

**The
Healthcare
Management
Trust**

Annual Report and Accounts

31 December 2020

Company Limited by Guarantee
Registration Number
01932882 (England and Wales)

Charity Registration Number
292880

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Reference and administrative information

Trustees	J R Q Folliot Vaughan (Chairman) D G Jones (Vice Chairman) Dr L Dinner (appointed 7 June 2021) N Draper M Gerold Dr Lynne Roberts N E E Stephens DL Dr C Streater G von Malachowski
Company Secretary	N Roissetter
Adviser to the Board	P Jukes
Executive management team	
Chief Executive	Tony Barrett
Chief Financial Officer	Nigel Roissetter
Chief Operations Officer – Care Homes	Mair Williams
Chief Operations Officer - Hospitals	Rob Douthwaite (until April 2020)
Chief Medical Officer	Dr Lorcan Sheppard
Chief People Officer	Antoinette Edwards
Registered and principal office	14 Queen Anne's Gate London SW1H 9AA
Telephone	020 7222 1177
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Company registration number	01932882 (England and Wales)
Charity registration number	292880
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	HSBC UK Bank Plc 1 Centenary Square Birmingham B1 1HQ
Solicitors	BDB Pitmans LLP 50 Broadway London SW1H 0BL

Reference and administrative information

Investment managers	Rathbone Investment Management Limited 8 Finsbury Circus London EC2M 7AZ
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Chairman's report Year to 31 December 2020

When the Chairman's report was drafted for the 2019 Annual Report and Accounts, the Charity had experienced one wave of the Covid-19 pandemic and we were part way through the construction of the new hospital in Swansea. Our care homes were locked down to protect staff and residents and the two existing hospitals reconfigured to provide Covid-free "green" support capacity for the NHS. Twelve months later, on a superficial level, little has changed – we are experiencing a second (or third) wave of the pandemic, our two hospitals - St Hugh's and the new Sancta Maria - are providing Covid-free capacity, and our care homes remain on very high alert, though now again open to residents' visits.

However, this does not adequately reflect the immense amount of work and real achievements over the last twelve months.

In early 2021, we completed and commissioned the new Sancta Maria Hospital in Swansea, a watershed event for the Charity. The new hospital is now fully operational and offering diagnostic services and treatment, and in addition to serving insured and self-pay patients, is expected to make a significant contribution to reducing NHS Wales' waiting lists over the coming months. It has received general acclaim and its new MRI scanner in particular is one of the most advanced in the country.

St Hugh's Hospital in Grimsby is now configured to operate securely and flexibly in pandemic conditions. Having passed through the NHS England national block contract, it is now operating at an exceptionally high level under more conventional NHS contracting arrangements. The main focus is on providing diagnostic and surgical capacity for three regional NHS Trusts, although private demand is also strong. The experience of the pandemic has encouraged ever-closer collaboration between the hospital and NHS commissioning groups, and we expect the great majority of activity to continue to be supporting the regional NHS for the foreseeable future.

It is worth noting that, throughout the period, our hospitals had no recorded cases of hospital acquired Covid-19, MRSA or C Diff.

In our care homes, the focus throughout the year has been supporting and protecting residents and staff, dealing with the Covid risk while seeking wherever possible to minimise the social and human impact on residents and their relatives. As reported last year, we sourced our own PPE and testing equipment from the start rather than relying on supply from the public sector, and while our care homes have suffered significantly from the repeating waves of infection, we are confident that we have done everything practicable in response.

We established precautionary PCR, POCT and Lateral Flow testing programmes across both homes, as well as both hospitals, to protect residents and staff and to inform the measures taken to deal effectively with cases as they arose. In the longer term, our care home response must be based on vaccination as well as testing and isolation and at the time of writing, 96% of our care home residents have been vaccinated and 95% of care home staff either have been or are booked to be vaccinated.

Through this exceptional year, though inevitably the bulk of our attention has been devoted to dealing with the pandemic, the Charity has continued wherever possible to implement its longer term strategic objectives.

Chairman's report Year to 31 December 2020

The Charity is unusual for a care organisation of its size in having expertise both in care homes and acute hospitals. For some years, an important element of the Board's longer term strategy has been to apply this mix of skills to expand the Charity's involvement in higher dependency residential provision, with a greater focus on dementia care. Though the new hospital was our first priority, work continued in furthering the Charity's wider strategy and, with the successful completion of the new hospital, we intend there now to be an increased focus on expanding our care home portfolio over the next few years.

We intend to acquire and expand Marie Louise House, our leased care home in Romsey, though this project has been delayed by regional planning issues and the pressures of dealing with the Covid pandemic.

We have agreed terms to lease operate a new 64-bed specialist dementia care centre in Littlehampton, West Sussex, now under construction and expected to open in April 2023. We expect to add further similar care homes, most probably on lease operate contracts, over the next few years.

Our central executive team and Board have been working and meeting on a remote basis through the pandemic lockdown. The lessons learned from this have led us to conclude that the most effective future use of management and Board resources will be a hybrid of office and work at home, and a mix of face to face and remote meetings. We have reviewed our governance procedures and decided to amend the Board committee structure to further enhance our management of risk, with a Finance Committee replacing the Audit Committee, and a new Clinical Governance Committee.

I am very sad to have to report that one of our Trustees, Gerda Goldinger, died suddenly of cancer in December 2020. Her contribution to Charity and the Board was highly valued, if tragically shortened, and she is much missed by her colleagues. Our thoughts are with her husband and two sons.

It is, though, very pleasing to be able to report that Dr Lila Dinner, Chief Medical Officer at the Royal National Orthopaedic Hospital in Stanmore, North West London, has agreed to join the Board as a Trustee. Her involvement will add significantly to the Board's professional expertise, not least in clinical governance, clinical risk and related matters. We continue to seek opportunities further to strengthen the Board.

It will be no surprise that the Covid pandemic has had consequences for our financial performance. While elective surgery stopped in March 2020, the NHS block contract with the independent sector, which provided a pool of additional resources for the NHS at a time when the perceived risk of the NHS being overwhelmed was at its highest, covered the costs to independent hospitals, like ours, of remaining fully available to the NHS while being, at least initially, precluded from undertaking any other work. Furloughing has also been of real value to the Charity and our staff, as it has in other sectors, in allowing us to avoid layoffs of staff that would have been otherwise inevitable.

However, many other financial impacts of the pandemic could not be so mitigated. The capacity of our hospitals has been significantly affected by Covid infection prevention and control measures and even after reconfiguration this remains the case. Site and supply problems, both partly though not entirely resulting from the pandemic, delayed completion of the new Swansea

Chairman's report Year to 31 December 2020

hospital by a little over three months. The care homes have suffered from practical and other obstacles to attracting new residents and Marie Louise House is still well below normal occupancy levels, though now recovering.

In the circumstances, the financial results for the year to December 2020, which would have been very disappointing in normal conditions – a loss on activities of £1.2 million – represents a considerable achievement, combining as it does with a positive cashflow of £1.0 million from operating activities. Throughout, we have had the unwavering support of HSBC, our relationship bank, who have enabled us to proceed, as planned, with such a major investment as the new Sancta Maria Hospital.

It would be difficult to overstate just how much the Charity and its beneficiaries have relied on, and benefited from, the quite exceptional effort and commitment of its management and staff throughout the Covid pandemic. To say that the Trustees recognise and are grateful for this sounds somewhat inadequate, but we do, and we are. On behalf of the Trustees, I would like to thank everybody working in the charity for the exceptional efforts, and in many cases sacrifices, they have made for the charity and its beneficiaries over the past months. There are solid reasons to believe that the worst of the Covid pandemic is now behind us and in the round, thanks to those efforts, the Charity has come through it in good shape.

John Follitt Vaughan
Chairman

Date of Approval: 29 September 2021

Chairman's report Year to 31 December 2020

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

The Trustees, who are directors of The Healthcare Management Trust (the "Trust") under company law, submit their annual report and the audited financial statements for the year ended 31 December 2020.

About The Healthcare Management Trust

The Trust was established in 1985 with the aim of relieving sickness, both physical and mental, and the preservation and protection of good health.

The Trust delivers on these core objectives through:

- ◆ Diagnosis, treatment and care in its acute hospitals.
- ◆ Social and nursing care delivery at its care homes.
- ◆ Supporting other charities within the health and social care sectors with consultancy and management support services.
- ◆ Engaging with the communities within which the Trust is based to improve quality of life outcomes and life expectancy.
- ◆ The funding of pure and applied research grants in the fields of health and social care.
- ◆ The provision of community development grants for health and social care projects.

The Trust raises no voluntary income, the Charity's work is funded solely through its operating income, investments and reserves.

We provide access to all, without regard to the route patients and residents take in coming to us.

The Trustees have regard to the general guidance provided by the Charity Commission when they review the aims and activities of the Trust and the provision by the Trust of public benefit.

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

- ◆ A belief that each of our patients, residents and their families are unique individuals, and we place them at the heart of everything we do and seek to achieve.
- ◆ 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 of our residents and patients, their families, friends and our colleagues with the respect and dignity we ourselves would expect to receive.
- ◆ An acknowledgement of the physical, mental and social vulnerabilities that our residents and patients may experience, and the absolute responsibility placed upon us to safeguard them at all times.
- ◆ A recognition that the settings in which we provide care for the older person represent each resident's home and we respect this.
- ◆ An absolute belief in the sanctity of life and the need for dignity at its end.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

About The Healthcare Management Trust (continued)

- ◆ The need to involve each patient and resident, their family and carers in decision making and planning with regard to their care with the need to be open and honest.

