Annual Report and Financial Statements

For The Benenden Healthcare Society Limited
for the year ending 31 December 2023

Private healthcare for everyone

Contents

We are here for our 882,650 members

More people are joining us

In 2023, our membership grew by

35,241

More people are using our Hospital

Our Hospital's income grew by nearly

15%

Our income has grown

Total income (excluding the gains/losses on realisation of investments) increased by

9.3%

By 31 December 2023, our member funds stood at

£179.3m

(2022: £187.9m)

Our members need us more than ever

Demand for care increased by

26%

We helped members 173,079 times

(2022: 137,904 times)

Increased health and wellbeing costs for our members have led to an operating deficit of £12.1m

(2022: £8.4m surplus)

More demand for care means an increase in operating costs. In 2023, we spent £129.0m looking after our members – that's £32m more than 2022.

We are here for our people and community

Our members are satisfied

We scored

8.9/10

for overall satisfaction.

Our people are engaged

94%

feel proud to work at Benenden Health and agree that we actively build a culture of diversity, equity and inclusion (DE&I).

(2023 employee survey)

We support our community

£27,000

of the Benenden Health Community Fund went to local community groups and charities that raise awareness of and improve health and wellbeing.

Our members have their say

1,900

members attended the 20 Member Meetups we held.

17,132

members cast votes at our 2023 Conference.

2023 Winner of Moneyfacts Investment Life & Pensions Awards for

Best Healthcare Service

What we do

We provide health and wellbeing services to people of all ages, all over the UK. Our members are individual consumers and families and employees of businesses that offer healthcare as a benefit.

Our mission is to improve the nation's health. We help people stay well with services including 24-hour phone access to GPs, a 24/7 Mental Health Helpline and a Wellbeing Hub in the Benenden Health App, with content from virtual exercise classes to healthy recipes.

We also help people overcome medical issues, whether through our video- and phone-based Physiotherapy service or Diagnosis and Surgical Treatment at hospitals and other treatment centres.

In 2023, our membership rose to its highest level since 2015. By the end of the year, we had 882,650 members, up by 35,241 on the same time in 2022.

How we stand out

We put our members first

As a mutual, our priority is to look after our members rather than work in the interests of shareholders. Our members also have a say in our big decisions through our democratic and engagement processes.

We are not-for-profit

Our income comes mainly from members' monthly contributions, which go into a mutual fund together with income from our Hospital, investments and other products. Over the longer term, this covers the cost of providing our services and running our business.

Offering discretionary cover

We provide private healthcare for everyone, but we do it a little differently. We work on a discretionary basis. This means that the Board decides which services we provide and what's available in each service.

Giving everyone a fair deal

At Benenden Health, everyone's welcome. And we mean everyone, regardless of age, medical history or anything else.

How we do it

1 Our income comes from

Members' contributions

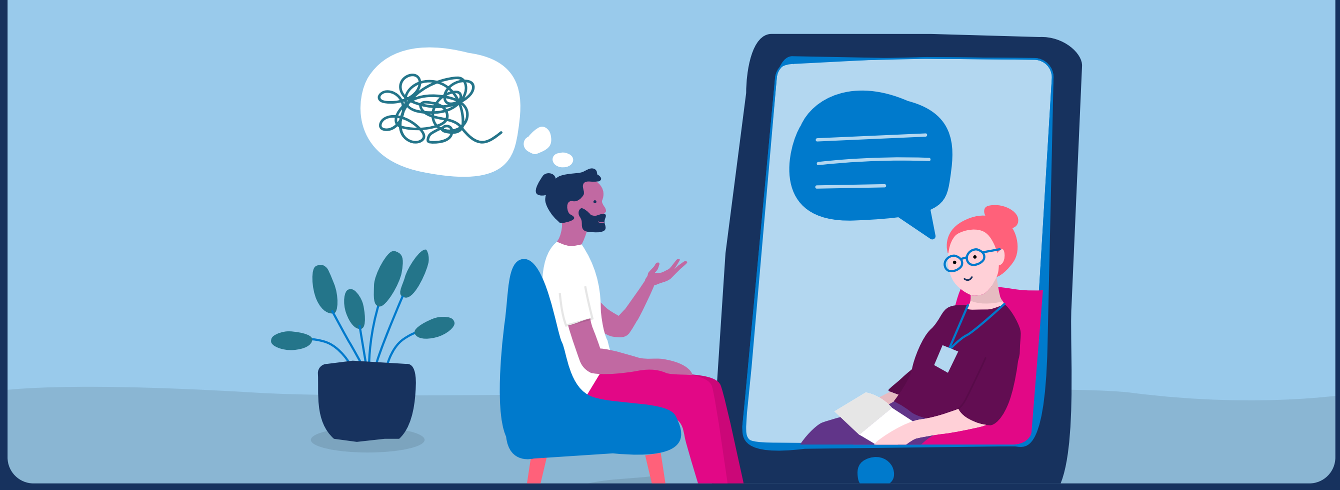
Benenden Hospital (profit from self-pay, private medical insurance and NHS income)

Investment income

Benenden Wellbeing Limited (profit from products)

2 We spend this money on

Health and wellbeing benefits for our members



Operating expenses

3 Any money left over is a surplus that we add to members' funds and reinvest in benefits. If we incur a deficit because our health and wellbeing benefits are higher than our income, members' funds also cover the difference

Surplus

Deficit

Members' funds

What we offer

Our members can use services including 24/7 GP and Mental Health helplines and Diagnosis and Surgical Treatment. They access these services through our national network of partners and our own Benenden Hospital in Kent.

