

**The  
Healthcare  
Management  
Trust**

**Annual Report and Accounts**

31 December 2016

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

Charity Registration Number  
292880

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## Reference and administrative information

<b>Trustees</b>	J R Q Folliot Vaughan (Chairman) D G Jones (Vice Chairman) N Draper M Gerold Professor S Powis Dr Lynne Roberts N E E Stephens DL G von Malachowski
<b>Company Secretary</b>	N Roissetter
<b>Adviser to the Board</b>	P Jukes
<b>Senior management team</b>	
Chief Executive	Tony Barrett
Director of Finance	Nigel Roissetter
Director of Operations	Mair Williams
Director of Clinical Services	Rob Douthwaite
Medical Director	Dr Lorcan Sheppard
<b>Registered and principal office</b>	14 Queen Anne's Gate London SW1H 9AA
Telephone	020 7222 1177
Website	<a href="http://www.hmt-uk.org">www.hmt-uk.org</a>
E-mail	<a href="mailto:admin@hmt-uk.org">admin@hmt-uk.org</a>
<b>Company registration number</b>	01932882 (England and Wales)
<b>Charity registration number</b>	292880
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Clydesdale Bank plc 36 Regent Street London SW1Y 4ND
<b>Solicitors</b>	Bircham Dyson Bell LLP 50 Broadway London SW1H 0BL

## Reference and administrative information

### Investment managers

Rathbone Investment Management  
Limited  
8 Finsbury Circus  
London  
EC2M 7AZ

Throughout the year reported on in these Accounts, and the subsequent months, The Healthcare Management Trust has continued to experience unprecedented demands on its services and operating units. We have met this challenge and produced another strong set of results, with incoming resources up over the previous year and a substantial increase in net income. This has allowed us both to reinvest in the charity and to support research and other good causes. Our hospitals treated 13% more patients than in the previous year and our care homes are full. We have achieved this while maintaining high and rigorous standards of care and preserving HMT's unique character, which has only been possible through the professionalism and sheer hard work of the people working for, and with, HMT. I think it therefore only right to start this report by putting on record first my thanks, and the Board's thanks, to all the people working for HMT, for their efforts over this exceptionally busy year. It is truly appreciated and a vital part of what makes HMT what it is.

Last year, I reported that we had completed a strategic review. Its main conclusions, and a number of resulting actions and initiatives, are referred to in the Trustees' Report. It might however be helpful to try to set out in more detail some of the aspects of how we see HMT as it is now, and how it might develop, as the strategy is implemented.

HMT is both a charity and a business – while our activities are charitable and we value highly our strong charitable ethos, we manage our activities as a business and we apply business disciplines. This is required by the demanding environment in which we operate, but also because that is how we will make best use of our charitable assets. We have regard to these characteristics, for example, in deciding how to apply any surpluses from our core activities. These have recently been significant and the Board has developed a clear approach to dealing with them.

First, HMT seeks to maintain sufficient general financial reserves to support its ongoing activities against unforeseeable risks. It would be rash to assume that current conditions must last for the foreseeable future. This reserve is currently £4million, as set out in the Reserves Policy in the Trustees' Report. Second, we invest in maintaining, renewing and expanding the charity's existing activities. The most significant currently planned investment is the new Swansea Hospital, which will be partly funded by borrowing, but to which we have allocated reserves of £9million. We recently invested heavily in St Hugh's Hospital and there are likely to be other investment opportunities both in new and in our existing care homes.

Third, and this is to my mind a wholly positive development, we have greatly expanded our non-core charitable activities. We now have in place a capacity to identify, and fund, worthwhile initiatives that relate to, but are not part of, our own main businesses. The heart of this is investment in research, working mainly with other charities and with universities, and mostly, but not entirely, focused on the causes of, and management of, dementia. This programme is now running at about £300,000 per year and, if circumstances allow, the Trustees would like to expand it further in the future. We are also making a major commitment to funding Admiral Nurses, who specialise in the treatment of dementia, and hope eventually to have Admiral Nurses associated with all of our hospitals and care homes. HMT also supports a number of other community initiatives, including sports participation and healthy lifestyle, notably cycling, in the communities in which we operate, both financially and directly through the time and personal efforts of HMT staff.

As a trading charity, HMT works closely with both the public and private sectors. We put great focus on continually looking for ways to modernise and improve the way we manage our hospitals and care homes. In the hospitals, we seek to be more efficient, and to respond effectively to market changes, notably the well-established trend towards day cases and outpatient services, and growing demand for diagnostics. In Grimsby, we enjoy good relationships with the local commissioning groups and a high percentage of our patients are NHS-funded. In Swansea, demand from the NHS is less predictable, and a higher proportion of patients are insured or self-pay. Each patient is, of course, treated to the same high medical standards regardless of whether they are self-pay, insured or NHS. Demand for our services continues to grow, with a further increase in the number of patient episodes we handled in the past year. We would expect the proposed new hospital in Swansea, once completed, to mark a step change in our capabilities in South Wales and we are looking at a range of medical and community initiatives to build on this.

As I have already mentioned, our care homes are, in effect, full, with occupancy rates of over 99%. We are therefore looking to expand, both at our two existing homes should an opportunity arise, and on new sites. The great majority of our residents are self-funded and this is likely to remain the case so long as local authorities are unable or unwilling to fund the cost of the level of care that we provide. However, we watch developments in this area with great interest.

In general, care homes are being asked to accommodate residents later in life and with higher levels of dependency. Our approach is to focus on increasing our involvement in higher dependency services and more intensive care, particularly in relation to dementia, where there is a widely recognised and growing need.