Our Strategic Objectives

Our strategic objectives are as follows:

- ◆ To deliver high quality, evidence based, safe patient/resident centred treatment and care.
- ◆ To develop our staff's skills and competencies.
- ◆ To work with our partners and stakeholders for the benefit of our residents and patients.
- ◆ To value the ethos and mission of the founders of our hospitals and care homes.
- ◆ To play an active role within the fields of health and social care contributing to the development of national policy and improving local provision.
- ◆ To provide strategic, management and operational support to other charities operating within health and social care in order that they may grow and develop sustainably.
- ◆ To constantly improve the quality and range of services we provide to our users.
- ◆ To contribute to the health and wellbeing of the geographical communities we work within, fulfilling an active role in the leadership and delivery of healthy active and wellbeing programs.
- ◆ To fund research within the field of dementia and other areas of health and social care.
- ◆ To support individuals who suffer from isolation and loneliness within the geographical communities we work within.

Key Facts and Numbers

During the year:

- ◆ As a direct result of the Pandemic, the Charity experienced a 14% overall reduction in income.
- ◆ The Trust employed 536 staff, equating to 410 whole time equivalents.
- ◆ 2,452 non-Covid NHS patients were treated in support of the English National Pandemic Response.
- ◆ Overall, 60% of patients treated at the Trust's hospitals were funded by the NHS, at the same cost to the NHS had NHS hospitals provided the diagnosis and treatment.
- ◆ Admitted patient activity equated to 5,947 episodes, a reduction of 43% on the previous year as a direct result of the Covid restrictions placed upon operators.
- ◆ Day cases represented 71% of admitted patient activity.
- ◆ The average length of stay for patients within our hospitals was 1.21 nights.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Key Facts and Numbers (continued)

- ◆ Our hospitals had no recorded cases of hospital acquired Covid 19, MRSA or C Diff.
- ◆ Our care homes provided 5,063 weeks of care, equating to 35,441 resident nights, with an overall average occupancy of 90% across our care homes. These numbers in occupancy terms represented a fall of 8% in comparison to the previous year for reasons directly attributable to the impact of Covid.
- ◆ 11.6% of residents accommodated in our care homes were funded in whole or part by the state.
- ◆ We provided financial bursaries amounting to £41,000 to residents within our care homes.
- ◆ We supported, at less than commercial cost, 14 charities in their management, governance oversight and care management, within 17 care homes encompassing 346 elder/physical/neurological disability care beds. Our charitable subsidy of this work equated to £140,000.
- ◆ We distributed £141,163 in community development grants.
- ◆ The total value of our wider charitable work, listed above, equated to £322,163 for the year, representing 1.1% of income.

Covid-19 Pandemic

2020 proved to be an extremely challenging year for the Charity, with the impact of the Pandemic being felt from a care, clinical and commercial perspective. Within our care homes, residents who reached the end of their life's journey suffered the impact of the lockdown in terms of socialisation with their families. This was distressing for residents, families and our staff. Within our hospitals, our staff had to develop new ways of working in order to maintain services to our patients. Our staff and partners were magnificent in meeting the challenges that the Pandemic brought, and the Trustees wish to extend their thanks to the entire HMT Team.

In late 2019, the first signs of the impending Covid-19 pandemic began to appear in China and at the end of January 2020 the first cases were reported with the UK.

Given the nature of the Charity's work, in particular the vulnerability of the residents of our care homes, HMT tracked the developing situation closely and in early March 2020, in advance of the national lockdown announced on 23 March, we activated an organisational wide Business Continuity Plan. This included a Gold Command Structure addressing the strategic implications and decisions, together with an allied Silver Command, encompassing representatives from each of our hospitals and care homes, which dealt with operational matters. Both these groups met seven days per week until late summer 2020 and continue to operate and meet at least weekly at the date of this report.

We ensured that the Charity's Trustees were kept fully informed initially by daily briefing sessions from the Gold Command to the Charity's Chairman and a detailed weekly risk management and operational report to all Trustees. From autumn 2020, reports have been provided to our Trustees on a monthly basis, with the Chairman briefed weekly by the Chief Executive. A number of early strategic decisions were taken, based on safeguarding risk assessments and implemented in early March 2020:

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Covid-19 Pandemic (continued)

- ◆ To exclude visitors from entering our Care Homes.
- ◆ To provide appropriate PPE to be worn by staff across our Care Homes and Hospitals.
- ◆ To cohort residents and staff within our Care Homes.
- ◆ To insist that all returning residents or new admissions from the NHS had been proved Covid-19 negative by testing prior to their return/admission.
- ◆ To suspend all routine patient activity within our hospitals
- ◆ To suspend all staff travel between hospitals/homes and by central office staff to our hospitals/homes.
- ◆ To screen all staff at the commencement of every shift based on symptom assessment.
- ◆ To temporarily close our London Head Office.
- ◆ To institute video conferencing and other remote working technology across the organisation.

We reviewed our original strategic and operational plans for 2020 and revised these to focus on:

- ◆ Safeguarding our residents, patients and staff from Covid-19.
- ◆ Utilising social and other media channels to inform prospective residents and patients about the measure we have taken to create Covid-19 safe Hospitals and Care Homes.
- ◆ Returning our Hospitals and Care Homes to pre Covid-19 levels of activity.
- ◆ Capitalising on the renewed interest during the Pandemic on careers in Health and Social Care.
- ◆ Delivering our new hospital in Swansea.

During late March 2020, we sourced antigen testing from an independent laboratory to provide a PHE approved test, and from early April 2020 we blanket tested residents and staff within our care homes. This initial testing program, during the first wave of national infections, indicated that we had an outbreak affecting both residents and staff in one of our care homes, with every positive test result, resident or staff member, being asymptomatic. A second outbreak occurred at our other care home, and again the outstanding feature was the number of asymptomatic positive test results.

In late April 2020, we extended our independent testing programme to the staff at our hospitals and to date have experienced isolated positive results.

Within both our care homes and hospitals, we maintained our independent Covid-19 testing programme on a fortnightly basis, until replaced by Government provided tests in our care homes and English hospital from mid-August onwards.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Covid-19 Pandemic (continued)

We further sourced approved Covid-19 Point of Care Testing systems for each of our hospitals and care homes, designed to deliver a test result in 20 minutes. These are a valuable adjunct to our screening programme. We have also developed our own test and trace app for staff use across HMT.

In July 2020 we made the decision, having undertaken an appropriate risk assessment process, to reintroduce limited family visiting with our care homes. Both residents and families were missing the social interaction element of visiting and, whilst physical distancing was paramount, the psychological benefit of residents interacting with their families was significant. We also considered the reintroduction of visiting to be an important part of our safeguarding of the health and wellbeing of residents. When the nation entered its second lockdown, unfortunately such limited visiting was again prohibited but we endeavoured to make the best use of video calls, and our teams worked to deliver the best activity programmes possible given governmental guidelines, in particular over the Christmas period when family contact is so valued by our residents.

Despite all our infection control efforts and strict infection control processes, when the Kent variant took hold nationally in the latter part of the year, we experienced a further outbreak in each of our care homes. The timings of these outbreaks appeared to follow the rise in infections in each locality and it was not until late February 2021 that both outbreaks were eliminated.

The governmental 2021 road map and guidelines for taking the nation out of lockdown meant that face to face visiting could recommence for residents and outdoor visits with relatives have become possible, we implemented these in line with the guidelines and these have had an extremely positive impact on both resident and family wellbeing.

Working in concert with the Independent Healthcare Providers Network, both of our hospitals joined the respective NHS England and NHS Wales Covid-19 contracts. These placed the whole of each hospital's capacity at the disposal of the NHS, being reimbursed at cost for this commitment. Given both the speed with which the Pandemic developed nationally and the speed at which the NHS contract was developed and entered into, both hospitals made extensive preparations to receive Covid-19 positive patients, including training administrative staff as care support workers. In the event, the respective local NHS Trusts did not become overwhelmed, so neither of our hospitals took any Covid-19 positive patients or any step-down admissions, though the uncertainty of demand meant we did not furlough any of our administrative support staff until late June 2020. In addition, during the initial wave, both hospitals supported the NHS as super clean Covid-19 free environments by undertaking non Covid-19 urgent diagnostics and surgical interventions.

Our hospital in Wales was released in early July 2020 from its NHS Wales contract and refocused on undertaking private patient activity within the Welsh clinical guidelines. The additional infection control processes required as a result of Covid-19 reduced effective operational capacity and some patients have been reluctant to undertake planned treatments.

Our hospital in England continued to be part of the NHS England Covid-19 national contract which from the autumn allowed an element of private patient activity to recommence provided clinical urgency guidelines were followed. From 1 January 2021 the hospital moved onto the NHS England glide path contract, which meant that the at cost formula was gradually removed until, by 1 April 2021, individual NHS patient billing took over.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Covid-19 Pandemic (continued)

The initial clinical focus in England has been urgent diagnostics and cancer care and the range of procedures undertaken was adjusted to support this, and our MRI service extended to a seven day a week operation.

From September 2020 the hospital, working with 3 NHS Trusts, refocused on activity to reduce the lengthening NHS waiting lists across a wide range of clinical specialities.

The NHS England Executive has been proactive in ensuring that NHS Trusts worked to obtain the best utilisation from the Independent Sector. This has been welcome as some local NHS structures did not always work in a way that achieved the best use of the resources offered.

At both our hospitals, we have experienced an upsurge in demand from self-pay patients in the latter part of 2020, which we believe reflects the prevailing NHS waiting times.

Given the impact nationally of the pandemic within the care home sector and the resulting press coverage, we found that families have been reluctant to place relatives into a care home setting, and as a result we have seen a reduction in our normal occupancy levels at both of our homes. We have instituted a positive news campaign via our social media channels to mitigate the impact on HMT and to stimulate admissions. Despite this, occupancy remains below pre pandemic levels, and we believe it will not return to normal levels until the end of 2021 or into the early part of 2022.

