

# Annual Report and Financial Statements

Main Entrance



**For the Benenden Hospital Trust**  
for the year ending 31 December 2020



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## The Board of Governors Annual Report 2020

### Introduction

#### Our Purpose

The Board of Governors (who are Directors of the Benenden Hospital Trust for the purposes of the Companies Act 2006 and are also Trustees of the Benenden Hospital Trust) present their Annual Report and audited Financial Statements of The Benenden Hospital Trust (BHT or Charitable Company or Hospital) for the year ended 31 December 2020.

The Annual Report includes the Strategic Report, as required by the Companies Act and meets the requirements for the Trustees report as set out in the Charities SORP 2019.

The Board of Governors (Governors) confirm that the Annual Report and Financial Statements of the Charitable Company comply with the Charities Act 2011, the Companies Act 2006, the Memorandum & Articles of Association, and Accounting & Reporting by Charities: Statement of Recommended Practice.

#### Statement of the Governors' Responsibilities in respect of the Trustees' Annual Report & the Financial Statements

The Governors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Governors to prepare Financial Statements for each financial year. Under that law they are required to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Governors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the of the Charitable Company and of the excess of income over expenditure for that period.

In preparing these Financial Statements, the Governors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Charitable Company will continue its activities.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charitable Company and to prevent and detect fraud and other irregularities.

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.



Keeping patients safe

## Objectives and Activities

### About Benenden Hospital Trust Limited

The principal objectives and activities of BHT are governed by its Articles of Association. The principal objective of the Trust is 'the relief of hardship caused by sickness, infirmity, disability or any medical condition in particular by the provision of surgical and medical treatment, nursing care and otherwise to the members of The Benenden Healthcare Society Limited (Society), their nominees and, if the Governors think fit, to other persons in need'.

In setting our objectives and planning our activities our Governors have considered the Charity Commission's general guidance on public benefit.

### Our Strategic Objectives

Strategic Objectives, which value the ethos and the mission of BHT are:

#### Growth

- constantly improve the range of quality services provided
- deliver growth in Self-pay services and Private Medical Insurer work

#### Efficiency

- invest in our people to increase our capabilities
- drive down the cost of operational performance through continuous process improvement and investing in technology

#### Excellence

- maintain high standards of quality and delivery of safe patient focused care and treatment
- attract new resources by being an employer of choice

### Our Activities

BHT is the main provider of surgical and medical treatment to members and nominees of the Society, which provides low cost health care to its members with membership open to all. In addition, services are increasingly provided to patients funding their own treatment directly as Self-pay, or through Private Medical Insurance cover. BHT is an accredited NHS Provider with NHS patient referrals accepted for a range of specialties with local Clinical Commissioning Group (CCG) contracts in place. Services to the NHS are provided under the NHS Capacity Framework Agreement.

### Our Principles

BHT conducts its work based within the context of a set of guiding principles:

- a belief that every patient and their families are unique individuals placed at the heart of everything we do and seek to achieve;
- the Board of Governors will, if deemed fit, treat patients in need, wherever they live in UK;
- all patients receive a professional, patient focused and caring service;
- respect for all faiths and a belief that there is a special pastoral dimension in caring for others which involves a combination of spiritual, emotional, physical

- and ethical elements;
- the need to treat and care for each patient, patient's family, friends and colleagues with respect and dignity; and
- an acknowledgement of the physical, mental and social vulnerabilities that patients may experience, and BHT's responsibility to safeguard them.

## Our People

BHT places considerable value on the engagement and full involvement of all its employees and continually keeps them informed on matters affecting them, which is achieved through:

- formal and informal meetings;
- fortnightly internal newsletter (Connect);
- Annual Operational Plan delivered digitally to employees in 2020;
- A staff contribution group (Be-Involved) which brings together the BHT's Senior Management and staff representatives (chaired by the Organisational Development Manager); and
- Bnet - an intranet site with a dedicated section for Health and Wellbeing.

BHT prides itself in providing equal opportunities to all and welcomes applications from a diverse range of applicants, including those with disabilities. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Charitable Company continues and that appropriate training is arranged. It is the policy of the Charitable Company that the training, career development and promotion of all individuals is equal, as far as is possible.

BHT also values the opportunity to work in 'partnership' with our consultant colleagues who support the hospital through engagement in the Medical Advisory Committee, specialty reviews and service development initiatives as well as providing high quality care to our patients.

## COVID-19 and the NHSE Contract

On 31 December 2019, the World Health Organization (WHO) was informed of some cases of pneumonia in Wuhan City, China. On 12 January 2020 it was announced that a new coronavirus strain had been identified in samples and that initial analysis of virus genetic sequences suggested that this was the cause of the outbreak. This virus is referred to as SARS-CoV-2, and the associated disease as COVID-19. The first cases emerged in the UK at the end of January 2020.

More than one year on, there have been three national lockdowns, new strains of the virus have emerged, mass testing has been introduced and a national vaccination programme has been rolled out. With the vaccination programme in place, combined with tight lockdown measures since Christmas, the country experienced a reduction in the Reproduction, or 'R', rate to less than one. The Government then introduced a stepped approach to coming out of lockdown starting with schools returning at the beginning of March and culminating in the country coming out of this lockdown during July.

On 21 March 2020, it was announced that NHS England (NHSE) had negotiated a deal with the Independent Healthcare Providers Network (IHPN) involving all IHPN members. The Heads of Terms and subsequent contract allowed for the use, at cost price, of almost the entire private health sector. As part of the whole system health sector response BHT ceased planned elective surgery in main theatres, our Ambulatory Care Unit (ACU) and the Eye Unit in the week ending on the 27 March 2020.

Follow up Outpatient consultations and physio appointments, other than those deemed clinically essential, were converted to a virtual process whilst diagnostic services were delivered as required following a clinical review.

BHT, as an IHPN member, was included as part of the Heads of Terms and as such was able to work closely with the identified local NHS Trust to assist with the operational management of the pandemic and work began to plan best use of resources.

Following a de-escalation stage from 15 May 2020 to 30 June 2020, during which time BHT started to resume elective surgery, BHT entered a new variation of the NHSE contract effective from 1 July 2020, but not finally signed between IHPN and NHSE until October 2020. Most significantly, under the new contract 75% capacity rather than 100% capacity had to be made available to the NHS. This new variation had an initial end date of 31 December 2020.



Benenden Hospital Trust is proud to have played a part supporting the NHS.

Just before Christmas 2020, IHPN members were invited to enter a new NHSE contract, covering the three-month period to 31 March 2021. The terms of this contract guaranteed capacity for the NHS based on activity levels in October and November 2020. It was described as a sliding contract gradually transitioning from capacity based to activity based. BHT was concerned that commitment under the terms of this contract would have been too restrictive in terms of delivery of services to its members and others, so it ceased its COVID-19 contract. For those providers not continuing with the contract NHSE brought the arrangement to a conclusion on the 24 December 2020.

The rapid emergence of a new variant and National Lockdown number three meant that, theatre activity at BHT in the first quarter of 2021 was restricted by the limited availability of anaesthetists and the introduction of strict clinical assessment criteria. During this period BHT has continued to deliver a fully operational Outpatient and Diagnostic service, the Eye Unit has been fully operational, and two out of three theatres have been made available for more minor procedures. From the end of March 2021 onwards BHT has been back operating at around 30 sessions per week.

The first quarter's performance of 2020 was in line with budget and income from Self-pay activity exceeded the target set. Quarter two, during which activity was significantly curtailed by COVID-19, was loss making. Despite the very difficult circumstances in 2020, BHT's ability to make full use of any capacity not taken up by the NHS, meant that the Hospital had a successful second half of the year, resulting in an overall surplus.

In an unprecedented year, it is not entirely meaningful to measure progress against the original BHT five-year Business Plan. Uncertainty due to COVID-19, necessitated the preparation of a new forecast to 2022 to support BHT's going concern position.



Friendly and supportive staff at Benenden Hospital

## Performance and Achievements

### Performance

#### Referrals

The Hospital experienced a reduction in total referrals in 2020 of 24%, with total referrals being 25,273, down from 33,181 in 2019. It is, however, worth noting, that within this total private patient referrals increased by 6% to 3,042 from 2,867 in 2019.

