

“Our thanks to the generosity of the people of mid-Staffordshire and for the dedication of our staff.”

**OUR DIRECTORS' AND TRUSTEES' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

A Company Limited by Guarantee not having share capital

Registered company number 02700516 (England and Wales)

Registered charity number 1011712

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Chairman's Statement

Just like for the other members of our community, the pandemic continued to disrupt all of our activities for another year. It was another uncertain period and there were many challenges including for care services, income generation and volunteering. We were extremely fortunate that, due to the incredible response to our emergency fundraising campaign the year before, we could continue to help local families whilst we rebuilt our retail and fundraising income streams. We will remain ever grateful for this support at a time when we needed it the most.



Gradually, and in line with guidance, the different areas of our organisation emerged from their various stages of lockdown. We have started to welcome back an increasing number of former day patients for face to face appointments, we've held fundraising events again, and our shops are once again open for business. The Board of Trustees are thankful for the flexibility and willingness of our teams during many difficult months. One of the greatest impacts was on our retail teams. Staff and volunteers were faced with volumes of donations that were difficult to process at times, and then endured a period where, due to Covid-related absences and difficulties recruiting staff, it was difficult to keep some stores open. Our sincere thanks to all those who helped us through this period. Another challenge was the need to cease accepting admissions for new patients due to care staff testing positive for Covid-19. This happened twice last year (once for in-patients and once for patients at home and in the community). Both instances were brief and we were able to reduce the impact on families to the minimum.

Despite the many challenges we faced because of the pandemic, during the year we developed a new strategy for our care services. We engaged with a wide array of healthcare professionals, patients and families, supporters, staff, volunteers and members of the public. The outcome is a new vision that people live well and die with dignity in a place of their choice, alongside a clear plan for how we can best support local families.

The biggest change to services has seen our former day therapies evolve into more bespoke and specialist outpatient services. These services will be in the form of clinic appointments in the newly named Katharine House Therapy & Wellbeing Centre. Telephone support will continue to be offered where it's more appropriate for the patient.

Whilst our strategy has brought some changes in how we might deliver care, we remain committed to helping local adults with complex, progressive illnesses from diagnosis to the end of life, and we continue to support those close to them. Our priority remains delivering free, high quality, specialist palliative care, advice and guidance.

As Neil Grannon stepped down as our Director of Care we were delighted to welcome Dave Fletcher into the role. Neil was pivotal in helping us to navigate how to continue to care for patients during the pandemic and we were very appreciative of his input. Dave joins us as we look to the future, and he will lead on the implementation of our new strategy.

Last year was challenging from an operational perspective, with recruitment and retention proving particularly difficult and leading to a high level of vacancies, but financially the year was extremely positive. Fundraising and retail income both outperformed our budget expectations, whilst vacancies led to unintended cost savings. The year also saw over £500k of one-off additional funding from the NHS and an extraordinarily high level of income from gifts in wills which totalled £1m. This has led to the highest surplus since the Charity began at £2.3m. The Trustees have decided that this needs to be reinvested in reconfiguring, developing, and improving the Hospice's services and have therefore set a deficit budget for the following financial year, and planned deficits for the two years after that.

A number of our volunteers returned to their roles last year, but many of those in patient-facing roles were asked to remain at home. We hope to begin to invite more of them back in the coming weeks and months. In 2022 we were finally able to hold our Volunteers' Thank You Evening for the first time since 2019. It was wonderful to see so many familiar faces, and to have the opportunity to thank volunteers for their continued loyalty and support. The event included three awards acknowledging an incredible 30 years of service from Joan Horton, Maureen Caveney and Jim Strafford, we are very grateful to them for their tireless and continued support.

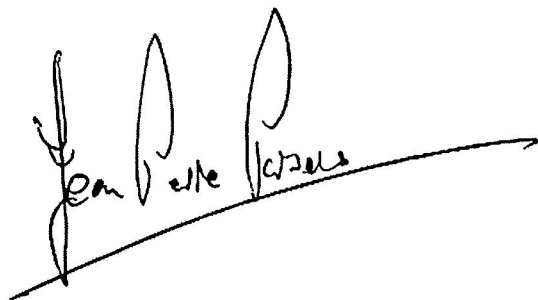
Our Board and Committee meetings have evolved into a hybrid of face to face and virtual attendance and at the time of writing we are organising our first face to face Board meeting since January 2019. This will be very welcome indeed. No new Trustees joined the Board during the year but Sue Milakovic and Mark Evans both stepped down. The Board is grateful for their contributions. Kate Sallah and Rosie Musson joined the Board of Embrace Quality Care as Independent Directors and have already made an impact since their arrival, and Kate now chairs this Board.

It is with deep sadness that I must share the loss of our Honorary Treasurer Ian Starkie who died suddenly and unexpectedly earlier this year. A Board member for 9 years, Ian was respected by his fellow trustees and managers and all the staff he came into contact with. He was universally well-regarded and contributed a great deal to the running and governance of the Charity as well as helping to raise funds.

We also lost two valuable members of our retail & transport team this year. The unrelated deaths of drivers Jim Hall and Gerry McCloskey shocked and saddened us all. They were well-liked by their colleagues and customers and are greatly missed.

As always we remain indebted to our community and I would like to thank everyone who has supported us this year, it is only thanks to you that we are able to go on supporting local families facing the challenges of a life-limiting condition.

I would like to end with a personal note of thanks. It is my intention to step down as Chairman in November 2022 and so this will be my final Chairman's Statement. After 12 years serving on the Board I feel that the time is right to make way for new ideas and fresher thinking. It has been a privilege to work alongside some super Trustees, managers, staff and volunteers and I would like to thank them all. I wish everyone connected with Katharine House Hospice future success as teams continue to adapt to meet the growing and changing needs of our community.

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

Jean-Pierre Parsons
Chairman

Our Vision...

“People live well and die with dignity in a place of their choice”



katharine
house
hospice




embracing life and living



Our Mission...

“We help local adults with complex, progressive illnesses from diagnosis to the end of life through free, high quality, specialist palliative care, advice and guidance, and we support those close to them.”

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Annetta's story

Annetta's parents, Ann and Harry, were cared for by our Embrace team and Annetta was also supported by our counselling team after their deaths.

She says ... 'Because it was so close, mum with motor neurone disease and dad 18 months later, which was unexpected, I needed some help with my mental health and they were here. The counsellor was so nice, she put me at my ease and just sat and listened to me go on about good times, bad times all the horrible bits that you go through when you see your parents in such a situation. She was just really nice. We are very lucky to have such super people here, the bereavement service has helped me to cope.'



Tracey's story

Tracey's dad Royston suffered from three brain tumours and was eventually given 18 months to live. He was supported by Katharine House at the end of his life.

Tracey says ... 'I cannot fault any of the team, they were so caring and helpful. It was very hard watching my father get weaker and weaker every day, but the team were very supportive.'

'They went above and beyond to make sure my father was comfortable. KHH was more than I could have imagined. The knowledge and experience of all the staff from the carers to top management is priceless and without the KHH team I don't think we would have got through the situation as calmly and with as much understanding as we did.'



'Thank you so much for being there for my family.'

TRUSTEES' AND DIRECTORS' ANNUAL REPORT 2022

INTRODUCTORY INFORMATION

1. Introduction

The directors of the charitable company Katharine House Hospice (the Charity) are its Trustees for the purpose of charity law and are pleased to present their annual report together with the consolidated financial statements of the Charity and its subsidiaries for the year ended 31 March 2022, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

As the company now meets the requirements to prepare a 'strategic report', this is included within the annual report and comprises sections 5 to 7 inclusive.

In summary, the year has been challenging for our operations, with difficulties recruiting for retail and healthcare assistants in the community and the lack of availability of specialist builders hampering the Charity's ability to deliver its strategic aims. Outbreaks of Covid within our staff teams as social restrictions were eased caused two of our services to be closed for admissions at different times for periods of 2 and 3 weeks.

Financially the year has seen the highest level of legacy receipts at £969k since the Charity was formed. Additional NHS funding, a strong performance in retail, and sound fundraising and lottery performances have seen our income increase from £8.3m to £8.9m. Whilst the problems with recruitment have caused operational issues, it has meant lower than anticipated expenditure. This has left the Charity with a surplus of £2.3m and free reserves of £4.89m.

Services have not yet returned to pre-pandemic levels, although the number of patients and families we supported increased from 1,131 to 1,215.

2. How we make a difference

2.1 Legal Purpose

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

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

2.2 Our Mission

Our mission is:

"We help local adults with complex, progressive illnesses from diagnosis to the end of life through free, high quality, specialist palliative care, advice and guidance, and we support those close to them".

2.3 Our Services

In fulfilling its purpose Katharine House Hospice focuses on the provision of specialist palliative and end of life care. These services are free of charge and support people and their families affected by any progressive, life-limiting conditions. The nature of these services are described below.

Community Services

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

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

Well Being Programmes

6 week programmes of advice, education, and support for up to 15 patients once a week. The programme is designed for patients earlier in the disease to learn about different aspects of their condition and improve self-management. This is now relaunched as a virtual programme. A service recommenced on site, but increased levels of Covid meant we closed the on-premises support to reduce risks to patients.

Inpatient Care

24 hour specialist inpatient care providing symptom control, terminal care or respite care is provided in the Hospice's inpatient unit for up to 8 patients, whilst the Hospice's consultant medical team support 10 dedicated palliative care beds at County Hospital in Stafford.

Lymphoedema Services

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

Other Services

Other services include family support, which includes counselling and bereavement support, and complementary therapies. This service also runs support groups for carers. Counselling and bereavement support is currently being offered remotely. We also provide a volunteer transport service for patients which is currently suspended.

3. The impact of Covid-19

Covid-19 continued to affect the work and operation of the Charity. The main implications have been:

- As the country returned to increased levels of socialisation, so did members of our staff teams who subsequently contracted Covid. Within our care services these are reported to the UK Health Security Agency, which has asked us at separate times to close the inpatient unit and the hospice at home services to new admissions. Whilst we supported existing patients, for short periods we could not admit new patients to these services.
- We have experienced difficulties in recruiting to healthcare assistant positions in our community teams and to all positions within our retail operations.
- Our vacancy factor has been high, running between 7.9% and 13.2%, but at times in retail the vacancies have been 17% of our establishment.

4. Charitable Income Generation

To ensure our services can be delivered at no charge the Charity carries out income generation activities to raise funds to support the work of the Charity, most notably fundraising, lottery, and retailing.

4.1 Approach to Fundraising

The Charity's fundraising activities are carried out by members of our community, volunteers, and paid members of our staff. Fundraising activities are monitored by our Income Generation Committee, which ensures we meet the requirements of the Fundraising Regulator.

On occasion we will employ the services of professional fundraisers where we do not have the in-house skills to carry out the work and in 2021/22 we worked with a company to increase the membership of our lottery. Their activities were monitored by our Head of Fundraising through regular contact with the Sales Manager of the company, monitoring any adverse comments or complaints, and through a weekly in-house monitoring report.

