliative medical and nursing care in a twenty-bed purpose-built unit (16 beds in use during this reporting period with negotiations ongoing with the NHS to open the remaining 4).
2. Adult outpatient palliative medical and nursing care in Day Services and appropriate therapy (physiotherapy, occupational, music, art and complementary).
3. Hospice at Home Service, which includes 24-hour telephone advice, care co-ordination service, urgent care team and planned home care packages. St Michael's provides this care in people's homes or places they regard as home (e.g. nursing and residential homes). Some aspects of this service are delivered in collaboration with Marie Curie.
4. Education and Training. St Michael's seeks to influence and guide the quality of palliative care in other settings and given by other providers through its education and training programmes thereby sharing the experience, expertise and knowledge St Michael's has built up from over 35 years of working in palliative care. St Michael's also ensures its staff and volunteers have opportunities to develop their skills, knowledge and competence as these have a direct bearing on the quality of support St Michael's can provide.
5. Underpinning the main services is the Supportive and Rehabilitative Care service, which social workers, bereavement care workers, spiritual workers and counsellors deliver. They offer this to patients and families in the Inpatient and Day services and Hospice at Home service. These services provide the vital social and psychological elements of support that characterises holistic care and to which St Michael's aspires. The holistic approach not only considers the patient's condition, life and circumstances, but also supports and cares for the patient's family and friends. The Rehabilitative and Supportive Care service also collaborates with another charity called Hope Support, to provide care and support to children who are close to our patients.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Report of the Trustees
For the year ended 31 March 2021

Support for Principal Activities

The catering and housekeeping teams provide essential support for the principal activities. The management and administration team provide the necessary governance, oversight and operational management plus finance, human resources (HR), information technology (IT) and administrative support. The fundraising and retail teams maintain the necessary income needed by St Michael's to deliver its services, as recurrent statutory funding (from NHS, local authorities and the Department of Health) remains inadequate.

St Michael's has over 800 volunteers registered on its database who provide regular support in all areas of St Michael's. Many more provide ad hoc support at events etc. or volunteer via their workplaces, communities and other organisations for the benefit of St Michael's. The contribution these people make is vital to St Michael's success and survival. These volunteers support 229 employed staff (including bank staff) to provide the quality care service and the required support services for patients and their families to meet and go beyond regulatory requirements.

Public Benefit

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing St Michael's objectives and in planning its future activities.

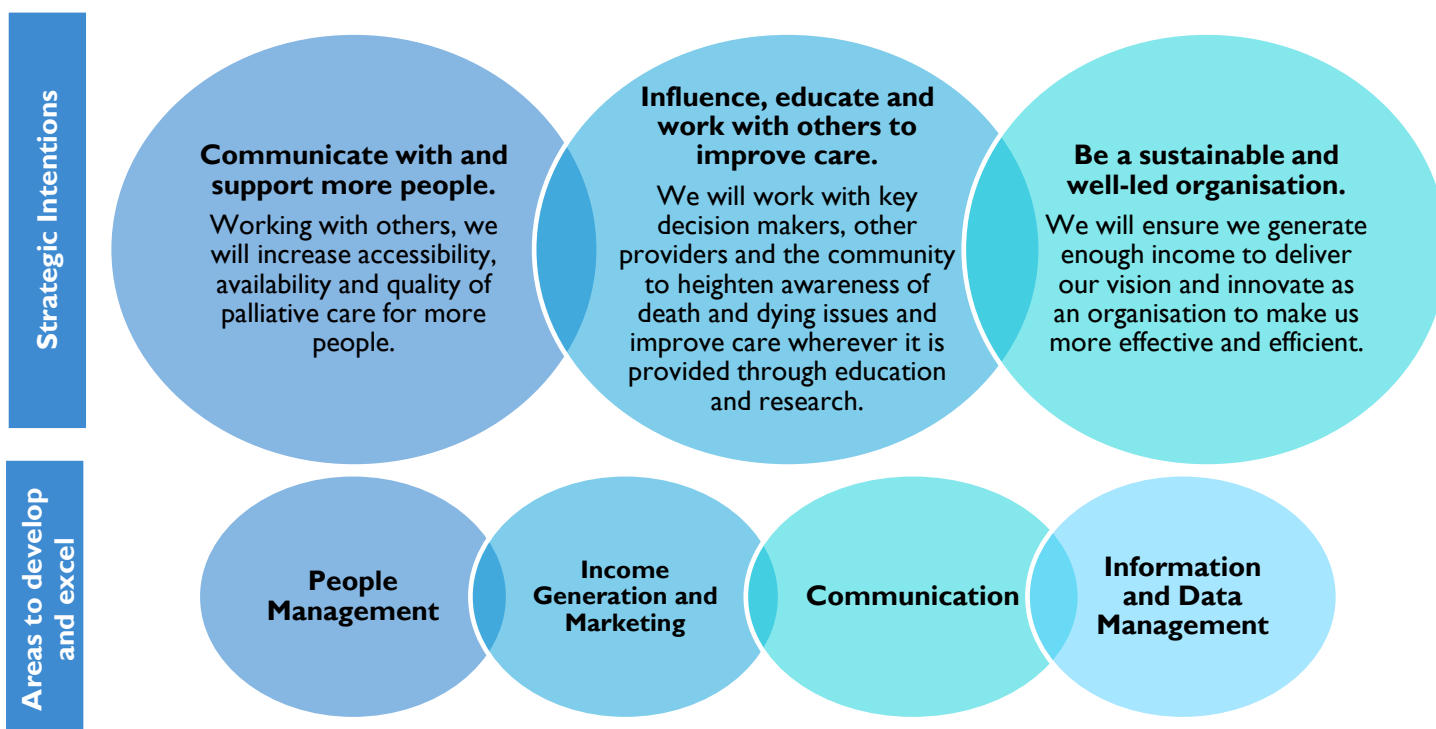
The Trustees consider how planned activities will contribute to the objectives that have been set, reporting the success of each key activity and the benefits St Michael's has brought to those groups of people that it is set up to help, and the wider public benefit. The Trustees regularly review the objectives and activities of St Michael's ensuring they remain focused on its stated purposes.

The Trustees continue to recognise three strategic intentions underpinned by four key areas in which St Michael's must continue to develop and excel to successfully deliver the objectives and activities.

The Strategic Report that follows sets out our ongoing strategy and looks at what St Michael's has achieved, and the outcomes of its work, in the reporting period.

Strategic Report

*Our ongoing **strategy** is to have a multi-faceted approach that focuses on ensuring its long-term sustainability and ability to operate in the new health economy; as well as initiatives to do more, in partnership with other organisations, to give patients greater choice; ensure they receive the best support available free of charge; and to enhance significantly our engagement in our communities.*



St Michael's Hospice (incorporating the Freda Pearce Foundation)
Report of the Trustees
For the year ended 31 March 2021

Achievements and Performance 2020/21

The world-wide COVID-19 pandemic, which started just before this reporting period and is still ongoing at the time of writing, had a major impact on St Michael's operations, its supporters, volunteers and staff. No one could have imagined the depth to which this event has penetrated everyone's lives.

However, the Trustees are immensely proud to report that the volunteers and staff came together in the face of uncertainty and danger to ensure the St Michael's continued to support the people who needed us and who were some of the most vulnerable in our community as the virus spread among them.

The pandemic brought out the very best in people and we saw new friendships and relationships forged as Herefordshire's health and social care services came together to protect our residents and serve those most in need. Staff had to flex and adapt their working practices to incorporate the new technologies and the various levels of restrictions and guidance that were coming out.

Having most of our income streams stopped (shops and fundraising) was a difficult time. However, the mood was soon lightened with the news the government would support hospices in their endeavours to protect the NHS and save lives by replacing some of the lost income with special grants.

Strategic Intention One: Communicate with and support more people

St Michael's has supported and cared for 2,052 people in 2020/21 (1,846 in 2019/20), which is a 11% increase on last year. This supports our strategic aim to communicate with and support more people. This has been achieved through the continuing success and growth of the Hospice at Home service (now in its fifth year) supported by our 24/7 Co-ordination Hub, which ensures patients are directed to the most appropriate hospice service for their needs, and improved joint working with GP practices to identify more people who may benefit from St Michael's care. Some of this increase was achieved through the expansion of our bereavement support services in response to a need created by the pandemic.

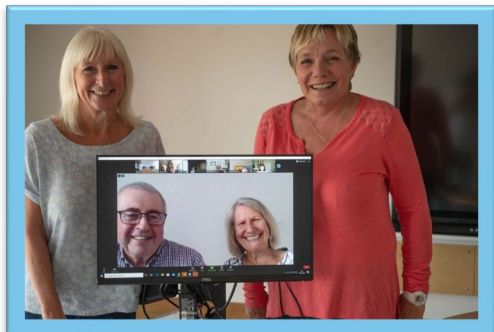
The **Inpatient Unit (IPU)** continued throughout the pandemic and received 335 referrals, which resulted in 244 people having 273 admissions (some were admitted more than once). This is a decrease of 3% compared to 2019/20 as we saw patients and their families and professionals change their behaviours and activities because of the pandemic. The team did a lot of work to reassure people that our services were still in full operation and they could receive care safely in our inpatient unit. The average length of each stay was 19 days (19 days in 2019/20).