We continue to provide consultancy support to a wide range of religious and other charities. This includes the management of care homes owned by other charities. As reported in the Trustees' Report, our long relationship with the Alexian Brothers Care Centre in Manchester, which we managed for several years, has finally ended with the sale of the home by the Alexian Brothers and I would like to offer the staff and residents, on behalf of HMT, our best wishes for the future under its new owners.

As an operator of hospitals and care homes, both complex sectors with a fast changing set of challenges, the Board has to deal with a variety of difficult and often time-consuming issues, in an environment of ever growing expectations both from the regulators and more widely. HMT is ambitious, in the governance and operational standards we set and in our investment plans. The burden this puts on individual trustees and the Board as a whole has continued to increase and I see little likelihood of this changing in the short term. The Trustees each have my heartfelt thanks for their contributions over the past year, as do the executives and all those working at HMT. I have every confidence that they will likewise rise to the challenge of a very full agenda for the charity's continuing development. The current year has started well and I believe we face our future in good shape and good heart.

John Folliott Vaughan  
Chairman

## **Trustees' report (incorporating a Strategic Report) Year to 31 December 2016**

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 12 month period ending 31 December 2016.

### **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 charity delivers on these core objectives through the operation of its independent acute hospitals and care homes, supporting other charities within the health and social care sectors, health promotion activity and the funding of research in health and social care.

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, providing bursaries within our care homes.

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

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

- ◆ The 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.
- ◆ The respect for all faiths and the 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.
- ◆ The 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.
- ◆ The recognition that the settings in which we provide care for the older person represent each resident's home and we respect this.
- ◆ The absolute belief in the sanctity of life and the need for dignity at its end.
- ◆ The need to involve each patient and resident, their family and carers in decision making and planning with regard to their care in conjunction to the need to be open and honest.
- ◆ To value the ethos and mission of the founders of our hospitals and care homes.

## **OUR STRATEGIC OBJECTIVES**

Our strategic objectives are as follows:

- ◆ To deliver high quality, evidence based and safe patient/resident centred care and treatment.
- ◆ To develop our staffs' skills and competencies.
- ◆ To work with our partners for the benefit of our residents and patients.
- ◆ 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 local health promotion and disease prevention programmes.
- ◆ To fund research within the field of dementia.
- ◆ To care for individuals who suffer from dementia and their families within the geographical communities within which we work.

## **KEY NUMBERS**

- ◆ The Trust employed over 470 staff.
- ◆ The care homes provided 10,411 resident nights.
- ◆ The hospitals saw 35,625 outpatients.
- ◆ The hospitals admitted 10,411 inpatients, representing an uplift in activity of 13% over the previous year.
- ◆ Overall 66% of patients treated at the Trust's hospitals were funded by the NHS.
- ◆ The care homes provided 5,558 weeks of resident care with an overall average occupancy of 99% across our care homes.
- ◆ 10% of residents accommodated in our care homes are funded by the state.
- ◆ Our healthy lifestyle and wellness projects directly engaged with some 23,000 individuals across the age ranges and genders.



## **ACHIEVEMENTS AND PERFORMANCE**

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

During 2016, the occupancy rate within the Trust's care homes achieved an average of 99%. The Trust's care homes are rated as good or above by both local authorities and the Care Quality Commission (CQC), and it is particularly pleasing that the care at the Trust's Coloma Court Care Home was rated as outstanding for caring by the CQC. These findings reflect the skills and commitment of all the Trust's staff and the Trustees thank them both individually and collectively. The Trustees continue to seek ways to improve the care and support delivered to the Trust's residents and their families.

The Trust's hospitals treated 13% more inpatient episodes during the year, with admission numbers being boosted by both additional private and NHS work. Treatment outcomes are consistently above national comparators, indicating that patients are benefiting from the services they receive at the Trust's hospitals.

Though working within the revised CQC regulatory regime introduced in 2015 has been challenging, the Trustees support the need to improve standards in the sector. The Trustees have taken steps to create more robust clinical governance and audit systems, including a decision to invest in the Datix Patient Safety and Risk Management Software. Its implementation, together with staff training in its use, has been a major focus across both the care homes and hospitals. The Trust's engagement with its medical consultant partners has also been realigned and more closely focused on achieving good clinical outcomes and meeting the regulatory agenda. The Trust now directly employs specialist consultant clinical advisors at each of its hospitals and it is likely that direct employment of medical practitioners will further increase.

The Trust invests in its staff in order to improve the services to the individuals who entrust to it their care and treatment. The Trustees recognise that good local leadership is essential to achieving the charity's objectives; during 2016 both the Trust's hospital directors successfully completed the King's Fund Top Manager Programme. The Trust has restructured its hospital management teams, adding quality improvement managers, as well as refocusing clinical services manager roles, in order to place patient safety and quality firmly at the top of the Trust's hospitals' agenda.

The Trustees actively seek and encourage feedback from the Trust's residents, patients and their families and this remains very positive. In order to provide a further independent voice, the Trust is working with Healthwatch at its hospital in Grimsby, to hold open patient feedback sessions on a monthly basis.

### **PLANNING FOR THE FUTURE**

The operating circumstances and charitable needs which prevailed at the founding of The Healthcare Management Trust, some 30 years ago, are vastly different from those prevailing today. That said, the overall mission of the charity - the relief of sickness, both physical and mental, and the promotion and preservation of good health – remains relevant; how this mission is interpreted and delivered will need to adapt to the prevailing needs of the populations the Trust now serves.