4.1.1 Fundraising Regulator

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

We receive a weekly e-mail advising us of requests under the Fundraising Preference Service to no longer contact donors. In the last year we have received no such requests (2021: 0).

4.1.2 Fundraising Standards

The Charity conducts its fundraising in accordance with the best practice guidelines available, for example from the Fundraising Regulator's Codes of Practice and guidance

from the Institute of Fundraising. We take a relationship-based approach to our fundraising and think about the needs of our supporters (and our beneficiaries) when undertaking all of our fundraising activities.

4.1.3 Fundraising Complaints

Fundraising complaints are considered by two Trustee Committees. In 2021/22 in relation to our fundraising activities the Charity received 4 complaints and 5 adverse comments, (2020/21: 2 complaints, 9 adverse comments), of which 7 related to the lottery. 2 were upheld in full, 2 partially upheld and 5 were not upheld. None of the complaints related to breaches of the Fundraising Code of Conduct. All were followed up swiftly, and concluded within the Charity's complaints policy.

4.1.4 Vulnerable People

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

STRATEGIC REPORT

5. Achievements and Performance

5.1 Summary of Main Achievements

The Hospice has strengthened its financial position, restored its main services excepting Day Therapies, begun to increase patients supported, restored the retail operation to surplus, and begun to repair major operational damage caused by the pandemic. These are detailed more extensively in the sections that follow.

5.2 Progress with 2021/22 Objectives

The principal objectives for 2021/22 revolved around the need to stabilise the organisation following the pandemic and to build a new care strategy for the post pandemic era.

5.2.1 Service Restoration

The inpatient unit beds have been reduced permanently to 8 to reflect the need for more space in the 2 3-bedded bays in the light of the pandemic. The unit maintained its provision throughout the year, although the UK Health Security Agency required us to cease admissions for 10 days due to 3 staff members contracting Covid. A subsequent attempt to close the unit due to increasing infection rates in the staff team was resisted as there was no evidence to indicate the infections were arising due to cross infection at work. Although occupied bed days increased, admissions were at the same level as 2021.

The Day Therapies service has not and will not return in its pre-pandemic form. During the year the team provided telephone support and home visits for patients on this caseload.

Hospice at Home and Embrace Quality Care continued to deliver services throughout the pandemic, although the UK Health Security Agency asked us to stop accepting referrals for two weeks. We complied with this request, but as with the inpatient unit, we will be less inclined to do so in the future unless we can trace infections occurring within the team.

Lymphoedema and the community Palliative Care Nurse Specialist team provided services throughout the year. There was a shift towards a return to more face-to-face visits – either at home or in the clinic, which resulted in a drop in telephone and video contacts.

5.2.2 Care Strategy

During the second half of 2021, a significant engagement exercise was carried out with the public, donors and supporters, clinicians from other providers from a range of specialties, General Practitioners, commissioners, other health care providers, and our own staff and volunteers. The purpose was to elicit views about the future direction of Katharine House's care services. In January 2022, we launched our new strategy, the key points being:

1. To cease providing Day Therapies and replace this service with an outpatient model.
2. Explore the development of a social provision of services through Compassionate Communities via our family support services.
3. To enhance the specialist nursing support to the community, specifically including the introduction of an advice line.
4. To continue providing all other services including: inpatient, hospice at home, lymphoedema, wellbeing, medical services in support of County Hospital's 10-bedded palliative care unit, and Embrace Quality Care.

The decision around Day Therapies arose from learning during the pandemic. We found that some people were better able to access, or felt more comfortable accessing, services virtually. The Day Therapies service allowed people to socialise more, but we were limited to 15 patients per day, and some patients found 5 to 6 hours out of the home too tiring. We had high levels of cancellations as patients did not feel able to attend, or were too ill or in hospital. We feel an outpatient model will allow a wider variety of patients to access shorter and more focussed sessions tailored to their personal needs.

5.2.3 Retail Operations

It was a very difficult year operationally for retail. Staff shortages were caused by difficulties in recruiting and retaining staff and high levels of staff absence, caused mainly by Covid, meant we had to occasionally close two of the smaller units in order to resource the larger ones. We also had to surrender a lease on one of our larger shops. Despite these setbacks the retail managers, staff and volunteers did a tremendous job of restoring the retail operations to profit – exceeding the 2021/22 budget and increasing the amount and percentage of sales that were gift aided to the Hospice, which gives us an additional 25% income from HMRC.

5.2.4 Lottery Operations

A review of our lottery operations, meant we explored the option of outsourcing the lottery and following a tender process we outsourced our lottery to Local Hospice Lottery in July 2022.

5.2.5 Other Operations

We have had a range of issues to address within our support functions. During the year some of the smaller departments struggled due to absence and then vacancies. Most of these issues were resolved during the year or just after the year end.

We have outsourced our payroll services to Compton Hospice in anticipation of our payroll supervisor retiring.

We have explored the possibility of outsourcing our IT services, but have maintained an in-house team and are exploring support from a Managed Services Provider with a new IT Manager who started in July 2022.

5.3 How We Measured Performance and Success

The main measurements for success relate to increasing our provision of services – see section 5.4. Additional items routinely reported to Trustees include:

- Qualitative aspects of care services such as: patient falls, medication errors, pressure ulcers
- Compliance with Care Quality Commission standards
- Health and safety data on accidents and incidents
- Data breaches
- Complaints and outcome of complaints
- Staffing levels against establishment, absence rates, turnover
- Compliance with Fundraising Regulator guidance

Financial information compares each department's performance against budget, in particular retail income and surplus, fundraising surplus, lottery surplus, statutory sector income, and net expenditure on care, support services and overheads.

5.4 2021/22 Charitable Activities

During 2021/22 the activities as we usually measure them continued to be severely disrupted due to the pandemic. The number of individual patients we supported increased from 1,131 to 1,215. A summary of some of the key metrics for our main services is set out in the following table – with some patients accessing services more than once and accessing multiple services.

Year ended	2022	2021	2020	2019	2018
Inpatient bed days	2,214	1,717	2,269	2,454	2,388
Inpatient admissions	125	125	143	176	180
Day therapy attendances	Closed	Closed	1,853	2,053	1,791
Specialist nurse visits	1,286	486	1,071	242	-
Community care contacts	5,998	6,376	6,521	6,806	4,974
Lymphoedema treatments	1,404	514	1,685	1,593	1,778
Telephone/video calls	12,964	15,992	6,760	4,820	3,861

The year saw a shift from remote support for patients to more face-to-face activities, with an increase in occupied bed days, specialist nurse visits, and lymphoedema treatments.

5.5 Summary of Main Operational Challenges

There continue to be changes within the local health economy. Given the dependence of our services on the referral pathways through the NHS, each time there are major changes it disrupts the referrals into our services. Major changes are being implemented within the NHS at present with the introduction of the Integrated Care Boards. At the time of writing it remains very unclear how the new arrangements will work locally in regard to hospices and palliative and end of life care.

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

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

5.6 Summary of Key Objectives for 2022/23

The organisation's major objectives for 2022/23 are:

1. Introduce an outpatient model of service provision to replace the Day Therapies model.
2. Refurbish the Day Therapies building (retitled the Wellbeing and Therapy Centre) to make it fit for the delivery of the outpatient service model.
3. Increase the specialist advice line from 5 days to 7 days a week.
4. Explore collaborative arrangements with other providers, in particular with community and primary care services.
5. Explore the opportunities for developing the Hospice's engagement with Compassionate Communities.
6. Outsource the lottery operation.
7. Replace our current IT servers and upgrade our software.
8. Develop another major retail store.

6. Financial review

6.1 Factors Affecting Financial Performance

6.1.1 Review of Factors Affecting Performance

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

There are a wide range of factors lying outside the direct control of the Charity, of which the pandemic has had and continues to have the greatest impact.

6.1.2 The Relationship with the Clinical Commissioning Groups (CCGs).

£1.25m of the £3.20m needed to fund and operate our services comes from CCGs: (39.1%). The Trustees are pleased to see that end of life care is a high priority with the local NHS, but are concerned to see another reorganisation of commissioning arrangements. Whilst relationships are strong, the local NHS is under extraordinary financial pressures and has been unable to uplift our main grant for the last five years. Although additional support has been made available on a short-term, non-recurrent basis.

6.1.3 Cost Pressures

We continue to see unavoidable costs imposed on the Charity: pension auto-enrolment from April 2014 and the increases in employer contributions from April 2018 and 2019; a 0.5% Apprenticeship Levy from 2017; a 1.25% Health and Social Care Levy in April 2022; a 42% increase in the national minimum wage since January 2016 have all created cost burdens that have hampered the Charity's ability to take our services forward. There are also very considerable increases in the internal costs of compliance, for example, with new fundraising and data protection legislation and gender pay gap reporting.

6.1.4 Recruitment

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

6.1.5 Competition

The external conditions for all income generation have become increasingly competitive, particularly in retail where more charity shops are competing for donations and customers, whilst commercial companies will pay former potential donors for goods they might otherwise have donated or persuade them to sell their items on-line.

6.1.6 Regulatory Burden

The regulatory burdens on the Charity are extensive, burdensome, and costly, both financially and in staff time. Compliance with the Office for National Statistics requirements to provide data, Anti-Money Laundering requirements, and HMRC requirements on making tax digital are a few examples.

6.2 Charitable Income Generation

6.2.1 Performance and Proportion of Income Raised Spent on Raising Funds

In addition to raising funds, fundraising costs include managing the receipt, counting, banking of all donations, thanking all supporters, reclaiming Gift Aid on relevant donations, as well as supporting others to raise funds on our behalf. We received 14,739 donations (2021: 15,988) the smallest of which was 13 pence and the largest was £91,677. Fundraising raised £898,342 gross (2021: £1,310,690).

23 people left a gift in their will (2021: 13) and donated £969,309 (2021: £245,807) this will fund the care for 1 in 4 of our patients in the coming year.

Lottery players paid £459,413 (2021: £437,761) to play the lottery and contributed £253,216 (2021: £255,387) to the Hospice.

Income Source	Gross income	Costs	Net contribution	% FR costs
Fundraising (Excl legacies)	898,342	306,880	591,462	34.2%
Lottery	461,881	208,665	253,216	45.2%

6.2.2 Retail Performance

Following a very poor year in 2020/21 the retail operation returned to profit. Comparative figures for the last two years are provided below.