Inpatient Unit Activity Data

	2020/21		2019/20		2018/19		2017/18		2016/17	
	No.	%	No.	%	No.	%	No.	%	No.	%
Admissions	273		281		343		317		290	
Admitted From:										
Home	191	70%	201	72%	251	73%	232	73%	206	71%
Hospital	79	29%	67	24%	88	25%	83	26%	80	28%
Other	3	1%	13	4%	4	2%	2	1%	4	1%
Total	273	100%	281	100%	343	100%	317	100%	290	100%
Location at end of stay:										
Died	171	65%	190	67%	197	57%	187	59%	157	54%
Home	89	30%	72	26%	146	43%	114	36%	101	35%
Hospital	1	0%	-	-	-	-	9	3%	10	3%
Other	12	5%	19	7%	-	-	7	2%	22	7%
Total	273	100%	281	100%	343	100%	317	100%	290	100%
Average Length of admission	19		19		17		18		18	
Occupancy (target 85%)	89%		91%		80%		78%		86%	

St Michael's Hospice (incorporating the Freda Pearce Foundation) Report of the Trustees For the year ended 31 March 2021

Day Services were severely hampered by the pandemic with all face-to-face and group activities stopped for most of the year. The staff and volunteers maintained contact and support via telephone and video calls where possible.



The number of people supported face-to-face by Day Services during the reporting period was 11. This compares with 157 people in 2019/20. A further 130 people received contact via telephone, video call and email totalling 1,055 contacts. As restrictions lift, the three core services are being restored: Day Hospice (DH); Living Well (LW) Support; and Fatigue and Breathlessness Support (FAB).

We have grown our **Supportive and Rehabilitative Care** team this year and are now reaching more people in the community. We increased our Bereavement Support service using an NHS Grant in response to a growing need caused by the pandemic.

We only carried out essential **Outpatient Medical Clinics** during the pandemic where telephone or video links were not possible or appropriate. The medical team did deliver some domiciliary visits, but again these were severely curtailed because of the pandemic. 40 patients had a medical outpatient appointment compared to 164 the previous year.

The NHS commissioned **Hospice at Home service** continues to evolve and grow with 562 people referred for support and care. This is similar to previous years and is capped by the service's capacity.

This is an important service for those people who would prefer to receive their care at home in familiar surroundings and close to their family. The Co-ordination Hub is the single-entry point for all St Michael's services. It not only receives referrals but also provides advice, which gives patients, families, carers and professionals access to senior nurses and co-ordinators from 07.00hrs-22.00hrs every day. Outside of these hours, advice and support is delivered by the senior nurses on the Inpatient Unit with access to medical support as required.

An additional function of the Co-ordination Hub is to support patients on the Inpatient Unit waiting list when a bed is not immediately available. This support ranges from home visiting to telephone advice.

During the pandemic, the Hospice at Home team were asked to take on the brokerage function for finding agency care packages for people who qualified for funded care. This created increased work for the team, but the benefits to patients and families was most evident with quicker discharge from hospital and more responsive care packages provided.

We had to stop the **Compassionate Communities** development work during the pandemic but will pick this up again in 2021 to roll out this important initiative across the County with others.

Our **Mobile Hospice Support Vehicle** could not continue its work of building awareness of our services in the more rural and far-reaching parts of Herefordshire. However, it was pressed into action as a testing and vaccination station and personal protective equipment fitting unit.

Strategic Intention Two: Influence, educate and work with others to improve care

St Michael's knows that people want to receive their care in many different places and settings and not always at or by St Michael's. St Michael's wants to ensure that people who are in hospital, care and residential homes and other places, can also receive high-quality palliative care.

St Michael's **educational programmes** ensure staff in these organisations are competent in palliative care and can be confident to deliver high-quality services, with the expertise of St Michael's to support them.

All onsite and face-to-face training was stopped with a greater focus on supporting our own staff and volunteers who were facing a challenging and difficult time as the pandemic unfolded over a much longer period than any of us anticipated.

The normal external programme was tailored to the needs of organisations during the pandemic where verification of expected death skills, syringe driver competencies and communication skills were delivered electronically.

This move to deliver education and support electronically has accelerated our plans to implement Project Echo at St Michael's. This is a world-wide initiative that aims to democratise care by making specialist expertise available closer to the patient. St Michael's is using this project method to engage more with care homes and GPs. The pilot has been part funded by an NHS grant and is being implemented with our hospice colleagues in Worcestershire.

St Michael's Hospice (incorporating the Freda Pearce Foundation) Report of the Trustees For the year ended 31 March 2021

We continue to develop our e-learning platform, which enables staff to receive most of their training more flexibly and electronically. This ensures we meet our regulatory requirements set by the Care Quality Commission and can easily evidence this. This platform allowed us to keep up with important training and education during the pandemic.

Strategic Intention Three: Be a sustainable and well-led organisation

St Michael's continually seeks ways to increase its efficiency and effectiveness through monitoring and benchmarking its suppliers and continuing to cut out waste. St Michael's is an active member of the Hospice Quality Partnership (HQP) – an organisation set up by UK hospices to achieve best value through joint procurement and contracting.

St Michael's has a diverse range of income streams, so it is not reliant on any one source of funds. These include many different types of fundraising (donations, legacies, events, community, trusts, lottery, corporate); retail income from our shop portfolio; investment income; property rental; and some NHS income.

We have developed our management and leadership structure to ensure decision-making and responsibility is as close to the point of delivery as possible. We support managers, supervisors and leaders in all areas to seek ways to improve the things we do and ensure our supporters, staff and volunteers flourish in a positive and nurturing environment, which in turn delivers the best care to our patients and families. St Michael's finances continue to hold up despite a difficult economic environment. A continuation of the efforts made by staff, Trustees and volunteers to maximise income and control costs without compromising services will continue to support financial sustainability.

Areas that underpin our three strategic intentions

1. People Management

St Michael's is reliant on having enough people (volunteers and paid staff) to deliver its objectives and activities; finding the best people is becoming harder as demographic changes occur and there is a smaller pool from which to recruit professional staff.

We have continued our focus on improving our Human Resource function to speed up systems and processes and automate as many as possible to free up staff and volunteers to concentrate on their core roles.

St Michael's had some vacancies going into the pandemic and these had to remain unfilled until restrictions eased. This delay can be seen in the reduced staff costs for the reporting period.

The Trustees are grateful to all volunteers and staff for their dedication and hard work to bring St Michael's through the pandemic.

Going forward we expect recruitment of nurses especially to be challenging post pandemic as people re-evaluate their lives and reflect on their experiences.

An organisation-wide staff survey operated by Best Companies gave us a confidential and impartial review of our staff engagement and resulted in us achieving 'One Star' status and inclusion in the **Times Top Charities to Work For** list. Achieving this improvement in staff engagement during a very difficult year is testament to the strong leadership and management of the organisation.



The Trustees wish to record their thanks to the many volunteers without whom St Michael's would be unable to maintain the quality of service and deliver all the support at the low cost we achieve. The estimated value of the volunteer contribution to St Michael's is more than £2 million per annum.



The Trustees also wish to record their thanks to all St Michael's staff in all departments, who are essential to providing high-quality care for patients. The staff and volunteers are the guardians of St Michael's excellent reputation and good standing, attributes which are vital and must remain at the highest level.

During the year we had 229 (2019/20: 240) staff, equivalent to 153 (2019/20: 159) whole time equivalent posts. 141 (2019/20: 154) work directly in clinical and care areas and associated parts of the service.

St Michael's Hospice (incorporating the Freda Pearce Foundation) Report of the Trustees For the year ended 31 March 2021

2. Income Generation and Marketing

The pandemic dominated the reporting year and probably had the most impact on Income Generation. We kept our Income Generation and Marketing plans under continuous review and adapted them as the government allowed to ensure every opportunity was taken to safeguard income, reduce costs and deliver excellent standards of supporter and customer care.

The new Income Generation, Marketing and Communications Director, took up post just before the pandemic and had already submitted plans to the Board to restructure the department in response to staff turnover and the future requirements of St Michael's. These were approved and continued to be implemented during the year as conditions allowed.

The most significant impact of COVID-19 was felt by retail. Income for the year was still a creditable £774,543 (2019/20: £2,826,652) when considering the government closed all shops for a total of nine months across the three national lockdowns. This still left an income shortfall against budget of £2.5 million for the year. St Michael's secured Government support through the Coronavirus Job Retention Scheme and Retail Support grants which amounted to £822,305 and allowed us to retain the retail workforce and premises in preparation for reopening.



In response to customer demand that built up during the lockdowns and to ensure customers could donate goods efficiently and safely to St Michael's when guidance allowed, we acquired and opened donation stations across Hereford and in Ross-on-Wye. These allowed us to store and quarantine stock before distributing it to our shops when they opened.



Events and Community Fundraising was impacted with many activities not permitted to take place because of government restrictions, resulting in a reduction in income against budget of £428,376. This reduction was mitigated by the team developing new virtual and adapted events.

Postcards from Life was adapted to a virtual event and achieved a record in income from the auction of £9,855. 264 bidders placed 2,679 bids and the event achieved the highest average bid value of £41.

The Care Team knew that our annual Light up a Life services would be needed more than ever during the pandemic and so remained determined to put the event on. A completely new virtual event was created with generous and vital support from CJP Broadcast with a pre-filmed service at Hereford Cathedral broadcast live from St Michael's in December. In addition to the usual dedications in the books on display in the hospice garden and online, names were added to a new memory wall installed outside Hereford Cathedral with almost 1,000 names dedicated overall.