In order to plan for the future, during 2016, the board and executive team undertook a wide ranging review of the Trust's strategy looking at the challenges the Trust faces and how it might focus its efforts over the next five years. This process also provided a framework for the future development and implementation of strategy, and defined the key outcomes which the Trust will seek to achieve over the next 5 years, which are:

- ◆ The investment in training and increasing the skills of our staff;
- ◆ The development of a clear charity-wide succession strategy;
- ◆ The creation of geographical activity hubs around our two hospitals, and creating a third hub around our care homes in the South;
- ◆ The development of higher complexity non-hospital based residential care activities, with the aim of adding three new care facilities;
- ◆ The opening of a new fit-for-purpose hospital in Swansea and a reconfiguration/expansion of St Hugh's in Grimsby;
- ◆ The development of a charity-wide dementia strategy;
- ◆ An expansion of HMT funded support for community projects around dementia and loneliness in the elderly;
- ◆ A sustained commitment to research funding;
- ◆ The use of digital technology and centralisation in order to reduce office costs; and
- ◆ Paperless treatment and care delivery across all areas of care and treatment.

### **Investing in Buildings and Services**

In Swansea, the Trust has undertaken extensive development work with the Abertawe Bro Morgannwg University Health Board – NHS Wales, in order to purchase surplus land from them at their Murrison Hospital site on which to build a hospital to replace Sancta Maria Hospital. Unfortunately and unexpectedly, the Health Board failed to secure the political support required for the land sale and the proposal had to be discontinued, at an advanced stage. The Trust has now secured new partners, the University of Wales Trinity St David, and a new (and highly attractive) site, and is moving forward with a new scheme.

**PLANNING FOR THE FUTURE** (continued)

**Investing in Buildings and Services** (continued)

St Hugh's Hospital was constructed some 20 years ago when day-case activity was relatively low and lengths of stay were generally in excess of 5-7 days. The hospital's work load is now predominantly day-case, with, overnight stays when required averaging just over one night. The hospital now undertakes an increasing volume of clinical work in general practice settings and the Trust has commenced planning to reconfigure the hospital to reflect this changed care pattern.

The Trust has identified a need within Hampshire for a specialist dementia residential care facility and intends, subject to planning, to operate a new care home on the outskirts of Southampton. We anticipate that the home, which will be leased, will open in late 2018.

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

**Wider Charitable Impact**

In addition to the direct impact of the 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's longstanding support of other organisations in the health and social care field continues to develop and the Trust currently provides direct management and operational support to eleven other charities that provide 540 care of the older person beds, in addition to the Trust's own 105 beds. This activity extends the Trust's reach and brings its care ethos and standards directly to a wider range of individuals.

The Trust has managed the Alexian Brothers Care Centre, Manchester on behalf of the Trustees of the Alexian Brothers of the Province of the Sacred Heart Charitable Trust (the "Alexian Bothers Trustees") for several years. The Trust has been both the employer of the staff of the home and the registered provider, in each case on behalf of the Alexian Bothers Trustees. In mid-2015, the Alexian Bothers Trustees informed us that, following an internal review of their mission, it was their intention to initiate a sale of the home. Originally it was anticipated that this sale process would be completed in 2016. However, completion did not happen until 26 April 2017 and until completion the Trust continued to manage the home. The Trust has been indemnified by the Alexian Bothers Trustees with regard to any costs incurred by the Trust as a result of the sale of the home or related TUPE process. Throughout the sale process, the Trust remained committed to supporting the residents, their families and the home's staff, as far as it was in the Trustees' power to do so.

**PLANNING FOR THE FUTURE (continued)**

**Research and Community Grant Funding**

The Trust continues to support research into the better diagnosis and practical management of dementia. The Trust works with third party research commissioners and directly with universities and seeks out projects that have a direct relevance to the care that the Trust provides in its care homes and hospitals. Funding PhD studentships in dementia-related studies has been prioritised in order to increase the pool of talent in the field as the Trustees recognise a need to increase the number of academics active in dementia research.

The Trust actively works with universities, academics, researchers and practitioners, seeking to help bring them together in order to shape the future of dementia research and influence the development of national dementia care policy and practice.

The Trust's care homes are ENRICH (The Enabling Research in Care Homes) ready and are participating in several research studies.

We continue to foster active and productive links between each of our hospitals and care homes and universities and we pursue this objective on an educational, student experiential and practical level.

**Community Development Grants**

The Trust has decided to fund two Admiral Nurses in the Swansea area for an initial period of 3 years. These nurses will provide a community based specialist dementia nursing service to meet the multiple, often complex, needs of families affected by dementia. They will work with social workers, community nurses, mental health teams and General Practitioners providing specialist community based care for dementia patients. They will also work with families to provide one-to-one support, expert guidance and practical solutions to live more positively with dementia, reducing the isolation, exhaustion and fear that so many families experience. These will be the first posts of their kind in South Wales and are expected to reduce the numbers of dementia patients who are admitted to hospital as urgent unplanned admissions.

The Swansea Musical Memories Choir exists for the benefit of people living with dementia and the people who care for them. At its core is the belief that participation in singing has beneficial effects on communication, breathing, relaxation and stress management for people living with dementia. The Trust has agreed to fund this project's work in the Swansea Bay area for 3 years.

The Trust has also agreed to fund an expansion of services provided by the independent local North East Lincolnshire charity, Friendship at Home, for an initial period of 3 years. The aim of this charity is to help combat isolation and loneliness across North East Lincolnshire and to improve older people's quality of life by encouraging older people to once more be vital features of community life as their contribution and presence are valued and to be encouraged. This funding will enable the charity to significantly expand its work and its impact.

## **PLANNING FOR THE FUTURE (continued)**

### **Promoting Health and Well Being**

Promoting health and wellbeing is as important to the Trust as its funding of medical research. The Trust wants to contribute towards a healthier future for the geographical communities in which it works.

The Trust aims to make health and activity more accessible to all ages and abilities in the communities in which it operates through funding of health education for a healthy lifestyle, grass roots cycling, running and other sports coaching, promotion of community cycling rides and the support of the Swansea Half Marathon, plus other mass participation sports and recreational activity events.