Year ended	2022	2021	2020
Katharine House Retail Ltd			
Trading income	237,521	165,871	312,155
Job Retention Scheme	--	4,582	3,138
Net Expenses	(172,606)	(117,229)	(238,021)
Net revenues	64,915	53,224	77,272

Year ended	2022	2021	2020
Katharine House Hospice – Charity Shops			
Sale of donated goods	3,656,801	1,064,765	4,394,811
Business rate grants	58,001	587,001	0
Job Retention Scheme	19,468	778,189	33,851
Expenses	(2,729,934)	(2,794,472)	(3,558,057)
Net revenues	1,004,336	(364,517)	870,605
Total Surplus / (Deficit)	1,069,251	(311,293)	947,877

6.3 Review of the Financial Accounts

The accounts for 2021/22 are prepared in accordance with the requirements of the Charities Statement of Recommended Practice (2015) (FRS 102).

6.3.1 Review of the Financial Position

The overall financial performance for the year has been distorted by the pandemic. The picture is so unbalanced that meaningful comparisons are not possible. Retail operations returned a strong financial performance, whilst legacy income was the highest it has ever been.

Key financial aspects of performance are:

1. Legacy income increased by £723,502 to £969,309
2. Revenues from the statutory sector decreased by £933,713 – due to the reduction in NHS England's non-recurrent funding. The funding for 2021/22 allowed the Charity to make available bed capacity and community support to people with complex needs in the context of Covid-19 from December 2021 to March 2022.
3. Fundraised income fell to £898,342 (2021: £1,310,690, which included an emergency appeal).
4. The lottery contribution decreased by £2,171 to £253,216 (see note 11), principally due to the increase in canvassing costs which will support future revenue streams.
5. In 2021 the retail operations were devastated by Covid-19, but 2022 saw a return to significant profit. Despite losing two full weeks of trading at the start of the year due to a lockdown, retail returned a strong financial performance making a surplus of £1,069,251 (2021: £311,293 loss).
6. The charitable costs reduced by £27,187 to £3,201,462 (2021: £3,228,649).
7. Investments showed a net gain of £21,185 (2021: £83,128)
8. The Charity's group recorded an increase in total funds of £2.3m (2021: increase of £1.5m).

6.3.2 Sources of Funding

The Charity's primary sources of funding derive from its retail trading activities, from the statutory sector, from fundraising (including a lottery) and from legacies and unsolicited donations. Usual operating income for 2020/21 had been severely disrupted by Covid and comparative performance data has little meaning. Considerable additional income from government support has been received over the last three years:

	2022	2021	2020
NHS England Hospice Capacity Funding	804,334	1,705,391	0
Coronavirus Job Retention Scheme	21,931	890,125	42,265
Business Rate Grants	58,001	587,001	0

This represents 10% of total income (2021: 38%).

Before the pandemic retail revenues were already under pressure from declining high streets as shoppers move to out of town retail parks (where charity retail units are harder to obtain) and onto the internet. We have closed 6 retail units over the last two years. Fundraising and lottery are mature income streams and continued growth is hard to achieve however we plan to outsource the lottery, which we believe will create greater efficiencies that will yield a significantly higher return per player to support the Hospice's charitable work.

The local Clinical Commissioners have agreed to maintain the Charity's grant without reduction for 2022/23.

6.3.3 Reserves Policy

The free reserve funds of the Charity are calculated from the consolidated balance sheet as total unrestricted net assets less fixed assets, creditors over one year, and provisions.

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

The Trustees' reserves policy is that in order to fulfil the Charity's obligations to the communities it serves it is desirable for there to be unrestricted and designated funds (or free reserves) available as current assets, or investments, equivalent to six months' running costs of the Charity and the services of Embrace Quality Care and the minimum reserves should be two months' running costs of the same. The free reserves stand at £4,889,859 (2021: £3,007,351) equating to 9 months operating costs for the Charity and for the services of Embrace Quality Care. Trustees are satisfied that the Charity has sufficient liquidity within the reserves to maintain the Charity's current operations over a medium term of three years in a normal operating environment.

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £8,714 and has retained losses of £311,632 (2021: Loss £28,187, retained losses: £302,918). The Trustees of the Charity have agreed to continue funding Embrace Quality Care as its prime purposes are in accordance with the objects of the Charity. This decision is reviewed annually; it is expected to make a loss in 2022/23.

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

6.3.4 Going Concern

When setting the 2022/23 budget the Trustees look at a further two year forecast and the implications on the Charity's reserves. At the time of setting the budget a very significant surplus was predicted for 2021/22. The Trustees were therefore willing to allow an unusually high deficit in the budget to facilitate the recovery of the Charity. Deficits forecasted are:

£'000s	2022/23 Budget	2023/24 Forecast	2024/25 Forecast
Deficit	646	739	837

The forecasts do not include planned increases in revenues from opening new shops, outsourcing the lottery operations, and further recovery of income streams. The Hospice is investing its reserves in maintaining and re-organising its current services.

Part way through the 2022/23 financial year we are already predicting a £300k improvement on this budget, with unanticipated income of £60k, continued growth in retail income at over £100k, and reductions in costs due to vacancy factors of £80k at the end of quarter 1.

6.3.5 Investment Policy

The Memorandum of Association empowers the Trustees to invest the monies of the Charity not immediately required for its purposes in or upon such investments, securities or property as may be thought fit. Perspective (Midlands and Cheshire) Limited ("Perspective") provide advice and formal reports to the Finance and Remuneration Committee every six months, or more frequently as requested by the Committee. The assets held are disclosed in note 17.

The primary objective of the investment portfolio is to provide capital growth over the medium term. Perspective took an active approach to the management of the portfolio, seeking to take defensive positions in times of volatility. The pandemic has had a significant impact on the portfolio, initial losses partly recovered in 2020/21 and the recovery continued in 2021/22.

No funds have been added to or withdrawn from the investments for the last six years. Performance over this time is set out in the table below based on the portfolio market valuation at the relevant tax year end for the last 6 years.

Year ending	2022	2021	2020	2019	2018	2017
Value (£000's)	601	584	499	609	618	628
Annual Growth %	2.9	17.0	-18.0	-1.5	-1.6	9.5

The compound annual growth rate over the last 7 and 3 years as at year ends 2017-2022 are:

Years	2022	2021	2020	2019	2018	2017
Over 7 years	0.08%	0.79%	-0.54%	3.92%	2.95%	4.51%
Over 3 years	-0.41%	-1.84%	-7.36%	1.98%	1.10%	4.32%

During the year the Trustees carried out a tender process for the management of the investment portfolio. During April 2022 abrdn plc took on the management of the portfolio.

7. Principal Risks and Uncertainties

The Trustees have drawn up a detailed assessment of key risks that they feel are important to consider in the management of the Charity. Risks come under one of six domains (Welfare, Compliance, Finances, Governance & Management, Operational, and Environmental & External). A structured methodology is in place for the assessment and management of risk. This is usually reviewed annually, although this was not done during the pandemic. A formal review of these risks was last done in spring 2022.

The principal risks and uncertainties faced by the Charity are:

- Difficulties in recruiting retail staff and healthcare assistants in the community
- Lack of clarity about the implications of current NHS reforms and the impact of Integrated Care Boards
- A lack of personnel cover for some critical management and administrative functions
- The need to increase revenues to cover inflationary costs over the medium term
- Over-reliance on out-dated paper-based processes that need to be computerised

ADDITIONAL DISCLOSURES

8. Structure, Governance and Management

8.1 How the Charity is Constituted

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

8.2 Organisational Structure

Katharine House Hospice has four wholly owned subsidiaries.

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

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

Note 11 to the financial accounts summarises the performance of these companies; their accounts will be filed at Companies House.

8.3 Decision-making Processes

8.3.1 Board of Trustees

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

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

1. Clinical
2. Income Generation
3. Finance and Remuneration
4. Staffing and Support Services
5. Nominations and Governance

8.3.2 Management

The day-to-day operation of the Charity is delegated through the annual budget setting and operational planning process to the Chief Executive and through him to the management teams. 6 senior executives form the Executive Team.

8.4 Trustees Appointment, Induction, and Support

Recruitment of Trustees is overseen by the Nominations and Governance Committee. Consideration is given to the knowledge and skills desired of new trustees in relation to the current skills and attributes of existing Trustees, the skills that are deficient on the Board, and the need to plan for succession of Trustees who are due to stand down.

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

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

Training for Trustees is provided on an ad hoc basis. Safeguarding training had to be deferred from March to May 2022.

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

9. Other Relevant or Required Disclosures

9.1 Vital Volunteer Support

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

The pandemic has had a major impact on the levels of volunteering. Factors include: the closure of retail shops; the need to reduce non-essential travel to work; and the age profile of our volunteers. We are seeing more volunteers returning to support us, but sadly some have died and some have decided to retire.

At 31 March 2022 we had a total of 485 volunteers supporting the Charity (2021: 580). During the year 129 volunteers stopped volunteering, with many choosing not to return after the pandemic. Volunteering hours have been considerably reduced due to the impact of Covid and the desire to reduce footfall at the Charity and minimise face-to-face contact.

Our volunteers, who vary in age from 14 years old to over 90, bring with them a diverse set of life experience, passion and enthusiasm. We are immensely proud and appreciative

of all of our volunteers and have large numbers who have completed and have been recognised for long service (in excess of 5 years). During 2021/22 41 of our volunteers were acknowledged for long service (2021: 59): 5 for 20 years and 6 for 15 years of service.

9.2 Charity Governance Code

The Trustees are aware of the new guidance issued by the Charity Commission and during the year have commenced a review of this guidance to identify appropriate actions to improve the governance of the Charity.

9.3 Relationships with Other Organisations

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

In March 2022 Katharine House Hospice decided to resign its Corporate Trusteeship of Stafford District Bereavement and Loss Support Service, which took effect on 4 July 2022.

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

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

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

The Charity is also funded by the NHS to provide in-reach services to two local prisons and to support local care homes in the delivery of palliative and end of life care.

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

9.4 Related Parties

None of our Trustees receive remuneration or other benefit from their work with the Charity. There are a number of connected entities associated with Trustees and executives and these are disclosed in full in note 24 to the accounts.

Katharine House jointly funds posts with the University Hospitals of North Midlands Trust. Decisions in relation to these posts either pre-date the appointment of the Trustee or the Trustee has declared an interest in the decision and been absent when any such decision has taken place. The relevant Trustees have taken no part in the contract negotiations.

9.5 Pay Policy for Senior Staff

The Trustees, and the Executive Team comprise the key management personnel of the Charity responsible for directing, controlling, and operating the Charity on a day-to-day

basis. All Trustees give of their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses are disclosed in note 10 to the accounts and were nil (2021: Nil).

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

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

The Remuneration Committee is empowered to award discretionary payments to staff for exceptional performance; however this is rare. No awards (excepting acting up allowances) were made in the year under review (2021: 0). Senior officers are not on bonus schemes.

Staffing levels, redundancy costs, pensions and emoluments are detailed in notes 12, 13, 14, and 15 to the accounts.