A new Reindeer Run aimed at schools and nurseries was introduced at a time when there had been much disruption in schools, and limited festive activities possible. Schools and nurseries ran their own Reindeer Run events and raised sponsored over £40,000 for St Michael's. Collectively 25 schools / nurseries with around 4,400 children participated.



Even with the Coronavirus Job Retention Scheme and Retail Support grants, this still left a significant deficit against budget of £2.3 million. During the pandemic, the NHS England awarded £2.25 million to St Michael's to secure hospice bed capacity and community support.

Herefordshire Clinical Commissioning Group also contributed a one-off payment of £187,000 towards the additional costs of implementing COVID-19 safety requirements (specialist personal protective equipment and disposables).

Government support meant care services could continue. Strong financial management to control costs and legacy income, being unaffected by the pandemic, totalling £1.4 million for the year, increased net income before net gains on investments to £1.5 million.

St Michael's Hospice (incorporating the Freda Pearce Foundation) Report of the Trustees For the year ended 31 March 2021

The Board of Trustees decided to designate £1.45 million to fund workforce training initiatives, care service development and future capital investment projects.

3. Communication

Our Communications Team keeps St Michael's in the forefront of people's minds, from the promotion of events to stories which highlight how people living with a life-limiting illness have been supported by St Michael's.

Throughout the pandemic, marketing and communications continued for St Michael's activities including patient information leaflets, newsletters and videos, and in support of Income Generation plans. Social media continues to gain momentum with increased engagement across all channels. Supporter communications followed a stewardship approach keeping supporters informed on how St Michael's was adapting and continuing to deliver its services throughout the pandemic. Thanks to this work, the community is far more aware of the breadth of services St Michael's provides; how we are funded; and how more people can benefit from our services, not just at the end of life.

The quality and visibility of our branding, patient literature, St Michael's website, hospice services and external communication continues to ensure people remain inspired by the work carried out by St Michael's.

4. Responsible Fundraising

St Michael's is registered with the Fundraising Regulator and is a member of the Institute of Fundraising, the National Association of Hospice Fundraisers, the Hospice Lotteries Association and the Charity Retail Association, and is committed to adhering to the Code of Fundraising Practice. We have had no adjudications. We have continued to strengthen our Data Protection procedures and communication preferences to all our supporters and feel well placed going forward.

We ask supporters their preferences as to how we communicate with them. We give them the option to let us know if they wish to change their preferences or no longer wish to hear from us, and always respect their wishes. We do not sell or exchange lists of data with any other charities or companies.

We review compliance through non-financial audit, mystery shoppers, monitoring feedback and at our Income Generation & Marketing Committee and take corrective action when required to ensure that all St Michael's fundraisers and those who work on our behalf are aware of and adhering to our high standards.

If we encounter someone showing signs of distress, confusion or vulnerability our fundraisers will politely refuse any donation offered in such circumstances. In the unlikely event of a donation being received in such circumstances, we will refund the donation. The number of complaints received during the year regarding fundraising was nil (2019/20: nil).

5. Information and Data Management

With the ability to collect vast amounts of data and information easily these days, St Michael's needs to be able to analyse and use this data to increase its effectiveness and understanding of its work. Much of our work uses computers and so we have a strategy to develop and secure these systems appropriately and to best effect.

The Charity has achieved Cyber Essential Plus accreditation (Certificate Number: IASME-CEP-003557).



St Michael's Hospice (incorporating the Freda Pearce Foundation)

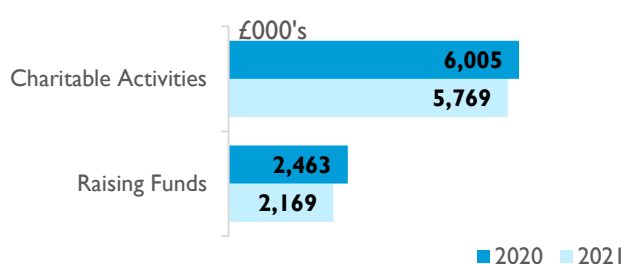
Report of the Trustees

For the year ended 31 March 2021

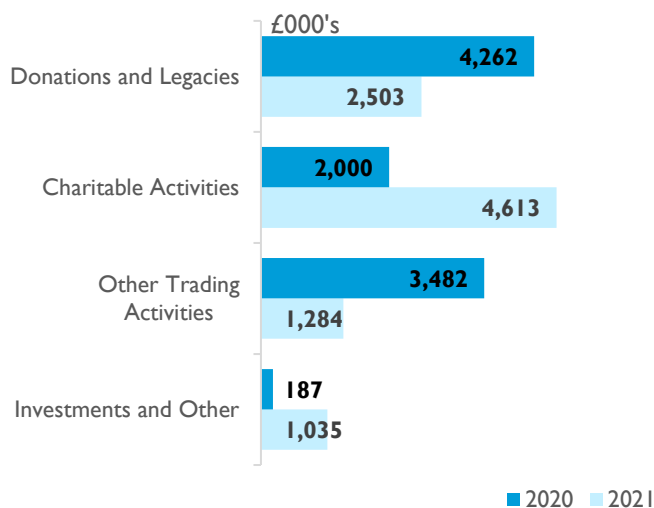
Financial Review

The consolidated financial statements that follow later in this report comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and related notes, which include the results of the related companies. The result for the year was a surplus of £2,195,546 (2019/20: £1,107,758 surplus).

Total expenditure for the year decreased by 6.25% to £7,938,411 (2019/20: £8,467,587); 48% of this relates to reduced staffing costs, with a further 27% relating to reduced fundraising and other trading activities. 73% was spent on charitable activities.



Total income for the year decreased by 5% to £9,434,696 (2019/20: £9,930,651).



There follows a brief overview of the financial management that has fed into these reports.

Investment Policy and Returns

Because of the uncertainty of fundraising income streams, it is necessary to ensure that funds are always readily available for use to ensure that levels of care are not adversely affected in the event of any short-term income reduction. The Trustees have decided to maintain a low risk investment strategy to protect reserves, and therefore services, rather than seeking higher return investments which increase the risk profile. Performance is measured against agreed inflation and market indices.

Returns were hit hard at the end of the 2019-20 due to the economic impact of COVID-19 but have since recovered resulting in a valuation gain of £649,261 (2020: £382,456 loss) exceeding target performance.

Reserves Policy

The Trustees have reviewed the reliability of future income streams, the commitment to future expenditure and risks faced as a Charity. St Michael's has determined that it needs reserves for the following reasons:

- To fund shortfalls in income (whether statutory, retail, lottery, donations, legacies or other fundraising activities) when it does not reach expected levels. St Michael's is dependent on fundraised income as well as statutory funding. The fundraised income is subject to fluctuation as economic conditions change and statutory funding could be affected by government policy and the financial position of NHS and local authority commissioners;
- To fund unexpected expenditure, for example when legislation changes, or unplanned events occur. This could also be for unexpected building maintenance costs and to provide a degree of flexibility for innovation;
- To fund working capital. The greatest cost is salaries and therefore the timing of cash outflows is relatively fixed whereas both fundraised and statutory income fluctuate in terms of cash inflow over the year;
- To fund future developments to ensure we continue to meet the needs of our community.

At the end of March 2021, the free cash reserves within general funds increased to £9.8 million (2019/20: £8.6 million), an amount which equates to 13.2 months of budgeted 2021/22 operating costs, exceeding our reserve policy of 9 months. This level of reserves helps St Michael's to continue to provide all of its services in difficult times such as we are experiencing during the COVID-19 crisis.

The net book values of freehold land and buildings are held in a designated reserve called the Property Fund, totalling £10 million at 31 March 2021. By designating these funds, the Trustees aim to give a clear presentation of the free reserves available to St Michael's to meet its continuing operational commitments. At the year-end, restricted reserves totalled £104,487.

During the year Trustees designated a further £1.45 million to fund workforce training initiatives, care service development and future capital investment projects. At the year-end the designated capital investment fund totalled £361,191 and the designated development fund totalled £1.17 million.

St Michael's Hospice (incorporating the Freda Pearce Foundation) Report of the Trustees For the year ended 31 March 2021

The level of reserves is monitored regularly by the Finance & Investments Committee and this policy is reviewed annually by the Trustees when the budgets are approved. This will ensure that appropriate steps are in place to maintain reserves at the required levels.

Principal Risks and Uncertainties

The Pandemic is ongoing at the time of this report and remains under continuous review by the Trustees with regular actions taken to comply with government guidance, laws and regulations. They continue to consider the following material risks:

- Unpredictability of the legacy income stream, which currently represents 14.5% (2019/20: 29.9%) of all income.
- A risk to donations because of the economic and political climate and competition for funds.
- Uncertainty over the NHS contribution due to austerity measures and current economic climate.
- Demand for hospice services outstripping capacity both in terms of volume and skill.
- An ageing workforce and volunteer cohort.
- Challenges in recruitment, particularly in nursing nationally and locally.
- Failure in the provision of the service.

Going Concern

The Trustees have reviewed financial forecasts into 2025 and have paid special consideration to reviewing the risks to the charity's services and finances as a result of COVID-19. Through careful management of expenditure and stewardship of income, the Trustees are confident that St Michael's will continue as a going concern for the foreseeable future.

