

**The British  
Home and  
Hospital for  
Incurables**

**Report and Financial Statements  
for the year to**

31 March 2014

Charity Registration Number  
206222

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## Reference and administrative details

<b>Patron</b>	Her Royal Highness Princess Alexandra
<b>Honorary President</b>	Professor, The Lord McColl of Dulwich
<b>Chairman</b>	Mrs Kay Sonneborn BA
<b>Deputy Chairman</b>	Mr David Green MA (Cantab) FRSA
<b>Board of Trustees</b>	Mrs Patricia Collinson RN Dip NUR RNT Mr David Green MA (Cantab) FRSA Ms Alison Hughes RN MHSM Mrs Rowenna Hughes GradDip MCSP SRP Mr James Mill TD CA Mr Derek Prentice Mrs Kay Sonneborn BA Mr Dennis Vine FRICS
<b>Director</b>	Mr Larry Gunning FCA
<b>Address</b>	Crown Lane Streatham London SW16 3JB
<b>Website</b>	<a href="http://www.britishhome.org.uk">www.britishhome.org.uk</a>
<b>Charity registration number</b>	206222
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL

## Reference and administrative details

**Investment advisors** CCLA Investment Management Limited  
80 Cheapside  
London  
EC2V 6DZ

Sarasin & Partners LLP  
Juxon House  
100 St Paul's Churchyard  
London, EC4M 8BU

**Bankers** Barclays Bank plc  
Clapham Common Group  
PO Box 4038  
London, SW12 9YB

**Legal advisers** Hempsons  
40 Villiers Street  
London, WC2N 6NJ

The Board of Trustees ('the Board') presents the statutory report and financial statements of The British Home and Hospital for Incurables ('The British Home') for the year ended 31 March 2014.

The financial statements have been prepared in accordance with the accounting policies set out on pages 17 and 18 and comply with The British Home's Charter of Incorporation and Regulations, applicable laws and the requirements of the Statement of Recommended Practice on "Accounting and Reporting by Charities" (SORP 2005).

### **Board Responsibilities Statement**

The charity's trustees are responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom generally accepted accounting practice. Charity law requires the Board, as trustees, to prepare accounts which give a true and fair view of The British Home's financial activities during the year and its financial position at the end of the year. In preparing the attached accounts, the Board is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the accounts;
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that The British Home will continue to operate.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The British Home and which enable it to ensure that the accounts comply with the Charities Act 2011. It is also responsible for safeguarding the assets of The British Home and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Structure, governance and management**

The British Home was granted a Royal Charter on 1 November 1899. It is governed by a Charter of Incorporation and Regulations (revised 8 January 2009) and is a registered Charity (No. 206222). Responsibility for The British Home rests with the Board who are the trustees of the charity for the purposes of charity legislation.

The British Home is regulated by the Charity Commission and by the Care Quality Commission (CQC).

The Board met six times in the year to 31 March 2014 and informally on a number of occasions to discuss the future strategy of the Home. At 31 March 2014 the Board comprised eight members who held office throughout the year.

**Structure, governance and management** (continued)

Mr Robert Jasper resigned from the Board on 4 December 2014. The Board would like to thank Robert for the enthusiasm and insight that he brought to the Board and the support he gave to the work of The British Home. The Board wishes him every success for the future. At the 2012 annual meeting held on 26 September 2012 the Chairman and Deputy Chairman were re-elected as the officers of the charity through to the Annual Meeting for the fiscal year to 31 March 2014.

No member of the Board received any remuneration for services as a member of the Board (2013 - £ nil). Travel expenses of £ 67 were reimbursed (2013 - £133).

During the year the Board and the management of the Home continued to work on a number of strategic options to position The British Home to meet the future challenges of supporting people with physical disability and long term life limiting medical conditions and announced at the beginning of March 2014 an ambitious vision for the future of The British Home and the redevelopment of the Crown Lane site. Also, to protect the longer term financial viability of The British Home, during the year, the Board oversaw a number of initiatives to reduce operating costs.

***Management of The British Home***

The British Home has a management agreement for the day to day running of The British Home with the MHA Care group (MHA), part of the Methodist Housing Association. The current agreement is for a two year period which ends on 31 March 2015. The British Home remains an independent charity and the Board remain responsible for all aspects of The British Home. The Board would like to thank MHA for the leadership, enthusiasm and energy they have brought to the running of The British Home. The Board would also like to thank the staff of The British Home for their dedication to our residents and for embracing the very necessary changes that have been made as to how The British Home is organised and run.

There have been two CQC unannounced inspections during the period of this report. The outcome of the inspection conducted in September 2013, showed that the Home met all 5 standards inspected. A further unannounced inspection took place on 15 April 2014. Following this inspection CQC made a number of recommendations to improve the service. As a result the British Home has implemented an action plan to improve response times to meet the residents' needs and to ensure prompt reporting to the CQC.

***Trustee recruitment, induction and training***

The Board from time to time reviews the mix of skills and experience of its members and seeks new trustees where particular skill gaps are identified. The Board has recently launched an initiative to recruit additional trustees to bring a range of skills to the board.

Trustees are kept up to date with the issues The British Home faces and participate in the monthly Board visitor programme where they have the opportunity to hear and see, first hand, how well The British Home achieves its aims. Trustees also participate in a range of initiatives within The British Home.