Everyone can use these services from the start of their membership

24/7 GP Helpline

Access to a helpline, 24 hours a day and seven days a week, to book a phone consultation with a UK-based GP.

24/7 Mental Health Helpline

Members can speak to a qualified mental health professional at any time for immediate support to deal with conditions like anxiety, depression, bereavement or relationship problems.

Neurodiversity and Disability Advice Service

Information and advice about care issues, including sourcing long-term or short-term home, residential, convalescent or respite care. The service includes support for parents or guardians of children with any neurodiversity or disability need.

Benenden Health App

The app gives members access to our services, including booking GP appointments, accessing 24/7 support through our Mental Health Helpline and requesting Diagnosis, Surgical Treatment and Physiotherapy. The app also gives access to our Wellbeing Hub and its articles, videos and classes on health, wellbeing and nutrition topics.

Members can use these services after six months

Medical Diagnostics

Diagnosis support up to the value of £2,500, available from over 500 facilities nationwide.

Mental Health Support

Support ranging from guided self-help to face-to-face therapy for conditions like stress, depression, anxiety and bereavement.

Cancer Support

Emotional and practical support from an experienced nurse after a cancer diagnosis, including help with choosing and buying equipment, services or therapies.

Physiotherapy

Guided, self-managed exercises, with phone support or up to six face-to-face or remote physiotherapy treatments.

Surgical Treatment

Access to more than 200 common procedures in specialisms including orthopaedics and general surgery, available from our 43 approved hospitals.

For consumer members joining since 19 February 2024, this service is available after 24 months.

Our other products

Health Cash Plan

An affordable way to manage the cost of routine healthcare, including dentistry, eyecare and therapies.

Health Assessments

Tests and examinations – more comprehensive than those available on the NHS – to highlight possible health concerns early.

Travel Insurance

Cover for all ages that is comprehensive and flexible and caters for pre-existing conditions.

Self-pay Treatments

Discounted treatments for a range of procedures at Benenden Hospital in Kent and other hospitals in our network.

From our Chair,
David Furniss

Responding to change

We have always adapted and evolved to secure and build our position in a fast-moving world and a fast-changing healthcare industry. Our ability to innovate and renew ourselves is vital to securing our future and lies at the heart of our new strategy, Growth for Purpose, which we will put into action over the next four years.

The need for us to be resourceful and responsive is well illustrated by the events of 2023. We performed strongly by many measures, with membership rising by 4.2% to 882,650 and total income, excluding the gains/losses on realisation of investments, growing by 9.3%. We also helped members a record 173,079 times, with demand for care rising by 26%. But this record demand produced record costs. In 2023, we spent £129.0m on looking after our members, compared to £96.9m in 2022. This led to us recording an operating deficit of £12.1m for the year (2022: surplus of £8.4m).

Keeping ourselves sustainable

This shows us that while we are essential to our members and meet an ever-growing need amid the ever-rising pressure on the NHS, we must always keep an eye on our financial sustainability. We have generated surpluses in recent years and managed our finances effectively over a long period, so we can absorb this deficit. But we cannot allow deficits to become a habit.

At the same time, we must be under no illusions: demand for care remains high, and we forecast that it will keep rising through the short to medium term, creating an ongoing challenge for us in managing costs. This is the reason for the rise in the monthly contribution rate from £12.80 to £15.50 per person per month from April 2024. It is also why the Board has decided, from 19 February 2024, to extend new members' qualification period for surgical treatment from six months after their joining date to 24 months.

These are the kinds of decisions that the Board has to make to keep the Society financially sustainable for the long term and able to operate for the good of our members in a way that still represents excellent choice and value. In the coming years, our success will depend on remaining relevant to everyone's healthcare needs, whether that is protecting health and preventing ill-health or offering Diagnosis and Surgical Treatment, while keeping ourselves sustainable and staying true to our roots as a mutual organisation.

These decisions have to be well informed by data and forecasting and always made with members' best interests at heart. I would like to thank my fellow Board members for the diligence and dedication they have brought to our discussions. Although we have seen a good deal of change on the Board, colleagues' focus on members' interests has been unwavering. Among other things, we oversaw the Society's compliance with the Financial Conduct Authority's new Consumer Duty regulations, which make sure we give members clear information, a fair price and good value.

Seeing our new democracy in action

We have also consulted with our Member Council, which is part of our new democratic and engagement structure. The Council gives the Board a direct connection to members' views, and it has been insightful to be able to talk to this group in an open and honest way through the year.