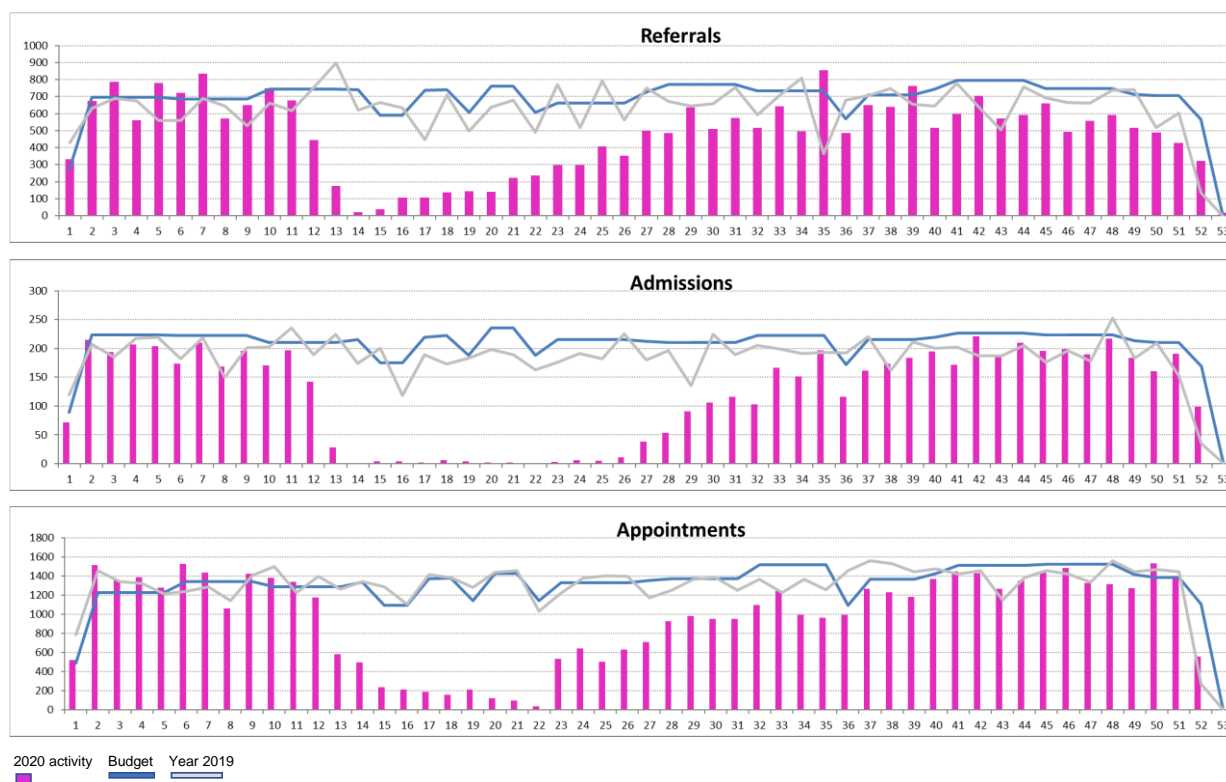
#### Admissions & Outpatient Performance

	2020	2019	Variance No	Variance %
<b>Admissions</b>	<b>6,689</b>	9,766	(3,077)	(31.5%)
<b>Outpatient Consultations</b>	<b>47,760</b>	66,885	(19,125)	(28.6%)

Operational performance in both Admissions and Outpatient Consultations saw decreases on the previous year as detailed in the table due to COVID-19.

#### Activity Levels to 31 December 2020

The graphs below clearly show the impact that the pandemic has had on activity levels, most starkly during the period from the lockdown at the end of March 2020 through to July 2020. The weeks are shown along the x axis and the number of patients shown along the y axis.



Income from Society members was £17,606k compared to 2019 totals of £29,846k.

Private income of £4,260k in 2020 was only just behind the previous year figures of £4,419k (includes both Self-pay and Private Medical Insurers (PMI)), which in the circumstances is a very pleasing result. Monthly private income in the last quarter was running in excess of £0.5m despite restrictions under the NHSE contract.

NHSE Referrals activity was worth only £1,439k in 2020 compared to £7,007k in the previous year as income for NHS activity was covered under the NHSE contract. Income under the NHSE contract was worth £8,730k in 2020

## New Clinical Services

Although new developments were restricted due to COVID-19 we were able to continue to support all Diagnostic and Outpatient pathways and also introduced Botox for Migraines as an outpatient service.

We were able to offer telephone follow up appointments as well as face to face appointments conducted in a COVID-19 secure environment.

Bariatric and Breast reduction surgery was paused from March 2020 with Bariatric surgery recommencing at the end of March 2021 and Breast reduction surgery for men and women commencing from April 2021.

## Capital Expenditure

During the year the Hospital managed Capital Expenditure totalling £2,028k (£1,059k tangible and £970k intangible). The tangible expenditure is broken down by area in the table below:

£000s	2020	2019
Medical Equipment	371	370
Fixtures & Fittings	29	83
Motor Vehicles	-	24
Computers	584	1,749
Leasehold Improvements	75	8
	<b>1,059</b>	<b>2,234</b>

The Hospital has substantially completed the first phase of its IT strategy with the Technology Refresh completed in April 2020 and the new Patient Administration System (PAS) delivered to plan in March 2021. BHT has invested in critical IT Security improvements as part of the Windows 10 upgrade completed in 2020. BHT has also invested to ensure much greater control and scrutiny over cyber security risk during 2020, to be continued in 2021 as part of an established IT plan in conjunction with the Society. Migration to the new group Finance platform, Oracle NetSuite, is planned for the first quarter of 2022.

Costs incurred relating to the PAS system in 2020 are shown in these accounts as intangible fixed assets.

## Achievements

### Accreditations and Awards

Accreditation and certification are programmes of self-assessment and independent external review to assess the level of an organisation's performance against established regulations and/or national standards. They also help provide assurance that an organisation meets or exceeds those standards. Accreditation/certification are synonymous with quality, excellence and continuous improvement.

From the Hospital's perspective accreditation and certification support our approach of continuous improvement and help to meet the regulatory requirements for the delivery of high quality and safe services to patients as part of the Care Quality Commission's (CQC) Key Lines of Enquiry (Safe, Caring, Responsive, Effective and Well Led). This supports BHT's rating of 'outstanding', whilst at the same time providing assurance to our patients, Governors, regulators and commissioners that the Hospital is committed to providing high quality, safe services.

### Anaesthesia Clinical Services Accreditation (ACSA)

ACSA is a scheme for Anaesthetic departments to formally demonstrate their commitment to high quality service provision and improvement and is awarded by the Royal College of Anaesthetists. BHT retains Anaesthesia Clinical Services Accreditation, first awarded in 2018, and remains the only independent hospital to gain this award.

### Joint Advisory Group (JAG) Accreditation

JAG sets national standards for Endoscopy units throughout the UK to ensure the quality and safety of patient care. The standards reflect four core components of a high-quality endoscopy service.

1. clinical quality
2. quality of the patient experience
3. workforce
4. training

Following assessment in December 2018 BHT received formal accreditation from the Royal College of Physicians for its Endoscopy services in January 2019. Re-accreditation was achieved in the first quarter of 2020, and again in 2021.

## **Comparative Health Knowledge System (CHKS) Accreditation and International Organisation for Standardisation (ISO) 9001 – Dual Award**

As part of the ongoing CHKS/ISO programme, the Hospital underwent a surveillance assessment in early 2020 to ascertain compliance with the ISO standards. The feedback from the assessment was very positive, with them stating that the high standards enabled the Hospital to maintain accreditation and ISO certification through to 2022, subject to annual surveillance assessments. The 2021 surveillance visit took place in March 2021 and the draft report confirms no further actions required.

### **'We invest in people' (previously 'Investors in People')**

'We invest in people' is a standard for people management, offering accreditation to organisations that adhere to the 'We invest in people' standard. 'We invest in people' was previously known as 'Investors in People' however the organisation released new branding for 2019 to reflect their purpose and the value of investing in people and have renamed their award to 'We invest in people' accreditation. The framework and assessments measure how an organisation leads, supports, improves and aligns to the organisation's ambitions.

In the wake of the COVID-19 pandemic, it became evident that the importance of staff health and wellbeing has never been more valued and in recognising this, the Hospital took the decision to pause the 'We invest in people' accreditation and focus on the 'We invest in wellbeing' accreditation.

In recognition of the value that the 'We invest in people' award brings to an organisation, the Hospital remains committed to embracing its ethos and will continue to align initiatives, measure performance and evaluate the Hospital against the framework by using its internal assessing mechanisms. This continued focus will prepare for any future opportunity to return to the achieving the 'We invest in people' standard.

### **Health and Wellbeing**

Raising mental health awareness, to reduce the stigma associated with mental health, continued to be a focus at BHT during 2020, an initiative supported by our Mental Health First Aiders.

During 2020 We invest in people released new branding for the Health and Wellbeing award and relaunched the award as 'We invest in wellbeing'. The new framework covers all aspects of employee wellbeing in an organisation and measures how well an organisation supports employees' social, physical and psychological health at work. The Hospital believes that it is important to invest into this standard and identifies with the value it will bring to employees across the organisation. Reaccreditation to this revised standard will take place during quarter four 2021. Following a health check in December 2020, valuable insight into how the Hospital aligns with the new framework was highlighted along with recommendations to support a successful re-assessment.

In response to COVID-19 the Hospital increased the focus on staff health and wellbeing supporting staff to stay mentally fit and healthy through the lockdown periods. The support included weekly 'Wellbeing Wednesday' updates from March

2020 through to July 2020. These updates focussed on maintaining physical, psychological and social health with advice and tips. Each edition reminded staff of the range of free resources and tools that were available to access. To help staff, who were shielding or unable to come to work, feel included and informed this information was published and made available on an 'extranet'. In response to staff feedback these updates were scaled back to monthly updates and now feature in the staff communication 'Connect'.

During May the Hospital celebrated Mental Health Awareness Week virtually with a range of support materials based on the theme 'be kind to yourself'. A Wellbeing Hub was launched on the intranet to bring all Health & Wellbeing related information together in one place.