**Structure, governance and management** (continued)

***Trustee recruitment, induction and training*** (continued)

*Executive Management*

Fiona Ritchie resigned as Chief Executive of The British Home as of 31 December 2013. The Board would like to thank Fiona for her leadership of the Home over the last 5 years and wish her well for her future career.

With MHA well settled into their role in running the Home on a day to day basis the Board believe that it is no longer necessary for there to be separate roles of Chief Executive of The British Home and Secretary to the Board. These roles have now been merged to form the new position of 'Director' of The British Home. Having looked closely at the responsibilities of the new post it has also been decided to make this a part time role. This approach will offer a significant cost saving to the charity.

Mr. Larry Gunning has been appointed as the Director of The British Home.

Larry originally joined The British Home in 2006 and has worked closely with the trustees in his role as Secretary to the Board. Larry understands well the work and business of The British Home and strongly empathises with the purpose of the charity. Larry is known to many residents, to staff and to our volunteers.

The Director has overall responsibility to the Board for the operation and development of The British Home through MHA.

*Risk Management*

The Board regularly reviews the potential major risks to the operation of The British Home to ensure adequate control measures are in place and to identify any additional risks that The British Home may be exposed to. The Board maintains a comprehensive suite of insurance policies.

**Aims, objectives and strategy**

The aim of the Home is to provide residential nursing care, social and emotional support to adults who are chronically sick and severely physically disabled with life limiting, long term medical conditions.

We consult and involve residents with regard to their care and the running of the home. Each resident has a named member of staff as their 'key worker'. Through formal reviews, surveys and residents meetings, residents' views and concerns are sought and acted on.

The Board has previously concluded that the current operational model where the fees charged do not cover the cost of providing care in an expensive to maintain and unmodernised building, is not sustainable and has announced its intention to build a new care home as part of an ambitious vision to redevelop the existing site at Crown Lane.

**Aims, objectives and strategy** (continued)

The Board believes that The British Home continues to meet the Charity Commission's public benefit test in that the majority of residents in The British Home have for many years benefited from the availability of external statutory funding, from charitable subsidy of the running cost of The British Home and from a range of additional services provided out of The British Home's charitable funds.

***Volunteering***

Our volunteers and The Friends of The British Home continue to provide much appreciated support to our residents through involvement in a wide range of activities from running the in-house shop, assisting at meals, visiting and accompanying residents to appointments and on outings. Additionally, a number of church groups provide pastoral support. We educate volunteers to understand the needs of people with long term medical conditions and how these needs change over time.

***Fundraising***

The shortfall in our income is made up from donations, legacies and the return on our investments. We are grateful to the many individuals and organisations who are long term supporters of The British Home.

**Achievements, performance and outcomes**

The British Home is registered to look after a maximum of 127 residents. Given the need to modernise some of the facilities and in response to falling occupancy, The British Home operates today with an effective capacity of some 80 rooms, 60 of which are en-suite. Average occupancy over the year on this basis was approximately 93%.

The British Home provides a range of social and individual activities through a dedicated team and with the help of many volunteers. We continue our programme of maintenance and improvement to our building but given its age there is the ever present concern of having to spend increasingly large sums to ensure the building remains fit for purpose.



## Financial review

### *Performance in the year*

a) *Operating deficit*

The operating deficit for the period was £837,188 (2013 - £1,768,846) as shown in the table below

	2014 £	2013 £
Fees	<b>3,306,185</b>	3,301,475
Less: Resources expended	<b>(4,143,373)</b>	(5,070,321)
<b>Operating deficit</b>	<b>(837,188)</b>	(1,768,846)
Donations	<b>80,068</b>	89,703
Investment income	<b>511,754</b>	565,330
Other income	<b>29,682</b>	100
<b>Deficit before legacies</b>	<b>(215,684)</b>	(1,113,713)
Legacies	<b>228,884</b>	408,674
<b>Net incoming / (outgoing) resources for the period</b>	<b>13,200</b>	(705,039)

b) *Fees*

Income from fees charged of £3,306,185 (2013 - £3,301,475) remains similar to last year. The very low level of fee increases achieved during the year has not helped towards any improvements.

c) *Resources expended*

Resources expended include some £375k reorganisation costs incurred as part of the restructuring of staff terms and conditions and the closure of the defined benefit pension scheme to both new members and future accrual. Overall however, resources expended decreased by some £927k to £4,143,373 for the year (2013 - £5,070,321) as The British Home sought to improve its financial viability. Within this total, spend on the governance cost of the charity amounted to £117,312 (2013 - £121,225); of which the single largest cost was the annual audit fee at £20k.

d) *Fundraising and publicity*

The costs, with allocated support costs, totalled £73,008 (2013 - £90,455). Donations decreased on last year to £80,068 (2013 - £89,703). Income from legacies decreased to £228,884 (2013 - £408,674). Historically, legacy income has fluctuated and is unpredictable from year to year. The focus of activity in 2013 was to sustain a low key programme with the aim of making cost savings where possible. Having secured greater financial viability the Board believes it appropriate to re launch national advertising as part of its strategy to increase the awareness of the work of The British Home and to engender support for its future plans.

**Financial review** (continued)

***Pension Liabilities***

The most recent triennial actuarial valuation of the Home's final salary pension scheme was carried out as at 31 March 2013. The initial outcome from this reappraisal identified a funding shortfall of £543,000 with a funding level of 94%. Subsequent to the evaluation as at 31 March 2013 a one-off contribution to the scheme of £1,000,000 was made in September 2013 as part of the negotiation with the Corporate Trustee in respect of the then proposed closure of the scheme to new members and future accrual. Additionally, contributions of £5,600 per month to discharge the balance of the shortfall identified in the 2010 triennial valuation over a five year period commencing April 2011 to March 2016 agreed as part of the 2010 Recovery Plan continued to be made up to 31 March 2014. The Employer Future Service Contribution Rate continued at 19% of future pensionable payroll.