I have been happy to see other features of the new democracy take shape. These include Member Meetups for our new Benenden Health Communities around the UK and our new Online Community, which lets members discuss healthcare topics and the Society's services. We have also seen Direct Member Voting for the first time at our Annual Conference. These are important first steps towards getting members more engaged in their Society, and I am looking forward to seeing how this activity develops in 2024.

Adapting for the future

Changing our democratic and engagement model is just one example of how Benenden Health has adapted in recent years. Others include developing our brand and product so they appeal to people at all stages in life and strengthening our corporate business. I am also pleased to see our Hospital investing in the latest techniques, including robotic knee and prostate surgery, as it continues to strengthen its reputation. In parallel, we continue to discuss the Hospital's change in legal status from a charity limited by guarantee to a company limited by shares owned by The Benenden Healthcare Society Limited. In the future, we will continue to adapt in other ways, including making ourselves more environmentally sustainable by understanding our carbon footprint and that of our wider supply chain.

Supporting our communities

We also continue to support our local community, in both York and Kent. In 2023, our people volunteered their time to improve green spaces in the local community and donated items like workwear to students preparing for their first jobs and food and toiletries to York Food Bank. Our Community Fund has also supported good causes, providing funding awards for psychotherapeutic counselling, classes to support people with sight loss to be more active and hot meals for the community.

Thank you

After another year which tested our adaptability, I would like to thank all Society and Hospital colleagues, Community members and the Member Council for their efforts in 2023. I look forward to 2024, confident in our resilience and our ability to carry on meeting members' needs and give them excellent value.

David Furniss
Chair, Benenden Health

From our Chief Financial Officer, Helen Chamberlain

Setting new ambitions

Benenden Health has made itself into a significant player in UK healthcare by investing in every part of the organisation, from product and brand to technology and people. In the next few years, we intend to capitalise on this to be the UK's leading low-cost healthcare provider.

For some time, we have worked hard to make ourselves responsive and resilient in all we do. We have a healthcare product that appeals to people at every life stage, offering value and a level of support that more and more people depend on. We have a brand that is increasingly known, recognised and respected. We are also a modern business with upgraded technology systems that allow us to give members a great experience and to be efficient and productive in all we do. And we have a new democratic and engagement structure that is reconnecting members with their Society.

All this means we are well equipped to take advantage of our position as a fast-growing player in UK healthcare. It is essential that we continue to evolve, because people's needs evolve, too, and so does healthcare itself. People now have more and more options to buy care for themselves, their families and their employees, and we must remain prominent among those choices with relevant services that meet as wide a range of needs as possible.

To achieve this, we have set ourselves strategic priorities for the coming years.

Making Benenden Health famous

We are now among the handful of best-known healthcare brands in the UK, and our goal is to remain in the top five. Prompted awareness of the brand reached 37% in 2023, and around one in four adults say they would consider us when it comes to buying healthcare. We have achieved this by investing consistently in growing awareness of Benenden Health, not least through our partnership with Channel 4, including our series of Time for a Check-in adverts highlighting topics like menopause and mental health. We resumed this in January 2024, complemented by the campaign message 'Britain, we've got you', which emphasises Benenden Health as a source of help, as well as a thought leader.

Historically, we have set out to appeal to individuals and families. But our combination of value and service has appealed more and more to businesses keen to look after their employees and stand out in a competitive job market. Our membership grew again in 2023, passing 882,000. Our corporate business was a significant part of that success, growing by 25%. We want to continue this, and in 2023 launched our first business-to-business TV advert to highlight benefits we can bring to employers, not least lower absenteeism and employee turnover.

Making Benenden Health fit for the future

We have done much recently to equip ourselves for the future, notably upgrading our IT systems and giving our members a fully digital experience through our app – now used by 136,746 members and counting. We have also enhanced our product, adding a Cancer Support Service and virtual Physiotherapy among other elements.

We now see an opportunity for our technology capabilities to make members' experience even better, as well as to enhance value. We can use information about members' healthcare needs and interests to guide them to the content and services that help them protect and enhance their health in various ways, from better sleep to improved digestion. In this way, we can help more members more often by spreading the benefits of Benenden Health beyond those drawing on our historical strengths in Diagnosis and Surgical Treatment. This is also a route to increasing our appeal to would-be members of all ages, and we will continue to investigate this kind of innovation in 2024.

Our plans also include making the most of clinical expertise at Benenden Hospital to reach a national audience with thought leadership and virtual one-to-one consultations.

Making the most of mutuality

We exist solely for our members. We have no shareholder interests to cater for, and any surplus we generate goes into our business and providing care. In 2023, we put our new democratic structure into action, launching our Member Communities and running their first Member Meetups, and setting up an Online Community. This is about getting members more engaged and involved in their Society, and we will continue with this in 2024 and beyond. Not only does it make members more likely to stay with us, but it also helps us find out more about their needs, so we can do more to meet them.

Making ourselves sustainable

The fact that we recorded an operating deficit in 2023 despite increasing our income underlines how important it is to maintain a strong capital position. This allows us to pursue our plans even when costs rise sharply, as they did in 2023. We continue to keep a close eye on our investments to make sure they give us the security we need.

