

The Benenden Hospital Trust
(A Company Limited by Guarantee)
Annual Report and Financial Statements
Year ended 31 December 2021
Registered Number: 03454120
Charity Number: 1065995

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The Board of Governors Annual Report 2021

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 2021.

The Annual Report and Financial Statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum & Articles of Association, and Accounting & Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Chair's Report

I am pleased to report that, despite the continued impact of the COVID-19 pandemic, in the year ended 31 December 2021 the Hospital helped over 64,000 patients and grew income by 18%.

The Hospital's contract with NHS England for COVID support came to an end on 31 December 2020, enabling BHT to return to normal operations from January 2021. However, COVID-19 continued to impact the performance of the Hospital throughout the year.

The first quarter saw very significant issues with resourcing anaesthetists during the second wave of the pandemic, resulting in our theatres unable to operate at full capacity. More recently, the highly transmissible Omicron variant has increased the pressure on resources due to staff absences, whether through illness or self-isolation. The pandemic has continued to impact patient confidence, introducing a fear factor preventing patients from seeing their GP or seeking referrals to hospital for diagnosis or treatment.

The Hospital has successfully implemented its Commercial Strategy and seen growth in Self-Pay Patient income of 116% to £8.7m.

In addition to the exceptional growth in Self-Pay Patient income, the number of Society members treated by the Hospital has continued to grow throughout the year and is now approaching pre-pandemic levels. In total, income from Society members grew by 37% in the year. With careful cost control and optimal use of facilities BHT has delivered, what is considered to be, an acceptable net deficit of £405,000 for the year. In spite of the challenges during the year the Hospital has retained its CQC Outstanding status, a reflection of everyone's contribution and maintaining high standards.

The Hospital continues to support both the physical and mental wellbeing of its staff and, I am pleased to say, was recently awarded a "We invest in wellbeing" Silver Award by Investors in People and that during 2021 we adopted the Real Living Wage to ensure that all our staff were fairly compensated for their work.

In 2022, we look forward to our patient numbers returning to pre-pandemic levels enabling us to support more members plus continue to grow our Self-Pay Patient income.

I would like to take this opportunity to thank all of the Hospital staff for their professionalism, dedication, and commitment over the last year, a significant achievement in the circumstances.

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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 BHT's objectives and planning its activities the Governors have considered the Charity Commission's general guidance on public benefit.

Our Strategic Objectives

BHT's strategic objectives, which value its ethos and mission are:

- | | |
|-------------------|--|
| Growth | <ul style="list-style-type: none">• Constantly improve the range of quality services provided by the hospital• Deliver growth in private patient income |
| Efficiency | <ul style="list-style-type: none">• Invest in our people to increase our capabilities• Drive down cost through continuous process improvement and investing in technology |
| Excellence | <ul style="list-style-type: none">• Maintain high standards of quality and delivery of safe patient focused care• Attract new talent 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.

BHT measures the success of its activities both in terms of financial performance and also in terms of the number of patients treated during the year.

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Our Principles

BHT always acts 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;
- the 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 its employees and continually keeps them informed on matters affecting them. This is achieved through formal and informal meetings, a fortnightly internal newsletter (Connect), presentation of the Annual Operational Plan to all staff, 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.

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Achievements and Performance

Performance

During 2021 the Hospital saw a significant growth in activity levels:

	2021 Number	2020 Number	Growth %
Referrals	26,579	22,372	+18.8%
Appointments	68,279	50,678	+34.7%
Admissions	8,948	6,310	+41.8%

The growth in activity levels was driven by a steady improvement in referrals from Society towards pre-COVID 19 pandemic levels and a very significant growth in Self-pay income driven by record high levels of patient backlog in the NHS. Income from the NHS fell by 56.6% as a result of the COVID-19 contract with NHS England not being extended at the end of 2020. Income from charitable activities can be analysed by channel as follows:

	2021 £'000	2020 £'000	Growth %
Income from:			
Society	24,160	17,606	+37.2%
NHS	4,431	10,203	-56.6%
Self-Pay	8,728	4,042	+115.9%
Private Medical Insurance	611	203	+201.0%
Total income from charitable activities	37,930	32,054	+18.3%

Evolution of Clinical Services

Following a COVID-19 pause in 2020, Bariatric surgery recommenced in March 2021 and Breast reduction surgery recommenced in April 2021.