9.6 Employment Policy

Katharine House seeks to be an equal opportunities employer. The nature of some of the tasks required to be done in retail and care (the two largest employment sectors of the Charity) make it difficult to employ people with significant physical disabilities. All positions are open to people with a range of mental health issues. We do not record and maintain comprehensive data on employees with disabilities. Only when the organisation has a need to know do we keep such records, for example where we have a duty of care as an employer. We are therefore only able to report on the minimum numbers of people with disabilities known to us.

We provide a free and confidential advice line to all employees, but as this is confidential we have no data on levels of access.

We have a Mental Health Champion, who engages with staff, managers, and volunteers.

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

As at:	<u>April</u> <u>2022</u>	<u>April</u> <u>2021</u>	<u>April</u> <u>2020</u>	<u>April</u> <u>2019</u>	<u>April</u> <u>2018</u>
Mean gender pay gap	- 0.14	- 3.78	- 12.17	- 13.46	- 7.87
Median gender pay gap	- 4.19	- 12.2	- 3.45	- 10.13	- 9.62

The mean gender pay gap is negligible meaning women and men are on average paid the same amount. The median gender pay gap is negative, showing the median pay for women is over 4% higher than for men.

10. Public Benefit Statement

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

All services provided by Embrace Quality Care Ltd are deemed by the Trustees to be charitable in nature, but these services are provided for a fee, whether paid by the individual or by statutory authorities.

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

11. Reference and Administrative Details

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

Trustees and Directors and Key Management Personnel:

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

Trustees:	Mr J-P Parsons	Chairman
	Mr I D Starkie	Treasurer (deceased 6 April 2022)
	Mr B W J Phillips	Treasurer (appointed 24 May 2022)
	Dr M Bland	
	Mrs A J Cape	
	Mr P R Catchpole	
	Dr Z Din	
	Mr M G Evans	(resigned 16 March 2022)
	Mr F A Gaffney	
	Mrs S J Harris	
	Dr R G M Hughes	
	Mr A P Jeffries	
	Mrs S F Milakovic	(resigned 23 November 2021)
	Mrs T Mingay	
	Ms J Woodyard	

Company Secretary:	Cllr P M M Farrington	
Registered Manager:	Mr N Grannon	(resigned 30 June 2022)
Officers:		
Director of Care:	Mr N Grannon	(resigned 30 June 2022)
	Mr D Fletcher	(from 1 July 2022)
Medical Director:	Dr C Bruckner-Holt	
Chief Executive:	Dr R T Soulsby	
Deputy Chief Executive:	Miss L M Taylor	
Retail General Manager:	Mr S Dodd	
Head of Human Resources:	Mrs B Wheat	
Auditors / Accountants:	Crowe U.K. LLP	
	Black Country House, Rounds Green Road, Oldbury, West Midlands B69 2DG	
Investment Brokers:	Perspective (Midlands and Cheshire) Ltd	
	Whitehall House, Sandy Lane, Newcastle-Under-Lyme, Staffordshire, ST5 0LZ	
	abrdn plc	
	Bow Bells House, 1 Bread Street, London, EC4M 9HH	
Bankers:	Lloyds Bank Plc	
	Market Square, Stafford, ST16 2JL	

12. Responsibilities in Relation to the Financial Statements

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

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

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

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in

accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1st January 2015).

13. Statement as to Disclosure to our Auditors

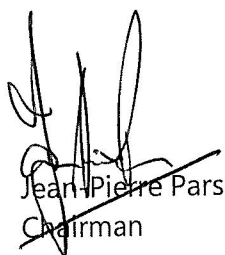
The Directors will recommend to members the re-appointment of our present auditors Crowe U.K. LLP.

In so far as the Trustees are aware at the time of approving our Trustees' annual report and Directors' Strategic Report:

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

14. Approval

The Board of Trustees formally approved their Annual Report and, as Company Directors, approved the Strategic Report contained therein on 27th September 2022.



Jean-Pierre Parsons
Chairman

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KATHARINE HOUSE HOSPICE

Opinion

We have audited the financial statements of Katharine House Hospice (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the company balance sheet, the consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent charitable company's affairs as at 31 March 2022 and of the Group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Group's or the parent charitable company'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 other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Trustees are responsible for the other information contained within the Annual Report. 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. 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 course of 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, 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 Group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company 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 Charities Act 2011 together with the Charities SORP (FRS 102) and the Companies Act. 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 Group and charitable company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Group and charitable company for fraud. The key laws and regulations we considered in this context were CQC regulations, Gambling Commission legislation, General Data Protection Regulation, health and safety legislation and employee legislation.

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 within the timing and completeness of income recognition and the override of controls by management.

Our audit procedures to respond to these risks included enquiries of management and the Finance and Remuneration Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, income testing on a sample basis, 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. 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.

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

Use of our report

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



Kerry Brown (Senior statutory auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

Date: 02 December 2022

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 March 2022

	Note	Unrestricted £	Restricted £	2022 Totals £	Unrestricted £	Restricted £	2021 Totals £
INCOME							
Donations and legacies	(3)	1,648,782	139,256	1,788,038	1,389,257	106,601	1,495,858
Other trading activities	(4)	4,669,392	--	4,669,392	2,006,141	--	2,006,141
Charitable activities	(5)	1,461,895	889,875	2,351,770	1,500,395	1,823,101	3,323,496
Investments	(6)	4,511	--	4,511	9,433	--	9,433
Other income	(7)	99,884	--	99,884	1,503,524	16	1,503,540
Total Income		7,884,464	1,029,131	8,913,595	6,408,750	1,929,718	8,338,468
EXPENDITURE							
Raising funds	(8)	3,425,158	--	3,425,158	3,677,510	--	3,677,510
Charitable activities	(8)	2,249,416	952,046	3,201,462	1,292,692	1,935,957	3,228,649
Interest payable		8,828	--	8,828	14,699	--	14,699
Total Expenditure		5,683,402	952,046	6,635,448	4,984,901	1,935,957	6,920,858
Net gains/(losses) on investment assets		21,185	--	21,185	83,128	--	83,128
Net income / (expenses) before provisions		2,222,247	77,085	2,299,332	1,506,977	(6,239)	1,500,738
Provision for deferred tax liabilities		(1,045)	--	(1,045)	3,341	--	3,341
Net Movement in Funds		2,221,202	77,085	2,298,287	1,510,318	(6,239)	1,504,079
RECONCILIATION OF FUNDS							
Fund balances brought forward		4,696,092	67,519	4,763,611	3,185,774	73,758	3,259,532
Fund Balances Carried Forward	(22)	6,917,294	144,604	7,061,898	4,696,092	67,519	4,763,611

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure is derived from continuing activities.

The consolidated statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 March 2022

	Note	Unrestricted £	Restricted £	2022 Totals £	Unrestricted £	Restricted £	2021 Totals £
INCOME							
Donations and Legacies	(3)	1,648,782	139,256	1,788,038	1,389,257	106,601	1,495,858
Other trading activities	(4)	4,300,328	--	4,300,328	1,710,735	--	1,710,735
Charitable activities	(5)	1,179,958	889,875	2,069,833	1,180,445	1,823,101	3,003,546
Investments	(6)	4,506	--	4,506	9,424	--	9,424
Other income	(7)	96,472	--	96,472	1,480,571	16	1,480,587
Total Income		7,230,046	1,029,131	8,259,177	5,770,432	1,929,718	7,700,150
EXPENDITURE							
Raising funds	(8)	3,044,932	--	3,044,932	3,365,269	--	3,365,269
Charitable activities	(8)	1,957,816	952,046	2,909,862	935,195	1,935,957	2,871,152
Interest payable		8,828	--	8,828	14,591	--	14,591
Total Expenditure		5,011,576	952,046	5,963,622	4,315,055	1,935,957	6,251,012
Net gains/(losses) on investment		21,185	--	21,185	83,128	--	83,128
Net income / (expenses)		2,239,655	77,085	2,316,740	1,538,505	(6,239)	1,532,266
Net Movement in Funds		2,239,655	77,085	2,316,740	1,538,505	(6,239)	1,532,266
RECONCILIATION OF FUNDS							
Fund balances brought forward		4,989,271	67,519	5,056,790	3,450,766	73,758	3,524,524
Fund Balances Carried Forward	(22)	7,228,926	144,604	7,373,530	4,989,271	67,519	5,056,790

**KATHARINE HOUSE HOSPICE
CONSOLIDATED BALANCE SHEET
AT 31 March 2022**

	Note	Unrestricted Funds £	Restricted Funds £	2022 Total Funds £	Unrestricted Funds £	Restricted Funds £	2021 Total Funds £
FIXED ASSETS							
Tangible assets	(16)	2,025,891	—	2,025,891	2,066,099	—	2,066,099
Investments	(17)	600,971	—	600,971	584,106	—	584,106
		<u>2,626,862</u>	<u>—</u>	<u>2,626,862</u>	<u>2,650,205</u>	<u>—</u>	<u>2,650,205</u>
CURRENT ASSETS							
Debtors	(18)	995,608	—	995,608	521,676	—	521,676
Stock	(19)	205	—	205	811	—	811
Cash at bank and in hand		3,874,882	144,604	4,019,486	2,383,966	67,519	2,451,485
		<u>4,870,695</u>	<u>144,604</u>	<u>5,015,299</u>	<u>2,906,453</u>	<u>67,519</u>	<u>2,973,972</u>
CREDITORS	(20)	(581,807)	—	(581,807)	(483,208)	—	(483,208)
Amounts falling due within one year							
NET CURRENT ASSETS		<u>4,288,888</u>	<u>144,604</u>	<u>4,433,492</u>	<u>2,423,245</u>	<u>67,519</u>	<u>2,490,764</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,915,750</u>	<u>144,604</u>	<u>7,060,354</u>	<u>5,073,450</u>	<u>67,519</u>	<u>5,140,969</u>
CREDITORS	(20)	—	—	—	(379,947)	—	(379,947)
Amounts falling due after one year							
PROVISIONS							
Deferred tax liabilities		1,544	—	1,544	2,589	—	2,589
TOTAL NET ASSETS		<u>6,917,294</u>	<u>144,604</u>	<u>7,061,898</u>	<u>4,696,092</u>	<u>67,519</u>	<u>4,763,611</u>
REPRESENTED BY:							
Restricted funds	(22)	—	144,604	144,604	—	67,519	67,519
Designated funds	(22)	1,615,000	—	1,615,000	1,469,616	—	1,469,616
Unrestricted funds	(22)	5,613,926	—	5,613,926	3,519,655	—	3,519,655
Subsidiary retained losses		(311,632)	—	(311,632)	(293,179)	—	(293,179)
		<u>6,917,294</u>	<u>144,604</u>	<u>7,061,898</u>	<u>4,696,092</u>	<u>67,519</u>	<u>4,763,611</u>

The Trustees acknowledge their responsibilities for complying with the requirements of the Charities Act with respect to accounting records and preparation of financial statements.