Following consultation with staff the Board reached the conclusion that it was no longer either financially viable in respect of the cost of running The British Home to offer membership of a final salary scheme to employees or prudent to expose the reserves of The British Home to the potentially very substantial liabilities associated with providing such retirement benefits. Accordingly, the Scheme closed to new members and future accrual as of 31 March 2014.

The Board remains committed to providing affordable pension benefits to its staff and encouraging its staff to take advantage of these. The replacement to the now closed final salary scheme is a defined contribution Group Personal Pension Plan (GPPP) provided through Scottish Life. Under this arrangement The British Home contributes 10% of pensionable salary while employees contribute 5%. From 1st June 2015, employees who have not elected to join the GPPP will if eligible be subject to auto-enrolment at contribution rates set as part of the Government's pension membership initiative.

Following the closure of the Scheme, the Actuary estimates that the funding shortfall identified in the 2013 triennial valuation of £543,000 would reduce by some £300,000. This and the additional £1m contribution ensure that the closed Scheme is fully funded and no additional contributions are currently estimated to be required from The British Home over the next five years. With the closed Scheme estimated to be fully funded, the £5,600 a month additional contribution as part of the 2010 Recovery Plan ceased at 31 March 2014. The funding of the Scheme will be formally reassessed as part of the next triennial valuation due in 2016.

As a result of the closure of the scheme, the additional contributions made during the year together with a positive investment climate more than compensating liability discount factors, the pension deficit under FRS 17 as of 31 March 2014 showed a nil liability in the balance sheet (2013- £1,165,600 ). More information is set out in Note 18.

***The Home's Net Assets***

The net assets of The British Home at 31 March 2014 were £15,009,273 (2013 - £14,835,474). Of these £994,263 (2013 - £1,162,211) comprise buildings, furniture and equipment with purchases and disposals during the year shown in the notes to the accounts.

**Financial review** (continued)

***The Home's Net Assets*** (continued)

The improvement in the value of The British Home's assets is largely due to the elimination of pension liabilities and the improvement in the market value of investment assets.

***Reserves policy and financial position***

In determining the level of reserves necessary to continue the work of The British Home, the Board balances its long term obligations and risks with the needs of current residents. Where there is a capital commitment or a need to generate income for a specific purpose, the Board establishes designated funds out of the General Fund.

The balance sheet shows that as at 31 March 2014 £994,263 (2013 - £1,162,211) of the Home's funds are represented by tangible fixed assets, mostly in freehold buildings, which are wholly used for charitable purposes, and are represented by a specific designated fund.

For 2014 the Board has decided that the designation of its reserves should remain unchanged from last year and that any future re-designation of its reserves should be based on the needs identified once the cost of the planned future redevelopment of the Crown Lane site, including the provision of a new care home, are better known. Accordingly for 2014 the funds designated as Continuity of Care, the Major and Cyclical Maintenance Fund and the Bursary Fund remain unchanged. As a result, The British Home's general funds amounted to £2.97m (2013 - £ 2.64m).

**Investment policy and performance**

The British Home's investment portfolio is spread between direct holdings in the COIF Charity Investment and Fixed Income Funds and the Sarasin Consolidated Alpha Fund for Endowments. The performance of these funds is periodically reviewed by the Board. The Board's objectives are to maximise total return at an acceptable level of risk so as to supplement The British Home's income.

The market value of the portfolio at 31 March 2014 was £13,545,123 (2013 - £14,856,936). The value of the Home's investments can rise and fall. There is no guarantee that the Home's investments will realise the value as shown in the balance sheet. During the year to 31 March 2014, The British Home withdrew £1.8m from its investment portfolio to fund the additional £1m contribution to the pension scheme and to meet operational cash flow needs.

Investment income, produced from our investments, amounted to £511,754 (2013 - £565,330). As at 31 March 2014 there were net unrealised investment gains of £412,195 (2013 - £1,533,089) reflecting the change in market value of investments since 31 March 2013.

**Auditor**

Buzzacott LLP, The British Home's auditor have indicated their willingness to remain in office for a further year.

**Plans for future periods**

The Board is hopeful that in its 2015 report it will be able to give substantially more detail with regard to its future plans to meet the very different 21st century social care environment that now exists compared to when the charity was established 150 years ago. Having announced its ambition to redevelop the Crown Lane site, including the building of a new care home, the Board will consult widely as to how best to turn this vision into a reality. An imperative for the Board will be to ensure that all our residents will be accommodated in the new home, to keep disruption to a minimum and to maintain the highest standards during the re-development.

The Board continues to be highly appreciative of the support for the Home shown by commissioners of social care. The British Home as an independent charity well understands the cost pressures associated with the provision of social care and hope that the Board and commissioners can work together to ensure the ongoing provision of first class, affordable care at Crown Lane.

**Honorary President**

The Board would like to thank the Home's Honorary President Professor, the Lord McColl of Dulwich CBE for lending his support to the Home.

**Royal Patronage**

The Board wishes to express its gratitude to our Royal Patron, Princess Alexandra for her continuing support for the Home.