We Invest in Wellbeing

To reflect its commitment to all aspects of employee wellbeing, in December 2021 the Hospital was awarded a "We invest in wellbeing" Silver Award by Investors in People.

Best of Benenden

Every year we recognise the outstanding contributions our staff make to the Hospital at the annual Best of Benenden Awards. These respected peer-nominated awards recognise excellence and innovation and honour the efforts of individuals and teams who embody the organisation's values and behaviours and those who make a significant positive impact at the Hospital. Because of the ongoing COVID-19 pandemic, in 2021 the award ceremony was held virtually and streamed to all of the Hospital's employees.

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Financial Review

In the opinion of the Governors the overall level of activity and financial position of the Charitable Company remains satisfactory. As well as prior year comparatives, the figures for 2019 have also been included to indicate pre-COVID 19 performance.

The Charitable Company's income for the year from all sources was £39,946k (2020: £35,229k, 2019: £41,554k) and within this total income are legacies received during the year amounting to £53k (2020: £297k, 2019: £59k). The Charitable Company's total expenditure for the year was £40,351k (2020: £34,484k, 2019: £41,766k). For the year, there was a net deficit of £405k (2020 surplus of £745k, 2019: loss of £222k). The net asset position at the 31 December 2021 was £16,541k (2020: £16,946k, 2019: £16,201k).

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 £1,640k (2020: £2,701k, 2019: £1k) from the Society as contribution to support capital investment and marketing expenditure. The Charitable Company's Statement of Financial Activities for the year is set out on page 23.

Summary of Financial Results

	2021 £'000	2020 £'000
Donations and Legacies	1,733	3,004
Income from Charitable Activities	37,930	32,054
Other Income	283	171
Total Income	39,946	35,229
Expenditure on Charitable Activities (excluding depreciation & amortisation)	(38,016)	(32,241)
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	1,930	2,988
Depreciation & Amortisation	(2,335)	(2,243)
Net (Deficit)/Surplus	(405)	745

Reserves Policy

As at 31 December 2021, BHT held £5.2m (2020: £5.8m) in free reserves (net assets excluding fixed assets and restricted funds), 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 (all hospital costs excluding directly variable costs). At 31 December 2021 the level of

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Reserves was equivalent to 2.6 x monthly running costs (2020: 2.2x), 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 2021 with a ratio of 2.8 (2020: 3.0).

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).

The Governors have considered, in detail, the forecasted financial position to the end of 2023, this being at least 12 months from the date of signing of the financial statements and based on the actual performance to 28 February 2022. The assessment has been made on a prudent view and this shows that cash levels are expected to remain above the monthly minimum target 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.

In February 2022 the Society have made an offer for the transfer of the business and the assets of the Hospital to a subsidiary of the Society. This proposed transaction is not as a result of any financial issues and there is no intention for the business of the hospital to cease at any time in the future.

The proposed transaction is 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 proposed 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 realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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Future Plans

Vision

The vision of BHT is to be the first-choice private hospital in Kent and Sussex for patients, primary care providers, medical consultants and employees. The key objective during 2022 and beyond is to build on the progress already made in third party income growth and push harder to deliver the overarching strategy of achieving-self funding status.

Commercial Strategy

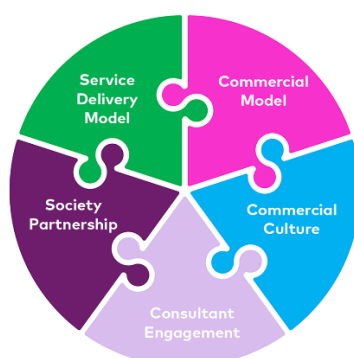
Historically the Hospital has been reliant on the Society as its principal source of income. In order to reduce this reliance and to develop the Hospital's future financial sustainability in 2021 the Hospital Executive and the Governors developed a Commercial Strategy. At the heart of this is the objective to significantly raise the profile of BHT as a provider of private patient services with the ambition to be the preferred provider of choice in Kent and Sussex. During 2022 BHT will continue to embed the Commercial Strategy across the organisation.

As part of the Commercial Strategy a commercial culture and mindset are being 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 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 is broken down into five connecting segments as follows:



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Commercial Model

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

Commercial Culture

BHT ensures 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 is being implemented which will support individuals to develop their skills, knowledge and behaviours required to support and achieve the commercial vision.