Approved by the Board of Trustees meeting on 27 September 2022 and signed on its behalf by:-

B W J Phillips
Treasurer

J P Parsons
Chairman

KATHARINE HOUSE HOSPICE

BALANCE SHEET

AT 31 March 2022

	Note	Unrestricted Funds £	Restricted Funds £	2022 Total Funds £	Unrestricted Funds £	Restricted Funds £	2021 Total Funds £
FIXED ASSETS							
Tangible assets	(16)	2,018,091	--	2,018,091	2,041,828	--	2,041,828
Investments	(17)	600,971	--	600,971	584,106	--	584,106
Investment in Group	(17)	5,602	--	5,602	5,602	--	5,602
		<u>2,624,664</u>	<u>--</u>	<u>2,624,664</u>	<u>2,631,536</u>	<u>--</u>	<u>2,631,536</u>
CURRENT ASSETS							
Debtors	(18)	1,595,830	--	1,595,830	2,564,622	--	2,564,622
Cash at bank and in hand		3,434,126	144,604	3,578,730	531,112	67,519	598,631
		<u>5,029,956</u>	<u>144,604</u>	<u>5,174,560</u>	<u>3,095,734</u>	<u>67,519</u>	<u>3,163,253</u>
CREDITORS	(20)	(425,694)	--	(425,694)	(358,052)	--	(358,052)
Amounts falling due within one year							
NET CURRENT ASSETS		<u>4,604,262</u>	<u>144,604</u>	<u>4,748,866</u>	<u>2,737,682</u>	<u>67,519</u>	<u>2,805,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,228,926</u>	<u>144,604</u>	<u>7,373,530</u>	<u>5,369,218</u>	<u>67,519</u>	<u>5,436,737</u>
CREDITORS	(20)	--	--	--	(379,947)	--	(379,947)
Amounts falling due after one year.							
TOTAL NET ASSETS		<u>7,228,926</u>	<u>144,604</u>	<u>7,373,530</u>	<u>4,989,271</u>	<u>67,519</u>	<u>5,056,790</u>
REPRESENTED BY:							
Restricted funds	(22)	--	144,604	144,604	--	67,519	67,519
Designated funds	(22)	1,615,000	--	1,615,000	1,469,616	--	1,469,616
Unrestricted funds	(22)	5,613,926	--	5,613,926	3,519,655	--	3,519,655
		<u>7,228,926</u>	<u>144,604</u>	<u>7,373,530</u>	<u>4,989,271</u>	<u>67,519</u>	<u>5,056,790</u>

The Trustees acknowledge their responsibilities for complying with the requirements of the Charities Act with respect to accounting records and preparation of financial statements.

Approved by the Board of Trustees meeting on 27 September 2022 and signed on its behalf by:-

B W J Phillips
Treasurer

P Parsons
Chairman

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF CASH FLOWS
AT 31 March 2022

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS		2022 £	2021 £
Net movement in funds		2,298,287	1,504,079
Deferred taxation		1,045	(3,341)
Depreciation		134,036	158,709
Gains on investment assets		(21,185)	(83,128)
Income from fixed asset investment	Note i	(4,238)	(9,376)
Interest received	Note i	(273)	(57)
Interest payable on loans	Note i	8,828	14,699
(Gain) / loss on disposal of fixed assets		(9,805)	1,208
(Increase) / decrease in debtors		(473,932)	140,381
Decrease in stock		606	866
Increase / (decrease) in creditors		180,399	(74,199)
Net cash inflow from operating activities		2,113,768	1,649,841

CASH FLOW STATEMENT

Net cash provided by operating activities		2,113,768	1,649,841
Returns on investments and servicing of finance	Note i	(4,317)	(5,266)
		2,109,451	1,644,575
Sale / (purchase) of fixed assets	Note i	45,524	(141,394)
Financing	Note i	(461,747)	(78,339)
Increase in cash		1,693,228	1,424,842

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
AT 31 March 2022

NOTE i TO THE CASH FLOW STATEMENT

	2022 £	2021 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	4,238	9,376
Total income from fixed asset investments	4,238	9,376
Other interest received	273	57
Interest payable on loans	(8,828)	(14,699)
	<u>(4,317)</u>	<u>(5,266)</u>
Financing		
Repayments of loan capital	(461,747)	(78,339)
	<u>(461,747)</u>	<u>(78,339)</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(97,590)	(41,668)
Sale proceeds of other fixed assets	13,567	250
Capital payment on HP	--	(8,887)
Purchase of fixed asset investments	(184,571)	(905,072)
Proceeds of sale of fixed asset investments	314,118	813,983
	<u>45,524</u>	<u>(141,394)</u>

NOTE ii TO THE CASH FLOW STATEMENT - Reconciliation of Net Cash Flow to Movement in Net Funds

Net cash inflow	1,693,228	1,424,842
Change in net funds in the year	1,693,228	1,424,842
Net funds at 1 April	2,471,352	1,046,510
Net funds at 31 March	<u><u>4,164,580</u></u>	<u><u>2,471,352</u></u>

NOTE iii TO THE CASH FLOW STATEMENT - Analysis of changes in net funds

	As at 1 April 2021	Cash Flows	As at 31 March 2022
Cash in hand and at bank	2,451,483	1,568,003	4,019,486
Cash in fixed asset investments	19,869	125,225	145,094
TOTAL	<u><u>2,471,352</u></u>	<u><u>1,693,228</u></u>	<u><u>4,164,580</u></u>

NOTE iv TO THE CASH FLOW STATEMENT - Analysis of Changes in Net Debt

	As at 1 April 2021	Cash Flows	As at 31 March 2022
Cash at hand and in bank	2,451,483	1,568,003	4,019,486
Debt due within 1 year	(81,800)	81,800	--
Debt due after 1 year	(379,947)	379,947	--
Cash in investments	19,869	125,225	145,094
TOTAL	<u><u>2,009,605</u></u>	<u><u>2,154,975</u></u>	<u><u>4,164,580</u></u>

1. ACCOUNTING POLICIES

a) Basis of Accounting

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

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

b) Going Concern

The Charity reported a consolidated cash inflow of £1,693,228 for the year and has cash reserves of £4,019,486. The Trustees have repaid all long-term debt during the financial year, but have no plans to restructure the investments of the Charity.

In March the Board approved a deficit budget for the period 2022/23 to 2025/26, these budgets have taken into account that investments in services will be taken from the surpluses made in the last 2 years. Trustees consider that the levels of reserves are sufficient to ensure that the Hospice is a going concern in the medium term.

c) Branch Accounting

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

d) Income

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

i) Fundraising Income

Fundraising income is income received as a result of time taken by fundraisers in organising fundraising events, soliciting donations and arranging for donations to be made to the Charity. Unsolicited gifts are classed as voluntary donations and are included in this section. Further details to this income are shown in note 3.

ii) Legacy Income

Legacies are treated as voluntary donations. Entitlement to legacy income is taken as the earlier of receipt or notification that a distribution will be made by the executor. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Charity has been notified of the executor's intention to make a distribution.

1. ACCOUNTING POLICIES (Cont.)

d) Income (cont.)

iii) Other Trading Income

A breakdown of income is shown in note 4. KH Promotions is a subsidiary company operating a society lottery. Historically KHH Development provided a management consultancy services to other charities but was dormant during the financial year 2021/22. Katharine House Retail sold donated goods through Ebay sales and the prison outlets and any new goods sold through the shops. The company also acted as an agent for the selling of donated goods that are gift aided to the Hospice. In addition the company operated a house clearance service. Donated goods refer to items donated to the Hospice for resale through the charity shops. The income from these items is recognised at the point of sale. Any stocks of donated goods held at the financial year end are not attributed a value as it is not practical or otherwise economical to do this.

iv) Charitable activities

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the Charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received, and the amount can be measured reliably and is not deferred. Further details regarding statutory sector grant income received by the Charity are set out in note 5.

v) Donated goods

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

vi) Investment Income

Investment income includes dividends and interest on funds held on deposit. This income is included when receivable and the amount can be measured reliably by the Charity. Further details regarding investment income received by the Charity are set out in note 17.

vii) Fees and Other Income

The breakdown of this is shown in note 7. This includes the HMRC job retention scheme, business rates grants and miscellaneous (other income charges for use of facilities and services).

e) Donation of Assets

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

f) Expenditure and Irrecoverable VAT

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

i) Costs of generating income

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

1. ACCOUNTING POLICIES (Cont.)

f) Expenditure and Irrecoverable VAT (cont.)

ii) Expenditure on charitable activities

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

iii) Irrecoverable VAT

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

g) Basis for the Allocation of Costs

i) Direct costs

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

ii) Support costs

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

iii) Overhead costs

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

h) Tangible Fixed Assets and Depreciation

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

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

Charity leasehold buildings	2%	straight line basis
Subsidiaries leasehold buildings	10-33%	straight line basis
Equipment, furniture and vehicles	20%	straight line basis
General IT equipment	20-50%	straight line basis

i) Investments

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

j) Stock

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

k) Debtors

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

1. ACCOUNTING POLICIES (Cont.)

l) Cash

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

m) Creditors

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

n) Payments on Account

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

o) Deferred Income

Other grants are credited to the statement of financial activities as the related expenditure is incurred. Income received prior to an event which would be returnable if the event does not occur is deferred until the event has occurred.

p) Pensions

The Charity operates a number of employee pension schemes. Further details regarding the schemes operated are set out in note 15 of these accounts. Contributions payable for the year are charged in the income and expenditure account.

q) Fund Accounting

General Funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objects of the Charity. Designated funds are unrestricted funds of the Charity which the Trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be used solely for particular areas of the Charity's work. Note 22 provides further explanation behind the restricted and designated funds.

r) Method of Consolidation

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

s) Deferred Taxation

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

t) Operating Leases

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

u) Volunteers

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

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

2. LEGAL STATUS OF THE CHARITY

The Charity is registered with the Charity Commission in England and Wales (registered number 1011712) and is incorporated in England and Wales as a Company Limited by Guarantee and does not have share capital. Each member of the company has undertaken to contribute to the assets of the company in the event of it being wound up while s/he is a member, or within one year after s/he ceases to be a member, for payment of the debts and liabilities of the company contracted before s/he ceases to be a member such amount as may be required not exceeding £1. Each member pays a subscription fee annually. Income from membership is the annual subscription.

3. DONATIONS AND LEGACIES INCOME

Hospice & Group	Unrestricted	Restricted	2022 Total	Unrestricted	Restricted	2021 Total
	£	£	£	£	£	£
Income Sources						
Donations	595,004	10,679	605,683	942,665	6,717	949,382
Trusts and grant giving bodies	70,525	77,779	148,304	87,306	99,884	187,190
Gift aid on donations	63,854	--	63,854	111,515	--	111,515
Legacies	918,533	50,776	969,309	245,807	--	245,807
Other sources	866	22	888	1,964	--	1,964
	1,648,782	139,256	1,788,038	1,389,257	106,601	1,495,858

The Hospice recognises the residual benefit of three estates as at 31.03.22, which the value outstanding has been approximately valued at £407k. The residual payment of two of these estates are expected in 1-2 years' time. The third estate consisted of two trusts which had a life interest, one of which was realised in 2021 and is included in the income as at 31.03.22, the date of realisation of the other fund is not known. In addition to the three estates there is approximately £402k legacies which have been notified to the charity before 31/03/22, but have not been recognised as income in the year as they do not reach the Hospice's income recognition criteria.