We also continue to nurture our people, who are the backbone of our success. This year, we have launched our diversity, equity and inclusion strategy to make sure we do all we can to foster a positive environment for everyone who works for us and anyone who is thinking of joining us.

Thank you

All we do for our ever-growing number of members is only possible because of a lot of hard work, from arranging treatment and devising marketing campaigns to working with our corporate customers, giving medical care and organising member events. I would like to thank everyone for their efforts in 2023.

Helen Chamberlain
Chief Financial Officer, Benenden Health

Strategic Report

Since 2019, we have focused on preparing for the future by modernising our business, rethinking our democratic model and investing in our brand and product to broaden our appeal. From 2024, we are evolving this strategy with the ambition to be the UK's leading low-cost healthcare provider.

We help people stay well in body and mind by protecting their health and wellbeing, and by diagnosing and treating medical conditions. As both the cost of living and pressure on the NHS continue to rise, the need for an effective, low-cost healthcare service that offers good value becomes all the more acute. Our growing membership and steeply rising demand for what we offer underline this.

Here, we report on our activities in 2023 and outline how our evolving strategy will help us to offer a valuable service while keeping ourselves financially sustainable.

How we stay financially sustainable

Our biggest cost is funding the care, or benefits, we provide to our members. This varies each year, depending on how many members ask for our help. In 2023, we spent £129.0m on benefits – £32.1m more than in 2022 – with demand for our services reaching record levels. This has contributed to us recording an operating deficit of £12.1m in 2023 (2022: surplus of £8.4m).

To be able to meet our members' needs, we have to stay financially strong. We do this through:

Controlling the price of our product

Each year, our Board reviews members' monthly contribution rate. This helps make sure we can give members the care they need while still covering our costs. In 2023, after consulting with the Member Council, the Board decided to raise the monthly contribution rate from £12.80 to £15.50 per person per month from April 2024. This is a substantial rise, but reflects our forecast that, for the foreseeable future, demand for care will continue to grow in tandem with rising pressure on the NHS. We also expect the cost of care to continue to rise as inflationary pressures are still with us.

Discretionary benefits

We offer services subject to the resources available through membership contributions. This means we can manage our funds to make sure we can keep providing benefits.

Controlling access to services

We can limit our costs by controlling access to particular services. In 2023, the Board decided that consumer members joining the Society after 19 February 2024 will have access to Surgical Treatment services after 24 months of membership, instead of six months as before. With effect from 1 January 2024, the Board has also decided to remove vein procedures from the list of services covered by the monthly contribution rate.

Controlling our running costs

We spend a proportion of our funds on running our business, or 'Society expenses'. We aim to keep these to an average of under 24% of our income in any three-year period. In 2023, Society expenses were £30.9m (2022: £30.4m) – 23.4% of relevant income. The current three-year average for Society costs is 22.3% of relevant income.

We look to run our business as efficiently as possible, but expect Society expenses to carry on rising because of inflation and licensing costs associated with modernising our technology systems. These upgrades allow us to give members a better experience and increase our productivity.

Income from investments

We receive rental income from our property portfolio, as well as dividends and interest from financial investments. In 2023, our investments stood at £159.3m (2022: £158.2m). Income from these investments was £1.8m (2022: £1.1m). Our investment strategy is to have a diversified portfolio that spreads risk across different types of investments, and we have increased diversification in 2023.