Future Plans

St Michael's will continue its current strategy while monitoring the risks to its implementation. The needs of our patients continue to change and evolve, more so because of COVID-19. We will continue to maximise the use of our facilities for the benefit of our patients and families. For example, the 4 bedrooms not supported by the NHS are being used for more direct community work (e.g. day care and health and well-being services). We will continue to keep all our services under review as each develops and impacts the others so that patients and families receive the high-quality care they need – in the way they want it and at the place of their choosing. With the introduction of the Integrated Care System (ICS) for Herefordshire and Worcestershire, St Michael's continues to ensure its interests and operations in Herefordshire are heard at the ICS level, including continuing to work closely with our colleagues in the other hospices.

NHS commissioners continue to recognise the valuable work we do by providing non-recurrent grants of £125,000 to support an increase in demand for Bereavement services due to COVID-19, and to support the ongoing development and evaluation of the integrated model for end-of-life care in Herefordshire.

An outcome of the pandemic is that Central Government recognises the vital contribution of hospices and will be working to achieve a fair payment scheme to guide local commissioners in their negotiations with their hospices to ensure a better deal.

During 2021/22 we will continue to focus on enhancing and growing our volunteer teams, which will be more challenging than ever before, but who remain vital to our survival and sustainability.

We will continue to move closer to our communities. The Mobile Hospice Support Vehicle will contribute to this enormously by travelling round the villages and far reaches telling people about St Michael's services and offering support locally. Combined with the Compassionate Communities work we have started this will give more support to more people too. By developing our education programmes and embracing new technologies, we will offer more opportunities and ways for people to engage with St Michael's for their personal and professional development, especially in care and residential homes where most palliative and end of life care will be delivered in the future.

As the organisation grows and becomes more spread (through more fundraising, retail outlets and services delivered in homes) we need to ensure we keep people in touch with St Michael's and fully informed and briefed so they can not only work effectively but also act as expert ambassadors for St Michael's. We will develop our communication channels more, so we ensure each donor and supporter understands the important contribution they make to people's lives in Herefordshire and the surrounding areas.

Finally, St Michael's (along with many others) is experiencing a great deal of learning and accelerated development through the pandemic delivering services in new ways which take advantage of technologies that have become commonplace. We are committed to retaining as much of this as possible, and developing the new links and collaborations that have been forged where this supports our strategic aims.

Thanks to the generosity of our community, St Michael's continues to provide the best possible palliative care and support for local people and their families. The Board of Trustees would like to extend a heartfelt thank you to all the supporters who make this possible.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2021

Structure, Governance and Management

Trustees

Trustees are unremunerated volunteers. All Trustees give their time voluntarily and receive no benefits from St Michael's. Any expenses reclaimed from St Michael's are set out in note 10 to the financial statements of which there were none.

When there are Trustee vacancies the Board consider the skills mix and diversity of the continuing Trustees to determine the person specifications needed in new Trustees. Recruitment is an open competitive process involving public advertising, networking and head-hunting as appropriate. St Michael's provides potential Trustee candidates with information about the organisation and about the role of Trustee, including the role description and expectation of Trustees and the length of tenure of appointment. Appointments are made by the full Board of Trustees.

Every Trustee must sign a Trustee Commitment and Disclosure Form to act as a Trustee of St Michael's before he or she is eligible to become a Trustee, including a declaration of interest form, which is renewed each year. On appointment or election as a Trustee, a Trustee becomes a member of St Michael's. Trustees hold membership of St Michael's only during their Trusteeship and retirement, resignation or removal as a Trustee ends their membership of St Michael's.

It is St Michael's policy and practice to provide Trustees with appropriate training to undertake their role and to ensure that new Trustees receive an induction to St Michael's and to the role of a Charity Trustee and Company Director. New Trustees attend a corporate induction day and we are looking at a potential scheme to provide them with a mentor Trustee who would give them specific support over the first 12 months of their Trusteeship. Trustees are elected initially for a three-year term and are appraised annually.

Day-to-Day Management

The Trustees delegate day-to-day responsibility to the Chief Executive, who in turn delegates some management functions to the Strategic Management Team (SMT). The Schedule of Delegation is set out in the Governance Manual. The Trustees have four sub-committees that meet quarterly and are responsible for reviewing St Michael's activities in their respective areas of expertise in more detail than full Board meetings can achieve. These are:

- Clinical Governance & Care Committee;
- People & Facilities Committee;
- Finance & Investment Committee;
- Income Generation & Marketing Committee.

Each committee/group has at least two Trustees and a member of SMT as its members. A Trustee chairs the meetings and presents a report at the Board of Trustees, which meets every six to eight weeks.

Remuneration Policy for Key Management Personnel

The aim of St Michael's pay policy is to offer fair pay to attract and keep appropriately qualified staff to lead, manage, support and deliver St Michael's aims. Trustees are ultimately responsible for setting the Chief Executive's remuneration level and agreeing the annual cost of living award. The Chief Executive sets grading levels for the Strategic Management Team with Trustee oversight (except Medical staff who are on the NHS scheme). The Strategic Management Team sets grading levels for all other staff. When deciding the Chief Executive and Senior Staff salary levels, consideration is given to:

- the purpose, aims and values of St Michael's, and its beneficiaries' needs;
- how pay is linked to the skills, experiences and competencies St Michael's needs from its senior staff and the scope of their roles and how St Michael's can maintain the ability to recruit and retain suitably qualified and experienced management;
- St Michael's current business plan and how implementing it may affect the number of senior staff St Michael's needs to employ or recruit, and the nature of these roles;
- St Michael's ability to pay, including:
 - the benefit to St Michael's that such positions will bring;
 - the cost to St Michael's of increasing remuneration levels.

St Michael's regularly benchmarks its salary against other similar organisations and, in the case of clinical staff, with the NHS and local authority in Herefordshire.

Policy for Employment of Disabled Persons

St Michael's fully and fairly considers all applications for recruitment to contracted or volunteer roles made by disabled persons and gives regard to their aptitude and abilities. Opportunities for training, career development and promotion are considered in the same way for those employed or volunteering.

Should an employee or volunteer become disabled, St Michael's arranges appropriate training and support to enable continued employment at St Michael's where possible.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2021

Employee Information

St Michael's is committed to providing staff and volunteers with information on matters of concern to them. We have introduced a Staff and Volunteer Forum; an Operational Management Team that brings decision-making and information closer to employees and volunteers; and started the process to improve our People Systems and Processes. This will include more opportunities and methods for management to consult with staff and volunteers and provide feedback. This is as well as the current systems of noticeboards; staff emails; newsletters; staff meetings, digital communications and volunteer events.

Funds Held as Custodian Trustees on Behalf of Others

Within deferred income is £128,500 held as a cash investment which provides a lifelong annuity to an individual. St Michael's and a GP surgery are joint beneficiaries of the residual capital.

Statement of Trustees Responsibilities

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

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

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

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

- There is no relevant audit information of which the charitable company's auditor is unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish the auditor is aware of that information

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of St Michael's guarantee to contribute an amount not exceeding £2 to the assets of St Michael's in the event of winding up.

The Trustees are members of St Michael's, but this only entitles them to voting rights. The Trustees have no beneficial interest in St Michael's.

The Trustees annual report, which includes the strategic report, has been approved by the Trustees on 18 August 2021 and signed on their behalf by:



Mr D Teague – Chair

Independent Auditor's Report To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation) For the year ended 31 March 2021

Opinion

We have audited the financial statements of St Michael's Hospice (Incorporating the Freda Pearce Foundation) ('the charitable company') and its subsidiaries ('the group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Financial Activities, Group Balance Sheet, Charity Balance Sheet, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2021 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Independent Auditor's Report To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation) For the year ended 31 March 2021

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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

- the information given in the Trustees' report, which includes the Directors' report and the Strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report included within the Trustees' report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 16, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation) For the year ended 31 March 2021

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context were the Gambling Commission, CQC Regulations and General Data Protection Regulations.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be with the completeness and accuracy of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Finance and Income Generation Committee about their own identification and assessment of the risks of irregularities, designing audit procedures over income, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

**Independent Auditor's Report
To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation)
For the year ended 31 March 2021**

For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

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



Guy Biggin
Senior Statutory Auditor
For and on behalf of

Crowe U.K. LLP
Statutory Auditor
Fourth Floor
St James House
St James Square
Cheltenham
GL50 3PR

Date: 25 August 2021

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Consolidated Statement of Financial Activities (incorporating an income and expenditure account)
For the year ended 31 March 2021

	Note	Unrestricted £	Restricted £	2021 Total £	2020 Total £
Income from:					
Donations and legacies	3	2,448,446	54,283	2,502,729	4,262,184
Charitable activities	4	2,362,075	2,250,523	4,612,598	1,999,855
Other trading activities	5	1,284,302	-	1,284,302	3,481,990
Investments	6	120,647	-	120,647	166,347
Other	7	914,420	-	914,420	20,275
Total income		7,129,890	2,304,806	9,434,696	9,930,651
Expenditure on:					
Raising funds	9	2,168,587	163	2,168,750	2,463,024
Charitable activities	9	3,498,247	2,271,414	5,769,661	6,004,563
Total expenditure	9	5,666,834	2,271,577	7,938,411	8,467,587
Net income before net gains / (losses) on investments		1,463,056	33,229	1,496,285	1,463,064
Net gains on property investments	15	50,000	-	50,000	27,150
Net gains / (losses) on listed investments	16	649,261	-	649,261	(382,456)
Net income for the year		2,162,317	33,229	2,195,546	1,107,758
Transfers between funds	25	50,000	(50,000)	-	-
Net movement in funds		2,212,317	(16,771)	2,195,546	1,107,758
Reconciliation of funds:					
Total funds brought forward	25	20,492,583	121,258	20,613,841	19,506,083
Total funds carried forward	25	22,704,900	104,487	22,809,387	20,613,841