## **Best of Benenden**

BHT would usually recognise the outstanding contributions our staff make to the Hospital at the annual Best of Benenden Awards, however, the social distancing and lockdown restrictions we experienced during 2020 meant that we were unable to hold our usual celebratory event. We were, however, able to celebrate the contribution and dedication of our long serving colleagues and recognized 43 awards for service of between 10 and 35 years with a special edition of our internal newsletter Connect.

## **Health Awareness Promotion and Fundraising**

Throughout the year Hospital staff organised numerous health awareness events and played a vital role in promoting, educating and highlighting different health issues, both in-house and in the community. Some of the initiatives BHT supported during 2020 are shown below.

Initiatives to support employee wellbeing during COVID-19 included:

- Helpful guides to survive lockdown (April)
- How to feel connected and how to use technology
- Five steps to wellbeing when working from home
- Loneliness and mental health

National campaigns supported included:

- Stress awareness months – April
- World Asthma Day – 5th May
- National Walking Month – May
- Mental Health Awareness Week – 20th May
- Carers' Week – 10th June
- Know your numbers week (Blood pressure) – 7th September
- Organ donation week – 7th September
- Stoptober (smoking) – October
- Menopause awareness

Community events included:

- Creating a Rainbow of colour for NHS workforce (which included local school and care home drawings)– May
- Celebrating our local heroes with heart for heroes' campaign - June
- 72 years of the NHS – 5th July

## Financial Review

In the opinion of the Governors the overall level of activity and financial position of the Charitable Company remains satisfactory.

The Charitable Company's income for the year from all sources was £35,229k (2019: £41,554k) and within this total income are legacies received during the year amounting to £297k (2019: £59k). The Charitable Company's total expenditure for the year was £34,484k (2019: £41,776k). For the year, there was a surplus of £745k (2019 [restated]: deficit £222k). The Net asset position at the year-end was £16,946k (2019 [restated]: £16,201k). The 2019 comparative figures have been restated to reflect the change in accounting policy regarding recognition of medical stock which is described in more detail below.

Included within income for BHT in 2020 is £8,730k (2019: £nil) under the NHSE Contract.

The Charitable Company's principal source of Income is from clinical services and treatment provided to Society members. In addition, BHT received voluntary donations of £2,701k (2019: £1k) from the Society to cover capital investment and marketing expenditure. The Charitable Company's Statement of Financial Activities for the year is set out on page 33.

### Summary of Results

	<b>2020 £000s</b>	<b>2019 Restated £000s</b>
Donations and Legacies	<b>3,004</b>	89
Income from Charitable Activities	<b>32,054</b>	41,274
Other income	<b>171</b>	191
<b>Total Income</b>	<b>35,229</b>	41,554
Expenditure on Charitable Activities (excluding Depreciation)	<b>(32,241)</b>	(39,770)
EBITDA	<b>2,988</b>	1,784
Depreciation	<b>(2,243)</b>	(2,006)
<b>Net Profit/(Loss)</b>	<b>745</b>	(222)

### Change in Accounting Policy

During the year BHT elected to change its accounting policy regarding the recognition of medical stock. It is considered appropriate to reflect the material value of stock held and not just the value of pharmacy stock, to reflect the full value of the Hospital's assets, given the significance of the level of medical consumables. Medical consumables stock held at 31 December 2020 was £484k, at 31 December 2019 it was £492k and at 31 December 2018 it was £435k. This change in accounting policy has resulted in BHT restating its prior year results as presented in these 2020 financial statements. The stock movement reflected in the Statement of Financial Activities for 2020 is only an £8k reduction. The resulting positive stock movement of £57k in 2019

has reduced the deficit from the original figure of £279k to the restated figure of £222k.

## Reserves Policy

As at 31 December 2020, BHT held £5.8m (2019 [restated]: £4.0m) in free reserves, although it is not required to do so by the Charities Commission. These reserves are to cover the working capital requirement for at least one month.

In 2021 BHT revised its target Reserves Policy upwards to the equivalent of 3.0 x monthly running costs. At 31 December 2020 the level of Reserves was equivalent to 2.2 x monthly running costs, which is considered acceptable progress towards the target of 3.0.

The current ratio (current assets: current liabilities) target of 2.0 was exceeded at 31 December 2020 with a ratio of 3.0 (2019 [restated]: 2.2).

## Going concern

The Governors are required to assess the ability of BHT to continue as a going concern as part of the annual accounts production process (detailed information is provided in the going concern note within the Statement of Accounting Policies).

Since the year end on the 31 December 2020, there has been a resurgence of COVID-19 which has impacted BHT operations in the first quarter of 2021. The position improved from late March onwards with levels of activity in operating theatres returning to planned levels in line with 2019 activity.

BHT has entered 2021 with a significant level of pent-up demand for patient services from Society members, Self-pay and the NHS. With this pent-up demand BHT reports growth in self-pay income although the Society and NHS activity has been slower to return.

Project Athena is a hospital wide continuous improvement programme which includes cost-saving initiatives and was introduced in 2020. A number of initiatives have already come to fruition, delivering savings of circa £0.9m in 2020 and estimated to deliver annual savings of circa £1.8m by 2022, with further savings in the pipeline. It is intended not to have any adverse impact on our effectiveness or service to patients.

One key area of focus in 2021 is Consultant engagement and to date there are some encouraging early signs. BHT has an ambitious growth plan for Self-pay activity in 2021 and beyond, which as a key element of its Commercial Strategy, will help to more fully utilise BHT's capacity. This plan has been based upon a refreshed analysis of our competitive position, and leveraging the opportunities the hospital's excellent reputation affords

The Governors have considered, in detail, the forecasted financial position to the end of 2022, this being at least 12 months from the date of signing of the financial statements and based on the actual performance to October 2021. The assessment has been made on a prudent view and this shows that cash levels are expected to remain above the monthly minimum of £2m throughout this period. The Society has agreed, through a Letter of Comfort, to support the Hospital with a further £5m if required at any point during this period. The Governors are satisfied with the level of

support that this letter provides.

The Hospital and the Society have held discussions about their on-going relationship and are in the process of negotiating a proposal for the transfer of the business and the assets of the Hospital to a subsidiary of the Society.

Any transaction will be subject to approval by the Members of The Benenden Hospital Trust and by the Charity Commission, as well as completion of other necessary regulatory and legal steps. It is uncertain how long the process of obtaining Members approval and regulatory consent will take, and therefore both whether a transaction will occur, and the timing of any transaction, are uncertain.

Having considered the uncertainties, future financial projections and the funding provided by the Society to support the financial operations, the Governors have determined that it remains appropriate to adopt the going concern basis in preparing the financial statements.

However, given the planned transaction with the Society to transfer the assets to another entity, the Governors consider that there is a material uncertainty that may cast significant doubt over BHT's ability to continue as a going concern and therefore it may be unable to continue in its current form. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

## Managing Risks

The Governors have an established Risk Management Framework which, supported by a Board Assurance Framework and the High-Level Risk Register, aims to enhance the quality of services offered to patients. BHT recognises the need for robust systems and processes to support continuous risk management, enabling members of staff to integrate risk management into their daily activities and support better decision making through a good understanding of risks and their likely impact.

BHT recognises that positive and managed risk-taking is essential for control of growth, development and innovation. The Governors have set out in its risk management policy, its risk appetite and has adopted a formal risk matrix to allow risks to be fully understood and evaluated against that risk appetite. The following are considered the key strategic risks.

### COVID-19

**Risk: The potential for further impact of COVID-19 remains a risk to the Hospital operations and its patients, together with other issues resulting from the pandemic.**

Although no longer contracted to NHSE to provide services, the high incidence of COVID-19 in the region has proved challenging at the start of the year. With the roll out of the vaccine and an encouraging reduction in the 'R' rate, although it is unlikely that the country will ever be COVID-19 free, there is optimism that life will start to return to something closer to normality. With the extreme pressures on the NHS that this pandemic has delivered, whilst there is a risk, there is also a significant opportunity for the private sector to support the NHS with back-log activity and increased demand

for private appointments.

### Commercial Risk

**Risk: The failure of BHT to deliver on the Commercial Strategy and in particular to engage with Consultants in a way which supports them to bring more private work to BHT, thus growing private patient revenue streams.**

BHT has a unique opportunity in 2021 to raise its profile as a significant player in the Self-pay market and to grow its income from Self-pay private patients.

There is a strong focus on delivery of the Commercial Strategy. The plan to deliver includes the appointment of a new Commercial Lead to head Marketing, Business Development and Private Patient sales.

### Quality of care

**Risk: A lack of staff understanding or compliance with BHT's patient management systems and processes could compromise the quality of care and treatment offered by BHT.**

To mitigate this risk, a robust internal governance and assurance framework is maintained, demonstrating adherence with the necessary quality and safety standards. Prominence is placed on continuous improvement, providing the best possible patient care in the right way, by the right people, in the right place and at the right time.

### Workforce

**Risk: The critical national shortage of qualified clinical staff (including the impact of Brexit) and an ageing workforce of BHT, could lead to a reduction in capacity or required skills to manage demand.**

Appropriate succession plans and other initiatives designed to support and mitigate an ageing workforce are in place or being developed to provide a workforce fit for purpose to future proof our Hospital for the years ahead.