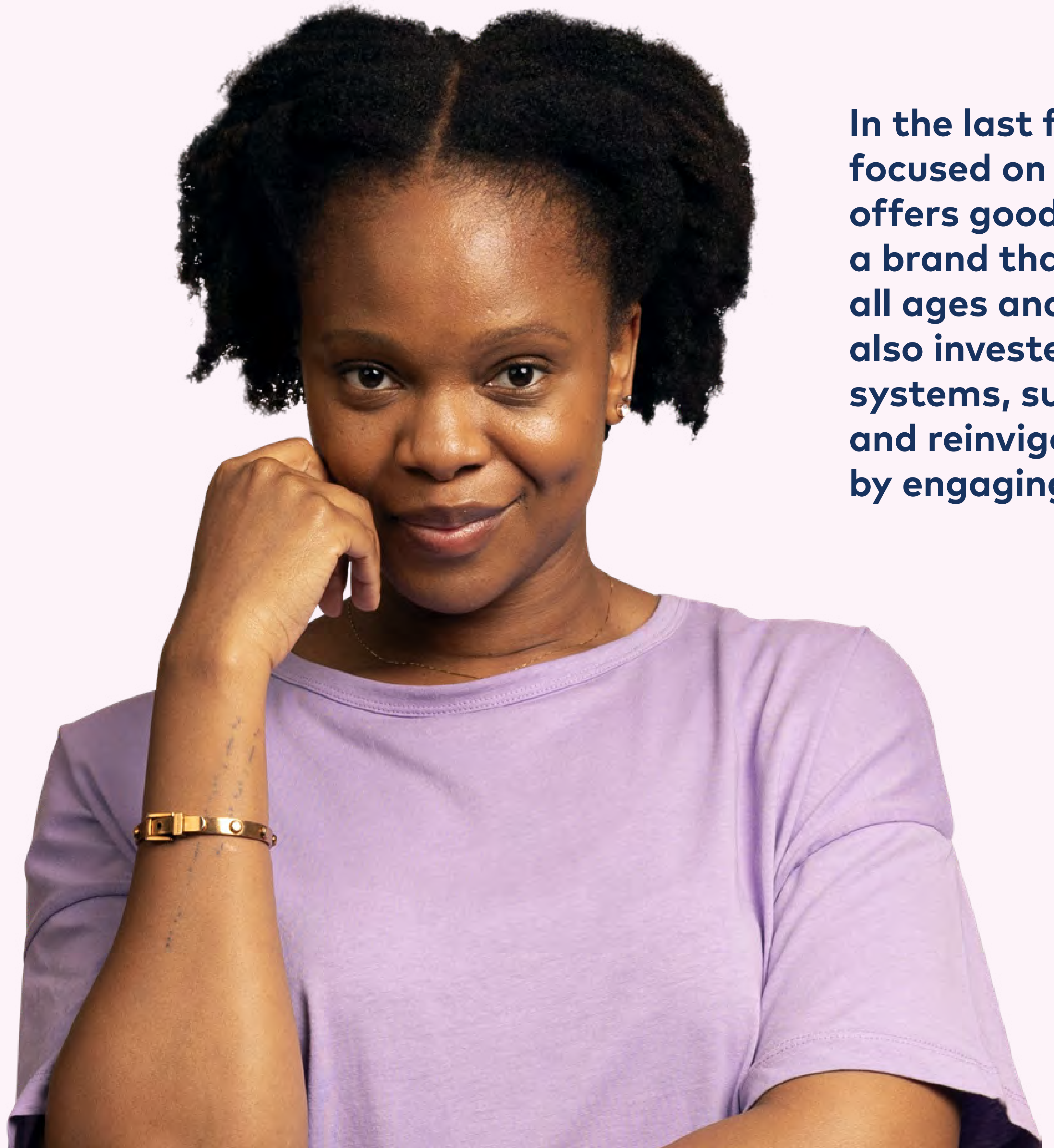
Monitoring our capital

We must have enough capital to let us implement our strategy, invest in benefits for our members and handle any economic shocks.

We choose to measure ourselves against the standards an insurer would use in judging how much capital we need. Since 2019, we have followed a capital measure based on the Solvency II regulation for insurance firms. The Board uses this measure to make decisions about our strategy and how we run the Society day to day.

At the end of 2023, the Society's capital coverage was 213% of the minimum we need to cover our activities. This was down from 235% in 2022 because of the deficit we incurred in the year and the higher capital requirement to cover more demand for member benefits in the next 12 months.

Becoming the UK's leading low-cost healthcare provider



In the last four years, we have focused on making sure our product offers good value and on building a brand that appeals to people of all ages and backgrounds. We have also invested in modernising our systems, supporting our people and reinvigorating our democracy by engaging with our members.

Our goal has been to make ourselves a modern mutual that is in a strong position to thrive in a volatile world.

Starting in 2024, we are building on this work by evolving our strategy. We want to make our product even more relevant to all our members, and even better value, while continuing to make our brand better known. We also want to continue to deepen our members' connection to their Society and keep ourselves financially sustainable.

At the heart of this is our ambition to be the UK's leading low-cost healthcare provider, based on our number of consumer and corporate members.

Making Benenden Health famous by evolving our brand and sales

Our goals include having over one million members, not only so we can provide affordable healthcare to as many people as possible, but also for the extra negotiating power it will give us in controlling costs with our suppliers. But with healthcare becoming more competitive all the time, we must continue to build our brand to make Benenden Health the natural first choice for individuals, families and businesses.

The more effective this brand investment is, the more likely it is that people will have us at the front of their minds when choosing healthcare. In 2023, our research showed that 26% of people were considering us – a 15% rise since the Channel 4 campaign launched (11% in August 2022) and a reflection of the fact that awareness of our brand is growing faster than that of any of our competitors.

Our partnership with Channel 4 in 2022 and 2023 is the biggest factor in this success. We have relaunched it in 2024, highlighting topics like mental health and physical health through our Time for a Check-in adverts and underlining that we are a source of help with the message 'Britain, we've got you'.

We continue to target business decision-makers, as well as consumers. In 2023, we launched our first business-to-business (B2B) TV advert, as well as airing B2B radio adverts. Our corporate business is our biggest source of new memberships, growing by 25% and accounting for 42% of overall net membership growth in 2023, and we aim to make the most of this success and potential.

Our own research shows that 95% of employers are looking to either maintain or increase their spending on health and wellbeing. As employers realise that benefits are a valuable tool in a competitive job market and in retaining their people, we can capitalise. Our corporate clients can offer Benenden Health membership as their sole healthcare benefit or alongside full private insurance for their senior employees. We will continue to build brand awareness at a high level with TV and radio advertising and reach more specific audience segments with more targeted messages in specialist media online campaigns and emails.