Consultant Engagement

We are working 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 are developing strong bonds with private medical secretaries and are ensuring that our technology supports ease of access and scheduling of consultant own referrals.

Society Partnership

We are working in partnership with Society, exploring opportunities to work together towards mutual benefits.

Service Delivery Model

Our service delivery models, from first point of contact to sale and after sale, 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 are being put in place.

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Reference and Administrative Information

The Board of Governors

Nominated Governors (Trustees)

- Ms A Hays (Chair)
- Mr R Andrews
- Mrs P Clark
- Mr A Humphreys

Appointed Governors (Trustees)

- Mrs K Horsford
- Mr A Pilgrim
- Mr P Rich

Hospital Executive

- Mrs J Abbott, MSc BA (Hons): Hospital Director & Company Secretary
- Ms M Anderson, MCIPD: Director of Human Resources & Organisational Development
- Mr R Connell, MD FRCOG: Medical Director
- Mr M Cowling: Group IT Director
- Mrs C Harley, MA MSc: Director of Patient Services
- Mr P Puxty, FCA: Director of Finance (appointed 6 September 2021)
- Mrs C Wood, ACA: Director of Finance (resigned 11 June 2021)

External Auditors

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

Internal Auditors

RSM Risk Assurance Services LLP
5th 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,
SS14 3GQ

Solicitors

Brachers LLP
Sommerfield House, 59 London Road, Maidstone, ME1 6 8JH

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Registered Office & Business Address

The Benenden Hospital Trust
Goddard's Green Road, Benenden, Cranbrook, TN17 4AX

Telephone: 01580 230661

Website: www.benendenhospital.org.uk

Registered number: 3454120

Charity number: 1065995

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.

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.

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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 Clark 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 Clark 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.

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Risk Management

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:

Risk	Implication
<p>COVID 19 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.</p>	<p>Although no longer contracted to NHSE to provide services, the high incidence of COVID-19 in the region proved challenging at the start of 2021. With the roll out of max vaccination programmes, including the recent booster programme, 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 normal. 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.</p>
<p>Commercial 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.</p>	<p>There is a strong focus on delivery of the Commercial Strategy which was launched in 2021. Since the start of 2022 workshops have been held with all staff to start the process of embedding a commercial culture across all areas of the Hospital and this focus will continue throughout the year.</p>
<p>Quality of Care 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.</p>	<p>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.</p>

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<p>Workforce The critical national shortage of qualified clinical staff following Brexit and the COVID-19 pandemic, and an ageing workforce at BHT, could lead to a reduction in capacity or required skills to manage demand.</p>	<p>Appropriate succession plans and other initiatives designed to support and mitigate against an ageing workforce are in place or being developed to provide a workforce fit for purpose to future proof the Hospital for the years ahead.</p>
<p>IT Infrastructure 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.</p>	<p>BHT has, in March 2021, successfully implemented a new comprehensive Compucare Patient Administration and Billing System. During 2022 BHT will implement a new accounting system, Oracle NetSuite. These projects are 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.</p>
<p>Cyber Security 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.</p>	<p>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 2021, to be continued in 2022 as part of an established IT plan in conjunction with the Society to ensure much greater control and scrutiny over cyber risk.</p> <p>In December 2021 BHT was awarded Cyber Essentials Plus accreditation.</p>
<p>Business Continuity Due to the ongoing effects of COVID-19 and Brexit, there is a risk that a supply chain failure could cause disruption to BHT with regards to, purchasing medication /equipment, increase in costs for the organisation and inability to complete procedures</p>	<p>BHT now purchase some key theatre items from NHS Supply Chain as there is more confidence in their supply chain. Historical stock levels are being maintained , with surplus stock in place for key items.</p> <p>Incident reporting and monitoring is in place to ensure current risks are understood and reported to management.</p>

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 5 occasions during 2021. The Governors approved the strategies and major policies related to the running of the Charitable Company, including the Standing Financial Instructions and the 2022 – 2024 Financial Plan.

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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.