4. INCOME FROM OTHER TRADING ACTIVITIES

	Unrestricted	Restricted	2022 Total	Unrestricted	Restricted	2021 Total
	£	£	£	£	£	£
Hospice						
KH Promotions Ltd	253,216	--	253,216	255,387	--	255,387
KHH Development Ltd	--	--	--	3,485	--	3,485
KH Retail Ltd	74,654	--	74,654	53,224	--	53,224
Sale of Donated Goods	3,656,801	--	3,656,801	1,064,765	--	1,064,765
Gift Aid on Sale of Goods	236,044	--	236,044	273,235	--	273,235
Fundraising Events	79,613	--	79,613	60,639	--	60,639
	4,300,328	--	4,300,328	1,710,735	--	1,710,735
Group						
KH Promotions Ltd	459,413	--	459,413	437,761	--	437,761
KHH Development Ltd	--	--	--	3,868	--	3,868
KH Retail Ltd	237,521	--	237,521	165,873	--	165,873
Sale of Donated Goods	3,656,801	--	3,656,801	1,064,765	--	1,064,765
Gift Aid on Sale of Goods	236,044	--	236,044	273,235	--	273,235
Fundraising Events	79,613	--	79,613	60,639	--	60,639
	4,669,392	--	4,669,392	2,006,141	--	2,006,141

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022**

(Continued)

5. INCOME FROM CHARITABLE ACTIVITIES

Income from charitable activities incorporates receipts of income from statutory agencies, whether as grants or contracts and fees received for the provision of the Charity's services. Trustees are pleased to report that the four local Clinical Commissioning Groups (Stafford and Surrounds, Cannock Chase, East Staffordshire, and Seisdon and South Staffordshire) have continued commitments to fund the Hospice's work.

Hospice		Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
Local Clinical Commissioning Groups							
Grants	(a)	1,176,458	--	1,176,458	1,176,457	--	1,176,457
Contracts	(b)	--	47,797	47,797	--	80,556	80,556
Pension Rebate	(c)	--	26,594	26,594	--	26,594	26,594
NHS England							
Capacity Grant	(d)	--	804,334	804,334	--	1,705,391	1,705,391
Prison Services Contract	(e)	--	8,680	8,680	--	8,860	8,860
Stafford Borough Council	(f)	3,500	--	3,500	3,500	--	3,500
Other Fee Income	(g)	--	2,470	2,470	488	1,700	2,188
Income from Charitable Activities		1,179,958	889,875	2,069,833	1,180,445	1,823,101	3,003,546
Group							
Hospice - as above		1,179,958	889,875	2,069,833	1,180,445	1,823,101	3,003,546
Embrace Quality Care		281,937	--	281,937	319,950	--	319,950
Group Income from Charitable Activities		1,461,895	889,875	2,351,770	1,500,395	1,823,101	3,323,496

- (a) A one year recurring conditional grant the value of which is derived annually.
- (b) Spot purchasing of care services for individually named patients.
- (c) The Hospice is in receipt of an annual rebate from the Department of Health, paid through Stafford & Surrounds and Cannock Chase CCGs, to cover the increased costs to the employer of the NHS pension scheme.
- (d) The NHSE awarded funding to allow the Hospice to make available bed capacity and community support from December 2021 to March 2022 to provide support to people with complex needs in the context of the COVID-19 situation.
- (e) A contract with NHS England for the provision of in reach services to HMP Stafford and HMP YOI Drake Hall for prisoners at end of life.
- (f) A one year recurring service level agreement.
- (g) The main object of the Charity is to provide home care, day care and inpatient care to people in mid-Staffordshire in need of specialist palliative care. The Charity makes no charge for the provision of these services. A subsidiary object is to provide training, education and other resources for those involved in the provision of specialist palliative care services. To this end medical and nursing students from universities have paid placements at the Hospice.
- (h) There has been a correction to the prior year income where the prison income was included in the grant income for the year in last year's accounts, this has now been moved to the prison service contract income.

In addition the Hospice has received non-recurring grants from local councils for specific objectives, as described below.

	2022 £	2021 £
Hednesford Town Council for IT equipment	--	351
Uttoxeter Town Council for At Home Team Service	--	300
Rugeley Town Council for IPU service	500	--

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022**

(Continued)

6. INVESTMENT INCOME

All investment income is unrestricted and comprises:

	Company		Group	
	2022	2021	2022	2021
	£	£	£	£
Bank interest	268	48	273	57
Dividends	4,238	9,376	4,238	9,376
	<u>4,506</u>	<u>9,424</u>	<u>4,511</u>	<u>9,433</u>

7. OTHER INCOME

	Unrestricted	Restricted	2022	Unrestricted	Restricted	2021
	£	£	Total	£	£	Total
			£			£
Hospice						
HMRC Job Retention Scheme	19,468	--	19,468	871,374	--	871,374
Business Rates Grants	58,001	--	58,001	587,001	--	587,001
Miscellaneous	19,003	--	19,003	22,196	16	22,212
	<u>96,472</u>	<u>--</u>	<u>96,472</u>	<u>1,480,571</u>	<u>16</u>	<u>1,480,587</u>
Group						
HMRC Job Retention Scheme (a)	21,931	--	21,931	890,125	--	890,125
Business Rates Grants	58,001	--	58,001	587,001	--	587,001
Miscellaneous (b)	19,952	--	19,952	26,398	16	26,414
	<u>99,884</u>	<u>--</u>	<u>99,884</u>	<u>1,503,524</u>	<u>16</u>	<u>1,503,540</u>
(a) HMRC Job Retention Scheme						
Katharine House Hospice	19,468	--	19,468	871,374	--	871,374
KH Promotions Ltd	2,463	--	2,463	9,011	--	9,011
KH Retail Ltd	--	--	--	4,582	--	4,582
Embrace Quality Care Ltd	--	--	--	5,158	--	5,158
	<u>21,931</u>	<u>--</u>	<u>21,931</u>	<u>890,125</u>	<u>--</u>	<u>890,125</u>
(b) Miscellaneous						
Katharine House Hospice	19,003	--	19,003	22,196	16	22,212
KH Promotions Ltd	--	--	--	--	--	--
KH Retail Ltd	--	--	--	--	--	--
Embrace Quality Care Ltd	949	--	949	4,202	--	4,202
	<u>19,952</u>	<u>--</u>	<u>19,952</u>	<u>26,398</u>	<u>16</u>	<u>26,414</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

8. EXPENSE ANALYSIS

COSTS OF RAISING FUNDS

	Note	Direct Staff £	Other Costs Direct £	Depreciation £	Allocated Support Costs £	2022 Total £	Direct Staff £	Other Costs Direct £	Depreciation £	Allocated Support Costs £	2021 Total £
Hospice											
Fundraising		167,283	32,602	1,719	46,784	248,388	186,754	22,511	1,877	69,844	280,986
Other trading activities		1,653,978	912,544	40,022	181,449	2,787,993	2,083,160	708,461	48,122	236,864	3,076,607
Investment management fees		--	8,551	--	--	8,551	--	7,676	--	--	7,676
(a)		1,821,261	953,697	41,741	228,233	3,044,932	2,269,914	738,648	49,999	306,708	3,365,269
Group											
Fundraising		167,283	32,602	1,719	46,784	248,388	186,754	22,511	1,877	69,844	280,986
Other trading activities		1,747,805	1,219,699	56,493	144,222	3,168,219	2,152,181	922,509	74,332	239,826	3,388,848
Investment management fees		--	8,551	--	--	8,551	--	7,676	--	--	7,676
(a)		1,915,088	1,260,852	58,212	191,006	3,425,158	2,338,935	952,696	76,209	309,670	3,677,510

COSTS OF CHARITABLE ACTIVITIES

Hospice											
Patient care	(b)	2,000,949	465,698	70,270	248,673	2,785,590	1,671,201	259,293	63,085	745,585	2,739,164
Governance	(a)	76,063	16,205	--	32,004	124,272	80,166	12,020	--	39,802	131,988
		2,077,012	481,903	70,270	280,677	2,909,862	1,751,367	271,313	63,085	785,387	2,871,152
Group											
Patient care	(b)	2,256,738	501,509	70,270	248,673	3,077,190	1,964,339	300,156	63,085	769,081	3,096,661
Governance	(a)	76,063	16,205	--	32,004	124,272	80,166	12,020	--	39,802	131,988
		2,332,801	517,714	70,270	280,677	3,201,462	2,044,505	312,176	63,085	808,883	3,228,649

ANALYSIS OF EXPENSES BETWEEN FUNDS

(a) All expenses incurred in raising funds and governance are taken from unrestricted or designated funds

(b) Patient care expenses are analysed between unrestricted/designated funds and restricted funds as follows:

* There has been a reclassification between direct costs and allocated support costs in the current year to bring the accounts inline with the SORP recommendations

		2022 £	2021 £
Unrestricted/designated	Hospice	1,957,816	935,195
		952,046	1,935,957
		2,909,862	2,871,152
Restricted	Hospice		
Group		2022 £	2021 £
Unrestricted/designated		2,249,416	1,292,692
		952,046	1,935,957
		3,201,462	3,228,649

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

9. ALLOCATED SUPPORT COST EXPENSE ANALYSIS

	Staff Costs £	Other Costs £	Deprec- iation £	2022 Total £	Staff Costs £	Other Costs £	Deprec- iation £	2021 Total £
Support functions	339,581	163,773	5,556	508,910	791,587	337,666	19,415	1,148,668
	<u>339,581</u>	<u>163,773</u>	<u>5,556</u>	<u>508,910</u>	<u>791,587</u>	<u>337,666</u>	<u>19,415</u>	<u>1,148,668</u>
Allocations to:								
Patient Care				248,673				745,585
Governance				32,004				39,802
Fundraising				46,784				69,844
KH Promotions Ltd				0				24,410
KH Retail Ltd				0				8,667
Sale of donated goods				181,449				236,864
Embrace Quality Care Ltd				0				23,496
				<u>508,910</u>				<u>1,148,668</u>

* There has been a reclassification between direct costs and allocated support costs in the current year to bring the accounts inline with the SORP recommendations

10. NET INCOME

Net income is stated after charging the following items to the Income and Expenditure Account.