Making the most of mutuality by engaging with our members

In 2022, we changed our democratic model in several ways, including replacing our Branch structure with 19 Member Communities. The aim is to get members more involved in the Society by engaging them in healthcare topics and what the Society does and offers. In 2023, we put this fully into action, with all Communities holding their first Member Meetups, welcoming around 1,900 members in all. We also ran Direct Member Voting (or one member, one vote) at our Conference for the first time, replacing voting through Branch delegates, with 17,132 members taking part. This aims to give members an individual voice in Society matters and Conference business.

Another feature of the new democratic and engagement model is the Member Council, drawn from each Member Community. The group met five times in 2023, working alongside the Board and acting as a constructive challenge to it on major issues like the contribution rate, as well as relaying members' ideas, questions and concerns. Also, our Online Community welcomed its first 3,000 members in 2023. Here, anyone can raise discussion topics and have direct contact with other members and the Society.

We will support this new structure fully in 2024 and beyond to allow it to bed in successfully. By engaging with members, we can understand their needs and educate them about what is available to them already. We can also encourage them to get involved and have a say in how we operate, what we offer and how we communicate with them. Through this interaction, we will get to know our members better and use the information we gather to make sure we serve them well.

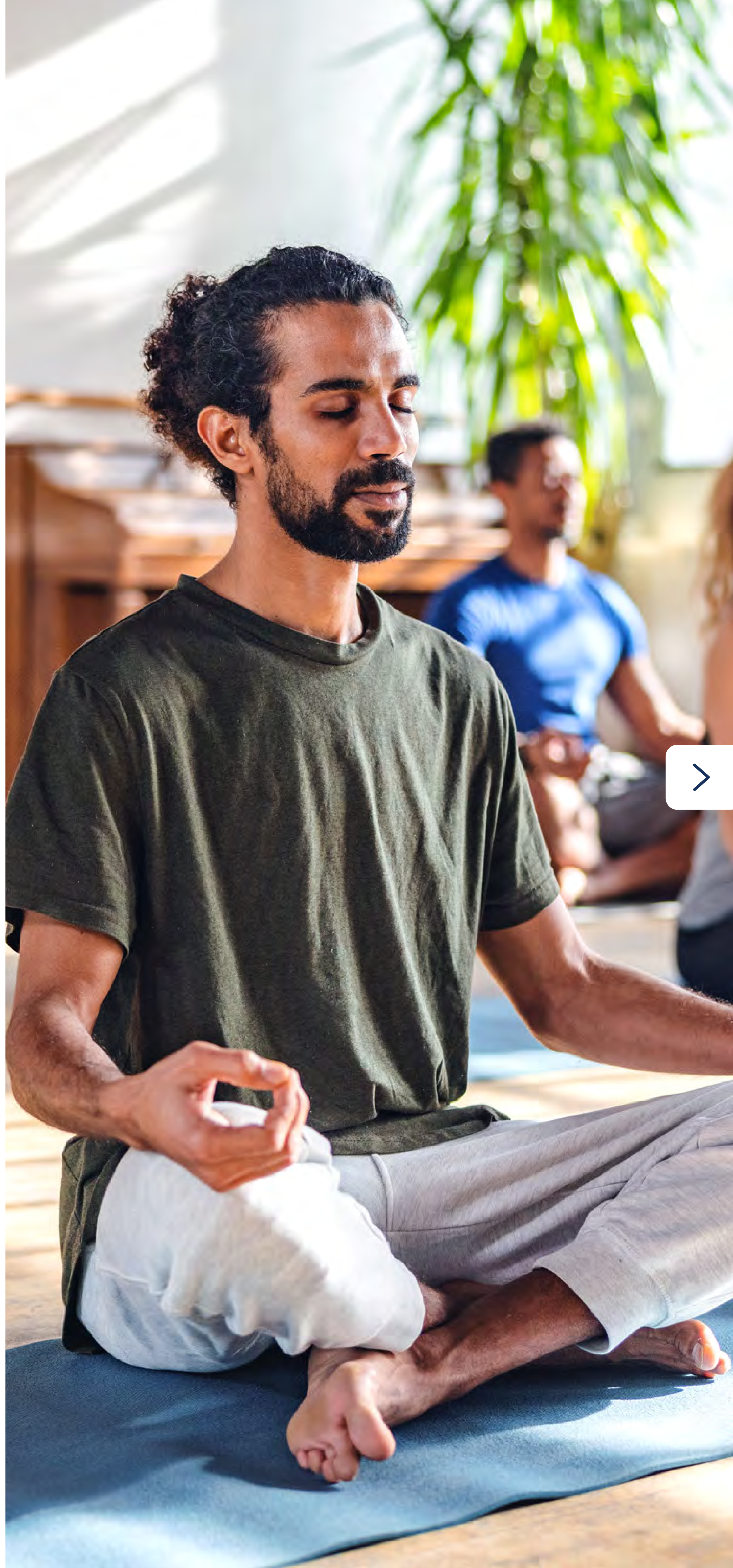
Making Benenden Health fit for the future by evolving our product and meeting people's needs

Healthcare is changing fast, so we must do all we can to keep ourselves relevant and valuable to our members. Our combination of a simple product and good value gives people easy access to affordable healthcare, but we must make sure we cater for as broad a range of people as possible. We want to be as valuable to someone who is relatively fit and well in their 20s or 30s as we are to people who rely on us for Diagnosis and Surgical Treatment.