The Trust has used its healthcare sponsorship and support of the professional JLT Condor Cycling Team, Podium Ambition and the HMT with JLT Condor Junior Cycling Team in its work with adults and school children. Support of Go Ride Schemes for children aged 4-16 years in both Swansea and Lincolnshire has seen 6,000 healthy lifestyle coaching and support sessions being delivered over past year. The establishment of positive lifestyle habits laying the foundations for a healthier older age starts with the young. The Trust's partners acknowledge that this would not have happened without the leadership and funding it provides.

## **FINANCIAL REVIEW**

### **Headline results**

- ◆ Net income: £1.5m (2015: £0.5m)
- ◆ Total incoming resources: £32.6m (2015: £32.0m)
- ◆ Total resources expended: £31.1m (2015: £31.5m)

The financial performance in 2016 was a significant increase on the prior year, with each of our operating units reporting a higher surplus.

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 provision of the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 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.

## **FINANCIAL REVIEW (continued)**

### **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 2016, the Trustees considered it was appropriate to maintain the general level of reserves in the order of £4,000,000. As at 31 December 2016, largely for reasons of timing the Trust had general (or free) reserves of £5,875,965. In addition, the Trust had designated reserves of £9,000,000 for the development of the new hospital in Swansea, a further £600,000 designated towards funding of research and community development projects and £228,523 designated to a building and equipment reserve at 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 charity. In addition, the Trustees review the high level risks to the charity 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 largest risk facing the Trustees is that they follow an inappropriate strategy. This is covered by an annual review of the strategy undertaken in the context of current and predicted operating conditions between the Trustees and the executive team.

Other material strategic risks include:

- ◆ Serious clinical incident, which could have a serious negative impact on the Trust's reputation and potentially, its finances;

## FINANCIAL REVIEW (continued)

### Key risks (continued)

- ◆ The continuing challenge of the economic climate and its impact on the Trust's patients and residents to self-funded treatment and care at its hospitals and care homes;
- ◆ Uncertainty generated by the pressures on the NHS; and
- ◆ Below inflation increases in the rates reimbursed by local authorities for the care of local authority supported residents.

## 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 charity 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 charity, 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:

<b>Trustee</b>	<b>Appointed / Retired</b>
J R Q Folliot Vaughan (Chairman)	
D G Jones	
N Draper	
M Gerold	
Professor S Powis	
Dr L Roberts	Appointed 20 April 2016
N E E Stephens DL	
G Von Malachowski	Appointed 20 April 2016

<b>Secretary</b>	<b>Appointed / Retired</b>
N Roissetter	

**STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

**Trustees (continued)**

All Trustees give their time voluntarily and receive no remuneration from the charity in connection with their duties as Trustees. J R Q Folliott Vaughan received £30,000 in respect of his services as Chairman. The financial information regarding Trustees is shown on pages 30 to 31.

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 charity. Trustees visit the charity'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 charity are listed on pages 1 and 2.

**Governance and key management personnel**

The charity 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 charity, meet regularly and receive detailed monthly management, clinical and other reports to retain effective control over the charity and to supervise the Executive Management.

***Executive Management***

Senior staff manage the activities of the charity. The following senior staff 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 – Finance Director

Ms Mair Williams – Director of Operations

Mr Rob Douthwaite – Director of Clinical Services

Dr Lorcan Sheppard – Medical Director



## **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

### **Governance and key management personnel (continued)**

#### ***Executive Management (continued)***

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 Senior Management Team.

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 charity in charge of directing and controlling, running and operating the charity 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 charity 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.

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 charity is also committed to providing a safe working environment for all staff.

The charity 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 charity.

**STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

**Statement of Trustees' responsibilities**

The Trustees (who are also directors of the charity 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 charity and of the incoming resources and application of resources, including the income and expenditure of the charity 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 charity 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 charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- ◆ so far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- ◆ the Trustee has taken all the steps that he ought to have taken as a Trustee in order to make himself aware of any relevant audit information and to establish that the charity'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:

Trustee  
J R Q Folliot Vaughan

Approved by the Trustees on: 12 July 2017

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

We have audited the financial statements of The Healthcare Management Trust for the year ended 31 December 2016 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

The Trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the Trustees' responsibilities statement set out in the Trustees' report, the Trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report including the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

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 2016 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.

**Opinion on other matter 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 accounts 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 where 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 accounts 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.

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

24 August 2017

## Statement of financial activities Year to 31 December 2016

	Notes	Total funds 2016 £	Total funds 2015 £
<b>INCOME AND EXPENDITURE ACCOUNT</b>			
<b>INCOME FROM:</b>			
Donations and legacies*		141,546	829
Investment income and interest receivable	1	508,131	248,653
Charitable activities			
. Healthcare establishment fees and related charges	2	31,986,094	31,740,761
<b>Total income</b>		<b>32,635,771</b>	<b>31,990,243</b>
<b>EXPENDITURE ON:</b>			
<b>Raising funds</b>			
Investment manager's fees		65,606	64,819
Financing costs	3	20,855	12,715
		<b>86,461</b>	<b>77,534</b>
<b>Charitable activities</b>			
Promotion and development of healthcare			
. Healthcare establishment expenses	4	30,547,544	30,767,287
. Charitable grants	5	481,657	673,112
		<b>31,029,201</b>	<b>31,440,399</b>
<b>Total expenditure</b>		<b>31,115,662</b>	<b>31,517,933</b>
<b>Net income before gains on investments</b>	7	<b>1,520,109</b>	472,310
Net gains on listed investments	11	1,101,098	307,280
<b>Net income for the year and net movement in funds</b>		<b>2,621,207</b>	779,590
<b>Reconciliation of funds:</b>			
Balances brought forward at 1 January 2016		20,121,568	19,341,978
Balances carried forward at 31 December 2016	15	22,742,775	20,121,568

\*Included within donations and legacies above is £139,886 which is restricted and which remained unspent at 31 December 2016. Donations of £829 in the year to 31 December 2015 were restricted but were spent in that year.