### IT Infrastructure

**Risk: A stable IT infrastructure and Patient Administration System needs to be in place to enable our staff to deliver the highest possible care to our patients. In addition, there is a risk that our systems might not provide suitable assurance over data security and data recovery.**

BHT has, in March 2021, successfully implemented a new comprehensive CompuCare Patient Administration and Billing System. This is part of a detailed programme of activities designed to mitigate the risk and we are continually enhancing the controls through our information technology transformation programme.

## Cyber Security

**Risk: Cyber security risk is increasing, driven by global connectivity and use of cloud services. Cyber threats can come from any level in the organisation and could result in data theft/loss or corruption, leading to financial breaches, reputational damage or disruption to services.**

As BHT moves from fully on site, ringfenced IT systems to use of cloud-based solutions the Governors have recognised the need to significantly increase its cyber security cover. Investment has been made during 2020, to be continued in 2021 as part of an established IT plan in conjunction with the Society to ensure much greater control and scrutiny over cyber risk.

BHT's IT capability and responsiveness to cyber threat has been significantly enhanced by the appointment of the Society's IT Director as joint IT Director for the Hospital, effective from 7 August 2020.

## Plans for Future Periods

### Vision

The vision of BHT is “to be the patients' choice, providing high quality, caring and responsive health and wellbeing services”. The key objective for BHT during 2021 and beyond is to maximize the benefits available from the new facility. In order to support this ambition, the Hospital Executive has developed a Commercial Strategy.

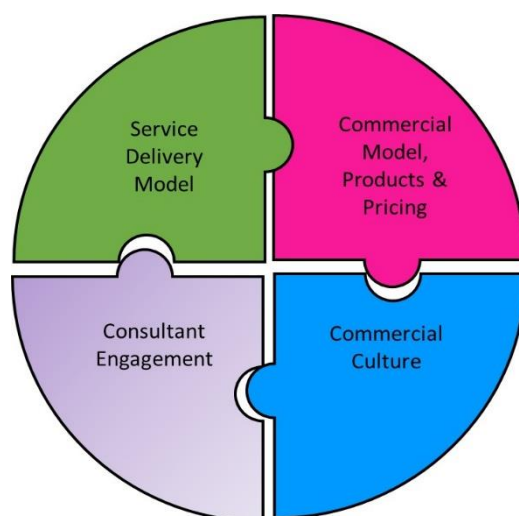
### Commercial Strategy

Historically the Hospital has been reliant on the Society. In order to reduce this reliance and to develop the Hospital's future financial sustainability the Hospital Executive has developed a Commercial Strategy, now agreed by the Board of Governors. At the heart of this is the objective to significantly raise the profile of BHT as a provider of private patient services with the ambition to be the preferred provider of choice. As part of the Commercial Strategy a commercial culture and mindset will be embedded to ensure that members of staff think and act in a way that ensures high quality services continue to be delivered as efficiently and effectively as possible.

The Hospital Executive will continuously seek new opportunities to generate private income, partner with individuals and groups that actively support our commercial goals, invest in projects which provide a good return on investment and ensure lean practices and processes support efficient and effective service delivery.

The Commercial Strategy underpins BHT's key strategic objectives of **Growth** (generating additional and sustainable income streams), **Efficiency** (an improved overall efficiency and commercial operating model of the Hospital) and **Excellence** (clinical services, quality, safety and people experience).

BHT Commercial Strategy Model - to achieve the Hospital's vision the Plan is broken into four connecting segments as follows:



## **Commercial Model Product & Pricing**

Our commercial model and pricing will reflect market forces and our commercial response will be agile, supported by clear, transparent processes that are efficient, simple to understand and follow. Our product selection and contracts will reflect this principle and will support the overall commercial vision.

## **Commercial Culture**

BHT will ensure that we are equipped with the right skills required to deliver our commercial strategy and empower managers and teams to behave in a more commercial way, prepared to take risks and demonstrate efficiency and better agility to bring about the required changes. A commercial mindset will be implemented which will support individuals to develop their skills, knowledge and behaviours required to support and achieve the commercial vision.

## **Consultant Engagement**

We will work in partnership with our consultants on a commercial basis and support those consultants and clinical services with strong ambitions to develop their commercial and private patient activities. We will develop strong bonds with private medical secretaries and ensure that our technology supports ease of access and scheduling of consultant own referrals.

## **Service Delivery**

Our service delivery models, from first point of contact to sale and after sale, will reflect the level of priority and identified financial requirements.

Careful, efficient and productive use of all clinical facilities, underpinned by safe, lean, benchmarked and productive staffing structures will be in place.

## Structure, Governance and Management

### Structure

BHT was incorporated in the United Kingdom on 23 October 1997 (company number 3454120) and was registered as a Charitable Company by the Charity Commissioners on 20 November 1997 (registered number 1065995). The Articles of Association, as amended by a special resolution dated 27 February 2014, govern the Charitable Company.

On the 1 July 2003 BHT became a controlled body of The Benenden Healthcare Society Limited which is an incorporated Friendly Society, registered under the Friendly Societies Act 1992 (registered number 480F). Transactions with related parties are set out in note 20 to the Financial Statements.

The Society was incorporated in the United Kingdom and owns the estate at Benenden in Kent. It leases the hospital and associated properties to BHT on a long-term lease. In addition, the Society makes donations each year to fund the provision of services to Society members and to support BHT with major capital investment projects and for 2020 business development activities. Around 70% of the patients treated at the Hospital are Society members.

### Governance

The Governors are responsible for preparing The Board of Governors Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards). Company law requires the Governors to prepare Financial Statements for each financial year.

Under company law the Governors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of the incoming resources and application of resources, including the income and expenditure, of the Charitable Company for that period.

They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Appointment of Governors

The Governors are appointed in accordance with the Charitable Company's Articles of Association. The number of the Governors should not be less than three but is not subject to any maximum. Appointments are normally reviewed every two years and Governors are either re-appointed or replaced with new appointments. In line with the Society's own articles, aligned with its regulator as a Friendly Society, the Society shall appoint the majority of the Governors and may remove or replace any person it appoints.

BHT may also, by ordinary resolution, appoint a person(s) who is willing to act to be a Governor either to fill a vacancy or as an additional Governor providing that there is

always the majority of Nominated Governors on the Board. No person shall be appointed or re-appointed a Governor at any general meeting unless they are recommended by the Governors.

New appointees undergo an induction programme to BHT and together with existing Governors periodically undertake a training course to understand the duties and responsibilities of Governors.

### **Hospital Audit Committee**

The Governors have an established Audit Committee. This is a sub-committee of the Board and is responsible for ensuring effective systems of internal control, inspection and reporting are maintained, including compliance testing to safeguard the assets of the Charitable Company. Additionally, the Audit Committee is responsible for ensuring that the Charitable Company's affairs comply with the Companies Act 2006 and the Statement of Recommended Practice FRS102.

The Audit Committee receives reports from an independent internal auditor, RSM Risk Assurance Services LLP, who reviews key systems and potential risks based on a programme of need determined by the Audit Committee in conjunction with the auditor. Minutes of the Audit Committee are submitted to the Governors and a summary report is presented to the Group Audit Committee of the Society. The Audit Committee also meets with the external auditor and receives a management report following their audit.

The current members of the Audit Committee are: Governors, Mr A Pilgrim (Chair), Mrs P Clarke and Mr P Rich.

### **Remuneration & Nominations Committees**

The Governors have an established Remuneration Committee and a Nominations Committee. The Remuneration Committee reviews the annual pay award to staff with a recommendation made to the Governors, which approves the pay award. It also sets the remuneration to attract the right calibre of individuals to senior positions. The Nominations Committee considers the knowledge and skills requirements of the Governors whilst ensuring the organisation is fit for purpose to meet the workforce needs of the future.

The current members of the Remuneration Committee and the Nominations Committee are: Governors, Ms A Hays (Chair), Mrs P Clarke and Mrs K Horsford.

### **Clinical Governance**

The Charitable Company has effective governance systems in place which oversee all components of risk management, including patient safety, infection control, complaints, claims, patient information and internal and external regulation.

On a quarterly basis, a multi-disciplinary Integrated Governance Committee, with responsibility for all risk components, reviews all governance issues including reports on Occupational Health, Health and Safety, Patient Safety, Infection Control, Resuscitation and Clinical Audit.

## Complaints

A complaints policy based upon the Independent Healthcare Advisory Service 'Code of Practice for Handling Patients' Complaints' is in place. The policy sets out a clear framework within which complaints are managed. A full copy of the Charitable Company's Complaints Policy is available on application.

## Healthcare Regulation & Accreditations

BHT is regulated by the Care Quality Commission (CQC). During 2020 the CQC maintained regular contact with providers through quarterly virtual updates which are continuing into 2021 with inspections restricted to a limited number of providers.

During BHT's inspection by the CQC in 2017 Hospital staff were able to demonstrate and to provide evidence from their working practices across all five CQC domains (safe, effective, caring, responsive and well-led). This resulted in BHT receiving a rating of 'Outstanding'.

BHT has maintained its accreditation of ISO27001 which defines the requirements for an information security management system.