Approved by the Board of Trustees and  
signed on its behalf by:

Kay Sonneborn - Chairman

Trustee

Approved on 2 July 2014

**Independent auditor's report to the trustees of The British Home and Hospital for Incurables**

We have audited the financial statements of The British Home and Hospital for Incurables for the year ended 31 March 2014, which comprise the statement of financial activities, the balance sheet, cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the trustees' responsibilities statement set out in the report of the Board of Trustees, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements 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 financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity'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 report of the Board of Trustees 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 the financial statements**

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 March 2014 and of its incoming resources and application of resources 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 Charities Act 2011.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the report of the Board of Trustees is inconsistent in any material respect with the financial statements; or
- ◆ sufficient accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

8 July 2014

Buzzacott LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

Statement of financial activities Year to 31 March 2014

	Notes	Un-restricted funds £	Restricted funds £	Endow-ment funds £	2014 Total funds £	2013 Total funds £
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generated funds</b>						
Voluntary income	1	307,952	1,000	—	<b>308,952</b>	498,377
Investment income	2	511,754	—	—	<b>511,754</b>	565,330
Other income		29,682	—	—	<b>29,682</b>	100
<b>Incoming resources from charitable activities</b>						
Fees from medical and nursing services		3,306,185	—	—	<b>3,306,185</b>	3,301,475
<b>Total incoming resources</b>		<b>4,155,573</b>	<b>1,000</b>	<b>—</b>	<b>4,156,573</b>	<b>4,365,282</b>
<b>RESOURCES EXPENDED</b>						
<b>Cost of generating funds</b>						
Cost of generating voluntary income	3	73,008	—	—	<b>73,008</b>	90,455
<b>Charitable activities</b>						
. Medical and nursing services	4	3,943,692	—	—	<b>3,943,692</b>	4,847,052
. Annuitants and other charitable services	4	8,361	1,000	—	<b>9,361</b>	11,589
<b>Governance costs</b>	6	<b>117,312</b>	<b>—</b>	<b>—</b>	<b>117,312</b>	121,225
<b>Total resources expended</b>		<b>4,142,373</b>	<b>1,000</b>	<b>—</b>	<b>4,143,373</b>	<b>5,070,321</b>
<b>Net incoming (outgoing) resources for the year before gains and losses</b>						
		13,200	—	—	<b>13,200</b>	(705,039)
<b>Gains on investments</b>	11	<b>472,799</b>	<b>—</b>	<b>—</b>	<b>472,799</b>	1,531,680
<b>Actuarial (loss) gain on pension scheme</b>	18	<b>(312,200)</b>	<b>—</b>	<b>—</b>	<b>(312,200)</b>	311,000
<b>Net movement in funds</b>		<b>173,799</b>	<b>—</b>	<b>—</b>	<b>173,799</b>	1,137,641
<b>Fund balances brought forward at 1 April 2013</b>		<b>14,804,905</b>	<b>18,092</b>	<b>12,477</b>	<b>14,835,474</b>	13,697,833
<b>Fund balances carried forward at 31 March 2014</b>		<b>14,978,704</b>	<b>18,092</b>	<b>12,477</b>	<b>15,009,273</b>	14,835,474

**Statement of financial activities** Year to 31 March 2014

	<b>2014 Total funds £</b>	2013 Total funds £
<b>Historical cost net movement in funds</b>		
Net movement in funds (page 13)	<b>173,799</b>	1,137,641
FRS17 Pension adjustment	<b>(1,165,600)</b>	(341,200)
Unrealised gains on investments	<b>(412,195)</b>	(1,533,089)
Difference between historical cost realised gains and the actual realised gains or losses calculated on the revalued amounts	<b>199,575</b>	13,333
<b>Historical cost net movement in funds</b>	<b>(1,204,421)</b>	<b>(723,315)</b>

All of the Home's activities are derived from continuing operations during the above two financial periods.



**Balance sheet** 31 March 2014

	Notes	2014 £	2014 £	2013 £	2013 £
<b>Fixed assets</b>					
Tangible fixed assets	10		<b>994,263</b>		1,162,211
Investments	11		<b>13,545,123</b>		14,856,936
			<b>14,539,386</b>		16,019,147
<b>Current assets</b>					
Debtors	12	<b>196,710</b>		270,766	
Cash at bank		<b>943,945</b>		509,667	
		<b>1,140,655</b>		780,433	
<b>Creditors:</b> amounts falling due within one year	13	<b>(670,768)</b>		(798,506)	
<b>Net current assets (liabilities)</b>			<b>469,887</b>		(18,073)
<b>Net assets excluding pension liability</b>			<b>15,009,273</b>		16,001,074
<b>Pension liability</b>	18		—		(1,165,600)
<b>Total assets including pension liability</b>			<b>15,009,273</b>		14,835,474
<b>Represented by:</b>					
<b>Funds and reserves</b>					
Endowment fund	14		<b>12,477</b>		12,477
Restricted funds	15		<b>18,092</b>		18,092
Unrestricted funds					
. Designated funds	16				
.. Tangible fixed assets fund			<b>994,263</b>	1,162,211	
.. Continuity of care fund			<b>5,800,000</b>	5,800,000	
.. Major and cyclical maintenance fund			<b>3,000,000</b>	3,000,000	
.. Bursary fund			<b>2,215,174</b>	2,202,603	
			<b>12,009,437</b>		12,164,814
. General fund			<b>2,969,267</b>		2,640,091
			<b>15,009,273</b>		14,835,474