All activities derived from continuing operations in each of the above two years.

**Balance sheet** 31 December 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Tangible fixed assets	10	<b>6,898,400</b>	6,815,180
Investments	11	<b>15,230,045</b>	13,321,679
		<b>22,128,445</b>	20,136,859
<b>Current assets</b>			
Stocks	12	<b>571,792</b>	537,384
Debtors	13	<b>2,097,319</b>	2,114,663
Cash at bank and in hand		<b>1,256,276</b>	707,862
		<b>3,925,387</b>	3,359,909
<b>Creditors: amounts falling due within one year</b>	14	<b>(2,856,018)</b>	(2,664,868)
<b>Net current assets</b>		<b>1,069,369</b>	695,041
<b>Total assets less current liabilities</b>		<b>23,197,814</b>	20,831,900
<b>Creditors: amounts falling due after one year</b>	15	<b>(455,039)</b>	(710,332)
<b>Total net assets</b>		<b>22,742,775</b>	20,121,568
<b>The funds of the charity</b>			
General funds		<b>5,875,966</b>	5,497,280
Tangible fixed assets fund	16	<b>6,898,400</b>	6,815,180
Designated funds	17	<b>9,828,523</b>	7,809,108
Restricted funds	18	<b>139,886</b>	—
		<b>22,742,775</b>	20,121,568

Approved by the Trustees  
and signed on their behalf by:

Trustee  
J R Q Folliot Vaughan

Approved on: 12 July 2017

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

## Statement of cash flows Year to 31 December 2016

	Notes	2016 £	2015 £
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	A	<b>2,144,807</b>	938,045
<b>Cash flows from investing activities:</b>			
Investment income and interest received		<b>472,940</b>	245,517
Purchase of tangible fixed assets		<b>(990,653)</b>	(2,277,976)
Proceeds from the disposal of investments		<b>4,406,966</b>	2,962,364
Purchase of investments		<b>(3,747,890)</b>	(3,518,578)
<b>Net cash used in investing activities</b>		<b>141,363</b>	(2,588,673)
<b>Cash flows from financing activities:</b>			
Interest paid		<b>(20,855)</b>	(12,715)
Repayments of borrowing		<b>(250,556)</b>	(38,124)
Cash from new borrowing		—	800,000
<b>Net cash (used by) provided by financing activities</b>		<b>(271,411)</b>	749,161
<b>Change in cash and cash equivalents in the year</b>		<b>2,014,759</b>	(901,467)
<b>Cash and cash equivalents at 1 January 2016</b>	B	<b>754,274</b>	1,655,741
<b>Cash and cash equivalents at 31 December 2016</b>	B	<b>2,769,032</b>	754,274

### Notes to the statement of cash flows for the year to 31 December 2016.

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

	2016 £	2015 £
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>2,621,207</b>	779,590
<b>Adjustments for:</b>		
Depreciation charge	<b>814,981</b>	715,979
Gains on investments	<b>(1,101,098)</b>	(307,280)
Investment income and interest receivable	<b>(508,131)</b>	(248,653)
Interest payable	<b>20,855</b>	12,715
Development costs written off	<b>92,542</b>	—
Increase in stocks	<b>(34,408)</b>	(67,742)
Decrease in debtors	<b>52,536</b>	350,453
Increase (decrease) in creditors	<b>186,413</b>	(297,017)
<b>Net cash provided by operating activities</b>	<b>2,144,807</b>	938,045

#### B Analysis of cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	<b>1,256,276</b>	707,862
Cash held by investment managers	<b>1,512,756</b>	46,412
<b>Total cash and cash equivalents</b>	<b>2,769,032</b>	754,274

## Principal accounting policies 31 December 2016

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 2016. Comparative information is provided in respect to the year to 31 December 2015.

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 charity 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 charity'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 slow moving and/or obsolete stock;
- ◆ Estimating any provision for bad or doubtful debts; and
- ◆ Estimating and recognising accrued expenditure.

### **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 one year from the date of approval of these accounts.

The Trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity 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.

With regard to the next accounting period, the year ending 31 December 2017, the most significant areas that affect the carrying value of the assets held by the charity are:



**Assessment of going concern** (continued)

- ◆ The proposed development of Sancta Maria Hospital, Swansea (as described in the Trustees' report), if it progresses, will result in a significant increase in the net book value of tangible fixed assets. It is anticipated that the build will cost circa £19.2 million will be reflected in the value of tangible fixed assets during the course of construction which, it is expected, will take more than one year;
- ◆ The above development will be financed through a bank loan with the balance of the cost being met from the charity's own resources, including its investment portfolio; and
- ◆ The level of investment return and the performance of the investment markets (see the investment policy section of the trustees' report for more information).

**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. The accounts of the two managed care homes are not included.

**Income recognition**

Income is recognised in the period in which the charity 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 charity 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 charity, except where the consultants bill the patients directly.

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

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

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

**Income recognition** (continued)

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity 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 charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity 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 charity.

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 charity; this is normally upon notification of the interest paid or payable by the bank.

**Expenditure recognition**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity 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.

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 charity. 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 charity 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.

**Expenditure recognition** (continued)

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 charity that would permit the charity 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 charity.

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 charity 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 charity (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.