## Insurance of Officers

Officers' liability insurance is maintained for the Governors and the Hospital Executive in respect of their duties in their respective capacities. Premiums are paid by Society and cross charged to the hospital.

## External Auditor

Deloitte were appointed in 2018 as auditors and have confirmed their willingness to continue in office. The auditor, Deloitte LLP, is deemed to be reappointed under Section 487(2) of the Companies Act 2006

## Risk Management

The Governors Risk Management Framework is set out on pages 16 to 18. The key objectives of the BHT Risk Management Framework are:

- To support the achievement of BHT's objectives by developing a more dynamic approach to risk management;
- Embed risk management systems and processes within the organisation and to promote the ethos that risk management is everyone's business;
- Create an environment which is as safe as is reasonably practicable by ensuring that risks are continuously identified, assessed and appropriately managed; and
- To foster an organisational culture of openness and willingness to report risks, incidents and near misses that is used for organisation-wide learning.

The Board Assurance Framework provides BHT with a simple but comprehensive method for the effective and focused management of the principal risks that arise in meeting our objectives. This Assurance Framework assesses the most important risks that BHT faces to date (prospective and actual) and is reviewed and updated quarterly by the Hospital Executive and the Hospital Audit Committee before presentation at each Governors meeting.

The Risk Management Framework, supported by the High-Level Risk Register, aims to enhance the quality of service for patients by ensuring that a structured approach to the identification and management of risk is adopted across all the activities of the Charitable Company and which complements quality and audit programmes.

This is achieved by devolving authority and responsibility to manage risk at all levels of the organisation; ensuring staff with direct responsibility for the management of risk within their sphere of authority are adequately trained and are competent in those skills; identification, analysis and control of risks by conducting risk assessments and taking appropriate action to minimise or eliminate those risks; and developing communication lines with all groups that impact upon or influence risk management throughout the Charitable Company.



Benenden Hospital Reception area.

## Management

The strategy of the Charitable Company is set by the Governors and implemented by the Hospital Executive. The Strategic Report, as required by the Companies Act, is included in this Governor's Report.

The Governors met formally on a total of ten occasions during 2020. During 2020 there were also a number of additional meetings convened due to the exceptional circumstances. The Governors approved the strategies and major policies related to the running of the Charitable Company, including the Standing Financial Instructions and the 2021 – 2023 Financial Plan.

The Governors monitor performance in all key areas through a number of key performance indicators and receives regular reports on Activity, Finance, Complaints, Risk Management, Governance, and Health & Safety from the Hospital Executive. So far as each Governor is aware, there is no relevant audit information of which the Charitable Company's auditor is unaware. Each Governor has taken all the steps required of a Governor to be aware of any relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

## Reference and Administrative Information

### The Board of Governors

#### Nominated Governors (Trustees)

- Mrs G Binks MBE (resigned 22 September 2020)
- Mr R Andrews
- Mrs P Clark
- Mr M Bury (resigned 15 October 2020)
- Mr A Humphreys (appointed 15 October 2020)
- Ms A Hays (appointed 15 October 2020)

#### Appointed Governors (Trustees)

- Mr R Mawford (resigned 31 August 2020)
- Mr J Jackson (resigned 30 June 2020)
- Mr A Pilgrim
- Mrs K Horsford (appointed 20 July 2020)
- Mr P Rich (appointed 1 September 2020)

### Hospital Executive

- Mrs J Abbott – MSc / BA (Hons) / RGN: Hospital Director & Company Secretary
- Ms M Anderson – MCIPD: Director of Human Resources & Organisational Development
- Mr G Boyd – FCMA / MCMI: Finance Director (retired 30 June 2020)
- Mrs C Wood - ACA: Director of Finance (appointed 3 August 2020 - resigned 11 June 2021)
- Mr P Puxty – FCA: Director of Finance (appointed 6 September 2021)
- Mr R Connell – MD / FRCOG: Medical Director (appointed 1 January 2020)
- Mrs C Harley – MA / MSc: Director of Patient Services
- Mr D Shortland – Director of Marketing and Business Development (resigned 31 December 2020)
- Mr M Cowling- Group IT Director (appointed 7 August 2020)

### External Auditors

Deloitte LLP  
3 Victoria Square, Victoria St, St Albans, AL1 3TF

RSM Risk Assurance Services LLP  
5<sup>th</sup> Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

### Bankers

National Westminster Bank PLC  
South Essex Commercial Office, 3rd Floor, Phoenix Place, Christopher Martin Road,  
Basildon, Essex, SS14 3GQ

### Solicitors

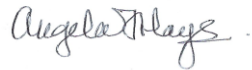
Brachers LLP  
Sommerfield House, 59 London Road, Maidstone, Kent, ME16 8JH

The Benenden Hospital Trust  
(A Company Limited by Guarantee)

Registered Number: 3454120  
Charity Number: 1065995

### Registered Office & Business Address

The Benenden Hospital Trust  
Goddard's Green Road, Benenden, Cranbrook, Kent, TN17 4AX  
Telephone: 01580 230661  
Website: [www.benendenhospital.org.uk](http://www.benendenhospital.org.uk)  
Registered Number: 3454120 (registered in England and Wales) Charity Number  
1065995



**Ms Angela Hays**

**Chair of the Board of Governors of The Benenden Hospital Trust  
15<sup>th</sup> December 2021**

# Independent Auditor's Report to the Members of The Benenden Hospital Trust

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of The Benenden Hospital Trust (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial activities;
- the summary income and expenditure account;
- the charitable company balance sheet;
- the cash flow statement;
- the statement of accounting policies;
- the critical judgements & key sources of estimation uncertainty; and
- the related notes 1 to 20.

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).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty relating to going concern

We draw attention to note (b) in the financial statements, which indicates that the Governors are currently planning for a transaction with the Benenden Healthcare Society for a proposal for the transfer of the business and the assets of the charitable company to a subsidiary of the Society. The transaction is subject to approval by the Members of the charitable company and by the Charity Commission, as well as completion of legal and regulatory procedures. As stated in note (b), these events or conditions, along with the other matters as set forth in note (b), indicate that a material uncertainty exists that may cast significant doubt on the charitable company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities and the responsibilities of the Governors 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 auditor's report thereon. The Governors 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.

## Responsibilities of Governors

As explained more fully in the Statement of the Governors' Responsibilities, the Governors (who are also the directors of the charitable company for the purpose of company law and the trustees of the charitable company) 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 Governors 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 Governors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless the Governors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities**

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 considered the nature of the charitable company's industry and its control environment, and reviewed the charitable company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the charitable company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Charities Act, UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These included the Charity Commission for England and Wales (Charity Commission) regulations, Care Quality Commission regulations and relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as IT, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the area of accuracy, occurrence and completeness of NHS England income stream, and our specific procedures performed to address it are described below::

- performing a substantive analytic procedures to test the amounts claimed from NHS England and agreed amounts received to bank;

- reviewing the correspondence for evidence of the items where there is disagreement, and agreeing amounts provided to supporting evidence; and
- evaluating the overall appropriateness of amounts recognised and how estimation uncertainty has been considered in accounting for this NHS England income stream and amounts receivable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports and reviewing correspondence with Charity Commission.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

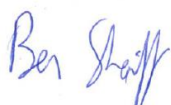
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board of Governors' Annual Report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Board of Governors' Annual Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the Board of Governors' Annual 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ben Sheriff FCA (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**  
**St Albans, United Kingdom**  
**15<sup>th</sup> December 2021**

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Restricted Funds 2020 £000s	Unrestricted Funds 2020 £000s	Total Funds 2020 £000s	Total Funds (restated) 2019 £000s
<b>INCOME &amp; ENDOWMENTS FROM</b>					
Donations & Legacies	1	-	3,004	3,004	89
Income from Charitable Activities		-	32,054	32,054	41,274
Other Trading Activities		-	168	168	182
Income from Investments		-	3	3	9
<b>TOTAL INCOME</b>		-	<b>35,229</b>	<b>35,229</b>	41,554
<b>EXPENDITURE ON CHARITABLE ACTIVITIES</b>					
Expenditure on Charitable Activities	2	-	(34,484)	(34,484)	(41,776)
<b>TOTAL EXPENDITURE</b>		-	<b>(34,484)</b>	<b>(34,484)</b>	(41,776)
<b>Net Income / (Expenditure) &amp; Net Movement in Funds for the year</b>	4	-	<b>745</b>	<b>745</b>	(222)
<b>Reconciliation of Funds</b>					
Total Funds Brought Forward		59	16,142	16,201	16,423
<b>Total Funds Carried Forward</b>	11, 13	<b>59</b>	<b>16,887</b>	<b>16,946</b>	16,201

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year and prior year.

Total funds for 2020 includes £59k of restricted funds under Reconciliation of Funds.

The notes on pages 36 to 54 form part of these Financial Statements.