We continued to safeguard our staff by ensuring adequate stocks of PPE and, when it became clear that our BAME staff were exposed to higher Covid-19 risks, we undertook an individual risk assessment with each BAME staff member. During the pandemic national lockdowns, a small number of staff fell into the shielding category, and we supported these individuals with welfare calls from our Human Resources team on a weekly basis. With the end of shielding requirements in 2021, we have continued to risk assess and support vulnerable staff in the workplace. We have worked to mitigate the impact of the pandemic on our staff's mental wellbeing by providing access to additional support mechanisms including individual and group psychological therapy.

The impact of the pandemic, with its associated reduction in revenue and increase in costs, has been actively managed throughout. However the impact and subsequent recovery mean that it will take a significant period to return our finances to the pre Covid-19 point.

National Covid Vaccination Programme

At the time of this report, all our care home residents who wished to take up the offer of vaccination have now received both doses of the vaccine. This equates to a resident vaccination rate of 97%.

The majority of our staff took up the offer of vaccination when offered and by the time of this report all of those staff members will have received both doses of the vaccine.

Across the Charity, 4.2% of staff have declined to date to accept Covid vaccination and we are currently taking a persuasive approach to encourage them to take up the vaccine in advance of any legislative changes that may take place.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Achievements, Performance and Future Plans

In July 2020, the Charity Commission alerted the chairmen of charities and their chief executives to significant governance failings they had identified at several large charities following several investigations into serious incidents.

The Commission decided to review the governance processes of all large charities, firstly via questionnaire followed up by a focus meeting.

Nominated Trustees and the Charity's executive subsequently met with the Charity Commission in January 2021. The outcome of the process was that the Commission was satisfied that the Charity had appropriate governance policy, systems and processes in place.

As a Charity we had planned to undertake a review of our Governance policy and systems as part of our 2020 Business Plan and we accelerated this work with the support of our specialist Charity Legal Advisors at Bircham Dyson Bell Pitmans. The outcome of this review resulted in the decision by Trustees to seek to further strengthen the skill set of the Trustee body by recruiting additional Trustees with clinical risk skills and experience appropriate with the charities area of operations.

We also took a critical look at our Trustee Board Sub Committee structure to ensure it remains fit for purpose and reflects the complexity of the Charity. As a result Trustees decided to create 2 new board sub-committees. A Finance Committee has taken on the duties of the previous Audit Committee, with wider responsibilities in the area of financial and commercial risk. A Clinical Governance Committee has been established to deal with clinical risk and related matters. These new sub-committees will enable Trustees to manage risk arising from the Charity's activities in more depth.

Tragically in December 2020, the Charity was informed of the sudden death after a short illness of Gerda Goldinger, who had served as an HMT trustee for a number of years. The skills and contribution that Ms Goldinger brought to the trustee body in the area of law and regulatory matters will be sorely missed and steps to recruit a Trustee to replace Ms Goldinger have commenced.

Safeguarding beneficiaries is a key responsibility of all charities and we have enhanced our training regime to reflect this.

The safety and quality of diagnosis, treatment and care that the Trust provides to residents and patients across its care homes and hospitals is the Trustees' priority and the Trust's ethos and philosophy reflect the core values which underpin the delivery of this care.

The Trustees recognise that the staff of the Trust are the single most important lever for delivery and change and we continue to review our salaries, terms and conditions and staff development in order to recruit and retain staff who identify with the mission of the Charity.

Significant work streams continue with the goal of creating a paperless diagnostic, treatment and care environment within our hospitals. In spite of the impact of the pandemic, we achieved a major upgrade of our Hospital Patient Administration System during the year.

We created and moved all of our trading sites onto a single accounting system and database and installed a single telephone system across the Charity.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Achievements, Performance and Future Plans (continued)

The Trustees continue to seek ways to improve the care and support delivered to the residents in the Charity's care homes, and their families. In order to promote an engaged and holistic lifestyle for our residents, the Trust continued its work to strengthen the range and delivery of individualised and home-wide resident activities available within each of our homes.

The Trust continues to promote and support the development of its care home workforce skillsets by supporting the training of staff to achieve Registered Nurse and Associate Practitioner status. During 2019, Trustees also recognised the need to develop prospective future care home managers and, therefore, the Charity is supporting the attainment of the Level 5 Registered Manager Award for Deputy Managers and Unit Managers within its care homes.

At both our homes, residents, families and staff are fully engaged and participating in a wide range of dementia research projects which unavoidably have been curtailed by the pandemic but are set to recommence once the national lockdown is fully removed.

The Trust has continued to commit to developing its range of community projects to impact on the increasing loneliness experienced by a significant number of the elderly who live alone, based around our care homes, with the homes reaching out to individuals referred to us by local service groups. Luncheon and activity groups operate at no cost to participants, and staff members visited referred elderly in their own homes, providing opportunities for human interaction and conversation. Such face-to-face activity was prevented during the national lockdowns, but we plan to reinstitute these initiatives once the national lockdown is fully removed.

St Hugh's Hospital presently has a Requires Improvement rating from the CQC and the Trust, its workforce and consultant partners continue to work to secure a Good CQC rating. Importantly, within the current rating, Care continues to be judged to be Good and feedback from patients with regards to care and clinical outcomes remains extremely positive, with the numbers of patients choosing St Hugh's for their diagnosis, treatment and care testament to this.

We implemented the Independent Healthcare Providers standards for doctors' practising privileges as outlined in their Medical Practitioners Assurance Framework standards and expectations. This is designed to ensure that the governance of medical practice in HMT Hospitals meets national recording of doctors' data to ensure information is kept up to date.

The principles of the national Get It Right First Time are embedded into our quality audit system.

The Trust continued to risk assess its existing hospital accommodation in Swansea and invested to ensure that services were maintained at the highest level until the new hospital came online in early 2021.

Our treatment outcomes and patient satisfaction ratings continued to be consistently above national comparators, indicating that patients are benefiting from, and value, the services they receive at the Trust's hospitals. These findings reflect the skills and commitment of all the Trust's workforce and its Consultant Partners. The Trustees thank them both individually and collectively.

Achievements, Performance and Future Plans (continued)

Investing in Buildings and Services

The development of a new state-of-the-art flagship hospital in Swansea is a priority for the Trust, and planning permission for the SA1 Waterfront development was granted in April 2018. A finance partnership was agreed with HSBC and formalised in early 2019. A tender process was conducted to secure a construction partner and Keir Construction Limited was appointed in late 2018, with construction commencing in March 2019.

The impact of the Covid-19 pandemic and the implications of social distancing in the construction sector, compounded by building materials and specialist equipment delays, again as a consequence of the pandemic, resulted in delays to the project, with the hospital being handed over by the contractor and welcoming its first patients on 15 February 2021. This was a major milestone for the Charity and all the signs indicate that the hospital will not only offer much needed new accommodation and services but will be commercially successful.

The Trust has reached an agreement to purchase and extend, subject to planning, Marie Louise House, the care home it operates in Romsey. The planning process has been delayed by an issue of nitrate levels in ground water runoff polluting the Solent, which is an issue affecting all planning applications in Hampshire. The length of this planning delay is not known at the time of this report.

In early 2021, the Charity entered into a development agreement with Brackley Developments for the construction of a 64-bed specialist dementia care centre located in Littlehampton, West Sussex. This facility will be lease operated by the Charity, with construction commencing in the summer of 2021 and is expected to come on stream in April 2023.

The Charity has a number of other opportunities for similar care centres in the South and it is actively progressing these potential developments.

The Charity regularly monitors, and will bring forward when appropriate, opportunities to develop additional facilities on the sites of its existing hospitals and care homes.

Wider Charitable Impact

In addition to the direct impact of the diagnosis, treatment and care the Trust provides in its homes and hospitals, the Trustees have also considered how the impact the Trust makes within the wider field of health and social care might be extended.

Supporting other Health and Social Charities

The Trust supported the following charities during the year, who together operate 346 resident beds, by delivering health and social care operational management and consultancy services. The Trust delivered some of this support on a pro bono basis and, when a charge was made to the receiving Charity, this was set at a level which reflected a charitable subsidy supported from the Trust's operational surplus:

The Jesuits in Britain – Care Homes in Boscombe and Preston.

The Sisters of the Good Shepherd

The Sisters of Mercy of the Union of Great Britain - St Teresa's – Haverfordwest.

The Sisters of Mercy of the Union of Great Britain St Michael's Care Home and St Teresa

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Wider Charitable Impact (continued)

Supporting other Health and Social Charities (continued)

The Ursulines of Jesus - Stella Maris Care Home - Swansea.

The Sisters of the Cross and Passion - Cross and Passion Care Home - Lytham St Anne's.

The Daughters of the Holy Spirit - St Joseph's – Olney.

The Little Company of Mary

The Religious of the Assumption - St Catherine's – London.

The Poor Servants of the Mother of God - Francis Taylor Foundation.

The Canonesses of St Augustine

Research and Community Grant Funding

Whilst the Trust experienced a challenging year financially, the Trustees felt that it was important to continue the Charity's grant funding activities. Therefore, the Trust continued to fund research projects, currently focusing on projects in the field of dementia.

The following projects are currently supported:

- ◆ Alzheimer's Society/University of Sheffield – Keeping talking longer: speech therapy to help people living with dementia stay in conversation.
- ◆ Alzheimer's Society/University of Newcastle – Cognitive lifestyle & dementia: Investigating the impact of an active lifestyle on brain health over time.
- ◆ Alzheimer's Society (University College London PhD) - Volumetric MRI and patient-related income measures in behavioural variant fronto-temporal dementia.
- ◆ Swansea University - Understanding and improving emotional wellbeing of older care home residents.
- ◆ Swansea University - Enhancing person-centred care and wellbeing for older residents with dementia through intergenerational practice.

Community Development Grants

The Charity continued its support of the Swansea Musical Memories Choir for dementia sufferers and their carers, making an annual grant of £9,000 to support the running costs of this 60-member choir. Whilst the Choir is in abeyance during the national Welsh lockdown they plan to reopen and meet 2 times per week when the guidelines allow.