The notes on pages 24 to 45 form part of these financial statements.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Consolidated and Charity Balance Sheets
As at 31 March 2021

		Group		Charity	
	Note	2021 £	2020 £	2021 £	2020 £
Fixed assets					
Tangible fixed assets	14	11,379,308	11,644,382	11,379,308	11,644,382
Investment properties	15	665,000	615,000	665,000	615,000
Investments	16	8,767,822	6,026,885	8,767,822	6,026,885
		20,812,130	18,286,267	20,812,130	18,286,267
Current assets					
Stock	19	20,404	18,146	4,076	2,176
Debtors	20	1,267,595	1,770,380	1,296,136	1,920,769
Cash at bank and in hand		1,372,901	1,165,108	1,357,021	1,011,827
		2,660,900	2,953,634	2,657,233	2,934,772
Liabilities					
Creditors: amounts due within one year	21	(663,643)	(626,060)	(660,395)	(607,652)
Net current assets		1,997,257	2,327,574	1,996,838	2,327,120
Total net assets		22,809,387	20,613,841	22,808,968	20,613,387
Funds of the Group and Charity:					
Restricted income funds	25	104,487	121,258	104,487	121,258
Unrestricted funds					
Designated funds		11,577,598	10,396,903	11,577,598	10,396,903
General funds		11,127,302	10,095,680	11,126,883	10,095,226
Total unrestricted funds		22,704,900	20,492,583	22,704,481	20,492,129
Total Group and Charity funds		22,809,387	20,613,841	22,808,968	20,613,387

The Charity's net income for the year was £2,195,581 (2019/20: £1,108,269). The notes on pages 24 to 45 form part of these financial statements.

Approved and authorised for issue by the Board of Trustees on 18 August 2021 and signed on their behalf by:



Mr D Teague – Chair

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Net cash used in operating activities	26	2,368,591	707,151
Cash flows from investing activities:			
Dividends, interest and rents from investments		120,647	166,347
Proceeds from the sale of fixed assets		-	2,685
Purchase of fixed assets		(191,174)	(330,619)
Proceeds from the sale of investments		1,830,366	8,739,379
Purchase of investments		(4,412,956)	(8,583,556)
Movement in investments – cash holdings		490,914	(287,825)
Net cash used in investing activities		(2,162,203)	(293,589)
Change in cash and cash equivalents in the year		206,388	413,562
Cash and cash equivalents at the beginning of the year		1,158,793	745,231
Cash and cash equivalents at the end of the year	27	1,365,181	1,158,793

The notes on pages 24 to 45 form part of these financial statements.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2021

1. Accounting policies

a) Statutory information

St Michael's Hospice (incorporating the Freda Pearce Foundation) is a charitable company limited by guarantee (Company number 01634942 and Charity number 511179) and is incorporated in the United Kingdom. The registered office address and principal place of business is St Michael's Hospice, Bartestree, Hereford, HR1 4HA. This is also the address of its 100% wholly owned subsidiaries.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and the Charities Act 2011.

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

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries - SMH Trading Limited and St Michael's Hospice Development Company Limited - on a line by line basis. Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes of the charitable company's Balance Sheet. A separate Statement of Financial Activities, or income and expenditure account, for the charitable company itself is not presented as permitted by the exemptions afforded by section 408 of the Companies Act 2006 not to include it. The charitable company has also taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cashflow and certain financial instrument disclosures.

c) Public benefit entity

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

d) Going concern

The Trustees consider that there are no material uncertainties about the group's ability to continue as a going concern following their review of the financial position, reserves levels and future plans. In arriving at their decision, the Trustees have thoroughly reviewed the impact of COVID-19 on service demand and delivery and income levels and have taken appropriate mitigating action to minimise risk.

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

e) Income

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

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charitable company 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. Income from voluntary sources is received by way of donations, gifts and fundraising events, and is included in full in the Statement of Financial Activities when receivable. Income from gift aid tax reclaims is recognised for all donations made prior to the year-end where valid gift aid declarations are held.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2021

1. Accounting policies (continued)

For legacies, entitlement is taken as the earlier of the date on which either: the charitable company is aware that probate has been granted, the estate has been finalised and the executor has made notification to the charitable company 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 charitable company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charitable company, or the charitable company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material in note 3.

Income from charitable activities is recognised as services are performed. Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Donations of gifts, services and facilities

In accordance with the Charities SORP (FRS 102), the value of services provided by volunteers is not recognised. The Trustees' annual report contains further information about the invaluable contribution provided by volunteers. On receipt, donated gifts, professional services and donated facilities are recognised based on the value of the gift to the charitable company which is the amount the charitable company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt. Clothing and other goods donated for resale are included in income when they are sold. If an item is significant in value, it would be measured and valued at the year-end.

g) Interest receivable and dividends

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank. Dividends are included when received or declared and receivable.

h) Fund accounting

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for a specific purpose. The notes to the financial statements provide further details. Once the terms and conditions of the restrictions have been met, tangible fixed assets purchased with restricted monies, are transferred to unrestricted funds.

Unrestricted funds are those available for use at the discretion of the Trustees in furtherance of the general objectives of the charitable company and which have not been designated for any other purpose.

Designated amounts within the unrestricted funds represent the total Net Book Value of the freehold land and buildings and assets in the course of construction held at the balance sheet date and funds designated for the development projects and capital investment. Designated funds may also comprise amounts that have been set aside by the Trustees for particular purposes, notably for the purchase of other assets used within the business.

i) 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:

Raising funds - this relates to the costs incurred by the charitable company in procuring voluntary contributions to it, as well as the costs of any activities with a fundraising purpose, including charity shop running costs and investment manager fees. This includes salaries of staff engaged in fundraising activities, direct expenditure and support costs. The cost of fundraising activities is recognised in the year in which it is incurred although the income derived from the activities may arise in future years.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
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I. Accounting policies (continued)

Charitable activities - this includes the costs of delivering services, and other educational activities undertaken to further the purposes of the charitable company and their associated support costs.

Irrecoverable VAT is charged against activities on the same basis as the allocation of support costs.

Governance costs are included within support costs and relate only to external audit fees.

j) Allocation of support costs

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

Inpatient Care	50.0%
Raising Funds	20.5%
In reach (Day Care Services)	2.5%
Supportive & Rehabilitative Care	1.0%
Education & Training	1.0%
Hospice at Home	25.0%

k) Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

l) Tangible fixed assets

Items are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities based on the use of the related assets in those activities. Assets are reviewed for impairment annually to consider if their carrying value may exceed their net realisable value and value in use.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life.

The depreciation rates in use are as follows:

Freehold buildings	
- Main Structure	50 years
- Roof	10 - 40 years
- Windows and doors	25 years
Leasehold property	Over the period of the lease
Medical and nursing equipment and beds	5 – 10 years
Motor vehicles	3 – 7 years
IT Equipment and development	3 – 5 years
Plant and machinery	15 - 25 years
Fixture, fittings and equipment	3 – 5 years

Land and buildings are included at cost. Land and assets in the course of construction are not depreciated. In accordance with the Statement of Recommended Practice, freehold buildings have been categorised into those components which have substantially different useful economic lives.

1. Accounting policies (continued)

m) Investment properties

Investment properties are measured initially at cost and subsequently included in the balance sheet at fair value. Investment properties are not depreciated. Any change in fair value is recognised in the Statement of Financial Activities. The valuation method used to determine fair value is stated in the notes to the financial statements.

n) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the Balance Sheet date using the closing quoted middle market price.

Any change in fair value will be recognised in the Statement of Financial Activities. Investment gains and losses are combined and shown in the heading "Net gains / (losses) on investments" in the Statement of Financial Activities. The charitable company does not directly acquire put options, derivatives or other complex financial instruments.

o) Investments in subsidiaries

Investments in subsidiaries are at cost.

p) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

q) Debtors

Trade debtors, other debtors, accrued income and amounts owed by group entities are recognised at the settlement amount. Prepayments are valued at the amount prepaid net of any trade discounts due.

r) Cash at bank and in hand

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

s) Creditors

Creditors are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

t) Financial instruments

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Listed investments are shown at market value.

I. Accounting policies (continued)

u) Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items in the financial statements where these estimates and judgements have been made include the following:

i) Useful economic lives of tangible assets

The annual depreciation charges for the tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible assets and note I) for the useful lives of each class of asset.

ii) Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, the Trustees consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 20 for the net carrying amount of the debtors and associated impairment provision.

iii) Accrued legacy income

Legacy income is accrued if probate has been granted prior to the year-end, and the estate has been finalised, or the executor has made notification to the charitable company that a distribution will be made, or when a distribution is actually received, mitigating estimation uncertainty as income can be measured reliably.

v) Pensions

Defined benefit scheme

The charitable company contributes to the NHS pension scheme for eligible staff. Such contributions are a fixed percentage of salary. Contributions are charged to the Statement of Financial Activities in accordance with the rules of the scheme. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, it is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to that scheme for the accounting period. The charitable company has no ongoing liability once the standard contributions to the scheme are made.