## BALANCE SHEET

### AS AT 31 DECEMBER 2020

	Note	2020 £000s	2020 £000s	2019 £000s (restated)	2019 £000s (restated)
<b>FIXED ASSETS</b>					
Tangible Assets	6		11,004		12,188
Intangible Fixed Assets	7		970		-
			<b>11,974</b>		<b>12,188</b>
<b>CURRENT ASSETS</b>					
Stock	8	534		536	
Debtors	9	5,019		5,028	
Cash at Bank & in Hand	16	1,943		1,671	
<b>TOTAL CURRENT ASSETS</b>		<b>7,496</b>		<b>7,235</b>	
<b>CREDITORS</b>					
Amounts Falling Due Within One Year	10	(2,524)		(3,222)	
<b>NET CURRENT ASSETS</b>			<b>4,972</b>		<b>4,013</b>
<b>NET ASSETS</b>	12		<b>16,946</b>		<b>16,201</b>
<b>THE FUNDS OF THE CHARITY</b>					
Restricted Funds	11		59		59
Unrestricted Funds	11		16,887		16,142
<b>TOTAL CHARITY FUNDS</b>			<b>16,946</b>		<b>16,201</b>

The Financial Statements were approved by the Governors on 15<sup>th</sup> December 2021 and signed on their behalf.



**Ms Angela Hays**

**Chair of the Board of Governors of The Benenden Hospital Trust**

The notes on pages 36 to 54 form part of these Financial Statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000s	2019 £000s
<b>Cash from / (used in) Operating Activities</b>	14	<b>2,295</b>	(1,883)
<b>Cash Flows from Investing Activities</b>			
Returns on Investments & Servicing of Finance	15	3	9
Capital Expenditure & Financial Investment	15	(2,026)	(2,234)
<b>Cash used in Investing Activities</b>		<b>(2,023)</b>	(2,225)
Increase / (Decrease) in Cash & Cash Equivalents in the Year		272	(4,108)
Cash & Cash Equivalents at the start of the Year		1,671	5,779
<b>Total Cash &amp; Cash Equivalents at the end of the Year</b>	16	<b>1,943</b>	1,671

The notes on pages 36 to 54 form part of these Financial Statements.

## Statement of Accounting Policies

### a. Basis of Preparation of Financial Statements

The Financial Statements have been prepared in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102 – effective 1 January 2019) and the Companies Act 2006. The Benenden Hospital Trust (BHT or Hospital or Charitable Company or the charity) meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

### b. Going Concern

The accounting rules require the Board of Governors (Governors) to assess, as part of the accounts production process, the Hospital's ability to continue as a going concern. In considering the going concern basis of the Hospital, the Governors have been mindful of COVID-19 and its effects on the operations of the Hospital, as well as the Governors' on-going discussions with the Society about the relationship between the Hospital and the Society.

The COVID-19 pandemic developed rapidly in 2020, with increasing numbers of infections. The virus, together with government guidance and NHS England (NHSE) contractual decisions, directly impacted the operations of the Hospital in 2020 and its financial performance. The impact of COVID-19 has continued into 2021 and has impacted operational capacity and financial performance in the first quarter.

With a wide-scale vaccination programme and the most recent lockdown coming to an end, BHT believes that it is now over the most severe impact of the pandemic. However, the position remains uncertain and membership referrals have been adversely impacted, which in turn impacts future activity and income levels which have been reflected in the current forecasts reviewed by the Governors.

Government guidance remains fluid directly impacting the delivery and cost of services, through increased testing, cleaning, Personal Protective Equipment and patient isolation. The changing picture, both at a National and local level, continues to add complexity to the delivery of services.

In the light of COVID-19 BHT reviewed and revised its financial forecasts in the latter part of the year, forecasting through to 2022. In addition, as part of the work done on BHT's Commercial Strategy the Hospital has outlined a turnaround plan through to 2025, including strong private patient delivery. On an on-going basis BHT monitors performance against the 2021 budget and reviews the out-turn position. Although performance to date in 2021 is in line with the Commercial Strategy, the latest forecasts show a small deficit for 2021 but an improvement in the net cash position.

## Statement of Accounting Policies

The Governors have considered the revised forecast, against the original budgeted/planned position to December 2022. Currently it is not expected that the Hospital will require any further support from the Society, but support up to a level of £5m has been agreed if required to enable the Hospital to meet its obligations as they fall due.

The Hospital and the Society have held discussions about the on-going relationship between the Hospital and the Society and are in the process of negotiating a proposal for the transfer of the trading assets and liabilities of the Hospital to a subsidiary of the Society. Any transaction would be subject to approval by the Members of the Hospital and by the Charity Commission, as well as completion of necessary legal and regulatory steps. Whether a transaction will occur, and its timing, is therefore uncertain.

Having considered the uncertainties, future financial projections and the funding support provided by the Society to support the financial operations, the Governors have a reasonable expectation that the Charitable Company has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

However, given the planned transaction with the Society to transfer the business and assets to another entity, the Governors consider that there is a material uncertainty that may cast significant doubt over BHT's ability to continue as a going concern and therefore it may be unable to continue in its current form. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

### c. Fund Accounting

General funds are unrestricted funds which are available for use at the discretion of the Governors in furtherance of the general objectives of the Charitable Company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Governors for particular purposes. The aim and use of each designated fund are set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charitable Company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund are set out in the notes to the financial statements.

## Statement of Accounting Policies

### d. Income

Income is recognised in the period in which the Hospital has entitlement to the income, the amount of income can be measured reliably, and it is probable that the income will be received.

Income generated from patient services in the operation of an independent hospital is recognised to the extent that it is probable that the economic benefits will flow to the Hospital and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

This year income received from Society members' activity has been presented as "Income from Charitable Activities", reflecting the commercial arrangement in place between the parties. Previously, this was presented as "Donations" (see note 13).

### e. Donations & Legacies

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Donations received from the Society in 2020 were used to fund capital expenditure and expenditure on marketing and business development.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Other donations and legacies are included in the statement of financial activities once entitlement, probability and the amount can be reliably measured, subject to any restrictions specified.

### f. Interest Received

Interest on funds held on deposit is accrued as earned and added to the source fund to ensure appropriate use.

### g. Income from Trading Activities

Income from trading activities comprises revenue recognised by the Charitable Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

## Statement of Accounting Policies

### h. Expenditure on Charitable Activities

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities, they have been allocated on a basis consistent with the use of the resources. Governance costs are those incurred in connection with administration of the Charitable Company and compliance with constitutional and statutory requirements.

### i. Pensions

BHT and the Society are participating employers in a pension scheme ("the scheme") which provides both a defined benefit and a defined contribution pension scheme that is contracted out of the State Scheme.

The funds held under the defined benefit scheme are valued every three years by a professionally qualified independent actuary, with the rates of contribution payable then being determined by the Pension Trustees on the advice of the independent actuary. The Society is the principal employer and, in line with FRS102, is considered the sponsoring employer of the scheme as it recognises the net defined benefit cost of the scheme and there is no contractual agreement or stated policy for recharging the section 28 net defined benefit cost. Consequently, the Society has recognised the FRS102 deficit of £47,265k (2019: £44,199k) at 31 December 2020, of which BHT's share is £40,175k (2019: £37,569k). The Board of Governors unanimously reached agreement on the requirement of the hospital to make deficit payments in relation to the pension and payments started in March 2021.

### j. Operating Leases

Rentals under operating leases are charged to the statement of financial activities on a straight-line basis over the lease term.

### k. Tangible Fixed Assets & Depreciation

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

The Capitalisation Policy capitalises individual equipment purchases or groups of like purchases with a value of £5,000 or greater.

Depreciation is calculated to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

- Leasehold improvements – 4%.
- Furniture, fixtures, fittings and equipment:
  - Medical Equipment – 20%;
  - Computer Equipment – 33%;
  - Fixtures and fittings – 14%.
- Motor vehicles – 25%.

## Statement of Accounting Policies

### **l. Stocks**

Medical consumables and pharmacy stocks are stated at the lower of cost and net realisable value. This represents a change in accounting policy in 2020 and a resultant prior year adjustment. Previously medical consumables were excluded from stocks and charged directly to the statement of financial activities when purchased. In general, cost is determined on a first-in first-out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### **m. Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

### **n. Current Asset Investments**

Deposits held by the bank for longer than three months but maturing in less than twelve months will be shown as current asset investments in line with the requirements set out in the Charities SORP (FRS 102).

### **o. Cash at Bank & in Hand**

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

### **p. Creditors & Provisions**

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

### **q. Provision for Outstanding Benefits**

Provision in respect of all outstanding benefits for members of the Society is made by the Society and not included in the BHT financial statements.

### **r. Holiday Pay Provision**

Holiday pay provisions are made in respect of days accrued but not taken in year.

### **s. Financial Instruments**

BHT does not hold any non-basic financial instruments. The primary financial instruments are cash, receivables from trade debtors and payables to creditors and suppliers. The recognition of trade debtors and trade creditors is at fair value. Deferred Income, accruals and prepayments are recognised at the amortised cost.

Financial assets and financial liabilities are recognised when the hospital becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

## Statement of Accounting Policies

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial liabilities are de-recognised only when

the obligation specified in the contract is discharged, cancelled or expires. Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

## Critical Judgements & Key Sources of Estimation Uncertainty

Preparation of the financial statements requires the Governors and management to make judgements and estimates. The items in the financial statements where critical accounting judgements have been made include:

- **Pensions** – Assets of the scheme are held in The Benenden Healthcare Pension Plan. The Scheme also administers the pension arrangements of the Society. Under FRS102 the Society is considered to be the sponsoring employer, as it recognises the net defined benefit cost, and as such the Society has recognised the whole deficit of £47,265k (2019: £44,199k) as the deemed sponsoring employer. At 31 December 2020 the deficit attributable to BHT was £40,175k (2019: £37,569k). In January 2021 BHT entered into an agreement with the scheme and the Society whereby BHT would make deficit payments in relation to the pension and payments started in March 2021.