This means harnessing technology to personalise the service and experience we offer, so it reflects every member's concerns and priorities. We are investigating ways to do this through a better initial assessment of members' health needs and interests, which would help us tailor our services and content in response to what each member tells us they value most. In this way, we aim to help more members more often by spreading the value of membership more broadly across a member's journey with Benenden Health.

Investing in technology is enabling us to test and scale up services and to give members the experience they want. This has contributed to average feedback scores from members of 8.9/10 for overall satisfaction and how easy we are to deal with. Nearly 136,750 members now have our app and can use it to claim for Diagnosis and Surgical Treatment and book GP appointments, as well as access content from our Wellbeing Hub.

Our Hospital is also important. It maintains an 'outstanding' Care Quality Commission rating, is a leader in several clinical specialisms and has invested in areas like cosmetic surgery and robotic knee and prostate surgeries. We aim to broaden its relevance and profile beyond its catchment area through national services like remote consultancy using digital imaging and thought leadership.



Upgrading our systems

Modern IT systems are at the heart of our ambition to be the UK's leading low-cost healthcare provider. They allow us to increase our scale and membership numbers while making ourselves more productive without adding substantially to staff costs. They also allow us to digitise our services so members can get in touch with us in the way that suits them best, around the clock.

In 2023, we began replacing the system for managing our products and members' policies, and we expect this to be completed in early 2025. Once in place, as well as making us more efficient by linking up more smoothly with our other systems and letting us manage data more easily, it will make it easier to launch new products.

This is the biggest of a series of major technology upgrades that have seen us overhaul and modernise systems, including those that help members get in touch with us. The investment in our systems also means a better experience for members, which includes being able to claim through our app and opting to have us call back instead of waiting on hold.

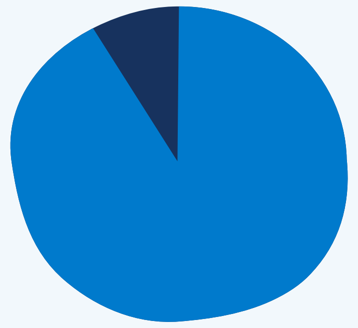
Making Benenden Health sustainable by staying financially strong, supporting our people and limiting our environmental impact

To make sure we are here for the long term, we continue to develop our business and operational models to keep ourselves financially, environmentally and socially sustainable.

- **Growing our capital** – despite the pressures we face, we must stay financially stable. This allows us to grow and develop the business and invest our reserves in a way that makes a difference for members and makes us attractive to would-be members. Strong finances are all the more important in a volatile environment when our members rely on us more than ever. Having a strong capital position has enabled the group to meet the increasing demand for care and help more members in 2023 than ever before. For more about how we manage our finances, see the Financial Review (page 36)
- **Looking after our people** – to attract and keep the calibre of people we need, we must nurture a culture of inclusivity, curiosity, innovation and learning to enable them to perform at their best
- **Reducing our environmental impact** – we must continue our work to understand our environmental footprint and that of our suppliers. This will allow us to bring down our greenhouse gas emissions across our supply chain and contribute to the UK's 2050 net zero ambition

Looking after our people

We work to create a positive working environment where our people can thrive, perform at their best and be themselves. We keep a close eye on our culture and on how people are feeling through methods like colleague feedback groups that help us spot any issues early and respond.



Over 94%

of our people said they were proud to work at Benenden Health and would recommend us as a great place to work.

4.6/5

star rating on Glassdoor

Developing our people

We support our people so they have fulfilling careers and help us meet our objectives. In 2023, we delivered 488 hours of learning and professional development, with each employee receiving two sessions on average.

We regularly refresh learning and development to make sure it continues to meet both our needs and our people's. A reflection of the success of this approach is that in 2023, we filled 24% of vacancies from within Benenden Health.

In 2023, we introduced support for:

- New and aspiring leaders, giving them the skills, knowledge and competencies to lead teams
- Member Services colleagues, helping them to have successful phone conversations with members
- Operational team managers, helping them develop their leadership skills and behaviours
- Prospective senior leaders, preparing them to be our future leaders

Other development continues, including our mentoring programme, encouraging people to foster networks, share skills and learn from each other. This is alongside the monthly 'golden hour' available to all our people to learn from other teams. We have also continued to run training for project managers to help our people understand their own and each other's preferences in communicating and resolving conflict. And in 2023, we began six apprenticeships to build existing employees' skills in IT, sales and member experience.

Our Junior Board, made up of colleagues, gives people the chance to work alongside the executive team, to provide diversity of thought and take management responsibility on real projects from start to finish, including developing our Give Back strategy. Benenden University supports people working towards professional qualifications or degrees, and in 2023 helped four of our colleagues graduate.

Fostering diversity, equity and inclusion

We look to build a team that includes a range of backgrounds, ethnicities and identities, reflecting the diversity of our audiences. In our 2023 employee survey, 94% of people agreed that we are actively building a culture of diversity, equity and inclusion (DE&I), with 89% saying that senior leaders were personally committed to it.