We also continued our financial support to Friendship at Home with a £36,000 annual grant. This is a community interest organisation based in Grimsby which works to address the impact of isolation and loneliness in the elderly. Whilst face-to-face activities ceased during the pandemic, remote support via video and voice calls increased, as did support with shopping and other activities.

Our Stakeholders

Residents and Patients

Our residents and patients are at the centre of all we do as a Charity as we focus on providing them with the best possible care, diagnostics and treatment. We actively seek out and value the feedback and opinions that they provide us which in turn drives us to improve the quality of our services.

How we engage:

- ◆ Resident and Patient Satisfaction Surveys.
- ◆ Resident and Family Forums.
- ◆ Patient Forums.
- ◆ Social Media and our websites.
- ◆ Regular Trustee and Executive visits to our care homes and hospitals.

Our People

Our people are our biggest asset in delivering care, diagnostics and treatments to improve the outcomes for the people and communities we serve. Seeking the views of our employees is key to making HMT a place that is inspiring, rewarding and a healthy place to work, and one that values and promotes inclusion and diversity, recognising skills and talent, developing individuals and teams.

We engaged with our staff through:

- ◆ Elected Staff Consultative Forum.
- ◆ Annual Staff Survey.
- ◆ HR Clinics.
- ◆ HMTeam app.
- ◆ Annual CEO Brief and quarterly video broadcasts.
- ◆ Monthly staff briefs.
- ◆ Regular Trustee and Executive visits to our care homes and hospitals.

Health and Social Care Partners

Our care homes provide a home and care to self-funding and socially funded individuals, and we value all our residents equally. Our hospitals provide healthcare services to a wide range of providers including private medically insured, NHS and self-funding patients. The consultants who work with us deliver research-based care based on national standards delivering the best outcomes.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Our Stakeholders (continued)

Health and Social Care Partners (continued)

We value all our relationships, and we seek to work with them in a spirit of cooperation to achieve the best outcome for patients.

We engage with our health and social care partners through:

- ◆ Care Home Managers engaging directly with Health and Social Care stakeholders in each locality.
- ◆ Hospital Directors and our Chief Medical Officer engaging directly with local NHS Trusts.
- ◆ Maintaining relationships with NHS key stakeholders at all levels.
- ◆ Holding regular meetings with private medical insurers.
- ◆ Participation in national quality schemes and the publication of quality reports.
- ◆ Regular meetings and communication with hospital medical staff.

Our care homes provide a home and care to self-funding and socially funded individuals and we value all our residents equally.

Our hospitals provide healthcare services to a wide range of providers including private medically insured, NHS and self-funding patients. The consultants who work with us deliver research-based care based on national standards delivering the best outcomes.

The Communities we are located within

We actively engage with the communities that we are based within by offering employment opportunities, ensuring accessibility to all ethnicities, genders and disabilities. We work within these communities to promote healthy lifestyles, combat loneliness in the elderly and support the carers of individuals suffering from dementia.

We engage with local communities through:

- ◆ Funding community charities and other projects to reduce loneliness in the elderly, as well as supporting the carers of individuals suffering from dementia.
- ◆ Community dementia outreach programmes delivered at no cost to recipients.
- ◆ Apprenticeships offering paid learning opportunities.
- ◆ Supporting community events and local initiatives delivering.
- ◆ Working with local schools, voluntary bodies and service organisations to deliver health knowledge and improve healthy lifestyle outcomes.
- ◆ Working with schools on social interaction projects that interface with the national curriculum.

Our Stakeholders (continued)

Suppliers

We seek to develop collaborative partnerships with our suppliers which are key in developing a strong and proactive supply chain, minimising the environmental impact of the care, diagnostics and treatments we deliver.

We work in partnership with third party research commissioners and universities on research projects that enable better understanding and new approaches to health and social care.

We engage with our suppliers through:

- ◆ Regular meetings with suppliers.
- ◆ Sharing of information.
- ◆ Supplier code of conduct.
- ◆ Periodic supplier reviews.

Government

Our purpose is to improve the health and social care outcomes of the people and communities we serve. Therefore, whilst we are not a campaigning charity, it is essential that we ensure that we are aware of and keep up to date with governmental priorities, policies and regulatory changes across health and social care. We engage with the government and local authorities at all levels.

- ◆ We engage with government through: Industry bodies, particularly the National Care Forum and Independent Healthcare Providers Network.
- ◆ Participation in government consultations.
- ◆ Sharing research findings and best practice.

Section 172 statement

As a company limited by guarantee, the Charity is subject to the provisions of the Companies Act 2006. Accordingly, the Board of Trustees provides this statement describing how it has had regard to the matters set out in section 172(1) of the Companies Act 2006. The Board believes that it has acted in the way it considers would be most likely to promote success of the Company for the benefit of its members as a whole, having regard to section 172(a) to (f).

- a. The likely consequences of any decision in the long term.

Trustees ensure, having properly considered the information available to them that their decisions are in the best interests of the Charity and its beneficiaries, medium and long-term outcomes and the importance of maintaining its reputation as a health and social care provider. The decisions of Trustees are shaped by the wider strategy of the Charity and how they can best support the delivery of the Charity's long-term strategy.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Section 172 Statement (continued)

- b. The interest of the company's employees.

Our Trustees recognise the importance of the Charity's employees to the long-term success of the Charity and recognise that the development of individuals and teams is central to its success.

The Charity has a programme to develop its leaders of the future as well as its workforce, achieved through apprenticeships and other education and skills acquisition programmes.

As the impact of Covid became apparent, Trustees through the Chairman met, and continue to meet, regularly with the Executive and Gold Command Team. Trustees recognised that proactive and timely action was required to protect the Charity's beneficiaries and long-term future. As the pandemic progressed, staff were placed onto the Government's job retention scheme. After considering the impact on our people and their families, Trustees decided to bridge the gap in the Government scheme so that staff furloughed received 100% of their salaries.

- c. The need to consider the Charity's business relationship with suppliers, customers and others.

The Charity places its residents and patients at the heart of everything it does, working to ensure the highest level of care, diagnostics and treatments. Trustees review all resident, patient and stakeholder feedback insights gained from annual surveys and other methodology. The Charity develops relationships with all stakeholders, including suppliers, regulators, the NHS, local authorities and government to understand how the Charity can work together with them.

- d. The impact of the Charity's operations on the community and the environment.

Trustees recognise the importance of climate change and the need to make changes to our ways of working to mitigate the Charity's operations on the environment. The Charity is therefore developing a strategy across all areas of our operations to reduce its environmental impact where feasible.

The Charity is working to reduce its dependence on single use plastics, reduce waste and pursue an energy strategy that places sustainability at its heart.

- e. The desirability of the Charity maintaining a reputation for high standards of business conduct.

The reputation of the Charity is key to its success as a health and social care provider. Central to this is the promotion of the Charity's ethos both within the Charity and the community.

- f. The need to act fairly as between members of the Charity

When determining the Charity's long-term strategy, Trustees consider the impact on its beneficiaries, employees, stakeholders and partners. Our Trustees ensure that decisions are in the best interests of the Charity, taking into account the needs of these groups and the importance of maintaining its reputation.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Streamlined Energy and Carbon Reporting

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019 with this being HMT's first time adoption of disclosures on energy and carbon.

The table below represents HMT's energy use and associated greenhouse gas (GHG) emissions from electricity and fuel in the UK for the year ended 31 December 2020. The data covers all of our sites in the UK.

UK Greenhouse gas emissions and energy use data for the period 1 January 2020 to 31 December 2020	
Energy consumption used to calculate emissions (kWh)	4,649,644
<u>Scope 1 emissions in metric tonnes CO₂e</u>	
Gas consumption	600.47
Owned transport – Van	0.79
<u>Total scope 1</u>	<u>601.26</u>
<u>Scope 2 emissions in metric tonnes CO₂e</u>	
Purchased electricity	350.41
<u>Scope 3 emissions in metric tonnes CO₂e</u>	
Business travel in employee owned vehicles	7.11
Total gross emissions in metric tonnes CO₂e	958.78
<u>Intensity ratio</u>	
Tonnes CO ₂ e per employee	1.79

Emission factors are based on Government published 2020 GHG conversion factors.

SECR Methodology Statement 2020

The SECR submission has been compiled using the 2019 HM Government Environmental Reporting Guidelines. Emissions have been grouped according to the GHG Protocol Corporate Standard. We have used the following data sources for the report:

- ◆ Energy and Fuel Data – Energy supplier billing data and electricity half hour data;
- ◆ Transport Data – Company mileage records; and

CO₂ emissions have been calculated using the 2020 UK Government Conversion Factors for Company Reporting. Emissions have been calculated for the company financial year to 31 December 2020.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Financial Review

2020 started strongly with activity at both hospitals and care home occupancy all being ahead of 2019 and our 2020 budgets. However, due to the Covid-19 pandemic hospital activity and care home occupancy declined significantly.

In addition to a reduction in our income, the pandemic also had a significant increase in our cost base due to decision to fund regular covid testing from April, the supply of additional PPE and other associated expenditure to ensure that our hospitals and care homes delivered as far as possible a Covid-secure environment for staff, patients and residents.

The pandemic also had a significant impact on the construction of our new hospital in Swansea with practical completion being put back from September 2020 to finally being achieved in January 2021. During the year we expended a further £12.0m bringing the overall cost incurred on the project to £22.8m, of which £9.3m was funded from a loan facility with HSBC.

Working capital is showing a negative of £1.0m as included within this is £2.3m of creditors in relation to the new hospital at the year end. The nature of the drawdown of the development loan facility is such that the entirety of this creditor balance was funded by a drawdown of the facility in early 2021.

The impact on the full year financial performance of the pandemic was stark. Our income in 2020 fell by 14% to £29.3m compared to £33.8m in 2019 resulting in net expenditure before losses on investments of £1.2m compared £0.1m, in 2019 - a reduction of £1.1m in the year.