Defined contribution schemes

Where staff are not eligible to join the NHS pension scheme, they can opt to join a group personal pension plan scheme. St Michael's also contributes to the personal schemes of individual employees. Such contributions are a fixed percentage of salary. In accordance with workplace pension legislation, eligible employees who are not already in a compliant pension scheme are automatically enrolled into a workplace pension scheme. Contributions are charged to the Statement of Financial Activities in accordance with the rules of the schemes.

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2. Detailed comparatives for the Statement of Financial Activities

	Note	Unrestricted £	Restricted £	2020 Total £
Income from:				
Donations and legacies	3	4,237,278	24,906	4,262,184
Charitable activities	4	1,941,083	58,772	1,999,855
Other trading activities	5	3,481,990	-	3,481,990
Investments	6	166,347	-	166,347
Other	7	16,269	4,006	20,275
Total income		9,842,967	87,684	9,930,651
Expenditure on:				
Raising funds	9	2,454,916	8,108	2,463,024
Charitable activities	9	5,970,180	34,383	6,004,563
Total expenditure	9	8,425,096	42,491	8,467,587
Net income before net losses on investments		1,417,871	45,193	1,463,064
Net gains on property investments	15	27,150	-	27,150
Net losses on listed investments	16	(382,456)	-	(382,456)
Net income for the year		1,062,565	45,193	1,107,758
Transfers between funds	25	22,830	(22,830)	-
Net movement in funds		1,085,395	22,363	1,107,758
Reconciliation of funds:				
Total funds brought forward	25	19,407,188	98,895	19,506,083
Total funds carried forward	25	20,492,583	121,258	20,613,841

St Michael's Hospice (incorporating the Freda Pearce Foundation)
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3. Income from donations and legacies

	Unrestricted	Restricted	2021 Total	2020 Total
	£	£	£	£
Donations	651,575	1,080	652,655	725,885
Grants & Trusts	235,532	53,000	288,532	76,795
Community fundraising activities	193,848	203	194,501	488,656
Legacies	1,367,491	-	1,367,491	2,970,848
Total	<u>2,448,446</u>	<u>54,283</u>	<u>2,502,729</u>	<u>4,262,184</u>

As at 31 March 2021 the charity had been notified of several legacies, the values of which were uncertain as the executors were awaiting confirmation of other claims on the estate and may also be in the process of realising assets such as residential property. The estimated total of these legacies could be up to £1,085,000. None of these legacies have been accrued in the financial statements.

St Michael's received personal protective equipment from the NHS. It has not been possible to reliably estimate the value of these items and they are therefore not included in donations above.

4. Income from charitable activities

	Unrestricted	Restricted	2021 Total	2020 Total
	£	£	£	
Nursing & medical care	913,033	-	913,033	654,000
Grants from grant making trusts	-	4,380	4,380	18,772
Hospice at Home	1,228,203	-	1,228,203	1,086,104
NHS England	-	2,246,143	2,246,143	-
Other care services	46,000	-	46,000	49,895
Pharmacy supplies	158,814	-	158,814	90,950
Education and training	16,025	-	16,025	100,134
Total	<u>2,362,075</u>	<u>2,250,523</u>	<u>4,612,598</u>	<u>1,999,855</u>

£2,316,254 (2019/20: £1,795,342) was received from the Herefordshire Clinical Commissioning Group. £29,796 (2019/20: £29,796) was received from Powys Local Health Board. £2,246,143 was received from NHS England (2019/20: £nil). NHS England awarded the funding to allow the St Michael's to make available bed capacity and community support from April 2020 to July 2020 to provide support to people with complex needs in the context of the COVID-19 situation, and to provide bed capacity and community support from November 2020 to March 2021 for the same purpose. £nil was received from the Worcestershire Clinical Commissioning Group (2019/20: £40,000). £nil (2019/20: £10,397) was received from Health Education England. £nil (2019/20: £32,912) was received from Herefordshire Council. £nil (2019/20: £22,899) was received from Dementia UK.

There were no unfulfilled conditions or other contingencies attached to these income receipts.

5. Income from other trading activities

	Unrestricted	Restricted	2021 Total	2020 Total
	£	£	£	£
Fundraising events	177,776	-	177,776	227,725
Lottery	321,812	-	321,812	372,059
Retail shops	774,543	-	774,543	2,826,652
Other	10,171	-	10,171	55,554
Total	<u>1,284,302</u>	<u>-</u>	<u>1,284,302</u>	<u>3,481,990</u>

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6. Income from investments

	Unrestricted £	Restricted £	2021 Total £	2020 Total £
Bank interest received	1,059	-	1,059	1,858
Investment interest & dividends	92,155	-	92,155	145,889
Rental income	27,433	-	27,433	18,600
Total	<u>120,647</u>	<u>-</u>	<u>120,647</u>	<u>166,347</u>

7. Other Income

	Unrestricted £	Restricted £	2021 Total £	2020 Total £
Government Grants – Coronavirus Job Retention Scheme	424,292	-	424,292	9,554
Government Grants – Retail Support	481,657	-	481,657	-
Crematorium Fees	6,888	-	6,888	6,313
Disposal of fixed assets	-	-	-	309
Other	1,583	-	1,583	4,099
Total	<u>914,420</u>	<u>-</u>	<u>914,420</u>	<u>20,275</u>

8. Net income for the year

This is stated after charging:	2021 £	2020 £
Depreciation	486,002	536,685
Net profit on disposal of fixed asset	-	309
Operating lease rentals: - property	271,972	273,580
- other *	18,922	16,261
Auditor's remuneration: - audit	13,420	13,400
- other services	1,925	2,550
Interest receivable	1,059	58,948

* 2020 restated to include leased vehicles

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9. Analysis of expenditure

	Charitable Activities								2021 Total £	2020 Total £
	Cost of raising funds £	Inpatient Care £	In reach / Day Care £	Supportive & Rehab Care £	Hospice at Home & Community £	Education & Training £	Governance costs £	Support costs £		
Staff costs (Note 10)	1,138,829	2,016,513	220,420	353,526	1,058,001	6,430	-	615,754	5,409,473	5,667,992
Medical Consultants	-	194,634	44,773	-	-	-	-	-	239,407	225,546
Other Staff Costs	6,130	22,099	98	131,292	5,098	3,193	-	23,020	190,930	192,195
Retail Purchases	22,074	-	-	-	-	-	-	-	22,074	88,504
Lottery Prizes	78,000	-	-	-	-	-	-	-	78,000	80,999
Events	25,588	-	-	-	-	-	-	-	25,588	65,237
Community	5,611	-	-	-	-	-	-	-	5,611	26,052
Investment Management Fees	12,246	-	-	-	-	-	-	-	12,246	12,833
Education	217	5,078	36	36	1,814	72	-	-	7,253	8,645
Communications	3,898	2,923	244	244	1,949	487	-	-	9,745	25,968
Premises & Equipment	342,127	28,043	13	13	7,235	1,225	-	167,945	546,601	575,552
Transport & Travel *	26,755	451	122	265	39,884	-	-	3,242	70,719	89,368
Telephones & Computers	26,168	28,129	5,774	6,663	34,259	1,025	-	181,259	283,277	213,383
Catering & Cleaning	37,709	67,713	345	345	345	-	-	26,928	133,385	199,208
Professional Fees	4,303	574	-	3,270	-	-	13,420	10,682	32,249	90,535
Depreciation	85,371	25,936	424	2,316	16,152	139	-	355,664	486,002	536,685
Medical & Nursing Supplies	-	217,342	-	35	5,271	-	-	-	222,648	156,449
Other Supplies & Services *	51,866	18,741	603	3,760	3,445	10,228	-	74,560	163,203	212,436
	1,866,892	2,628,176	272,852	501,765	1,173,453	22,799	13,420	1,459,054	7,938,411	8,467,587
Support costs	299,107	729,527	36,476	14,590	364,763	14,591	-	(1,459,054)	-	-
Governance costs	2,751	6,710	336	134	3,355	134	(13,420)	-	-	-
Total expenditure 2021	2,168,750	3,364,413	309,664	516,489	1,541,571	37,524	-	-	7,938,411	-
Total expenditure 2020	2,463,024	3,413,040	376,983	531,163	1,643,237	40,140	-	-	-	8,467,587

*restated re vehicle insurance

St Michael's Hospice (incorporating the Freda Pearce Foundation)
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10. Staff costs and numbers

Staff costs were as follows:

	2021	2020
	£	£
Salaries and wages	4,632,353	4,804,714
Redundancy and termination costs	557	41,508
Social security costs	370,625	391,397
Pension contributions – defined benefit scheme	184,038	210,253
Pension contributions – defined contribution schemes	221,900	220,120
	<u>5,409,473</u>	<u>5,667,992</u>

The following number of employees received employee benefits (excluding employer national insurance and pension costs) during the year between:

	2021	2020
	No.	No.
£60,000 - £69,999	1	1
£80,000 - £89,999	1	1

The charitable company considers its key management personnel during the year to comprise the Trustees and the Strategic Management Team - who are the Chief Executive and three other key directors, one of which is contracted with the local NHS Trust and included in Medical Consultants costs and not staff costs above. The total cost (including employer national insurance costs and pension contributions) of the key management personnel was £423,949 (2019/20: £482,450). The Trustees were not paid nor received any other benefits from employment with St Michael's in the year (2019/20: £nil).