Governors' Responsibilities in Relation to the Financial Statements

The Governors (who are also Directors of the Benenden Hospital Trust for the purposes of company law and are also Trustees of the Benenden Hospital Trust) are responsible for preparing a Governor's annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the Governors to prepare financial statements for each year which 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. In preparing the financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

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

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Statement as to Disclosure to our Auditor

In so far as the Governors are aware at the time of approving our Governors' Annual Report:

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

By order of the Board of Governors



Ms Angela Hays

Chair of the Board of Governors of the Benenden Hospital Trust

13 June 2022

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 2021 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 balance sheet;
- the cash flow statement; 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 of 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.

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

Material uncertainty relating to going concern

We draw attention to note 1(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 1(b), these events or conditions, along with the other matters as set forth in note 1(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 trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

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

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either

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

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. This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We 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.

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- determination of whether the charitable company has recorded Private Patient income that is not valid, accurate or valued appropriately.
- performing substantive analytic procedures to test the amounts received, and agreeing these amounts to bank account.
- reviewing the correspondence for evidence of the items where there is disagreement, and agreeing amounts provided to supporting evidence.
- evaluating the overall appropriateness of amounts recognised and how estimation uncertainty has been considered in accounting for this 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 and internal audit 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.

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

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 trustees' 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 trustees' 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 trustees' report.

Matters on which we are required to report by exception

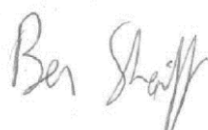
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

13 June 2022

Statement of Financial Activities For the year ended 31 December 2021

	Note	Restricted Funds 2021 £'000	Unrestricted Funds 2021 £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Income & Endowments From					
Donations and Legacies	3	-	1,733	1,733	3,004
Income from Charitable Activities		-	37,930	37,930	32,054
Other Trading Activities		-	283	283	168
Income from Investments		-	-	-	3
Total Income		-	39,946	39,946	35,229
Expenditure on Charitable Activities					
	4	-	(40,351)	(40,351)	(34,484)
Net (Expenditure)/Income & Net movement in funds for the year	6	-	(405)	(405)	745
Reconciliation of Funds					
Total Funds Brought Forward		59	16,887	16,946	16,201
Total Funds Carried Forward	13,14	59	16,482	16,541	16,946

All activities continue to relate to continuing operations.

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

Total funds for 2021 includes £59k of restricted funds under Reconciliation of Funds.

The notes on pages 26 to 41 form part of the financial statements.

Balance Sheet

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed Assets			
Tangible Assets	8	9,591	11,004
Intangible Assets	9	1,720	970
		11,311	11,974
Current Assets			
Stock	10	662	534
Debtors	11	3,876	5,019
Cash at Bank & in Hand	17	3,864	1,943
		8,402	7,496
Total Current Assets			
Creditors			
Amounts Falling Due Within One Year	12	(3,172)	(2,524)
		5,230	4,972
Net Current Assets			
		16,541	16,946
Net Assets			
The Funds of the Charity			
Restricted Funds	13	59	59
Unrestricted Funds	13	16,482	16,887
		16,541	16,946
Total Charity Funds			

The Financial Statements were approved by the Governors on 13 June 2022 and signed on its behalf.



Ms Angela Hays
Chair of the Board of Governors of The Benenden Hospital Trust

The notes on pages 26 to 41 form part of these Financial Statements

Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash from Operating Activities	15	3,582	2,295
Cash Flows from Investing Activities			
Returns on Investments & Servicing of Finance	16	-	3
Capital Expenditure & Financial Investment	16	(1,661)	(2,026)
Cash used in Investing Activities		<hr/> (1,661)	<hr/> (2,023)
Increase in Cash & Cash Equivalents in the Year		1,921	272
Cash & Cash Equivalents at the Start of the Year		1,943	1,671
Total Cash & Cash Equivalents at the End of the Year	17	<hr/> <hr/> 3,864	<hr/> <hr/> 1,943

The notes on pages 26 to 41 form part of these Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2021

1 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 “the Charitable Company”) meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

b. Preparation of the Accounts on a Going Concern Basis

The accounting rules require the 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 impact of the COVID-19 pandemic has continued into 2021 and has impacted operational capacity and financial performance in the first quarter. With a wide-scale vaccination programme, including the recent booster programme, 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.

On an on-going basis BHT monitors performance against the 2022 budget and reviews the out-turn position. Although performance to date in 2022 is in line with the Commercial Strategy, the latest forecasts show a small deficit for 2022 but an improvement in the net cash position.