We would like to thank HSBC for their continued support and understanding during this extraordinary and challenging period. Due to the impact of the pandemic and the delay in the practical completion of the new hospital, HSBC have deferred the testing of the leverage and debt service ratios by a year to 31 March 2022.

The Trustees apply a close focus to the adequacy of the Trust's working capital and consider that its assets and available funds are adequate to fulfil its obligations.

The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) applicable to charities and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), in preparing the annual report and financial statements of the Trust. The financial statements comply with current statutory requirements and with the requirements of the Articles of Association.

Reserves

The Trustees review the Trust's reserves position regularly to ensure that it has adequate funds to support its on-going work, taking into consideration the assets required to provide a high standard and quality of care for its service users, reasonable working capital and any unforeseen circumstances.

In the most recent review, in December 2019, the Trustees considered it was appropriate to maintain the Trust's reserves policy of holding £3,000,000 of free reserves.

As at 31 December 2020 the amount disclosed on the Balance Sheet as General Funds (or free reserves) was £846,425. However, this value is understated in that £2,200,000 of the creditor balance of £2,313,778 in relation to the construction of the new Sancta Maria Hospital was funded in early 2021 from the HSBC loan facility. By adjusting the presentation of the General

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Financial Review (continued)

Reserves (continued)

Funds to allow for this the balance increases to £3,046,425. This is in line with the Trust's reserves policy.

In addition, the Trust had designated reserves of £143,144 as a building and equipment reserve for Coloma Court and Marie Louise House.

The Trustees are confident that there is sufficient flexibility in the reserves to maintain and develop the Trust's operations.

Investments

The majority of the Trust's reserves have been invested with the support and advice of professional investment managers. The Trustees have adopted an investment strategy with a "moderate" risk profile, with this risk being mitigated through diversification. The investment performance and investment strategy are monitored on a regular basis.

Risk management

The Board of Trustees has a responsibility to establish a risk management structure, policy and strategy for the Trust. In addition, the Trustees review the high-level risks to the Trust at both strategic and operational levels.

Risks are identified and prioritised based on the likelihood of an event occurring and the impact of that event should it happen. All identified risks are recorded at either central or local level and these are reviewed informally on a continuous basis and formally biannually. Controls and mitigation strategies are identified for each risk to either reduce the impact or probability of the risk.

Key risks

The most significant risk facing the Trustees is at present the implications surrounding the COVID-19 pandemic. This is covered by regular reviews of the current and predicted operating conditions between the Trustees and the executive team.

Other material strategic risks include:

- ◆ The continuing challenge of the economic climate and its impact on the Trust's patients and residents to self-fund treatment and care at its hospitals and care homes.
- ◆ Failure to follow an appropriate strategy.
- ◆ Shortage of suitably qualified staff.
- ◆ Serious clinical incident, which could have a serious negative impact on the Trust's reputation and, potentially, its finances.
- ◆ Uncertainty generated by the pressures on the NHS.
- ◆ Inflationary pressure on the English NHS Tariff.
- ◆ Below inflation increases in the rates reimbursed by local authorities for the care of local authority supported residents.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Structure, Governance and Management

Constitution and principal aims

The Healthcare Management Trust is a registered charity, Charity Registration No 292880, established in 1985. The objects of the charitable company are detailed in the Memorandum of Association. The Trust is constituted as a company limited by guarantee. In the event of the charitable company being wound up during the period of membership or within the year following, company members, who are the Trustees, are each required to contribute an amount not exceeding £5.

Trustees

The Trustees of the Trust, who constitute directors of the company for the purposes of company law, are appointed by resolution of the Board. The following served as members of the Board during the year:

Trustee	Appointed / Resigned
J R Q Foliott Vaughan (Chairman)	
D G Jones	
N Draper	
M Gerold	
G Goldinger	Deceased November 2020
Dr L Roberts	
N E E Stephens DL	
Dr C Streater	
G Von Malachowski	

Secretary	Appointed / Resigned
N Roissetter	

All Trustees give their time voluntarily and receive no remuneration from the Trust in connection with their duties as Trustees. J R Q Foliott Vaughan received £30,000 in respect of his services as Chairman. The financial information regarding Trustees is shown in note 8 to the financial statements.

The Trustees regularly assess the skills mix within the Board. When it is considered that additional skills are required, a new appointment is made following detailed discussion. All Trustees are provided with a "Trustee Manual". This is updated regularly and contains information about the governance and operations of the Trust. Trustees visit the Trust's hospitals and homes on a regular basis.

The Trustees were supported during the year by Philip Jukes, who advised the Board and visited the hospitals and homes regularly.

Principal advisers

The names and addresses of the principal advisers to the Trust are listed on pages 1 and 2.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Structure, Governance and Management (continued)

Governance and key management personnel

The Trust achieves its aims through the provision of advice and management expertise to existing hospitals and care homes and, where appropriate, by the acquisition and operation of hospitals and care homes.

The Trustees, who are responsible for the overall control of the Trust, meet regularly and receive detailed monthly management, clinical and other reports to retain effective control over the Trust and to supervise the Executive Management.

Senior staff manage the activities of the Trust. The following senior staff comprise the Executive Management and were in place at the date when the Annual Report and Financial Statements were approved or served during the financial year:

Mr Tony Barrett – Chief Executive

Mr Nigel Roissetter – Chief Financial Officer

Ms Mair Williams – Chief Operations Officer - Care Homes

Mr Rob Douthwaite – Chief Operations Officer – Hospitals (left our employment April 2020)

Dr Lorcan Sheppard – Chief Medical Officer

Ms Antoinette Edwards – Chief People Officer

The Board is supported by the Audit and Risk Committee which is chaired by Mr N E E Stephens DL and comprises Mr D Jones, Mr M Gerold and Mr G Von Malachowski.

Senior staff at the hospitals and care homes report to the Executive Management.

Control is exercised by a comprehensive system of financial planning, approvals, monitoring and reporting, backed up by accounting records which together provide the necessary level of financial control.

Key management personnel

The Trustees consider that they, together with the Executive Management, the Hospital Directors and the Senior Managers at the Care Homes, comprise the key management of the Trust in charge of directing and controlling, running and operating the Trust on a day to day basis.

The remuneration of key management personnel is set and approved by the Trustees. Remuneration is set in the context of market rates and industry benchmarks and is reviewed annually.

Equal opportunities

The Trust strives to be an Equal Opportunities Employer and applies objective criteria to assess merit. It aims to ensure that all job applicants and employees receive equal treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Structure, Governance and Management (continued)

Equal opportunities (continued)

Selection criteria and procedures are reviewed regularly to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees are given equal opportunity and, where appropriate and possible, special training to enable them to progress both within and outside the organisation. The Trust is also committed to providing a safe working environment for all staff.

The Trust has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting its performance. This is achieved through regular consultations with employees, including induction programmes, meetings and newsletters.

Volunteers

Pastoral care is provided, where possible, by religious Sisters and priests at the hospitals and homes, generally on a voluntary basis. Assistance is provided at some homes by "friends" organisations. There is no other dependence on voluntary help within the Trust.

Statement of Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period.

In preparing these financial statements, the Trustees are required to:

- ◆ Select suitable accounting policies and then apply them consistently;
- ◆ Observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102;
- ◆ Make judgements and estimates that are reasonable and prudent;
- ◆ State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

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

Trustees' report (incorporating a Strategic Report) Year to 31 December 2020

Structure, Governance and Management (continued)

Statement of Trustees' responsibilities (continued)

Each of the Trustees confirms that:

- ◆ So far as the Trustee is aware, there is no relevant audit information of which the Trust's auditor is unaware; and
- ◆ The Trustee has taken all the steps that he or she ought to have taken as a trustee in order to make himself or herself aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Signed on behalf of the Trustees:

J R Q Folliot Vaughan (Chairman and Trustee)

Approved by the Trustees on: 29 September 2021

Independent auditor's report to the members of The Healthcare Management Trust

Opinion

We have audited the financial statements of The Healthcare Management Trust (the 'charitable company') for the year ended 31 December 2020, which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Trustees' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the Trustees' report including the strategic report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

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

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

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.

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.

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the charitable company through discussions with management, and from our commercial knowledge and experience of the sector;
- ◆ the identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit;
- ◆ We focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the activities of the charity. These included but were not limited to the Charities Act 2011, Companies Act 2006, data protection legislation, the Care Standards Act, Healthcare Commission regulations, Safeguarding regulations and Medical Health & Safety regulations; and

Auditor's responsibilities for the audit of the financial statements (continued)

- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, inspecting legal correspondence and reviewing trustee meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management and those charged with governance as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested journal entries to identify unusual transactions;
- ◆ tested the authorisation of expenditure as part of our substantive testing thereon;
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- ◆ used data analytics to identify any significant or unusual transactions and identify the rationale for them.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of trustee meetings;
- ◆ enquiring of management and those charged with governance as to actual and potential litigation and claims; and
- ◆ reviewing any available correspondence with the CQC, HMRC and the Charity Commission.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Trustees and other management and the inspection of regulatory and legal correspondence, if any.

Auditor's responsibilities for the audit of the financial statements (continued)

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

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.

Amanda Francis (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

29 September 2021

Statement of financial activities Year to 31 December 2020

	Notes	Total funds 2020 £	Total funds 2019 £
INCOME AND EXPENDITURE ACCOUNT			
INCOME FROM:			
Donations and legacies		8,143	539
Investment income and interest receivable	1	94,783	279,435
Charitable activities			
. Healthcare establishment fees and related charges	2	28,904,646	33,526,869
Other sources: Coronavirus Job Retention Scheme grants		263,947	—
Total income		29,271,519	33,806,843
EXPENDITURE ON:			
Raising funds			
Investment manager's fees		22,063	37,765
Financing costs	3	97,513	368
		119,576	38,133
Charitable activities			
Promotion and development of healthcare			
. Healthcare establishment expenses	4	30,143,482	33,471,116
. Charitable grants	5	181,715	391,612
		30,325,197	33,862,728
Total expenditure		30,444,773	33,900,861
Net expenditure before losses on investments		(1,173,254)	(94,018)
Net (losses) gains on listed investments	11	(155,122)	651,677
Net (expenditure) income for the year and net movement in funds		(1,328,376)	557,659
Reconciliation of funds:			
Balances brought forward at 1 January 2020		23,451,319	22,893,660
Balances carried forward at 31 December 2020		22,122,943	23,451,319

All activities derived from continuing operations in each of the above two years with all income and expenditure being unrestricted.