11. Staff numbers

The average number of employees (head count based on number of staff employed) and whole-time equivalents (WTE) during the year were as follows:

	2021	2021	2020	2020
	Head	WTE	Head	WTE*
	Count		Count*	
Inpatient Care	78	52	83	54
In reach / Day Care Services	15	9	18	11
Supportive & Rehabilitative Care	13	9	12	9
Hospice at Home	34	25	40	27
Externally provided education and training	1	1	1	1
Support	23	16	22	16
Raising funds	65	41	64	41
	<u>229</u>	<u>153</u>	<u>240</u>	<u>159</u>

* Restated to include Housekeeping & Domestic staff within support.

12. Related party transactions

During the year, the charitable company entered into transactions for the purchase of services as described below:

Humfrys & Symonds (Trustee Mr D Campion is a Director) for the purchase of conveyancing totalling £nil (2019/20: £2,160 for the purchase of conveyancing). £nil was outstanding at 31st March 2021 (2019/20: £nil).

One family member of a Trustee who served during the year (Mrs J Winney) was employed by St Michael's on standard employment terms and conditions – their total remuneration (including employer national insurance costs and pension contributions) was £15,789 (2019/20: £48,118, representing total remuneration for two family members of Mrs J Winney and Revd Preb KB Garlick).

During the year a management charge was made by the charitable company to SMH Trading Limited of £28,073 excluding VAT (2019/20: £162,217). At the end of the year gift aid of £23 (2019/20: £9,480) was payable by SMH Trading Limited to the charitable company. The total year-end balance owed to the charitable company was £28,553 (2019/20: £150,543).

13. Taxation

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

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2021

14. Tangible fixed assets – Group and Charity

	Freehold land & buildings £	Assets in the course of construction £	Leasehold property £	Medical & nursing equipment & beds £	Fixtures, fittings & equipment £	Information technology £	Plant & machinery £	Motor vehicles £	Total £
Cost									
At the start of the year	11,126,076	-	287,544	212,094	635,275	131,432	1,114,828	257,260	13,764,509
Additions in year	-	113,692	2,595	15,905	14,825	2,543	69,168	2,200	220,928
Disposals in year	-	-	-	(4,857)	(3,800)	-	-	-	(8,657)
At the end of the year	<u>11,126,076</u>	<u>113,692</u>	<u>290,139</u>	<u>223,142</u>	<u>646,300</u>	<u>133,975</u>	<u>1,183,996</u>	<u>259,460</u>	<u>13,976,780</u>
Depreciation									
At the start of the year	945,462	-	180,862	131,933	438,911	72,672	202,512	147,775	2,120,127
Charge for the year	247,899	-	31,323	12,897	81,160	25,371	59,113	28,239	486,002
Disposals in year	-	-	-	(4,857)	(3,800)	-	-	-	(8,657)
At the end of the year	<u>1,193,361</u>	<u>-</u>	<u>212,185</u>	<u>139,973</u>	<u>516,271</u>	<u>98,043</u>	<u>261,625</u>	<u>176,014</u>	<u>2,597,472</u>
Net book value									
At the end of the year	<u>9,932,715</u>	<u>113,692</u>	<u>77,954</u>	<u>83,169</u>	<u>130,029</u>	<u>35,932</u>	<u>922,371</u>	<u>83,446</u>	<u>11,379,308</u>
At the start of the year	<u>10,180,614</u>	<u>-</u>	<u>106,682</u>	<u>80,161</u>	<u>196,364</u>	<u>58,760</u>	<u>912,316</u>	<u>109,485</u>	<u>11,644,382</u>

Land with a value of £499,789 (2019/20: £499,789) is included within Freehold Land and Buildings and is not depreciated. All the above assets are used for charitable purposes.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
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15. Investments Properties – Group and Charity

	2021	2020
	£	£
Fair value at the start of the year	615,000	370,000
Additions – transfer from fixed assets	-	217,850
Revaluation during the year	50,000	27,150
	<u>665,000</u>	<u>615,000</u>
Fair Value at the end of the year	665,000	615,000

The properties were last valued on an open market valuation basis on 29th April 2021 by Alister Walshe FNAEA FNAVA of Stooke, Hill & Walshe. Being a related party, the Board of Trustees have approved the valuation.

16. Investments – Group and Charity

	2021	2020
	£	£
Fair value at the start of the year	5,511,779	5,879,459
Transfers	-	170,599
Additions at cost	4,412,956	8,583,556
Disposal proceeds	(1,830,366)	(8,739,379)
Net (loss) / gain on change in fair value	649,261	(382,456)
	<u>8,743,630</u>	<u>5,511,779</u>
Investments - cash holdings	24,192	515,106
Fair value at the end of the year	8,767,822	6,026,885

Investments comprise:	2021	2020
	£	£
UK Fixed Interest	3,796,540	3,077,959
International Fixed Income	493,618	369,093
Equities	1,508,513	1,008,355
Alternative Investments	1,332,949	1,056,361
Cash Funds	1,636,192	515,106
	<u>8,767,811</u>	<u>6,026,874</u>
Investment in subsidiary undertakings incorporated in the UK	1	1
Investment in Hospice Quality Partnership	10	10
	<u>8,767,822</u>	<u>6,026,885</u>

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17. Subsidiary undertakings

The charitable company owns the whole of the issued ordinary share capital of SMH Trading Limited, a company registered in England, company number 06545386. St Michael's uses the subsidiary for non-primary purpose trading activities.

All activities are consolidated on a line-by-line basis in the Statement of Financial Activities. The Trustees Mr A J Walshe and Ms P A Greenwood who served during the year are also directors of the subsidiary. Available profits are gift aided to the charitable company within 9 months of the year-end.

The table below shows a summary of the subsidiary's results.

	2021	2020
	£	£
Turnover	55,866	285,478
Cost of sales	<u>(25,680)</u>	<u>(111,163)</u>
Gross profit	30,186	174,315
Distribution costs	(11,169)	(64,538)
Administrative expenses	(16,904)	(97,679)
Other operating expenditure	<u>(2,090)</u>	<u>(2,618)</u>
Operating profit	23	9,480
Taxation	<u>-</u>	<u>-</u>
Profit after taxation	23	9,480
Retained earnings at the start of the year	563	563
Profit for the year	23	9,480
Gift aid donation	<u>(23)</u>	<u>(9,480)</u>
Retained earnings at the end of the year	<u>563</u>	<u>563</u>
The aggregate of the assets, liabilities and funds was:		
Assets	32,365	168,579
Liabilities	<u>(31,801)</u>	<u>(168,015)</u>
	<u>564</u>	<u>564</u>
Funds:		
Share capital	1	1
Retained profits	<u>563</u>	<u>563</u>
	<u>564</u>	<u>564</u>

Distribution costs and administrative expenses totalling £28,073 (2019/20: £162,217) represent a management charge from the parent entity. Amounts owed to the parent undertaking are shown in note 20.

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17. Subsidiary undertakings (continued)

The charitable company also owns the whole of the issued ordinary share capital of St Michael's Hospice Development Company Limited, a company registered in England, company number 07039211.

St Michael's used the subsidiary for the redevelopment of the hospice buildings and surroundings.

All activities are consolidated on a line-by-line basis in the Statement of Financial Activities. The Trustee Mr D Teague is also a director of the subsidiary. Available profits are covenanted to the charitable company as appropriate within 9 months of the year-end. The company is to become dormant.

A summary of the results of the subsidiary is shown below:

	2021	2020
	£	£
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Other operating expenditure	(35)	(116)
Operating loss	(35)	(116)
Taxation	-	-
Loss after taxation	(35)	(116)
Retained (losses) / earnings at the start of the year	(110)	400
Loss for the year	(35)	(116)
Gift aid donation	-	(394)
Retained losses at the end of the year	<u>(145)</u>	<u>(110)</u>
The aggregate of the assets, liabilities and funds was:		
Assets	856	826
Liabilities	<u>(1,000)</u>	<u>(935)</u>
	<u>(144)</u>	<u>(109)</u>
Funds:		
Share capital	1	1
Retained losses	<u>(145)</u>	<u>(110)</u>
	<u>(144)</u>	<u>(109)</u>

St Michael's Hospice Development Company Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A.

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18. Parent charity

The parent charity's gross income and results for the year are disclosed as follows:

	2021	2020
	£	£
Gross income and gains on investments	10,106,187	9,461,565
Gross expenditure	<u>7,910,606</u>	<u>8,353,296</u>
Net income	<u>2,195,581</u>	<u>1,108,269</u>

19. Stock

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Goods for resale	<u>20,404</u>	<u>18,146</u>	<u>4,076</u>	<u>2,176</u>
	<u>20,404</u>	<u>18,146</u>	<u>4,076</u>	<u>2,176</u>

20. Debtors

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	23,075	42,904	22,063	42,904
Amounts owed by group undertaking	-	-	29,553	150,543
Other debtors	90,958	67,320	90,958	67,166
Prepayments	103,303	102,182	103,303	102,182
Accrued income	<u>1,050,259</u>	<u>1,557,974</u>	<u>1,050,259</u>	<u>1,557,974</u>
	<u>1,267,595</u>	<u>1,770,380</u>	<u>1,296,136</u>	<u>1,920,769</u>

Trade debtors are stated after impairment provision totalling £nil (2019/20: £10,469). Except for listed investments, all the group's financial instruments, both assets and liabilities, are measured at settlement value. The carrying values of these are shown above and in note 21 below.