Approved by the Board of Trustees on 2 July 2014 and signed on its behalf by:

Kay Sonneborn  
Trustee

David Green  
Trustee

Cash flow statement 31 March 2014

	Notes	2014 £	2014 £	2013 £	2013 £
<b>Net cash outflow from operating activities</b>	a		<b>(1,862,088)</b>		(1,340,929)
<b>Net cash inflow from return on investments</b>					
Interest and investment income			511,754		565,330
<b>Net cash inflow from investing activities</b>					
Proceeds from sale of listed investments			1,800,000		650,000
<b>Increase (decrease) in cash</b>	b		<b>449,666</b>		(125,599)

Notes to the cash flow statement for the year ended 31 March 2014

a Adjustment of net incoming (outgoing) resources for the year to net cash outflow from operating activities

	2014 £	2013 £
Net incoming (outgoing) resources for the year	13,200	(705,039)
FRS 17 pension charge adjustment	(1,477,800)	(30,200)
Depreciation charge	167,948	196,690
Investment income and other income receivable	(511,754)	(565,330)
Decrease in debtors	74,057	106,092
Decrease in creditors	(127,739)	(343,142)
<b>Net cash outflow from operating activities</b>	<b>(1,862,088)</b>	(1,340,929)

b Analysis of cash as shown in balance sheet

	Notes	2014 £	2013 £	Change in 2014 £	Change in 2013 £
Held by investment advisers	11	58,509	43,121	15,388	13,024
At bank	19	943,945	509,667	434,278	(138,623)
		<b>1,002,454</b>	552,788	<b>449,666</b>	(125,599)

**Basis of accounting**

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with the requirements of the Charities Act 2011. Applicable United Kingdom Accounting Standards and the Statement of Recommended Practice “Accounting and Reporting by Charities” (SORP 2005) have been followed in these financial statements.

**Incoming resources**

Incoming resources are recognised in the year in which the Home is entitled to receipt thereof and the amount can be measured with reasonable certainty.

Legacies are included in the statement of financial activities when the Home is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

**Resources expended and the basis of apportioning costs**

Expenditure is included in the statement of financial activities when incurred and includes attributable VAT which cannot be recovered.

The majority of costs are directly attributable to specific activities. Support costs are allocated to the costs of generating funds, charitable activities and governance according to underlying activity levels. These were established using a number of suitable indicators including staff time and floor space.

Resources expended comprise the following:

- a. The costs of generating funds include the salaries, direct costs and support costs associated with generating donated income and the fees paid to investment managers in connection with the management of the Home’s listed investments.
- b. The costs of charitable activities comprise expenditure on the Home’s charitable purposes as described in the Board of Trustees’ report.
- c. Governance costs are directly attributable to organisational procedures and the necessary legal procedures for compliance with statutory requirements.

**Tangible fixed assets**

The original land and buildings were acquired in 1894. Between 1898 and 1994 their cost and subsequent additions were not recorded in the Balance Sheet. For many years the accounting policy with regard to freehold land and buildings recognised that it was not possible to ascertain the cost of land and buildings and until 1 January 1994 the cost of additions were written off as incurred. In 1994 the accounting policy was changed and subsequent expenditure on additions and improvements to buildings have been capitalised. The book value, after depreciation, of land and buildings acquired prior to 1994 is not regarded as material. The New Wing, which opened in 1996, is classified as freehold buildings. The buildings were insured on a replacement basis for £31.9m at 31 March 2014 (at 31 March 2013 – £31.9m).

## Principal accounting policies Year to 31 March 2014

### Tangible fixed assets (continued)

All assets costing more than £5,000 are capitalised. Depreciation is provided at the following annual rates to write off each asset over its estimated useful life:

◆ Freehold buildings	4% on cost
◆ Water Tank	10% on cost
◆ Hospital and catering equipment	20% on cost
◆ Office furniture and equipment	20% on cost

### Investments

Investments are included on the balance sheet at their market value at the end of the financial year. Realised and unrealised gains and losses are credited, or debited, to the statement of financial activities in the year in which they arise.

### Fund accounting

Endowment Funds comprise monies donated which are not to be expended. Only the income can be used for the charitable objectives of the Home.

Restricted Funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Designated Funds comprise monies set aside out of unrestricted general funds and designated for specific purposes, although the Board of Trustees may ultimately use such funds for other purposes.

The General Fund comprises those monies which are freely available for application towards meeting the charitable objectives of the Home at the discretion of the Board of Trustees.

### Pension costs

The Home operated a defined benefit pension scheme up until 31 March 2014. Pension scheme assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet.

Any change in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

From 1 April 2014, The British Home is operating a defined contribution scheme.