Balance sheet 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible fixed assets	10	30,433,374	18,829,294
Investments	11	2,699,839	5,144,039
		<u>33,133,213</u>	<u>23,973,333</u>
Current assets			
Stocks	12	513,942	723,992
Debtors	13	3,592,879	3,080,238
Cash at bank and in hand		1,673,205	1,857,328
		<u>5,780,026</u>	<u>5,661,558</u>
Creditors: amounts falling due within one year:			
. Sancta Maria construction creditors	14	(2,313,778)	(831,096)
. Other	14	(4,493,009)	(3,427,238)
		<u>(1,026,761)</u>	<u>1,403,224</u>
Net current (liabilities) assets*			
		<u>(1,026,761)</u>	<u>1,403,224</u>
Total assets less current liabilities			
		<u>32,106,452</u>	<u>25,376,557</u>
Creditors: amounts falling due after one year			
. Sancta Maria construction creditors	15	(577,863)	(1,792,325)
. Other	15	(9,405,646)	(132,913)
		<u>(9,983,509)</u>	<u>(1,925,238)</u>
Total net assets			
		<u>22,122,943</u>	<u>23,451,319</u>
The funds of the Trust			
General funds		846,425	4,478,881
Tangible fixed assets fund	16	21,133,374	18,829,294
Designated funds	17	143,144	143,144
		<u>22,122,943</u>	<u>23,451,319</u>

* Included within net current liabilities is £2.3m of Sancta Maria construction creditors in relation to the new hospital. £2.2m of the creditor was funded by a drawdown of the development loan facility in early 2021, which will comprise part of creditors falling due after one year in the financial statements for the year ending 31 December 2021.

Approved by the Trustees and signed on their behalf by:

J R Q Folliot Vaughan (Chairman and Trustee)

Approved on: 29 September 2021

The Healthcare Management Trust: A company limited by guarantee, Company Registration No. 01932882 (England and Wales)

Statement of cash flows Year to 31 December 2020

	Notes	2020 £	2019 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	1,049,187	2,901,315
Cash flows from investing activities:			
Investment income and interest received		94,783	279,435
Purchase of tangible fixed assets		(12,623,194)	(10,282,922)
Proceeds from the disposal of investments		2,735,487	3,842,689
Purchase of investments		(446,409)	(345,542)
Net cash used in investing activities		(10,239,333)	(6,506,340)
Cash flows from financing activities:			
Interest paid		(97,513)	(368)
New borrowings		9,300,000	—
Repayments of borrowing		(132,913)	(294,000)
Repayments of finance leases		(63,551)	(44,422)
Net cash provided by (used in) financing activities		9,006,023	(338,790)
Change in cash and cash equivalents in the year		(184,123)	(3,943,815)
Cash and cash equivalents at 1 January 2020	B	1,857,328	5,801,143
Cash and cash equivalents at 31 December 2020	B	1,673,205	1,857,328

Notes to the statement of cash flows for the year to 31 December 2020.

A Reconciliation of net movement in funds to net cash provided by operating activities

	2020 £	2019 £
Net movement in funds (as per the statement of financial activities)	(1,328,376)	557,659
Adjustments for:		
Depreciation charge	1,064,515	1,082,126
Gains (losses) on investments	155,122	(682,426)
Investment income and interest receivable	(94,783)	(279,435)
Interest payable	97,513	368
Loss on disposal of tangible fixed assets	18,149	32,251
Decrease (increase) in stocks	210,050	(129,216)
Increase in debtors	(479,648)	(652,178)
Increase in creditors	1,439,638	2,972,166
Net cash provided by operating activities	1,049,187	2,901,315

B Analysis of cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	1,219,317	1,595,528
Cash held by investment managers	453,888	261,800
Total cash and cash equivalents	1,673,205	1,857,328

Statement of cash flows Year to 31 December 2020

C Analysis of changes in net debt

	At 1 January 2020 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2020 £'000
Cash	1,857,328	(184,123)	—	1,673,205
Finance lease obligations	(192,155)	—	12,099	(180,056)
Loans falling due after more than one year	—	(9,300,000)	—	(9,300,000)
Total	1,665,173	(9,484,123)	12,099	(7,806,851)

Principal accounting policies 31 December 2020

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These accounts have been prepared for the year to 31 December 2020. Comparative information is provided in respect to the year to 31 December 2019.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Trust constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

The preparation of the accounts in compliance with SORP FRS 102 requires the use of certain critical accounting estimates. It requires also that management and Trustees exercise judgement in applying the Trust's accounting policies.

In preparing these accounts, the Trustees have made significant estimates and judgements in the following areas:

- ◆ Estimating the expected useful economic life of tangible fixed assets for the purposes of determining the annual depreciation charge;
- ◆ Estimating any provision for bad or doubtful debts;
- ◆ Estimating and recognising accrued expenditure; and
- ◆ Estimating future income and expenditure flows for the purpose of assessing going concern (see below).

Assessment of going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The Trustees have made this assessment in respect to a period of at least one year from the date of approval of these accounts.

As explained in the Trustees' Report accompanying these financial statements, subsequent to the year end, the Covid-19 pandemic continues to have a significant impact on health and social care within the United Kingdom and, consequently, on the charity and its work.

Principal accounting policies 31 December 2020

Assessment of going concern (continued)

In particular, the pandemic has resulted in increased expenditure incurred in order to safeguard staff, residents and patients. At the same time, there has been a reduction in revenue due to falls in the normal occupancy levels at each of the Trust's care homes and a reduction in activity at the Trust's two hospitals due to the need to prepare to receive Covid-19 positive patients and high level of cancellations resulting from patients, staff and consultants having to self-isolate. In addition, the pandemic led to delays in the construction of the Trust's new hospital in Swansea, which finally opened in February 2021, as opposed to the planned date of September 2020.

The impact of the pandemic with its associated reduction in revenue and increase in costs has been actively managed. The pandemic has had, and is expected to continue to have, an adverse impact on the Trust's trading performance. The Trustees have assessed this in the context of the Trust's banking relationships and, in particular, the confirmation of continuing support from its bankers and have concluded that there is no reason to believe that the latter will be materially affected therefrom.

Whilst the Trustees anticipate that there will be a negative impact on the Trust's reserves, which may take several years to return to their pre-Covid levels, they are of the opinion that the Trust's financial position is such that it is expected to be able to withstand the challenges presented by the pandemic. The Trustees believe that the Trust will emerge from the pandemic in a stronger and more effective form.

The Trustees of the Trust have concluded that none of the above give rise to material uncertainties that may cast significant doubt on the ability of the Trust to continue as a going concern. The Trustees are of the opinion that the Trust will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above.

Scope

The accounts of the two owned hospitals and the two leased care homes are included in these accounts on a line-by-line basis.

Income recognition

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

Income comprises healthcare establishment fees and related charges, donations and investment income and interest receivable.

Income from healthcare fees and related charges is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. It is measured at fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Consultant's fees, included within healthcare fees and related charges, are treated as income and expenditure for the Trust, except where the consultants bill the patients directly.

Principal accounting policies 31 December 2020

Income recognition (continued)

Donations are recognised when the Trust 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 Trust 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 Trust and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the Trust 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 Trust.

Entitlement is taken as the earlier of the date on which either: the Trust is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Trust has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Trust, or the Trust is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having been transferred to the Trust.

Investment income is recognised once the dividend or similar payment has been declared and notification has been received of the amount due.

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

Coronavirus Job Retention Scheme grants are credited to the statement of financial activities when the Trust has entitlement to the income and when the amount receivable has been quantified.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Trust to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Principal accounting policies 31 December 2020

Expenditure recognition (continued)

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the Trust. This includes investment management fees and the costs associated with servicing loan finance.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the Trust through the provision of its charitable activities. Such costs include the provision of healthcare in acute hospitals and care homes and the making of charitable grants and donations. Expenditure on charitable activities includes both direct costs and indirect support costs.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all performance conditions. Grants approved but not paid at the end of the financial year are accrued. Grants where the beneficiary has not been informed or has to fulfil performance conditions before the grant is released are not accrued for but are disclosed as financial commitments in the notes to the accounts.

The provision of a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit the Trust to avoid making the future payments, settlement is probable and the effect of the discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant is made. This discount rate is regarded by the Trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust.

All expenditure is stated inclusive of irrecoverable VAT.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the Trust it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the Trust (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs and governance costs are apportioned to healthcare establishment expenses only.

Principal accounting policies 31 December 2020

Tangible fixed assets

Individual assets costing £1,000 or more, with an expected useful life exceeding one year, are capitalised at cost.

Certain freehold property is included in the accounts at a valuation determined during 1990 on the basis of existing use at that date. In accordance with the transitional provisions of Financial Reporting Standard 102, this valuation has not been updated and with effect from 1 January 2014 is deemed to be cost. All other freehold property and tangible fixed assets are included in the accounts at cost.

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

- ◆ Freehold buildings 2.5%
- ◆ Fixtures and fittings 10-20%
- ◆ Plant and machinery 15%
- ◆ Motor vehicles 33 $\frac{1}{3}$ %
- ◆ Other equipment 15-33%

Assets under construction are not depreciated. Once the asset has been completed, the cost thereof is reclassified under the appropriate asset category and depreciated in accordance with the rates set out above.