21. Creditors: amounts due within one year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Bank overdraft	7,720	6,315	7,720	6,315
Trade creditors	88,947	103,617	88,017	99,162
Taxation and social security	89,365	90,452	89,365	90,452
Other creditors	80,529	77,785	80,062	65,669
Accruals	181,569	136,515	179,718	134,678
Deferred income	<u>215,513</u>	<u>211,376</u>	<u>215,513</u>	<u>211,376</u>
	<u>663,643</u>	<u>626,060</u>	<u>660,395</u>	<u>607,652</u>

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22. Deferred income

Deferred income comprises advance ticket sales for the lottery, fundraising income for events that did not occur until after the balance sheet date and a legacy deferred for legal reasons. Except for the legacy of £128,500 (2019/20: £128,500), all the deferred income of the previous year was released in the current year.

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Balance at the beginning of the year	211,376	227,627	211,376	227,627
Amount released to income in the year	(82,876)	(99,127)	(82,876)	(99,127)
Amount deferred in the year	87,013	82,876	87,013	82,876
Balance at the end of the year	215,513	211,376	215,513	211,376

23. NHS pension scheme

The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS employees and certain employees of other approved organisations allowed under the direction of the Secretary of State in England and Wales. St Michael's is an approved organisation. The Scheme provides pensions, based on final salary, in varying circumstances for employees of participating employers.

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes.

The valuation of the scheme liability as at 31 March 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used. The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.68% (including a 0.08% scheme administration levy) of pensionable pay and employees contribute on a tiered scale from 5% - 14.5% of their pensionable pay depending on total earnings. Prior to this the employer contribution rate payable was 14.38%. The government has committed to cover this cost increase for a certain category of employer's, including St Michael's, recurring annually until 31 March 2023.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process.

The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

All pension charges are charged to unrestricted funds in line with the fund out of which the wages and salaries are paid. The amount charged to the Statement of Financial Activities in the year was £184,038 (2019/20: £210,253). Employee and employer contributions outstanding as at 31 March 2021 was £26,044 (2019/20: £26,130).

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24. Analysis of group net assets between funds (current year)

	General unrestricted	Designated	Restricted	Total funds
	£	£	£	£
Tangible fixed assets	1,332,901	10,046,407	-	11,379,308
Investments	9,432,822	-	-	9,432,822
Net current assets	361,579	1,531,191	104,487	1,997,257
Net assets at the end of the year	<u>11,127,302</u>	<u>11,577,598</u>	<u>104,487</u>	<u>22,809,387</u>

24a Analysis of group net assets between funds (prior year 2020)

	General unrestricted	Designated	Restricted	Total funds
	£	£	£	£
Tangible fixed assets	1,463,768	10,180,614	-	11,644,382
Investments	6,641,885	-	-	6,641,885
Net current assets	1,990,027	216,289	121,258	2,327,574
Net assets at the end of the year	<u>10,095,680</u>	<u>10,396,903</u>	<u>121,258</u>	<u>20,613,841</u>

25. Movements in group funds (current year)

	At 1 April 2020	Income	Expenditure	Transfers	Gains / (Losses)	At 31 March 2021
	£	£	£	£		£
Restricted funds:						
Patient care	99,426	2,246,346	(2,263,409)	-	-	82,363
Funds for other specific items	21,832	58,460	(8,168)	(50,000)	-	22,124
Total restricted funds	<u>121,258</u>	<u>2,304,806</u>	<u>(2,271,577)</u>	<u>(50,000)</u>	<u>-</u>	<u>104,487</u>
Unrestricted funds:						
Designated funds						
Property fund	10,180,614	-	(247,899)	113,692	-	10,046,407
Capital investment fund	216,289	-	(2,238)	147,140	-	361,191
Development fund	-	-	-	1,170,000	-	1,170,000
Total designated funds	<u>10,396,903</u>	<u>-</u>	<u>(250,137)</u>	<u>1,430,832</u>	<u>-</u>	<u>11,577,598</u>
General funds	<u>10,095,680</u>	<u>7,129,890</u>	<u>(5,416,697)</u>	<u>(1,380,832)</u>	<u>699,261</u>	<u>11,127,302</u>
Total unrestricted funds	<u>20,492,583</u>	<u>7,129,890</u>	<u>(5,666,834)</u>	<u>50,000</u>	<u>699,261</u>	<u>22,704,900</u>
Total funds at 31 March 2020	<u>20,613,841</u>	<u>9,434,696</u>	<u>(7,938,411)</u>	<u>-</u>	<u>699,261</u>	<u>22,809,387</u>

Transfers represent the release of restricted and designated funds as they are expended on capital items.

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Purpose of restricted funds - Restricted funds totalling £104,487 (2019/20: £121,258) comprise:

- i Patient Care** - In addition to £121,258 (2019/20: £64,382) at the start of the year restricted for care purposes an additional £2,304,806 (2019/20: £41,150) was received during the year from individual donations and NHS England via Hospice U.K. £2,271,577 (2019/20: £6,106) was expended for these purposes during the year.
- ii Funds for other specific items** - In addition to £21,832 (2019/20: £34,513) at the start of the year, a further £58,460 (2019/20: £45,284) was received from grant-making trusts and individual donations. £8,168 (2010/20: £35,135) was expended on these purposes during the year. A further £50,000 was utilised and released capital items and transferred.

Purpose of designated funds - Designated funds totalling £11,577,598 (2019/20: £10,396,903) comprise:

- i The property fund** - This equates to the net book value of the freehold land and buildings. The transfer of £113,692 represents capital expenditure on the carpark expansion project, £50,000 utilised and released from restricted funds, and £63,692 utilised and released from the capital investment fund.
- ii The capital investment fund** - The capital investment fund was established to support the purchase and development of retail premises at 77-83 Whitecross Road, to develop car parking facilities and to support investment in income generation activities. Of the £1.3 million originally designated, £216,289 remained at the beginning of the year. £2,238 was expended during the year. A further £63,692 was utilised and released to the property fund re the carpark expansion project and £69,168 was utilised and released to general funds relating to other capital expenditure. £280,000 was transferred in from general funds to support future capital investment projects.
- iii The development fund** - £1,170,000 was designated at the end of the financial year to support workforce and care service development initiatives.

25a. Movements in group funds (prior year 2020)

	At 1 April 2019 £	Income £	Expenditure £	Transfers £	Gains / (Losses)	At 31 March 2020 £
Restricted funds:						
Patient care	64,382	41,150	(6,106)	-	-	99,426
Funds for other specific items	34,513	45,284	(35,135)	(22,830)	-	21,832
Eric Bayliss nurses fund	-	1,250	(1,250)	-	-	-
Total restricted funds	98,895	87,684	(42,491)	(22,830)	-	121,258
Unrestricted funds:						
Designated funds						
Property fund	10,527,151	-	(244,872)	(101,665)	-	10,180,614
Capital investment fund	358,894	-	(11,299)	(131,306)	-	216,289
Total designated funds	10,886,045	-	(256,171)	(232,971)	-	10,396,903
General funds	8,521,143	9,842,967	(8,168,925)	255,801	(355,306)	10,095,680
Total unrestricted funds	19,407,188	9,842,967	(8,425,096)	22,830	(355,306)	20,492,583
Total funds at 31 March 2020	19,506,083	9,930,651	(8,467,587)	-	(355,306)	20,613,841

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26. Reconciliation of net income to net cash flow from operating activities

	2021	2020
	£	£
Net income for the reporting period (as per Consolidated Statement of Financial Activities)	2,195,546	1,107,758
Depreciation	486,002	536,685
(Gains) / losses on investments	(699,261)	355,306
Legacy shares transferred to investments	-	(170,599)
Legacy asset transferred to fixed assets	(2,200)	(2,500)
Dividends, interest and rent from investments	(120,647)	(166,347)
Profit on disposal of fixed assets	-	(309)
Increase in stocks	(2,258)	(1,211)
Decrease / (increase) in debtors	502,785	(924,576)
Increase / (decrease) in creditors	8,624	(27,056)
Net cash provided by operating activities	<u>2,368,591</u>	<u>707,151</u>

27. Analysis of cash and cash equivalents

	At 1 April 2020	Cash flows	At 31 March 2021
	£	£	£
Cash at bank and in hand	1,165,108	207,793	1,372,901
Bank overdrafts	(6,315)	(1,405)	(7,720)
Increase in the year	<u>1,158,793</u>	<u>206,388</u>	<u>1,365,181</u>

28. Operating lease commitments

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

	Property		Equipment	
	2021	2020	2021	2020 *
	£	£	£	£
Less than one year	234,732	242,566	18,640	10,551
Later than one to five years	515,286	711,951	41,169	-
Over five years	132,625	180,867	-	-
	<u>885,643</u>	<u>1,135,384</u>	<u>59,809</u>	<u>10,551</u>

*Restated to include lease vehicles

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29. Capital commitments

At the balance sheet date, the group and charity had committed to £33,468 (2019/20: £nil) in respect of the expansion of St Michael's car park facilities.

30. Financial Instruments

Except for listed investments, all the group's financial instruments, both assets and liabilities, are measured at settlement value. Listed investments are shown at market value. Financial assets include cash at bank and in hand, trade and other debtors and accrued income. Financial liabilities include bank overdrafts, trade and other creditors and accruals. The carrying values of these are shown in notes 16, 20, 21 and 27.

31. Legal status of charity

St Michael's is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £2.

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