**1 Voluntary Income**

	2014 £	2013 £
Donations inclusive of reclaimed tax	80,068	89,703
Legacies	228,884	408,674
	<b>308,952</b>	<b>498,377</b>

**2 Investment income and interest receivable**

	2014 £	2013 £
Sarasin – CIF ALPHA fund units	282,311	317,233
COIF – Investment fund income units	228,409	247,792
	<b>510,720</b>	<b>565,025</b>
Interest receivable and bank charges	1,034	305
	<b>511,754</b>	<b>565,330</b>

**3 Cost of generating voluntary income**

	Direct Costs £	Support Costs £	2014 £	2013 £
Donations: advertising and agency fees	5,252	—	5,252	5,189
Other costs (including staff costs)	15,545	52,211	67,756	85,266
	<b>20,797</b>	<b>52,211</b>	<b>73,008</b>	<b>90,455</b>

**4 Charitable activities**

	Direct Costs £	Support Costs £	2014 £	2013 £
Medical and nursing services	2,182,226	1,761,466	3,943,692	4,847,052
Annuitants and other charitable services	9,361	—	9,361	11,589
	<b>2,191,587</b>	<b>1,761,466</b>	<b>3,953,053</b>	<b>4,858,641</b>

## 5 Analysis of support costs

	Voluntary income £	Charitable activities £	Governance £	2014 £	2013 £
Staff costs	1,789	247,904	27,202	<b>276,895</b>	495,968
Administration	34,167	415,929	35,781	<b>485,877</b>	352,053
Housekeeping – fuel & rates	1,694	165,989	1,694	<b>169,377</b>	153,469
Housekeeping - other	6,630	570,644	6,630	<b>583,904</b>	797,273
Depreciation	1,385	165,178	1,385	<b>167,948</b>	196,690
Repairs & maintenance	—	93,104	—	<b>93,104</b>	239,447
Insurance	480	47,040	480	<b>48,000</b>	47,400
Other costs	6,066	55,678	6,066	<b>67,810</b>	55,518
<b>Total support costs</b>	<b>52,211</b>	<b>1,761,466</b>	<b>79,238</b>	<b>1,892,915</b>	<b>2,337,818</b>

## 6 Governance

	2014 £	2013 £
Legal and professional fees	<b>16,915</b>	9,771
Auditor's remuneration		
· Current year	<b>20,000</b>	19,080
· Prior year	—	1,600
Other governance costs	<b>1,159</b>	3,284
Support costs	<b>79,238</b>	87,490
	<b>117,312</b>	121,225

## 7 Staff costs

	2014 £	2013 £
Wages and salaries	<b>2,009,660</b>	2,439,802
Social security costs	<b>154,230</b>	193,874
Pension costs	<b>193,529</b>	240,552
	<b>2,357,419</b>	2,874,228

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

	2014 £	2013 £
£60,000 - £70,000	<b>1</b>	—
£80,000 - £90,000	—	<b>1</b>

The employee who earned above £60,000 is accruing benefits under the Home's defined benefit scheme.

**7 Staff costs** (continued)

The average number of employees, analysed by function was:

*Full time Equivalent	FTE* 2014	Head Count 2014	FTE* 2013	Head Count 2013
Nursing and care	82	85	95	94
Maintenance	3	3	4	4
Reception and portering	4	4	4	5
Management and administration	4	5	5	6
	<b>93</b>	<b>97</b>	108	109

Catering, cleaning and laundry are outsourced, but with staff dedicated to the British Home. Average numbers of catering and cleaning staff during the year were FTE 16/Head Count 21 (2013 FTE 29 / Head Count 44).

**8 Related party transactions**

No member of the Board of Trustees nor any officer of the Home had any beneficial interest in any contract with the Home during the year.

No trustee received any remuneration in respect of their services during the year (2013 - £nil). One trustee was reimbursed for travel expenses of £67 incurred in the performance of their duties during the year (2013 – three trustees £133).

The Home has purchased insurance to protect it from any loss arising from any neglect or defaults of any member of the Board of Trustees or employee and to indemnify any Board Member or employee against the consequence of any neglect or default on their part. The total cover provided by such insurance is £2,000,000 (2013 - £2,000,000) and the insurance premium paid by the Home during the year totalled £1,330 (2013 - £1,334).

**9 Taxation**

British Home and Hospital for Incurables 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 building £	Hospital equipment £	Office furniture & equipment £	Total £
<b>Cost</b>				
At 1 April 2013	3,240,207	343,125	11,052	<b>3,594,384</b>
Disposals	—	(31,889)	(11,052)	<b>(42,941)</b>
At 31 March 2014	<u>3,240,207</u>	<u>311,236</u>	<u>—</u>	<u><b>3,551,443</b></u>
<b>Depreciation</b>				
At 1 April 2013	2,109,593	311,528	11,052	<b>2,432,173</b>
Charge for the year	136,351	31,597	—	<b>167,948</b>
Disposals	—	(31,889)	(11,052)	<b>(42,941)</b>
At 31 March 2014	<u>2,245,944</u>	<u>311,236</u>	<u>—</u>	<u><b>2,557,180</b></u>
<b>Net book values</b>				
At 31 March 2014	<u>994,263</u>	<u>—</u>	<u>—</u>	<u><b>994,263</b></u>
At 31 March 2013	<u>1,130,614</u>	<u>31,597</u>	<u>—</u>	<u><b>1,162,211</b></u>

**11 Investments**

	2014 £	2013 £
Market value at 1 April 2013	<b>14,813,815</b>	13,932,135
Disposals proceeds	<b>(1,800,000)</b>	(650,000)
Net gains	<b>472,799</b>	1,531,680
Market value at 31 March 2014	<u><b>13,486,614</b></u>	<u>14,813,815</u>
Cash held by investment advisors for re-investment	<b>58,509</b>	43,121
Total investments	<u><b>13,545,123</b></u>	<u>14,856,936</u>
Historical cost of investments at 31 March 2014	<u><b>11,526,880</b></u>	<u>13,066,701</u>

Investments held at 31 March comprised the following:

	2014 £	2013 £
Investment property	<b>56,500</b>	56,500
Indirectly held investments		
. COIF funds	<b>7,724,210</b>	5,884,252
. Sarasin CIF Alpha fund units	<b>5,705,904</b>	8,873,063
	<u><b>13,486,614</b></u>	<u>14,813,815</u>
Cash held by investment managers for reinvestment	<b>58,509</b>	43,121
	<u><b>13,545,123</b></u>	<u>14,856,936</u>



## 12 Debtors

	2014 £	2013 £
Trade debtors	146,473	137,725
Prepayments and accrued income	35,738	114,372
Other debtors	14,499	18,669
	<b>196,710</b>	<b>270,766</b>

Prepayments and accrued income at 31 March 2014 includes legacies of £1,124 (2013 - £70,000).