Plant and machinery includes hospital facilities such as operating theatres and related equipment.

Fixed asset investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The Trust does not acquire put options, derivatives or other complex financial instruments.

As noted above, one of the main forms of financial risk faced by the Trust is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value is acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Stocks

Stocks of medical and sundry supplies comprising drugs, dressings and medical consumables are stated at the lower of cost and net realisable value. Provision is made against any slow moving or obsolete stock.

Principal accounting policies 31 December 2020

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the Trust anticipates it will pay to settle the debt.

Fund structure

General funds represent income or generated for expenditure on the general objectives of the Trust.

The tangible fixed assets fund represents the net book value of the Trust's tangible fixed assets.

Designated funds represent monies or assets set aside by the Trustees, out of general funds, for specific purposes.

Restricted funds represent monies to be applied for specific purposes in accordance with donors' wishes.

Leased assets

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions in respect of both the Trust's defined contribution scheme and stakeholder pension scheme are charged to the statement of financial activities in the period in which they become payable to the scheme.

In August 2014, all eligible members of staff (not already contributing to an eligible scheme) were required to be auto-enrolled in a workplace pension scheme. Employer contributions to the scheme are charged to the statement of financial activities in the year in which they are payable.

1 Investment income and interest receivable

	Unrestricted funds	
	2020 £	2019 £
Income from listed investments	94,783	279,435

2 Healthcare establishment fees and related charges

	Unrestricted funds	
	2020 £	2019 £
Management and consultancy fees	74,411	124,759
Hospital fees and related charges	21,757,390	26,239,884
Nursing and residential home fees and related charges	7,072,845	7,162,226
	28,904,646	33,526,869

Management and consultancy fees represent moneys receivable by the Trust under agreements for the management of care homes owned by independent third parties and from consultancy studies carried out for independent hospitals and care homes.

3 Financing costs

	Unrestricted funds	
	2020 £	2019 £
Interest payable on bank loans, overdrafts and other loans	97,513	368

4 Healthcare establishment expenses

	Unrestricted funds	
	2020 £	2019 £
Staff costs (note 8)	14,476,755	13,939,252
Premises and equipment	3,995,361	3,847,515
Medical and welfare	9,507,719	13,048,142
Governance costs (note 6)	51,727	96,468
Other expenses	2,111,920	2,539,739
	30,143,482	33,471,116

5 Charitable grants

The Trust authorised the following grants payable during the year ended 31 December 2020:

	2020 £	2019 £
In support of medical/social research		
Admiral Nurses	96,512	100,402
Alzheimer's Society (University of Southampton) – studying loss of connections between brain cells in the early stages of Alzheimer's disease	—	28,318
Alzheimer's Society (University of Leeds) – excess iron and neurodegeneration in Alzheimer's disease	—	28,278
Alzheimer's Society (University of Sheffield) – speech therapy to help people living with dementia stay in the conversation	—	22,993
Alzheimer's Society (University of Newcastle) – cognitive lifestyle and dementia	—	23,372
Swansea University – understanding and improving emotional wellbeing of older care home residents	—	20,091
Charitable donations and share of surplus (note 19)	85,203	168,158
Total	181,715	391,612

In addition to the above grants payable, at 31 December 2020 the Trustees had made grant offers totalling £45,987 (2019: £140,480). As the payment of these grants is subject to certain specific conditions, they have not been accrued for in these accounts.

6 Governance costs

	Unrestricted funds	
	2020 £	2019 £
Internal audit	—	20,482
External audit, committee and other costs	51,727	75,986
	51,727	96,468

7 Net expenditure before (losses) gains on investments

This is stated after charging:

	Unrestricted funds	
	2020 £	2019 £
Staff costs (note 8)	14,476,755	13,939,252
External auditor's remuneration		
. Audit services – current year	34,200	33,600
. Audit services – prior year	2,686	6,953
. Other services – taxation and advisory services	1,398	3,300
Depreciation	1,064,515	1,082,126
Operating lease rentals	413,939	507,935
Hire of plant and machinery		
. Rental of non-medical equipment	741,059	465,124
. Rental of medical equipment	126,947	338,516

8 Staff costs and Trustees' remuneration

	2020 £	2019 £
Staff costs during the year were as follows:		
Wages and salaries	11,908,126	11,504,965
Social security costs	1,056,693	1,081,879
Other pension costs	503,721	409,210
Apprenticeship levy	44,932	42,472
Payments to employed staff	13,513,472	13,038,526
Payments to agency staff	963,283	900,726
	14,476,755	13,939,252

Payments to agency staff during the year reflect the national shortage of nursing staff seeking permanent employment. The average number of employees, including agency staff, was:

	Full time equivalents		Headcount	
	2020	2019	2020	2019
Healthcare services	410	394	536	522

The number of employees who earned £60,000 per annum or more (including taxable benefits, but excluding employer's pension contributions) during the year was as follows:

	2020	2019
£60,001 - £70,000	4	4
£70,001 - £80,000	1	2
£80,001 - £90,000	2	3
£90,001 - £100,000	2	1
£100,001 - £110,000	2	2
£110,001 - £120,000	—	1
£120,001 - £130,000	1	—
£130,001 - £140,000	—	—
£140,001 - £150,000	—	1
£150,001 - £160,000	1	—
£170,001 - £180,000	1	2

8 Staff costs and Trustees' remuneration (continued)

Employer contributions are made to money purchase schemes in respect to 14 (2019: 16) of those employees who earned £60,000 or more during the year. Total employer contributions to money purchase schemes in respect of such employees during the year amounted to £113,891 (2019: £163,651).

No trustee received any remuneration in respect of their services as Trustees during the year (2019: none). During the year, with the approval of the Charity Commission, J R Q Folliott Vaughan received £30,000 in respect to management services provided to the Trust (2019: £30,000).

Expenses in connection with travel and subsistence were reimbursed to 3 (2019: 5) Trustees during the year and amounted to £1,175 (2019: £4,220).

The Trust has purchased insurance to protect itself from any loss arising from the neglect or defaults of its Trustees, employees and agents and to indemnify the Trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the Trust during the year totalled £12,993 (2019: £10,915) and provides cover of up to a maximum of £5 million (2019: £5 million).

The key management personnel of the Trust in charge of directing and controlling, running and operating the Trust on a day to day basis comprise the Trustees, the Executive Management, the Director at each of the of the Hospitals and the Senior Manager at each of the care homes. The total remuneration (including taxable benefits and employer's pension contributions) of the key management personnel for the year was £1,292,314 (2019: £1,330,818).

9 Taxation

The Healthcare Management Trust is a registered Trust and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

10 Tangible fixed assets

	Freehold property £	Assets under construction £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 2020	5,422,660	10,761,863	3,839,210	10,149,867	12,480	30,186,080
Additions	57,626	11,997,110	109,294	522,714	—	12,686,744
Disposals	(1,361)	—	(457)	(62,621)	—	(64,439)
Reclassifications*	178,662	—	(632,016)	453,354	—	—
At 31 December 2020	5,657,587	22,758,973	3,316,031	11,063,314	12,480	42,808,385
Cost	4,407,587	22,758,973	3,316,031	11,063,314	12,480	41,558,385
Deemed cost: Valuation – 1990	1,250,000	—	—	—	—	1,250,000
	5,657,587	22,758,973	3,316,031	11,063,314	12,480	42,808,385
Depreciation						
At 1 January 2020	1,732,928	—	1,485,967	8,129,571	8,320	11,356,786
Provided in the year	96,969	—	261,657	701,729	4,160	1,064,515
On reclassifications*	14,340	—	54,563	(68,903)	—	—
On disposals	(676)	—	(316)	(45,298)	—	(46,290)
At 31 December 2020	1,843,561	—	1,801,871	8,717,099	12,480	12,375,011
Net book values						
At 31 December 2020	3,814,026	22,758,973	1,514,160	2,346,215	—	30,433,374
At 31 December 2019	3,689,732	10,761,863	2,353,243	2,020,296	4,160	18,829,294

As explained in note 22 practical completion of the new Sancta Maria Hospital was achieved on 28 January 2021, with the hospital opening to patients on 15 February 2021. The construction of the new hospital has been financed in part by a loan from HSBC Bank plc. This arrangement is secured by way of legal charges over the new Sancta Maria Hospital at Langdon Road, Swansea, SA1, the old Sancta Maria Hospital site in Ffynone Road, Swansea SA1 6DF and St Hugh's Hospital, Peaks Lane, Grimsby, DN32 9RP, as well as fixed and floating charges over all property of the Trust.

Following the move to the new hospital in 2021, certain of the tangible fixed assets of the hospital were scrapped or disposed of. The exact value of these will be determined throughout the 2021 financial year in order for an informed disposal calculation to be processed in the 2021 financial statements.

*Following a review of the fixed assets register it was appropriate to reclassify assets previously listed under Fixtures and Fittings to Plant and Equipment and Freehold Property.

10 Tangible fixed assets (continued)

Certain freehold property included above was revalued in 1990 at an existing use valuation of £1,250,000. Had it not been revalued, it would have been included on the historical cost basis at the following amounts:

	£
Cost	1,023,209
Accumulated depreciation	<u>(682,402)</u>
Net book amount at 31 December 2020	<u>340,807</u>
Net book value at 31 December 2019	<u>366,387</u>

As permitted under the transitional arrangements within Financial Reporting Standard 102, the Trust has continued to adopt a policy of not revaluing tangible fixed assets. It is likely that there are material differences between the open market values of the Trust's land and freehold properties and their book values. These arise from the specialised nature of some of the properties and the effects of inflation. The amount of such differences cannot be ascertained without incurring significant costs which, in the opinion of the Trustees, is not justified in terms of the benefits to the users of the accounts.

At 31 December 2020 the Trust had capital commitments in respect to the construction of the new hospital in Swansea of £5,000,000 (2019: £16,300,000).