	Hospice		Group	
	2022 £	2021 £	2022 £	2021 £
Auditor's remuneration	14,290	13,255	16,398	13,255
Depreciation of tangible fixed assets	117,565	132,499	134,036	158,709
(Profit)/loss on disposal of fixed assets	(8,638)	1,455	(9,805)	1,205
Operating lease rentals	350,125	366,578	350,125	366,578
Payments to directors/Trustees	--	--	--	--
Trustee indemnity insurance	1,915	1,235	1,915	1,235

11. TRADING SUBSIDIARIES

Katharine House has 4 subsidiary trading companies

KH Promotions Limited 03295776 runs a society lottery on behalf of the Charity

Katharine House Retail Limited 03949314 carries out trading activity, including ebay, house clearances, collection and delivery services

Embrace Quality Care Limited 08050417 is a care agency meeting the core objectives of the Charity, but charging for its services.

KHH Development Limited 08120430 provided administrative and financial support to other charities. This became dormant at the beginning of 2021/22.

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

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

11. TRADING SUBSIDIARIES (Cont.)

	KH Promotions Ltd		KH Retail Ltd	
	2022	2021	2022	2021
	£	£	£	£
Turnover (including HMRC Job Retention Scheme)	461,876	446,772	237,521	170,453
Direct operating costs	(208,665)	(166,592)	(199,685)	(146,145)
Net recharges to/(from) Katharine House Hospice	--	(24,802)	28,124	25,683
Gross Profit	253,211	255,378	65,960	49,991
Interest payable	--	--	--	(108)
Interest receivable	5	9	--	--
Taxation	--	--	(1,045)	3,341
Net profit before Gift Aid	253,216	255,387	64,915	53,224
Distribution under Gift Aid to Katharine House	(253,216)	(255,387)	(74,654)	(53,224)
Retained in subsidiary undertaking	--	--	(9,739)	--
Retained earnings brought forward	--	--	9,739	9,739
Retained earnings carried forward	--	--	--	9,739

The aggregate of the assets, liabilities and funds at 31 March was:

Fixed assets	--	--	7,800	24,271
Current assets	153,931	340,116	307,358	1,433,132
Current liabilities	(153,831)	(340,016)	(315,156)	(1,447,662)
Total Assets	100	100	2	9,741
Share capital	100	100	2	2
Retained earnings	--	--	--	9,739
Funds	100	100	2	9,741

	Embrace Quality Care Ltd		KHH Development Ltd	
	2022	2021	2022	2021
	£	£	£	£
Turnover (including HMRC JRS & Misc Income)	282,886	329,310	--	3,868
Direct operating costs	(291,600)	(334,001)	--	(383)
Net recharges to/(from) Katharine House Hospice	--	(23,496)	--	--
(Deficit) / net profit before Gift Aid	(8,714)	(28,187)	--	3,485
Distribution under Gift Aid to Katharine House	--	--	--	(3,485)
Retained in subsidiary undertaking	(8,714)	(28,187)	--	--
Retained earnings brought forward	(302,918)	(274,731)	--	--
Retained earnings carried forward	(311,632)	(302,918)	--	--

The aggregate of the assets, liabilities and funds at 31 March was:

Current assets	42,994	117,535	500	20,499
Current liabilities	(349,626)	(415,453)	--	(19,999)
Total Assets	(306,632)	(297,918)	500	500
Share capital	5,000	5,000	500	500
Retained earnings	(311,632)	(302,918)	--	--
Funds	(306,632)	(297,918)	500	500

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

12. EMPLOYEE NUMBERS AND COSTS

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

Company	2022		2021	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Care services	67	46.39	65	52.82
Support and overheads	32	24.09	28	19.99
Income generation	120	70.61	136	95.31
	<u>219</u>	<u>141.09</u>	<u>229</u>	<u>168.12</u>

Group	2022		2021	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Care services	85	59.52	84	67.23
Support and overheads	32	24.09	28	19.99
Income generation	126	76.37	143	101.74
	<u>243</u>	<u>159.98</u>	<u>255</u>	<u>188.96</u>

The costs of employment were:

	Company		Group	
	2022	2021	2022	2021
	£	£	£	£
Salary	3,793,626	4,252,153	4,117,330	4,586,657
National Insurance	273,166	295,785	291,239	314,389
Pension	171,063	264,931	179,314	273,981
	<u>4,237,855</u>	<u>4,812,869</u>	<u>4,587,883</u>	<u>5,175,027</u>
Bought-in staff	145,563	186,455	145,563	188,705
	<u>4,383,418</u>	<u>4,999,324</u>	<u>4,733,446</u>	<u>5,363,732</u>

13. REDUNDANCY COSTS

The Group made statutory redundancy payments amounting to £4,102 (2021: £53,806) with respect to 1 (2021: 18) individual case.

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022**

(Continued)

14. EMOLUMENTS

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

	Company		Group	
	2022	2021	2022	2021
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	0	0	0	0
£80,001 - £90,000	1	1	1	1

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

	Company		Group	
	2022	2021	2022	2021
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	1	4	1	4
£80,001 - £90,000	1	1	1	1
£90,001 - £100,000	0	0	0	0
£100,001 - £110,000	1	1	1	1

The gross cost of the Executive Team responsible for running the group of companies (including all emoluments, employer's national insurance contributions, and employer's pension contributions) was £369,924 (2021: £420,511). There were 5 employees and 1 non-employee on the team throughout the year (2021: 5 employees and 1 non-employee).

15. PENSIONS

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

a) NHS Defined Benefit Scheme

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

b) Standard Life Group/Stakeholder Pension Scheme

The Charity, in response to the Stakeholder Pension Schemes Regulations 2000, opened a scheme in the year 2000 for eligible employees to join the Standard Life Group Pension Scheme. The Charity matches employee contributions up to 7%. From 1 April 2015 Standard Life closed this scheme and it is not available to new employees. This scheme is a defined contribution scheme.

c) National Employment Savings Trust (NEST)

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

Numbers of staff and contributions to the different schemes are:

	2022		2021	
Company	Average Number	Employer Contribution	Average Number	Employer Contribution
NHS	21	49,134	27	139,877
Standard Life	14	41,969	15	39,607
NEST	138	79,960	154	85,447
	<u>173</u>	<u>171,063</u>	<u>196</u>	<u>264,931</u>
Group				
NHS	21	49,134	27	139,877
Standard Life	14	41,969	15	39,607
NEST	152	88,211	170	94,497
	<u>187</u>	<u>179,314</u>	<u>212</u>	<u>273,981</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

16. TANGIBLE FIXED ASSETS

COMPANY	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixtures £	IT Equipment and Software £	Motor Vehicles £	Total £
Cost					
At 1 April 2021	2,748,707	470,709	184,837	43,238	3,447,491
Additions	--	5,492	--	92,098	97,590
Disposals	--	--	--	(32,243)	(32,243)
At 31 March 2022	<u>2,748,707</u>	<u>476,201</u>	<u>184,837</u>	<u>103,093</u>	<u>3,512,838</u>
Depreciation					
At 1 April 2021	853,070	368,637	153,689	30,267	1,405,663
Charge for the year	58,614	34,883	12,889	11,179	117,565
Disposals	--	--	--	(28,481)	(28,481)
At 31 March 2022	<u>911,684</u>	<u>403,520</u>	<u>166,578</u>	<u>12,965</u>	<u>1,494,747</u>
Net Book Value					
At 31 March 2022	<u>1,837,023</u>	<u>72,681</u>	<u>18,259</u>	<u>90,128</u>	<u>2,018,091</u>
At 1 April 2021	<u>1,895,637</u>	<u>102,072</u>	<u>31,148</u>	<u>12,971</u>	<u>2,041,828</u>
GROUP					
Cost					
At 1 April 2021	2,802,629	470,709	184,837	177,743	3,635,918
Additions	--	5,492	--	92,098	97,590
Disposals	--	--	--	(53,443)	(53,443)
At 31 March 2022	<u>2,802,629</u>	<u>476,201</u>	<u>184,837</u>	<u>216,398</u>	<u>3,680,065</u>
Depreciation					
At 1 April 2021	906,121	368,637	153,689	141,372	1,569,819
Charge for the year	59,485	34,883	12,889	26,779	134,036
Disposals	--	--	--	(49,681)	(49,681)
At 31 March 2022	<u>965,606</u>	<u>403,520</u>	<u>166,578</u>	<u>118,470</u>	<u>1,654,174</u>
Net Book Value					
At 31 March 2022	<u>1,837,023</u>	<u>72,681</u>	<u>18,259</u>	<u>97,928</u>	<u>2,025,891</u>
At 1 April 2021	<u>1,896,508</u>	<u>102,072</u>	<u>31,148</u>	<u>36,371</u>	<u>2,066,099</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

17. FIXED ASSET INVESTMENT - Company and Group

	2022	%	2021	%
	£		£	
At 31 March investments were held as:				
Bonds	21,250	3.5	43,618	7.5
UK equities and funds	84,456	14.1	76,513	13.1
Overseas equities and funds	248,466	41.3	391,424	67.0
Other assets	101,705	16.9	52,682	9.0
Total invested funds	455,877	75.9	564,237	96.6
Cash held for investment	145,094	24.1	19,869	3.4
Total funds in Investment portfolio	600,971	100.0	584,106	100.0

	2022	2021
	£	£
Listed investments		
Market value at 5 April	564,237	390,020
Less Disposals at opening book value (proceeds £314,118)	(310,532)	(748,423)
Add acquisitions at cost	184,571	905,072
Net gain/(loss) on revaluation at 5 April	17,601	17,568
Market value at 5 April of listed investments	455,877	564,237
Historical cost at 5 April	454,260	547,022

All investments are held in unrestricted funds. The net gains and losses on revaluation are based on the market value of investment provided by Perspective Managing Wealth who manage the fund on behalf of the Trustees.