## 13 Creditors: amounts falling due within one year

	2014 £	2013 £
Amounts held on behalf of residents	45,544	44,209
Accruals and deferred income	361,339	344,760
Trade creditors	33,031	15,581
Social security and other taxation	78,010	109,936
Other creditors	152,844	284,020
	<b>670,768</b>	<b>798,506</b>

Note: A corresponding asset for residents monies is included in cash at bank (see note 19).

## 14 Endowment fund

	2014 £	2013 £
The D.O. Beale Trust	12,477	12,477

At 31 March 2014 the assets of the endowment fund were made up of cash balances only.

## 15 Restricted funds

The income funds of the Home include restricted funds comprising the following donations held on trust which are to be applied for a specific purpose:

	At 1 April 2013 £	Incoming resources £	Resources expended £	At 31 March 2014 £
Staff Benevolent Fund	1,746	—	—	1,746
Sensory Garden Fund	1,250	—	—	1,250
Hospital Equipment Purchase Fund	15,096	—	—	15,096
Red Rose Charitable Trust Fund	—	1,000	(1,000)	—
	<b>18,092</b>	<b>1,000</b>	<b>(1,000)</b>	<b>18,092</b>

**15 Restricted funds** (continued)

*Staff Benevolent Fund*

These monies have been donated for the benefit of staff.

*Sensory Garden Fund*

These monies have been donated to fund the building of a sensory garden at the home.

*Hospital Equipment Purchase Fund*

These monies were donated to purchase hospital equipment for the Home.

*Red Rose Charitable Trust Fund*

These monies were donated to be expended on someone from the Merseyside area.

**16 Designated funds**

The income funds of the Home include the following designated funds which have been set aside out of unrestricted funds by the Board of Trustees for specific purposes:

	At 1 April 2013 £	Released/ utilised in year £	Designated in year £	<b>At 31 March 2014 £</b>
Tangible fixed assets fund	1,162,211	(167,948)	—	<b>994,263</b>
Continuity of care fund	5,800,000	—	—	<b>5,800,000</b>
Major and cyclical maintenance fund	3,000,000	—	—	<b>3,000,000</b>
Bursary fund	2,202,603	(9,361)	21,932	<b>2,215,174</b>
	<u>12,164,814</u>	<u>(177,309)</u>	<u>21,932</u>	<b><u>12,009,437</u></b>

- ◆ **Tangible fixed assets fund**  
The net value of the assets at the end of the year is designated because they are not available for general use.
- ◆ **Continuity of care fund**  
The Board of Trustees is conscious of its long term obligation to the residents in its care, their sponsors and their carers and to balance the needs of current residents with those of the future. The Board believes that the equivalent of 12 months' anticipated costs is required to meet its obligations to provide the essential services for all parties in the event of a serious incident.
- ◆ **Major and cyclical maintenance fund**  
Monies are designated under this heading to provide funds to meet the cost of major and cyclical maintenance when the need arises.
- ◆ **Bursary fund**  
This amount is designated by the Board to meet the planned continuation of its support for the beneficiaries of the charity, both now and in the future, in accordance with the governing document.

**17 Analysis of net assets between funds**

	Endowment fund £	Restricted funds £	Designated funds £	General fund £	Total 2014 £
<b>Fund balances at 31 March 2014 are represented by:</b>					
Tangible fixed assets	—	—	994,263	—	<b>994,263</b>
Investments	12,477	—	11,015,174	2,517,472	<b>13,545,123</b>
Current assets	—	18,092	—	1,122,563	<b>1,140,655</b>
Creditors: amounts falling due within one year	—	—	—	(670,768)	<b>(670,768)</b>
<b>Total net assets</b>	<b>12,477</b>	<b>18,092</b>	<b>12,009,437</b>	<b>2,969,267</b>	<b>15,009,273</b>

**18 Pension commitments**

The Home operated a defined benefit pension scheme providing benefits based on final pensionable pay until 31 March 2014. The defined benefit pension scheme closed to new members and future accrual as at 31 March 2014.

The assets of the scheme are held in a separate trustee administered fund, independent from those of the Home, being invested with the Baillie Gifford IG Long Bond and Managed pension funds. The scheme is administered by Capita Hartshead, part of Capita Group plc.