**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%
- ◆ Plant and machinery 15%
- ◆ Other equipment 15-33%

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

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.

### **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 charity 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 charity 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.

### **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 charity anticipates it will pay to settle the debt.

**Fund structure**

General funds represent incoming resources received or generated for expenditure on the general objectives of the charity.

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

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

**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 charity'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	
	2016 £	2015 £
Interest receivable	65	8
Income from listed investments	508,066	248,645
	<b>508,131</b>	<b>248,653</b>

**2 Healthcare establishment fees and related charges**

	Unrestricted funds	
	2016 £	2015 £
Management and consultancy fees	140,758	290,380
Reimbursement of staff costs	1,512,788	3,180,678
Hospital fees and related charges	24,205,570	22,411,235
Nursing and residential home fees and related charges	6,126,978	5,858,468
	<b>31,986,094</b>	<b>31,740,761</b>

Management and consultancy fees represent moneys receivable by the charity 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.

Reimbursement of staff costs represent staff at the Alexian Brothers Care Centre (2015 - Alexian Brothers Care Centre and Hope Residential and Nursing Care Home) that are employed by Healthcare Management Trust and reimbursed by the care home(s).

**3 Financing costs**

	Unrestricted funds	
	2016 £	2015 £
Interest payable on bank loans, overdrafts and other loans	20,855	12,715

**4 Healthcare establishment expenses**

	Unrestricted funds	
	2016 £	2015 £
Staff costs (note 8)	13,191,683	13,981,742
Premises and equipment	3,186,673	2,753,947
Medical and welfare	12,335,725	11,912,573
Governance costs (note 6)	97,753	112,747
Other expenses	1,735,710	2,006,278
	<b>30,547,544</b>	<b>30,767,287</b>

## 5 Charitable grants

The charity authorised the following grants payable during the year ended 31 December 2016:

	2016 £	2015 £
<b>In support of medical/social research</b>		
Alzheimer's Society – volumetric MRI and patient-related income measures in behavioural variant fronto-temporal dementia	25,051	24,820
Alzheimer's Society – sleep disturbance in people with dementia living in care homes	28,193	28,191
Alzheimer's Society – developing a programme to reduce the risk of falls in people with dementia	50,136	50,136
Parkinson's UK - dementia research	16,650	16,650
University of Stirling – dementia research	—	275,000
Swansea University – enhancing person-centered care and wellbeing for older residents with dementia through intergenerational practice	21,500	—
Swansea University – understanding and improving emotional wellbeing of older care home residents	21,000	—
Charitable donations and share of surplus (note 20)	319,127	278,315
<b>Total</b>	<b>481,657</b>	<b>673,112</b>

In addition to the above grants payable, at 31 December 2016 the Trustees had made grant offers totalling £83,882 (2015: £144,894). As the payment of these grants is subject to certain specific conditions, they have not been included in these accounts. The payment made to Stirling University in 2015 contained no specific conditions and as such the total due for three year grant was accounted for in 2015.

## 6 Governance costs

	Unrestricted funds	
	2016 £	2015 £
Internal audit	24,330	22,820
External audit, committee and other costs	73,423	89,927
	<b>97,753</b>	<b>112,747</b>

## 7 Net income before gains on investment

This is stated after charging:

	Unrestricted funds	
	2016 £	2015 £
Staff costs (note 8)	13,191,683	13,981,742
External auditor's remuneration		
· Audit services – current year	31,080	27,107
· Audit services – prior year	9,966	—
· Other services – taxation and advisory services	9,120	—
Depreciation	814,981	715,979
Operating lease rentals	487,199	464,330
Hire of plant and machinery	330,743	276,328

**8 Staff costs and trustees' remuneration**

	2016 £	2015 £
Staff costs during the year were as follows:		
Wages and salaries	11,146,506	11,557,250
Social security costs	890,160	894,907
Other pension costs	331,046	381,768
Payments to employed staff	12,367,712	12,833,925
Payments to agency staff	823,971	1,147,817
	<b>13,191,683</b>	<b>13,981,742</b>

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		Actual numbers	
	2016	2015	2016	2015
Healthcare services	437	454	573	530

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:

	2016	2015
£60,001 - £70,000	3	—
£70,001 - £80,000	—	4
£80,001 - £90,000	—	2
£90,001 - £100,000	1	3
£100,001 - £110,000	3	—
£140,001 - £150,000	1	1
£170,001 - £180,000	1	—

Employer contributions are made to money purchase schemes in respect of 9 (2015 - 10) 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 £82,257 (2015 - £114,006).

No Trustee received any remuneration in respect of their services as trustees during the year (2015 - none). During the year, with the approval of the Charity Commission, J R Q Follitt Vaughan received £30,000 in respect to management services provided to the Trust (2015 - £9,602).

Expenses in connection with travel and subsistence were reimbursed to 5 (2015 - 7) Trustees during the year and amounted to £10,215 (2015 - £16,025).



**8 Staff costs and trustees' remuneration** (continued)

The charity 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 charity during the year totalled £2,024 (2015 - £7,283) and provides cover of up to a maximum of £1 million (2015 - £1 million).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the Trustees, the Executive Team and 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 but excluding employer's pension contributions) of the key management personnel for the year was £955,752 (2015 - £820,144).