Other areas of judgement and estimation which the Governors and management draw attention to for the purposes of an understanding of the financial statements (but which are not critical accounting judgements or key sources of estimation uncertainty under FRS 102) include:

- **Stock of Medical Consumables** - As at 31 December 2020 a physical stock verification exercise was carried out to arrive at the value of medical consumables stock included within the Balance Sheet. For the prior year it has been necessary to estimate the value of the stock held, based on the average stock levels held in the Materials Management stock system, together with an additional figure for Brexit stock as at 2019.
- **Tangible Fixed Assets** - As stated in the accounting policy for Tangible Fixed Assets, the Hospital's assets are depreciated over their useful economic lives considering residual values, where appropriate. The actual lives of the assets and the residual values are assessed annually and may vary depending on a number of factors.
- **Claims Provision** - The medical insurance claims provision is reviewed on a quarterly basis, including at the financial year end, to ensure that the provision held is sufficient to cover any known potential claims, including anticipated legal costs.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. DONATIONS & LEGACIES

	Total Funds (Unrestricted) 2020 £000s	Total Funds (Unrestricted) 2019 £000s
Legacies	297	59
Donations - Individuals	-	3
Donations - Kathleen Smith Foundation	6	5
Donations - Benenden Healthcare Society	2,701	1
Donations - Rising Mercury Society	-	20
Donations - Friends of Benenden Hospital	-	1
<b>Total Funds</b>	<b>3,004</b>	<b>89</b>

There were no restrictions placed on any funds from Donations and Legacies received in 2020.

### 2. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Total Costs 2020 £000s	Total Costs (as restated) 2019 £000s
Staff Costs	<b>11,487</b>	12,033
Depreciation	<b>2,243</b>	2,006
Clinical Consultants Fees	<b>7,089</b>	10,684
Medical Consumables	<b>3,976</b>	5,976
Clinical service contracts	<b>494</b>	480
Governance Costs	<b>215</b>	71
Marketing and Business Development	<b>687</b>	1,505
Rent payable to Society	<b>3,219</b>	3,153
IT Service costs	<b>1,805</b>	1,685
Hospital Services	<b>3,269</b>	4,183
<b>Total Expenditure by Type</b>	<b>34,484</b>	<b>41,776</b>

Note 5

All expenditure incurred above are unrestricted. Costs incurred in raising charitable funds are immaterial.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 3. GOVERNANCE COSTS

	2020 £000s	2019 £000s
Auditor's remuneration	67	51
Internal audit costs	38	-
Legal costs	110	17
Governors expenses	-	3
	<b>215</b>	71

### 4. NET EXPENDITURE

	2020 £000s	2019 £000s
This is stated after charging;		
Depreciation of Tangible Fixed Assets; Owned by the charity	2,243	2,006
Operating Lease Rentals	55	65
Property	<b>3,219</b>	3,153

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 5. EMPLOYEES, STAFF & AGENCY COSTS

Average Monthly Number of People Employed was follows;

Clinical Staff  
Clinical Support Staff  
Admin Staff

**Total Staffing (Headcount excluding bank)**

Average bank staff paid in a month  
Average bank staff not worked in the month

**Total Bank staff - (Headcount)**

Average FTEs (Perm)  
Average FTEs (Bank)

**Average Monthly Full Time Equivalent Employees**

Staff & Agency Costs were as follows;

Staff Costs  
Social Security Costs  
Pension Costs  
Redundancy Costs inc PILON  
Agency Staff

**Total Staff & Agency Costs**

Number of employees who received emoluments above £60,000 per annum were as follows;

60,000 to 70,000  
70,001 to 80,000  
90,001 to 100,000  
100,001 to 110,000  
110,001 to 120,000  
120,001 to 130,000  
140,001 to 150,000  
150,001 to 160,000  
190,001 to 200,000  
200,001 to 210,000

	2020 Number	2019 Number
Clinical Staff	179	181
Clinical Support Staff	84	83
Admin Staff	123	119
<b>Total Staffing (Headcount excluding bank)</b>	<b>386</b>	<b>383</b>
Average bank staff paid in a month	30	51
Average bank staff not worked in the month	67	18
<b>Total Bank staff - (Headcount)</b>	<b>97</b>	<b>69</b>
Average FTEs (Perm)	315	310
Average FTEs (Bank)	7	15
<b>Average Monthly Full Time Equivalent Employees</b>	<b>322</b>	<b>325</b>
	2020 £000s	2019 £000s
Staff Costs	9,268	9,505
Social Security Costs	822	824
Pension Costs	1,178	1,122
Redundancy Costs inc PILON	38	0
Agency Staff	181	582
<b>Total Staff &amp; Agency Costs</b>	<b>11,487</b>	<b>12,033</b>
	2020 Number	2019 Number
60,000 to 70,000	7	7
70,001 to 80,000	1	-
90,001 to 100,000	-	1
100,001 to 110,000	1	2
110,001 to 120,000	2	-
120,001 to 130,000	1	2
140,001 to 150,000	-	1
150,001 to 160,000	1	-
190,001 to 200,000	1	-
200,001 to 210,000	-	1

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The key management personnel of BHT are the Governors and the Hospital Executive as set out on page 26. The charity trustees were not paid or in receipt of any other benefits from employment with BHT in 2020 (2019: £nil).

The Hospital Executive received total employee benefits of £554k in 2020 (2019: £798k) of which the Hospital Director was the highest paid employee receiving total employee benefits of £199k (2019: £224k) including £17k in employer's pension contributions (2019: £17k)

### 6. TANGIBLE FIXED ASSETS

	Leasehold Property & Improvements £000s	Fixtures, Fittings & Equipment £000s	Motor Vehicles £000s	Total £000s
<b>Cost</b>				
At 1 January 2020	10,844	10,882	162	21,888
Additions	75	984	-	1,059
Disposals / Write Off	-	-	(9)	(9)
<b>At 31 December 2020</b>	<b>10,919</b>	<b>11,866</b>	<b>153</b>	<b>22,938</b>
<b>Depreciation</b>				
At 1 January 2020	4,044	5,553	103	9,700
Charge for the Year	440	1,784	19	2,243
Disposals / Write Off	-	-	(9)	(9)
<b>At 31 December 2020</b>	<b>4,484</b>	<b>7,337</b>	<b>113</b>	<b>11,934</b>
<b>Net Book Value</b>				
<b>At 31 December 2020</b>	<b>6,435</b>	<b>4,529</b>	<b>40</b>	<b>11,004</b>
<b>At 31 December 2019</b>	<b>6,800</b>	<b>5,329</b>	<b>59</b>	<b>12,188</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 7. INTANGIBLE ASSETS

	Computer Systems & licences £000s
<b>Cost</b>	
At 1 January 2020	-
Additions	970
<b>At 31 December 2020</b>	970
<b>Depreciation</b>	
At 1 January 2020	-
Charge for the Year	-
<b>At 31 December 2020</b>	-
<b>Net Book Value</b>	
<b>At 31 December 2020</b>	970
<b>At 31 December 2019</b>	-

Costs relate to the new Patient Administration System, which went Live in April 2021. There are no depreciation costs in the year to 31 December 2020.

### 8. STOCKS

	2020 £000s	2019 as restated £000s
Pharmacy Stock	50	44
Medical Consumables Stock	484	492
<b>Total Stock</b>	534	536

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 9. DEBTORS

	2020 £000s	2019 £000s
Trade Debtors	124	1,693
Amounts Due from Related Parties	2,385	2,248
Accrued income	1,810	297
Prepayments	700	790
<b>Total Debtors</b>	<b>5,019</b>	5,028

At 31 December 2020 the total of all amounts due to BHT from the Society was £2,385k (2019: £2,248k) relating to December 2020 activity.

The sum of £1,810k (2019: £nil) shown as accrued income is due under the NHSE contract. In 2019 the accrued income figure is for NHS e-referrals work.

### 10. CREDITORS: Amounts Falling due within One Year

	2020 £000s	2019 £000s
Trade Creditors	879	1,567
Social Security & Other Taxes	230	246
Other Creditors	142	144
Deferred Income	126	-
Accruals	1,147	1,265
<b>Total Creditors</b>	<b>2,524</b>	3,222

Included in Other Creditors is a Provision for professional fees relating to insurance claims at £33k (2019: £100k).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 11. STATEMENT OF FUNDS

	B/Forward (restated) £000s	Incoming Resources £000s	Resources Expended £000s	Transfers In / Out £000s	Carried Forward £000s
Designated Funds	-	-	-	-	-
General Funds	16,142	35,229	(34,484)	-	16,887
Unrestricted Funds	16,142	35,229	(34,484)	-	16,887
Restricted Funds	59	-	-	-	59
<b>Total Funds</b>	<b>16,201</b>	<b>35,229</b>	<b>(34,484)</b>	<b>-</b>	<b>16,946</b>

Restricted funds represent donations which the donors have requested should be used for specific types of purchases of equipment or assets.