The Governors have considered the latest forecast, based on actuals to 28 February 2022, against the original budgeted/planned position to 31 December 2023. 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.

In February 2022 the Society have made an offer to the Hospital for the transfer of the trading assets and liabilities of the Hospital to a subsidiary of the Society. The proposed 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.

Notes to the Financial Statements

For the year ended 31 December 2021

1 Statement of Accounting Policies

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 proposed 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.

d. Income from Charitable Activities

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.

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 recognised 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.

Notes to the Financial Statements

For the year ended 31 December 2021

1 Statement of Accounting Policies

Donations received from the Society in 2021 were used to fund capital expenditure.

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.

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 Other Trading Activities

Income from other 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.

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. Redundancy Payments

Redundancy payments, including payments in lieu of notice, are recognised in the statement of financial activities.

j 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 £29,036k (2020: £47,265k) at 31 December 2021, of which BHT's share is £24,681k (2020: £40,175k). 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.

The pension deficit payments are recognised in the statement of financial activities as they are incurred.

Notes to the Financial Statements For the year ended 31 December 2021

1 Statement of Accounting Policies

k. Operating Leases

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

l. 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%
Medical Equipment	20%
Computer Equipment	33%
Fixtures & Fittings	14%
Motor vehicles	25%

m. Intangible Fixed Assets & Depreciation

Intangible fixed assets represent computer software and licences. The cost of these assets is their purchase cost, together with any incidental costs of acquisition such as development and implementation costs.

Computer software and licences are amortised on a straight-line basis over their expected useful economic life, at an annual rate of 20%.

n. Stock

Medical consumables and pharmacy stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

o. 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.

p. 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.

Notes to the Financial Statements

For the year ended 31 December 2021

1 Statement of Accounting Policies

q. 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.

r. 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.

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.

Notes to the Financial Statements For the year ended 31 December 2021

2 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 these 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 £29,036k (2020: £47,265k) as the deemed sponsoring employer. At 31 December 2021 the deficit attributable to BHT was £24,681k (2020: £40,175k). 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:

- **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 2021

3 Donations & Legacies

	2021 £'000	2020 £'000
Legacies	53	297
Donations – Kathleen Smith Foundation	-	6
Donations – Benenden Healthcare Society	1,640	2,701
Donations – Rising Mercury Society	40	-
Total Donations & Legacies	1,733	3,004

There were no restrictions placed on any funds from Donations and Legacies received in 2021.

4 Analysis of Resources Expended by Expenditure Type

	Note	2021 £'000	2020 £'000
Staff Costs	7	14,146	11,487
Depreciation & Amortisation		2,335	2,243
Clinical Consultants Fees		9,557	7,089
Medical Consumables		5,940	3,976
Clinical Service Contracts		480	494
Governance Costs	5	260	215
Marketing & Business Development		370	687
Rent Payable to Benenden Society		2,300	3,219
IT Service Costs		1,711	1,805
Hospital Services		3,252	3,269
Total Expenditure by Type		40,351	34,484

Costs incurred in raising charitable funds are immaterial.

Notes to the Financial Statements For the year ended 31 December 2021

5 Governance Costs

	2021 £'000	2020 £'000
Auditor's remuneration	66	67
Internal audit costs	49	38
Legal costs	145	110
	<u>260</u>	<u>215</u>

6 Net (Expenditure)/Income

Net (expenditure)/income is stated after charging:

	Note	2021 £'000	2020 £'000
Depreciation of Tangible Fixed Assets	8	<u>2,166</u>	<u>2,243</u>
Amortisation of Intangible Fixed Assets	9	<u>169</u>	<u>-</u>
Operating Lease Rentals	18	<u>60</u>	<u>55</u>
Property Lease Rentals	18	<u>2,300</u>	<u>3,219</u>

Notes to the Financial Statements For the year ended 31 December 2021

7 Employees, Staff & Agency Costs

Average monthly number of people employed was as follows:

	2021 Number	2020 Number
Clinical Staff	170	179
Clinical Support Staff	81	84
Administrative Staff	118	123
Total Staff Excluding Bank Staff	369	386
Average bank staff paid in a month	35	30
Average bank staff not paid in a month	47	67
Total Bank Staff	82	97
Average FTEs (Permanent Staff)	303	315
Average FTEs (Bank Staff)	9	7
Average Monthly Full Time Equivalent Employees	312	322