11 Fixed asset investments

	2020 £	2019 £
Listed investments		
Market value at 1 January 2020	5,144,039	7,958,759
Additions at cost	446,409	345,542
Disposals at carrying value (proceeds: £2,735,487, losses: £100,584)	(2,836,071)	(3,610,709)
Net unrealised investment (losses) gains	(54,538)	450,447
Market value at 31 December 2020	<u>2,699,839</u>	5,144,039
Cost of listed investments at 31 December 2020	<u>2,273,345</u>	4,179,879

All listed investments were dealt in on a recognised stock exchange. Listed investments held at 31 December 2020 comprised the following:

	2020 £	2019 £
UK Managed funds	1,648,601	3,031,335
Overseas Managed funds	—	175,352
UK Bonds	63,678	467,768
Overseas Bonds	—	287,302
UK Equities	284,923	537,390
Overseas Equities	644,545	511,312
Commodities	58,092	133,580
	<u>2,699,839</u>	5,144,039

11 Fixed asset investments (continued)

At 31 December 2020 the following individual investment holdings were deemed material holdings in the context of the market value of the entire listed portfolio as at that date:

Holding	Market value of holding £	% of total portfolio %
Vanguard Investments FTSE All Share Index Inc	542,523	20%
DB X-Trackers FTSE All Share	334,969	12%
Mayfair Capital Investment Management - Property Income Trust for Charities	333,733	12%
Coupland Cardiff Funds - Japan Alpha I (JPY)	222,477	8%
VANGUARD INVESTMENTS S&P 500 UCITS ETF Inc (GBP)	201,718	7%

12 Stocks

	2020 £	2019 £
Drugs, dressings and consumables	507,568	697,719
Other	6,374	26,273
	513,942	723,992

13 Debtors

	2020 £	2019 £
Fees and related charges	1,113,566	2,075,190
Other debtors	151,066	26,908
Prepayments and accrued income	1,274,138	978,140
Prepayment of equipment	1,054,109	—
	3,592,879	3,080,238

Prepayments include £210,000 being a deposit paid in respect to the prospective purchase of the freehold of Marie Louise House Care Home. The purchase is conditional on obtaining planning permission to extend the home and requires the prior approval of HSBC Bank plc.

Prepayments of equipment is in relation to deposits paid on equipment for the new hospital to be funded by HSBC Equipment Finance.

14 Creditors: amounts falling due within one year

	2020 £	2019 £
<i>Sancta Maria construction creditors</i>	2,313,778	831,096
<i>Other</i>		
Expense creditors	2,931,600	2,198,211
Social security and other taxes	289,291	279,619
Other creditors	240,787	67,471
Accruals and deferred income	956,921	822,695
Finance lease repayable within one year	74,410	59,242
	4,493,009	3,427,238

15 Creditors: amounts falling due after one year

	2020 £	2019 £
Sancta Maria construction creditors	577,863	1,792,325
Other		
Finance lease repayable (see below)	105,646	132,913
Bank loan (see below)	9,300,000	—
	9,405,646	132,913
Finance lease		
	2020 £	2019 £
Amounts due:		
Within one year (note 14)	74,410	59,242
Between one and two years	64,380	59,242
Between two and five years	41,266	73,671
	105,646	132,913
	180,056	192,155

Bank loan

On 18 April 2019, the Trust signed a development and commercial mortgage facilities agreement with HSBC Bank plc. This enables the Trust to draw down up to £11,500,000 in order to finance the construction project at Sancta Maria Hospital. A total of £9,300,000 has been drawn down in the 2020 financial year, with the balance of £2,200,000 in the 2021 financial year.

Under the terms of the agreement, the mortgage will be repaid in consecutive instalments based on a twenty year amortisation profile with the first instalment being due on the third quarter date after the full loan has been drawn down following practical completion of the hospital. The final loan payment will be made six months after the eighth anniversary of the final drawdown and is anticipated to be sometime in 2029.

Interest payable at a rate of 2.5% over LIBOR, In order to limit interest rate risk, HMT have entered into a Swap with a cap of 2.0%

16 Tangible fixed assets fund

	Total 2020 £	Total 2019 £
At 1 January 2020	18,829,294	9,574,603
Net movement in the year	11,604,080	9,254,691
	30,433,374	18,829,294
Less: Bank loan to finance the construction and acquisition of tangible fixed assets	(9,300,000)	—
At 31 December 2020	21,133,374	18,829,294

The tangible fixed assets fund represents the net book value of the Trust's tangible fixed assets less the value of bank loans obtained to finance the construction and acquisition of tangible fixed assets.

17 Designated funds

The unrestricted funds of the Trust include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific reasons or purposes:

	At 1 January 2020 £	New designations £	Released or utilised £	At 31 December 2020 £
Marie Louise House building and equipment reserve	3,144	—	—	3,144
Coloma Court building reserve	140,000	—	—	140,000
	143,144	—	—	143,144

	At 1 January 2019 £	New designations £	Released or utilised £	At 31 December 2019 £
Marie Louise House building and equipment reserve	3,144	—	—	3,144
Coloma Court building reserve	140,000	140,000	(140,000)	140,000
Grant making reserve	300,000	—	(300,000)	—
Sancta Maria redevelopment reserve	9,000,000	—	(9,000,000)	—
	9,443,144	140,000	(9,440,000)	143,144

The Marie Louise House building and equipment reserve represents moneys set aside to finance the future purchase of equipment, and the repair and maintenance of the buildings occupied by the Trust, at Marie Louise House, Romsey.

The Coloma Court building reserve represents moneys set aside to finance the repair and maintenance of the buildings occupied by the Trust at Coloma Court Care Home, West Wickham. This reserve is topped up by £140,000 per annum if a surplus is made.

The grant making reserve represented funds set aside for making grant offers in future accounting periods.

The Sancta Maria redevelopment reserve represented funds set aside to part finance the building of a new hospital in Swansea.

18 Analysis of net assets between funds

	General funds £	Tangible fixed assets fund £	Designated funds £	Total 2020 £
Tangible fixed assets	—	30,433,374	—	30,433,374
Investments	2,559,839	—	140,000	2,699,839
Net current liabilities	(1,029,905)	—	3,144	(1,026,761)
Creditors: Amounts falling due after one year	(683,509)	(9,300,000)	—	(9,983,509)
	846,425	21,133,374	143,144	22,122,943

	General funds £	Tangible fixed assets fund £	Designated funds £	Total 2019 £
Tangible fixed assets	—	18,829,294	—	18,829,294
Investments	5,144,039	—	—	5,144,039
Net current assets	1,260,080	—	143,144	1,403,224
Creditors: Amounts falling due after one year	(1,925,238)	—	—	(1,925,238)
	4,478,881	18,829,294	143,144	23,451,319

The total unrealised gains as at 31 December 2020 constitute a revaluation reserve as defined by the Companies Act 2006. Movements in unrealised gains during the year were as follows:

	2020 £	2019 £
Unrealised gains included above:		
On listed investments	426,494	964,160
On freehold property	75,539	81,209
Total unrealised gains at 31 December 2020	502,033	1,045,369
Reconciliation of movements in unrealised gains		
Unrealised gains at 1 January 2020	1,045,369	1,157,711
Difference between historical cost realised gains/losses on listed investments and the actual realised gains/losses thereon calculated on the revalued amounts	(494,468)	(568,459)
Unrealised (losses) gains on listed investments arising in the year	(54,538)	450,447
Difference between the depreciation charge based on historic cost and that based on the revalued amounts	5,670	5,670
Total unrealised gains at 31 December 2020	502,033	1,045,369

19 Share of surplus and donations to charities

The lease agreement for Coloma Court Care Home stipulates that the Daughters of Mary and Joseph will receive a share of the surplus in respect of the nursing home operations equal to 50% of the net surplus. The 2020 share amounted to £nil (2019: £nil) due to a deficit arising in the year.

The lease agreement for Marie Louise House stipulates that the Daughters of Wisdom will receive a share of the surplus in respect of the nursing home operations equal to 50% of the net surplus but will contribute 50% of any net deficit. The 2020 surplus amounted to £nil (2019: £70,667). However, an amount of £32,685 is included on the balance sheet as being due from the Daughters of Wisdom to cover the deficit made.

Further donations amounting to £85,203 (2019: £97,491) were made to various other charitable organisations and beneficiaries.

20 Pensions

The Trust operates a defined contribution scheme for the benefit of the employees and contributes both to personal pension plans, stakeholder pension plans of individual employees and the NEST auto-enrolment scheme. During the year total contributions made by the Trust were £503,721 (2019: £407,934) of which £181,034 (2019: £239,185) were to the NEST auto-enrolment scheme and £322,687 (2019: £168,749) were to the defined contribution scheme.

21 Leasing commitments

Operating lease payments amounting to £492,202 (2019: £413,939) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings		Other	
	2020 £	2019 £	2020 £	2019 £
Operating leases which expire:				
. Within one year	415,756	337,003	76,446	76,936
. Within two to five years	1,530,134	1,349,613	355,444	211,531
. In more than five years	171,563	400,313	—	49,091
	2,117,453	2,086,929	431,890	337,558

22 Post balance sheet events

Practical completion of the new Sancta Maria Hospital was confirmed on 28 January 2021 and a mortgage facility of £11.5m commenced from 18 February 2021. Further information is provided at note 15 to these financial statements.

Although there are a number of financial covenants on the facility, HSBC Bank plc have agreed to defer their testing of the leverage and cashflow cover until March 2022.

In addition, on 13 March 2021, we signed a Development Agreement with Brackley Investments Ltd for the turnkey development of a 64-bed dementia care home in Littlehampton. The planned opening date for the home is April 2023.

23 Related party transactions

Details of transactions between the Trust and its Trustees in respect to the reimbursement of expenses and the remuneration of the Chairman are given in note 8 to these financial statements.

There were no further related party transactions during the year (2019: none).