FIXED ASSET INVESTMENT - Company

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

	Company registration no.	% of shareholding held by KH Hospice	2022	2021
			£	£
KH Promotions Limited	03295776	100%	100	100
Katharine House Retail Limited	03949314	100%	2	2
Embrace Quality Care Limited	08050417	100%	5,000	5,000
KHH Development Limited	08120430	100%	500	500
			5,602	5,602

Results for the year are shown in note 11 and are included in the consolidated accounts.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

18. DEBTORS

	Company		Group	
	2022	2021	2022	2021
	£	£	£	£
Intercompany accounts	663,744	2,100,563	--	--
Trade debtors	556,962	162,152	588,149	199,545
NHS pharmaceutical supplies	3,874	16,748	3,874	16,748
HMRC - tax and social security	160,664	68,722	160,664	86,928
Other debtors	1,184	34,613	33,519	35,683
Accrued legacy income	62,572	53,508	62,572	53,508
Prepayments	142,955	124,066	142,955	125,014
Deposits provided	3,875	4,250	3,875	4,250
	<u>1,595,830</u>	<u>2,564,622</u>	<u>995,608</u>	<u>521,676</u>

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

19. STOCK

	Company		Group	
	2022	2021	2022	2021
	£	£	£	£
Bought in goods	--	--	205	811

20. CREDITORS

Amounts due in under one year		Company		Group	
Note		2022	2021	2022	2021
		£	£	£	£
Bank Loans		--	81,800	--	81,800
Payments on account		--	--	120,107	114,494
Trade creditors		202,669	158,779	232,206	161,259
HMRC		76,053	--	76,053	--
Accruals		123,588	100,255	126,999	101,186
Deferred income	(21)	17,301	11,913	17,301	11,913
Other creditors		6,083	5,305	9,141	12,556
		<u>425,694</u>	<u>358,052</u>	<u>581,807</u>	<u>483,208</u>

Amounts due after one year		Company		Group	
		2022	2021	2022	2021
		£	£	£	£
Bank loans		--	379,947	--	379,947
		<u>---</u>	<u>379,947</u>	<u>---</u>	<u>379,947</u>

The bank loans were paid off during 2021/22

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022**

(Continued)

21. DEFERRED INCOME & CONTINGENT ASSETS

Income deferred in accordance with FRS 102 and included in accruals and deferred income was:

For 2022	Balance at 1 April £	Released £	Deferred £	Balance at 31 March £
Refundable event income	11,913	11,913	12,301	12,301
Marketing Income	--	--	5,000	5,000
	<u>11,913</u>	<u>11,913</u>	<u>17,301</u>	<u>17,301</u>
For 2021	Balance at 1 April £	Released £	Deferred £	Balance at 31 March £
Refundable event income	43,026	43,026	11,913	11,913
Nursing home project	23,899	23,899	--	--
	<u>66,925</u>	<u>66,925</u>	<u>11,913</u>	<u>11,913</u>

22. FUNDS

Unrestricted Funds - Designated and General Funds

General funds are freely available for the Trustees to apply for its charitable purposes, but include fixed assets that are not expendable. The Trustees have established six designated reserves from within the free and unrestricted funds available. The primary purpose of these funds is to assist the Charity in managing its reserves and financial risks, particularly in the light of known future commitments, unexpected failure of income and larger one off items of expenditure.

The general repairs and renewals fund has been replaced by two specific large projects which are the anticipated repair and refurbishment of the Day Therapy Centre and renovation of one of the retail properties. Both properties are owned by the Hospice.

There are also plans to purchase and renovate one of the existing retail properties which is at present leased.

The Renewal of IT Fund is to fund the replacement of the servers expected to occur in 2022/23.

The Training and Development Fund ensures that existing commitments to staff development can be funded.

The Legacy Equalisation Fund helps Trustees manage the unpredictability of legacy income and use these funds in the event of a shortfall in legacy income against the annual budget.

Restricted Funds

The Capital and Equipment Funds are primarily for the purchase of items of equipment or refurbishments. Some have small cash balances which are used in the maintenance of the asset.

The NHSE awarded funding to allow the Hospice to make available bed capacity and community support from December 2021 to March 2022 to provide support to people with complex needs in the context of the COVID-19 situation.

The Service Funds are to operate specified services and are expected to be spent within 12 months. Expenditure against these funds is only for direct costs of running the services, not for recharges or overheads.

The Other Restricted Funds are for use in the provision of aspects of services or for provisions not specific to a service, for example: patient comfort funds, funds for the upkeep of the garden and other areas and funds to provide training and development for staff.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

22. FUNDS (Cont.)

COMPANY

For the Year Ended 31 March 2022

Funds	Opening Fund Value £	Income £	Expenditure £	Investment Gains / (Losses) £	Transfer from / (to) General Fund £	Closing Fund Value £
General Fund	3,519,655	6,311,513	(4,513,722)	21,185	275,295	5,613,926
Designated Funds						
Repairs and Renewals	100,000	--	(22,379)	--	(77,621)	--
Renovation/Refurbishment Therapy Centre	--	--	--	--	250,000	250,000
Norton Bridge Renovation	--	--	--	--	70,000	70,000
Acquisition & Refurbishment of Property	--	--	--	--	1,100,000	1,100,000
Renewal of IT	100,000	--	--	--	(35,000)	65,000
Training and Development	7,978	--	(9,127)	--	11,149	10,000
Legacy Equalisation	120,000	918,533	--	--	(918,533)	120,000
Loan Repayments	467,328	--	(466,348)	--	(980)	--
Emergency Campaign	674,310	--	--	--	(674,310)	--
	<u>1,469,616</u>	<u>918,533</u>	<u>(497,854)</u>	<u>--</u>	<u>(275,295)</u>	<u>1,615,000</u>
Restricted Funds						
Capital and Equipment Funds	28,927	96,589	(22,974)	--	--	102,542
NHSE Capacity Funding	--	804,334	(804,334)	--	--	--
Service Funds	14,883	116,806	(117,677)	--	--	14,012
Other Restricted Funds	23,709	11,402	(7,061)	--	--	28,050
	<u>67,519</u>	<u>1,029,131</u>	<u>(952,046)</u>	<u>--</u>	<u>--</u>	<u>144,604</u>
	<u>5,056,790</u>	<u>8,259,177</u>	<u>(5,963,622)</u>	<u>21,185</u>	<u>--</u>	<u>7,373,530</u>

For the Year Ended 31 March 2021

Funds	Opening Fund Value £	Income £	Expenditure £	Investment Gains / (Losses) £	Transfer from / (to) General Fund £	Closing Fund Value £
General Fund	2,613,743	4,699,530	(4,139,320)	83,128	262,574	3,519,655
Designated Funds						
Repairs and Renewals	60,000	--	(7,390)	--	47,390	100,000
Renewal of IT	100,000	--	--	--	--	100,000
Training and Development	11,000	--	(3,022)	--	--	7,978
Legacy Equalisation	120,000	245,807	--	--	(245,807)	120,000
Retail Vehicle	7,550	--	(108)	--	(7,442)	--
Loan Repayments	538,473	--	(14,430)	--	(56,715)	467,328
Emergency Campaign	--	825,095	(150,785)	--	--	674,310
	<u>837,023</u>	<u>1,070,902</u>	<u>(175,735)</u>	<u>--</u>	<u>(262,574)</u>	<u>1,469,616</u>
Restricted Funds						
Capital and Equipment Funds	33,709	27,808	(32,590)	--	--	28,927
NHSE Capacity Funding	--	1,714,251	(1,714,251)	--	--	--
Service Funds	14,434	180,576	(180,127)	--	--	14,883
Other Restricted Funds	25,615	7,083	(8,989)	--	--	23,709
	<u>73,758</u>	<u>1,929,718</u>	<u>(1,935,957)</u>	<u>--</u>	<u>--</u>	<u>67,519</u>
	<u>3,524,524</u>	<u>7,700,150</u>	<u>(6,251,012)</u>	<u>83,128</u>	<u>--</u>	<u>5,056,790</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022

(Continued)

22. FUNDS (Cont.)

GROUP

For the Year Ended 31 March 2022

Funds	Opening Fund Value £	Income £	Expenditure £	Investment Gains / (Losses) and Provisions £	Transfer from / (to) General Fund £	Closing Fund Value £
General Fund	3,226,476	6,965,931	(5,185,548)	20,140	275,295	5,302,294
Designated Funds	1,469,616	918,533	(497,854)	--	(275,295)	1,615,000
Restricted Funds	67,519	1,029,131	(952,046)	--	--	144,604
	<u>4,763,611</u>	<u>8,913,595</u>	<u>(6,635,448)</u>	<u>20,140</u>	<u>--</u>	<u>7,061,898</u>

For the Year Ended 31 March 2021

Funds	Opening Fund Value £	Income £	Expenditure £	Investment Gains / (Losses) and Provisions £	Transfer from / (to) General Fund £	Closing Fund Value £
General Fund	2,348,753	5,337,846	(4,809,166)	86,469	262,574	3,226,476
Designated Funds	837,023	1,070,902	(175,735)	--	(262,574)	1,469,616
Restricted Funds	73,758	1,929,718	(1,935,957)	--	--	67,519
	<u>3,259,534</u>	<u>8,338,466</u>	<u>(6,920,858)</u>	<u>86,469</u>	<u>--</u>	<u>4,763,611</u>

23. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The Charity has no capital commitments at 31 March 2022 (2021: Nil).

Operating Lease Commitments

The Company and Group hold leases for retail outlets and office equipment. The future outstanding commitments broken down by time periods are shown below with prior year comparatives:

	<1 year	2-5 years	+5 years
Company & Group as at 31.03.22	300,970	494,604	90,557
Company & Group as at 31.03.21	283,391	495,724	155,557

The total operating lease commitments (this includes leases that are out of lease calculated at 6 months' liability) are:

	Total Cost of Lease
Company & Group as at 31.03.22	865,671
Company & Group as at 31.03.21	934,672

There were no other operating lease commitments at 31 March 2022 that exceeded one year.

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2022**

(Continued)

24. RELATED PARTY TRANSACTIONS

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

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

Specific related party transactions are:

	2022 £	2021 £
Allison Cape (Trustee of Katharine House Hospice)		
Midlands Partnership Foundation Trust (MPFT) (relationship: Employee)		
(i) Retrospective credit relating to supply of district nurses	(8,750)	--
Outstanding Creditor Balance as at 31st March	--	--
 Caroline Bruckner Holt (Medical Director of Katharine House Hospice), Zia Din (Trustee of Katharine House Hospice) & Richard Hughes (Trustee of Katharine House Hospice)		
County Hospital and University Hospitals of the North Midlands (formerly Mid Staffordshire Hospitals NHS Trust) (relationship: Employees)		
Provision of pharmacy services and drug supplies	58,875	46,414
Provision of palliative medical consultant sessions	114,332	107,783
Contract for the provision of occupational and physiotherapy services	33,310	26,886
Outstanding Creditor Balance as at 31st March	46,337	30,747
 Richard Soulsby (CEO of Katharine House Hospice)		
AL Services (relationship: Spouse is proprietor)		
Spot purchasing of counselling services	1,463	2,652
Outstanding Creditor Balance as at 31st March	--	325
 Jennifer Woodyard (Trustee of Katharine House Hospice)		
Hand Morgan & Owen Solicitors (relationship: Employee)		
Provision of legal services connected with property transactions	--	--
Outstanding Creditor Balance as at 31st March	--	--
 Stafford and District Bereavement and Loss Support Service (company number 07288186)		
(Katharine House Hospice is a director of Stafford and District Breavement and Loss Support Service)		
Donation received	--	1,000

25. Post Balance Sheet Events

The property at 150 Weston Road is currently being marketed for sale at the time of preparing these accounts. The Trustees made the decision to sell this property as it is no longer required for its charitable purpose, whilst the cash raised will continue to support the free reserves of the Charity.

The Charity has outsourced its lottery operation to a third party - Local Hospice Lottery. It is expected that annual net revenues will increase by £50k which would be a 20% increase.

Katharine House Hospice resigned its corporate trusteeship of Stafford District Bereavement and Loss Support Service on 4th July 2022.