Staff and agency costs were as follows:

	2021 £'000	2020 £'000
Staff Costs	9,323	9,268
Social Security Costs	820	822
Pension Costs	3,100	1,178
Redundancy Costs (including payment in lieu of notice)	296	38
Agency Staff	607	181
Total Staff & Agency Costs	14,146	11,487

Notes to the Financial Statements For the year ended 31 December 2021

The number of employees who received emoluments above £60,000 in the period were as follows:

	2021 Number	2020 Number
£60,000 to £70,000	5	7
£70,001 to £80,000	2	1
£100,001 to £110,000	-	1
£110,001 to £120,000	2	2
£120,001 to £130,000	1	1
£150,001 to £160,000	-	1
£170,001 to £180,000	1	-
£190,001 to £200,000	-	1

The key management personnel of BHT are the Governors and the Hospital Executive as set out on page 11. The charity trustees were not paid and did not receive any other benefits from employment with BHT during 2021 (2020: £nil).

The Hospital Executive received total employee benefits of £684k in 2021 (2020: £554k) of which the Hospital Director was the highest paid employee receiving total employee benefits of £196k (2020: £199k) including £18k in employer's pension contributions (2020: £17k).

8 Tangible Fixed Assets

	Leasehold Improvements £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2021	10,919	11,866	153	22,938
Additions	18	740	-	758
Disposals	-	-	(26)	(26)
At 31 December 2021	10,937	12,606	127	23,670
Depreciation				
At 1 January 2021	4,484	7,337	113	11,934
Charge for the Year	436	1,712	18	2,166
Disposals	-	-	(21)	(21)
At 31 December 2021	4,920	9,049	110	14,079
Net Book Value				
At 31 December 2021	6,017	3,557	17	9,591
At 31 December 2020	6,435	4,529	40	11,004

Notes to the Financial Statements For the year ended 31 December 2021

9 Intangible Fixed Assets

	Computer software & licences £'000
Cost	
At 1 January 2021	970
Additions	919
At 31 December 2021	<u>1,889</u>
Depreciation	
At 1 January 2021	-
Charge for the Year	169
At 31 December 2021	<u>169</u>
Net Book Value	
At 31 December 2021	<u>1,720</u>
At 31 December 2020	<u>970</u>

10 Stock

	2021 £'000	2020 £'000
Pharmacy Stock	46	50
Medical Consumables Stock	616	484
Total Stock	<u>662</u>	<u>534</u>

There is no material difference between the carrying value of stock and its replacement cost.

Notes to the Financial Statements For the year ended 31 December 2021

11 Debtors

	2021 £'000	2020 £'000
Trade Debtors	1,183	124
Amounts due from Related Parties	2,135	2,385
Accrued Income	-	1,810
Prepayments	558	700
Total Debtors	3,876	5,019

At 31 December 2021 the total of all amounts due to BHT from the Society was £2,135k (2020: £2,385k) relating to December 2021 activity.

Accrued income of £1,810k at 31 December 2020 related to amounts due under the NHS England contract for COVID support. At 31 December 2021 the amount due under that contract was £nil.

12 Creditors: Amounts Falling Due Within One Year

	2021 £'000	2020 £'000
Trade Creditors	1,407	879
Social Security & Other Taxes	211	230
Other Creditors	131	142
Deferred Income	303	126
Accruals	1,120	1,147
Total Creditors	3,172	2,524

Included in Other Creditors is a provision for professional fees relating to insurance claims of £18k (2020: £33k).

Deferred income of £303k (2020: £126k) represents amounts received from Private Patients in advance of treatments being carried out.