The Governors consider that the charitable company's Free Reserves are sufficient. Unrestricted funds less Tangible Fixed Assets, for the year these are: £16,887k - £11,004k = £5,883k (2019: £16,142k - £12,188k = £3,954k). The Reserves policy for the Hospital requires that sufficient free reserves exist to meet at least one month's cash outflows (£3,000k). The current free reserves meet that requirement.

### 12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2020 £000s	Unrestricted Funds 2020 £000s	Total Funds 2020 £000s	Total Funds (restated) 2019 £000s
Tangible Fixed Assets	-	11,974	11,974	12,188
Current Assets	59	7,437	7,496	7,235
Creditors Due within One Year	-	(2,524)	(2,524)	(3,222)
<b>Total of Net Assets</b>	<b>59</b>	<b>16,887</b>	<b>16,946</b>	<b>16,201</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 13. PRIOR PERIOD ADJUSTMENTS

	2019 Previously Reported £000s	2019 Prior period Adjustment £000s	2019 Restated £000s
<b>Re-classification of Income from Society</b>			
Donations and legacies	29,936	(29,847)	89
Income from Charitable activities	-	41,274	41,274
Other Trading activity	11,609	(11,427)	182
Investment income	9	-	9
<b>Total income</b>	<b>41,554</b>	<b>-</b>	<b>41,554</b>
<b>Change of Accounting Policy – Medical Consumables Stock</b>			
Expenditure on Charitable Activities	(41,833)	57	(41,776)
Net Movement in Funds	(279)	57	(222)
Current Assets- Stock	44	492	536
Net Current Assets	3,521	492	4,013
Unrestricted Funds	15,650	492	16,142
<b>Total Funds carried forward</b>	<b>15,709</b>	<b>492</b>	<b>16,201</b>

#### Re-classification of Income from Society

In recognition that the relationship between BHT is on an arms-length commercial basis for clinical services provided to Society members, it is felt more appropriate to disclose this as Income from Charitable activities, not as Donations. Similarly, income from other patient activity is re-classified as Income from Charitable activities, in accordance with BHT's charitable objectives.

#### Change of Accounting Policy – Medical Consumables Stock

During the year BHT elected to change its accounting policy with regard to the recognition of medical stock. It is considered appropriate to reflect the material value of stock held and not just the value of pharmacy stock, to reflect the true value of the Hospital's assets. Medical consumables stock held at 31 December 2020 was £484k, at 31 December 2019 it was £492k and at 31 December 2018 it was £435k. This change in accounting policy has resulted in BHT restating its prior year results as presented in these 2020 financial statements, the impact of which is summarised above. The stock movement reflected in the Statement of Financial Activities for 2020 is an £8k reduction.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 14. NET CASH FLOW FROM OPERATING ACTIVITIES

	2020 £000s	2019as restated £000s
Net Incoming / (Outgoing) Resources before Revaluations	745	(222)
Returns on Investments & Servicing of Finance	(3)	(9)
Depreciation of Tangible Fixed Assets	2,243	2,006
(Profit) /Loss on Disposal of Tangible Fixed Assets	(3)	101
Decrease/ (Increase) in Stocks	2	(64)
Decrease/ (Increase) in Trade Debtors	1,569	(1,043)
(Increase) in Amounts Owed by Related Parties	(137)	(2,248)
(Increase) in Other Debtors inc. NHSE	(1,513)	(297)
Decrease/ (Increase) in Prepayments	90	(91)
(Decrease)/ Increase in Trade Creditors	(688)	252
(Decrease)/ Increase in Social Security & Other Taxes	(16)	26
Increase / (Decrease) in Other Creditors and Deferred Income	126	(496)
(Decrease)/Increase in Accruals	(120)	202
<b>Net Cash Inflow / (Outflow) from Operations</b>	<b>2,295</b>	<b>(1,883)</b>

### 15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2020 £000s	2019 £000s
<b>Returns on Investments &amp; Servicing of Finance</b>		
Interest Received	3	9
<b>Capital Expenditure &amp; Financial Investment</b>		
Purchase of Tangible Fixed Asset	(2,029)	(2,234)
Proceeds from Sale of Tangible Fixed Asset	3	-
<b>Net Cash Outflow Capital Expenditure</b>	<b>(2,026)</b>	<b>(2,234)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 16. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2020 £000s	Cash Flow £000s	31 December 2020 £000s
Cash at Bank & in Hand	1,671	272	1,943
<b>Net Funds</b>	<b>1,671</b>	<b>272</b>	<b>1,943</b>

#### 17. FINANCIAL COMMITMENTS

At 31 December 2020 the charity had annual commitments under non-cancellable operating leases as follows;

	Land & Buildings		Other	
	2020 £000s	2019 £000s	2020 £000s	2019 £000s
Expiry Date;				
Within 1 year	-	-	-	3
Between 2 & 5 Years	-	-	32	48
After More than 5 Years	2,300	3,219	-	-

#### 18. PENSION OBLIGATIONS

The charity participates in a defined benefit and defined contribution scheme (please note that the defined benefit scheme closed for future accruals at 31 December 2018 with no more contributions to it from 1 January 2019).

The total net cost for the charity for the year was £1,178k (2019: £1,122k). Assets of the pension scheme ("the scheme") are held in The Benenden Healthcare Pension Plan. The scheme also administers the pension arrangements of the Society. The scheme is currently in significant deficit and will require the Benenden Hospital Trust to make extra contributions to the scheme as part of the recovery plan. The actuaries have confirmed that it is possible to separate the BHT's assets and liabilities in the scheme and at 31 December 2020 the deficit attributable to BHT was £40,175k (2019: £37,569k). However, disclosure in these accounts is made on the basis that it is a defined benefit scheme with the deficit of £47,265k (2019: £44,199k) being recognised by the deemed sponsoring employer, the Society. Note 19 discloses the agreement after the year-end for BHT to make payments as part of the Pensions Recovery Plan.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **19. SUBSEQUENT EVENTS**

##### **Coronavirus**

A new Kent variant of the COVID-19 virus developed rapidly after Christmas 2020, leading to a third National lockdown and significant curtailment to the Hospital's operations in the first quarter of the year.

The Governors do not consider any adjustments are required as a result of this in the financial statements of the Hospital. This follows re-assessment of the going concern position and in the context of continuing support from the Society.

##### **Rent payable to Society**

The Society invested £55m in the redevelopment of the hospital site, in line with the specification provided by BHT, and the development was concluded in 2017. At the time both parties agreed to a 25-year lease agreement that reflected the investment made by the Society. The lease was approved by the Governors on 15 November 2017 and commenced on 1 January 2018.

Given the unprecedented uncertainty generated by COVID-19, the Society considered it appropriate to undertake a full valuation of all its property investments including the BHT facility for the purposes of its Annual Report and Accounts for the year to 31 December 2020. Following this decision, the Society also determined to seek consensus for a revised rental agreement with the BHT Governors in advance of the formal market rent review date of 1 January 2023.

Both BHT and the Society separately engaged suitably qualified independent surveyors to provide a Market Value of the BHT facility as well as assessing the market rental value and yield. Following these assessments, a new reduced lease rental of £2,300k has been agreed, effective from 1 January 2020 (2019: £3,219k).

##### **Pension deficit recovery plan**

On 31 January 2021 the Society and the Hospital submitted to the Pensions Regulator a Pensions Recovery Plan. After an initial payment of £7,500k made by the Society there is an annual commitment, effective from April 2021, to make deficit payments of £3,000k. The Society and BHT have a joint and shared obligation to make these payments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. RELATED PARTY TRANSACTIONS

The Benenden Hospital Trust (BHT) is a controlled body of The Benenden Healthcare Society Limited (Society) who are an incorporated friendly society, registered under the Friendly Societies Act 1992, registered number 480F.

The Society had the following transactions with BHT during the year ended 31 December 2020:

#### a) donated cash:

to the company with a value of £2,701k (2019: £2k)

#### b) paid for:

Society Patients to be treated at the Hospital at a value of £17,606k (2019: £29,847k);  
miscellaneous group costs of £14k (2019: £21k)

#### c) charged:

rent for the use of Benenden hospital at £3,219k (2019: £3,153k)  
insurance for the use of Benenden hospital at £269k (2019: £302k)  
for internal/external audit costs of £110k (2019: £nil)  
for IT agreements of £419k (2019: £275k)

The lease of the property at Benenden hospital to BHT is under a 25 year lease starting on 1 January 2018, which expires in July 2042, with annual rent starting at of £3,103k and subject to annual increases in line with RPI. This was adjusted down in 2021 following a revaluation exercise. As a result, the expected rent payable in 2021 reduced from £3,254k to £2,300k. The future rental payments will be increased from the revised £2,300k in line with RPI.

At 31 December 2020 the total of all amounts due to BHT from the Society was £2,385k (2019: £2,248k).

At 31 December 2020 the total of all amounts due from BHT to the Society was £268k (2019: £805k).

During 2020 it was agreed between the parties that rent would be paid monthly rather than quarterly to Benenden Healthcare Society.

The consolidated accounts for the Society are available at  
<https://www.benenden.co.uk/about-benenden/>.