For funding purposes the required contributions are agreed with the Trustee of the scheme based on triennial actuarial valuations, prepared by an independent qualified actuary using the projected unit method. The most recent triennial valuation was as at 31 March 2013 and showed that the market value of the scheme's assets was £8,427,000, the past service liabilities were £8,970,000 giving a funding level of 94%. This deficit was discharged by an additional one-off contribution of £1,000,000 in September 2013. Additionally, contributions of £5,600 per month in line with the 2010 Triennial Recovery Plan were made up until 31 March 2014. Employer contributions for the year to 31 March 2014 were in total £1,225,000 including the one off contribution of £1,000,000, monthly payments of £5,600, totalling £67,200 (2013 - £67,200) and employer contributions of 19% (2013 - 19%), of pensionable pay amounting to £157,800 (2013 - £189,800). The cost of running the scheme was met by the Employer. Employees' contribution rate to the scheme was 5% (2013 - 5%) of pensionable pay. The assumptions that have the most significant effect on the results of the 2013 triennial valuation are:

	% p.a.
Inflation	3.25%
Salary increases	3.75%
Investment returns (pre retirement)	5.20%
Investment returns (post retirement)	3.55%
Pension increases in payment	0 to 3.05%

**18 Pension commitments** (continued)

**FRS 17 information**

The following information is based upon a full actuarial valuation of the scheme as at 1 April 2013 updated to 31 March 2014 by a qualified independent actuary using FRS17 guidelines:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Market value of assets	<b>9,891</b>	<b>8,325</b>
Present value of scheme liabilities	<b>(9,028)</b>	<b>(9,491)</b>
Effect of limiting surplus recognition	<b>(863)</b>	—
Deficit in the scheme	<b>—</b>	<b>(1,166)</b>

The assets in the scheme and the expected rates of return were:

	<b>Long term rate of return expected</b>		<b>Value</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
			<b>£'000</b>	£'000
Equities	<b>6.4%</b>	5.90%	<b>5,389</b>	6,787
Bonds	<b>4.4%</b>	4.20%	<b>3,736</b>	811
Annuities	<b>3.5%</b>	3.00%	<b>459</b>	429
Cash	<b>4.4%</b>	4.40%	<b>307</b>	298
Total market value of assets			<b>9,891</b>	8,325

The expected long term rate of return on the total assets of the scheme is 5.45% from 31 March 2014 (2013 – 5.53%).

The major assumptions used by the actuary were:

	<b>2014</b>	2013
Price inflation RPI	<b>3.35%</b>	3.30%
Price inflation – CPI	<b>2.55%</b>	2.50%
Salary inflation	<b>N/A</b>	3.80%
Rate of increase to pensions in payment	<b>2.1% to 3.15%</b>	2.10% to 3.10%
Rate of revaluation of pensions in deferment	<b>2.5% to 2.55%</b>	2.50% to 3.00%
Discount rate for liabilities	<b>4.4%</b>	4.40%

The current mortality assumptions are based on the mortality in retirement table PNxA00 (b=yob)mc.

**18 Pension commitments** (continued)

The Home's pension charge for the year calculated under FRS 17 assumptions is reflected in the financial statements as follows:

	2014 £'000	2013 £'000
<b>Analysis of the amount charged to the statement of financial activities (SOFA)</b>		
Current service cost	198	241
Curtailments/settlements	(373)	—
Total operating (income) charge	(175)	241
<b>Analysis of other finance income</b>		
Expected return on pension scheme assets	486	411
Interest on pension liabilities	(408)	(397)
Net other finance income	78	14
<b>Amount recognised as actuarial gains/losses</b>		
Actuarial gain on scheme assets	119	721
Actuarial gain (loss) on scheme liabilities	167	(410)
Actuarial loss on experience	265	—
Effect of limiting surplus recognition	(863)	—
Actuarial (loss) gain recognised in SOFA	(312)	311
<b>Movement in deficit during the year</b>		
Deficit in the scheme at 1 April	(1,166)	(1,507)
<i>Movement in year:</i>		
Current service charge	(198)	(241)
Contributions: one-off deficit contribution	1,000	—
other contributions	225	257
Net finance income	78	14
Curtailments/settlements	373	—
Actuarial (loss) gain	(312)	311
Deficit in the scheme at 31 March	—	(1,166)
<b>Changes in the present value of the defined benefit obligation</b>		
	2014 £'000	2013 £'000
<b>Opening defined benefit obligation</b>	9,491	8,593
Interest cost on obligation	408	397
Current service cost	198	241
Actuarial loss on obligation	(432)	410
Member contributions	42	50
Benefits paid	(295)	(188)
Curtailments / settlements	(373)	—
Other payments	(11)	(12)
<b>Closing defined benefit obligation</b>	9,028	9,491

**18 Pension commitments** (continued)**Changes in the fair value of scheme assets**

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<b><i>Opening fair value of Scheme Assets</i></b>	<b>8,325</b>	7,086
Expected Return	<b>486</b>	411
Actuarial gain	<b>119</b>	721
Employer contributions	<b>1,225</b>	257
Member contributions	<b>42</b>	50
Benefits paid	<b>(295)</b>	(188)
Other payments	<b>(11)</b>	(12)
<b><i>Closing fair value of Scheme Assets</i></b>	<b>9,891</b>	8,325

**History of experience gains and losses**

	Year to <b>31 March</b> <b>2014</b> <b>£'000</b>	Year to 31 March 2013 £'000	15 months to 31 March 2012 £'000	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Difference between actual and expected return on assets	<b>119</b>	721	(330)	250	1,492
Experience gains and losses on liabilities	<b>265</b>	—	—	52	—
Total actuarial (loss) gain recognised in SOFA	<b>(312)</b>	311	(1,212)	432	(142)

**19 Cash at bank**

Cash at bank of £943,945 on 31 March 2014 (2013 - £509,667) includes £45,544 held on behalf of the residents of the Home (2013 - £44,209). A corresponding liability for these monies is included in creditors (note 13).