**9 Taxation**

The Healthcare Management Trust is a registered charity 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 £	Total £
<b>Cost or valuation</b>					
At 1 January 2016	4,171,791	815,032	1,905,898	7,633,045	<b>14,525,766</b>
Reclassifications	—	(77,894)	—	77,894	—
Additions	178,747	37,570	168,030	606,306	<b>990,653</b>
Development costs written off	—	(92,452)	—	—	<b>(92,452)</b>
At 31 December 2016	<u>4,350,538</u>	<u>682,256</u>	<u>2,073,928</u>	<u>8,317,245</u>	<b><u>15,423,967</u></b>
Cost	3,100,538	682,256	2,073,928	8,317,245	<b>14,173,967</b>
Deemed cost: Valuation – 1990	1,250,000	—	—	—	<b>1,250,000</b>
	<u>4,350,538</u>	<u>682,256</u>	<u>2,073,928</u>	<u>8,317,245</u>	<b><u>15,423,967</u></b>
<b>Depreciation</b>					
At 1 January 2016	1,365,369	—	936,787	5,408,430	<b>7,710,586</b>
Charge for year	90,168	—	103,261	621,552	<b>814,981</b>
At 31 December 2016	<u>1,455,537</u>	<u>—</u>	<u>1,040,048</u>	<u>6,029,982</u>	<b><u>8,525,567</u></b>
<b>Net book values</b>					
At 31 December 2016	<u>2,895,001</u>	<u>682,256</u>	<u>1,033,880</u>	<u>2,287,263</u>	<b><u>6,898,400</u></b>
At 31 December 2015	<u>2,806,422</u>	<u>815,032</u>	<u>969,111</u>	<u>2,224,615</u>	<b><u>6,815,180</u></b>

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:

**10 Tangible fixed assets** (continued)

	£
Cost	1,023,209
Accumulated depreciation	(580,081)
Net book amount at 31 December 2016	<u>443,128</u>
Net book value at 31 December 2015	<u>468,708</u>

As permitted under the transitional arrangements within Financial Reporting Standard 102, the charity 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 charity'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 2016 the charity had capital commitments of £nil (2015 – £nil).

**11 Fixed asset investments**

	2016 £	2015 £
<b>Listed investments</b>		
Market value at 1 January 2016	13,275,267	12,411,773
Additions at cost	3,747,890	3,518,578
Disposals at carrying value (proceeds: £4,406,966; gains: £160,286)	(4,246,680)	(2,972,765)
Net unrealised investment gains	940,812	317,681
Market value at 31 December 2016	<u>13,717,289</u>	13,275,267
<b>Cash held by investment managers for re-investment</b>	<u>1,512,756</u>	46,412
	<u>15,230,045</u>	13,321,679
Cost of listed investments at 31 December 2016	<u>11,835,045</u>	12,204,937

All listed investments were dealt in on a recognised stock exchange. Listed investments held at 31 December 2016 comprised the following:

	2016 £	2015 £
UK Managed funds	8,684,325	8,439,035
Overseas Managed funds	594,245	917,687
UK Bonds	1,295,108	534,119
Overseas Bonds	524,582	655,172
UK Fixed interest	—	—
Overseas Fixed interest	77,452	336,664
UK Equities	1,622,512	1,434,604
Overseas Equities	755,995	813,554
Commodities	163,070	135,432
	<u>13,717,289</u>	13,275,267

**11 Fixed asset investments** (continued)

At 31 December 2016 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	2,318,765	17%
DB X- Trackers FTSE All Share	1,049,503	8%
Mayfair Capital Investment Management - Property Income Trust for Charities	705,293	5%

**12 Stocks**

	2016 £	2015 £
Drugs, dressings and consumables	554,873	524,784
Other	16,919	12,600
	571,792	537,384

**13 Debtors**

	2016 £	2015 £
Fees and related charges	1,387,978	1,479,211
Other debtors	79,975	218,050
Prepayments and accrued income	629,366	417,402
	2,097,319	2,114,663

**14 Creditors: amounts falling due within one year**

	2016 £	2015 £
Expense creditors	1,361,678	1,589,088
Social security and other taxes	301,327	295,702
Other creditors	78,355	64,452
Accruals and deferred income	833,377	464,082
Grant payable	125,000	100,000
Bank loan repayable within one year (note 15)	156,281	151,544
	2,856,018	2,664,868

**15 Creditors: amounts falling due after one year**

	2016 £	2015 £
Bank loan repayable (see below)	455,039	610,332
Grant payable	—	100,000
	455,039	710,332

**15 Creditors: amounts falling due after one year** (continued)

**Bank loan**

	2016 £	2015 £
Amounts due:		
Within one year (note 14)	156,281	151,544
Between one and two years	161,039	156,281
Between two and five years	294,000	454,051
	<b>455,039</b>	610,332
	<b>611,320</b>	761,876

On 11 March 2015, the charity signed a tailored business loan agreement with Clydesdale Bank plc for a loan of £800,000 towards the cost of the development of St Hugh's Hospital. The loan is subject to a fixed interest rate of 3.05%. The loan is for a period of five years from drawdown i.e. 3 August 2015 and is secured by way of a legal charge over the freehold property known as St Hugh's Hospital, Peaks Lane, Grimsby, Lincolnshire DN32 9RP and the freehold land adjoining St Hugh's Hospital, Peaks Lane, Grimsby. The loan is repayable in equal quarterly instalments of £43,286 (including interest) commencing 2 November 2015.

**16 Tangible fixed assets fund**

	Total £
At 1 January 2016	6,815,180
Net movement in the year	83,220
At 31 December 2016	<b>6,898,400</b>

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

### 17 Designated funds

The unrestricted funds of the charity 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 2016 £	New designations £	Released or utilised £	At 31 December 2016 £
Building and equipment reserve	209,108	19,415	—	<b>228,523</b>
Grant making reserve	600,000	162,530	(162,530)	<b>600,000</b>
Sancta Maria redevelopment reserve	7,000,000	2,037,570	(37,570)	<b>9,000,000</b>
	<b>7,809,108</b>	<b>2,219,515</b>	<b>(200,100)</b>	<b>9,828,523</b>

The 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 charity, at Marie Louise House, Romsey.