Notes to the Financial Statements For the year ended 31 December 2021

13. Statement of Funds

	Brought Forward £'000	Incoming Resources £'000	Resources Expended £'000	Transfers In/Out £'000	Carried Forward £'000
Designated Funds	-	-	-	-	-
General Funds	16,887	39,946	(40,351)	-	16,482
Unrestricted Funds	16,887	39,946	(40,351)	-	16,482
Restricted Funds	59	-	-	-	59
Total Funds	16,946	39,946	(40,351)	-	16,541

14. Analysis of Net Assets Between Funds

	Restricted Funds 2021 £'000	Unrestricted Funds 2021 £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Fixed Assets	-	11,311	11,311	11,974
Current Assets	59	8,343	8,402	7,496
Current Liabilities		(3,172)	(3,172)	(2,524)
Total of Net Assets	59	16,482	16,541	16,946

Notes to the Financial Statements For the year ended 31 December 2021

15 Net Cash Flow From Operating Activities

	2021 £'000	2020 £'000
Net (Outgoing)/ Incoming Resources Before Revaluations	(405)	745
Returns on Investments & Servicing of Finance	-	(3)
Depreciation of Tangible Fixed Assets	2,166	2,243
Amortisation of Intangible Fixed Assets	169	-
Profit on Disposal of Tangible Fixed Assets	(11)	(3)
(Increase)/Decrease in Stocks	(128)	2
(Increase)/Decrease in Trade Debtors	(1,059)	1,569
Decrease/(Increase) in Amounts Owed by Related Parties	250	(137)
Decrease/(Increase) in Other Debtors	1,810	(1,513)
Decrease in Prepayments	142	90
Increase/(Decrease) in Trade Creditors	528	(688)
Decrease in Social Security & Other Taxes	(19)	(16)
Increase in Other Creditors and Deferred Income	166	126
Decrease in Accruals	(27)	(120)
Net Cash Inflow from Operations	3,582	2,295

16 Analysis of Cash Flows for Headings Netted in Cash Flow Statement

	2021 £'000	2020 £'000
Returns on Investments & Servicing of Finance		
Interest Received	-	3
Capital Expenditure & Financial Investment		
Purchase of Tangible Fixed Assets	(758)	(1,059)
Purchase of Intangible Fixed Assets	(919)	(970)
Proceeds from Sale of Tangible Fixed Assets	16	3
	(1,661)	(2,026)

Notes to the Financial Statements For the year ended 31 December 2021

17 Analysis of Changes in Net Debt

	1 January 2021 £'000	Cash Flow £'000	31 December 2021 £'000
Cash at Bank & in Hand	1,943	1,921	3,864
Total Net Funds	1,943	1,921	3,864

18 Financial Commitments

At 31 December 2021 the charitable company had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Other	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Leases expiring:				
Within 1 year	-	-	20	-
Between 1 and 5 years	-	-	49	32
After more than 5 Years	2,463	2,300	-	-
	2,463	2,300	69	32

19 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 £3,100k (2020: £1,178k). 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 requires 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 2021 the deficit attributable to BHT was £24,681k (2020: £40,175k). However, disclosure in these accounts is made on the basis that it is a defined benefit scheme with the deficit of £29,036k (2020: £47,265k) being recognised by the deemed sponsoring employer, the Society.

Notes to the Financial Statements For the year ended 31 December 2021

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. Control is exercised by the Society through the power to appoint or remove the majority of the Hospital's trustees and by the Society being a member of the Hospital Trust. The Society's principal activity is the provision of medical and well-being services to its members.

The Society had the following transactions with the charitable company during the year ended 31 December 2021:

- (a) The Society made cash donations to the charitable company of £1,640k (2020: £2,701k).
- (b) The Society paid the charitable company for its members to be treated at the hospital to a value of £24,160k (2020: £17,606k).
- (c) The Society paid the charitable company for miscellaneous costs to a value of £37k (2020: £14k).
- (d) The Society charged the charitable company rent of £2,300k (2020: £3,219k) for the use of the hospital site
- (e) The Society recharged the charitable company for insurance costs of £318k (2020: £269k), for audit costs of £49k (2020: £110k), for costs of employee membership to the Society of £53k (2020: £49k) and for IT costs of £383k (2020: £419k).

BHT leases the hospital site from the Society under a 25 year lease which commenced on 1 January 2018 and expires in July 2042, with annual rent starting at £3,103k and subject to annual increases in line with RPI. The lease was revalued at 31 January 2021 and the annual rental reduced to £2,300k. Future rental payments will continue to be subject to annual increases in line with RPI.

At 31 December 2021 the total of all amounts due to BHT from the Society was £2,135k (2020: £2,385k).

At 31 December 2021 the total of all amounts due from BHT to the Society was £105k (2020: £268k).

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