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

The Sancta Maria redevelopment reserve represents funds set aside to part finance the building of a new hospital in Swansea. The total planned cost of the building is £19,200,000. The charity has obtained loan finance to part-finance the building project (see note 23).

### 18 Restricted funds

The income funds of the charity include the following restricted funds comprising unexpended balances of donations to be applied towards Coloma Court nursing home.

	At 1 January 2016 £	Income £	Expenditure £	Gains and transfers £	At 31 December 2016 £
Coloma Court	—	139,886	—	—	<b>139,886</b>

### 19 Analysis of net assets between funds

	General funds £	Tangible fixed assets fund £	Designated funds £	Restricted funds £	Total 2016 £
Tangible fixed assets	—	6,898,400	—	—	<b>6,898,400</b>
Investments	5,630,045	—	9,600,000	—	<b>15,230,045</b>
Net current assets	700,960	—	228,523	139,886	<b>1,069,369</b>
Creditors: Amounts falling due after one year	(455,039)	—	—	—	<b>(455,039)</b>
	<b>5,875,966</b>	<b>6,898,400</b>	<b>9,828,523</b>	<b>139,886</b>	<b>22,742,775</b>

**19 Analysis of net assets between funds** (continued)

The total unrealised gains as at 31 December 2016 constitute a revaluation reserve as defined by the Companies Act 2006. Movements in unrealised gains during the year were as follows:

	2016 £	2015 £
<b>Unrealised gains included above:</b>		
On listed investments	1,882,244	1,070,330
On freehold property	98,218	103,888
<b>Total unrealised gains at 31 December 2016</b>	<b>1,980,462</b>	<b>1,174,218</b>
<b>Reconciliation of movements in unrealised gains</b>		
Unrealised gains at 1 January 2016	1,174,218	925,148
Difference between historical cost realised gains/losses on listed investments and the actual realised gains/losses thereon calculated on the revalued amounts	(140,238)	(74,931)
Unrealised gains on listed investments arising in the year	940,812	317,681
Difference between the depreciation charge based on historic cost and that based on the revalued amounts	5,670	6,320
<b>Total unrealised gains at 31 December 2016</b>	<b>1,980,462</b>	<b>1,174,218</b>

**20 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 2016 share amounted to £262,901 (2015 - £247,240).

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. There was no surplus during the year and therefore the share of surplus amounted to £nil (2015 - £nil).

Further donations amounting to £10,971 (2015 - £5,300) were made to various other charitable organisations and beneficiaries.

**21 Pensions**

The charity 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 charity were £331,046 (2015 - £381,768) of which £225,888 (2015 - £264,991) were to the NEST auto-enrolment scheme and £105,158 (2015 - £116,777) were to the defined contribution scheme.

## 22 Leasing commitments

Operating lease payments amounting to £434,703 (2015 - £415,042) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings		Other	
	2016 £	2015 £	2016 £	2015 £
Operating leases which expire:				
. Within one year	<b>408,822</b>	408,822	<b>25,881</b>	34,547
. Within two to five years	<b>1,548,880</b>	1,728,952	<b>41,718</b>	43,458
. In more than five years	<b>1,086,563</b>	1,086,563	<b>812</b>	—
	<b>3,044,265</b>	3,224,337	<b>68,411</b>	78,005

## 23 Post balance sheet events

### *Alexian Brothers Care Centre*

The charity has managed the Alexian Brothers Care Centre, Manchester (the Centre) on behalf of the owners, the Trustees of the Alexian Brothers of the Province of the Sacred Heart Charitable Trust for several years. The charity was both the employer of the staff of the Centre and the registered care provider. The sale was completed on 26 April 2017 on which date the charity's management contract in respect to the Centre ceased.

### *Sancta Maria Hospital new build*

As explained in the Trustees' report and in note 17 to these accounts, it is the intention of the Trustees to proceed with the building of a new hospital in Swansea to replace the existing Sancta Maria Hospital. It is anticipated that the cost of the project, to include acquisition of a site, build costs and professional fees, will be circa £19,200,000. At 31 December 2016 no commitment had been made in respect to the new build. However, since the year end plans have progressed and the charity is working towards planning permission to build the hospital. The costs of the project will be financed in part from the charity's own resources and in part from bank finance. A bank loan facility of up to £10,380,000 was agreed with Clydesdale Bank plc in July 2016.

**24 Prior year restatement**

In prior periods the charity has accounted for income to cover consultants' fees and the relevant expenditure in paying such fees to consultants only in the case of work for the NHS. During the year, a review of all contracts with both patients and consultants has been undertaken and the advice received by the charity has indicated that all income in respect to consultants' fees (regardless of whether the contract is with the NHS, an individual patient or their insurance company) should be deemed income to the charity. Similarly, therefore, all payments to consultants in respect to such fees should be regarded as expenditure by the charity. As a consequence, the income and expenditure figures for the year to 31 December 2015 have been restated and the figures for income and expenditure have both been grossed up for the fees collected and paid to consultants. The figures for the year to 31 December 2016 have been stated on the same basis.

A reconciliation of the reported income and expenditure for the year ended 31 December 2015 with the amounts as previously reported is shown below.

	2015 £
Reconciliation of the charity's reported income	
Total income as previously stated	29,739,627
Adjustment in relation to consultant's fees (see below)	<u>2,250,616</u>
	<u>31,990,243</u>

	2015 £
Reconciliation of the charity's reported expenditure	
Total expenditure as previously stated	29,267,317
Adjustment in relation to consultant's fees (see below)	<u>2,250,616</u>
	<u>31,517,933</u>

The adjustment had no effect on the charity's net movement in funds for the year ended 31 December 2015 or on its balance sheet as at that date.