After launching our strategy in 2022, we have focused on areas like our recruitment process and making our working environment more inclusive by building internal awareness of the difference inclusivity makes. In 2023, we have focused on giving our people the tools, resources and language to become DE&I advocates. We have done this by creating toolkits, sharing stories, delivering training and celebrating cultural and religious festivals.

We held a series of events exploring themes like race, Pride, disability and the experience of being transgender. Each was hosted by a colleague with personal insight, supported by a guest expert, and was intended to help colleagues understand and appreciate each other's experiences. Over 100 people (or around a quarter of the organisation) watched each of these events. We also sponsored York Pride and took part in the festival parade.

In 2024, we will aim to understand more about the dimensions of diversity in our workforce as part of planning for making change and setting targets.

Promoting wellbeing

We look after our people's wellbeing, including focus groups to make sure we are helping in the right ways and filling any gaps in our support. This support includes clinical health sessions, mini health assessments, stress awareness sessions, sleep clinics and financial wellbeing webinars.

Our engagement survey shows that our people feel there is support for their wellbeing, backed by clear communication. Our mental health first-aiders can help our people at any time in the office, which has dedicated quiet spaces and contemplation areas. We also signpost to other support. All our people receive Benenden Health membership, as well as free cash plans, health checks and flu vaccinations, plus discounted will writing and access to a wide range of shopping discounts.

We continue with hybrid working and have run initiatives to maintain social connections, like 'care for a cuppa' sessions and walking groups. In 2023, we were accredited by the Good Business Charter for performance against commitments in areas including wellbeing, DE&I and environment.

Giving back to our community

We support good causes in and around York, as well as making one-off donations to international relief and aid efforts such as the 2023 Turkish earthquake.

During the year, our Benenden Health Community Fund awarded £27,000 to local community groups and charities that raise awareness of, and improve, health and wellbeing. Successful projects included sports coaching, activity sessions for people with sight loss, activities for teenage girls and a social group for adults with learning and physical disabilities.

Our own charitable giving saw £4,400 given to York MIND and St Leonard's Hospice. Colleagues also donated food, toiletries and gifts to York Food Bank as part of the York Cares Christmas Wish List. And colleagues did over 300 hours' volunteering, including York Cares' month-long Big Community Challenge to maintain and restore river and wetland areas in York.

Benenden Hospital supported the local community by offering Basic Life Support training sessions, led by Lesley Higham, Clinical Skills Facilitator, for staff, friends and family to join. Members of the Merry and Bright club in Benenden were welcomed for a hospital tour and to participate in patient-led assessments to provide a better service to all patients. The Hospital's Clinical Governance and Infection Prevention Control Lead also visited Benenden Primary School to teach Year 5 and 6 students about infection prevention and hand hygiene.

Looking to wider charity donations, Kate Minett, Staff Nurse, was awarded the Fellowship to support a year of events raising funds and awareness for Papyrus – Prevention of Young Suicide. Over £12,000 was raised, and Papyrus representatives visited to celebrate.

Benenden Hospital also donated anaesthetic equipment, a surgical microscope and PPE to the Central City Hospital of Rivne in Ukraine and received a letter of gratitude from the hospital.

In our 2023 employee survey, 94% said we go 'above and beyond' in supporting our community.

We are award-winning

In 2023, our awards successes included:

Moneyfacts Investment Life & Pensions Awards

- Winner – Best Healthcare Service
- Winner – Best Health Cash Plan Provider
- Commended – Best Private Medical Insurance Provider

Marketing Awards

- Prolific North Awards: Winner of Best In-House Marketing Team
- Prolific North Awards: Highly Commended – Best Health Campaign (Time for a Check-in with Benenden Health and Channel 4)
- MPA Inspiration Awards: Winner of Best Integrated Campaign (Time for a Check-in with Benenden Health and Channel 4)

European Contact Centre and Customer Service Awards

- Bronze Award – Best Contact Strategy

York Cares Golden Moments

- Five awards recognising our voluntary work

Doctify Patient Voice Awards

- Highly Commended – Hospital Category

Responding to our market

As the cost of living remains high and NHS waiting times lengthen, demand for affordable private healthcare continues to grow.

The economy: inflation slows but cost-of-living pressure persists

At the start of 2023, the UK government set itself a target of halving the rate of inflation. By November, they had achieved this, with the rate falling to 3.9% compared to 10.1% in January.[1] Wage growth was robust, but struggled to protect workers from high inflation, caused mainly by surging energy prices and pent-up consumer demand for goods and services following the COVID-19 pandemic.

Cost-of-living pressures have not gone away, though with prices now rising at a much slower rate and signs that interest rates have peaked, consumer confidence in December 2023 was significantly higher than the same month in 2022.

In 2023, the economy rebounded to pre-pandemic levels. GDP growth has been sluggish at 0.5% for 2023,[2] but is broadly in line with Eurozone levels.[3] GDP forecasts for 2024 range between 0.4% and 0.7%.

Private healthcare: demand for affordable private care grows

The exponential rise in demand for healthcare products that began during the COVID-19 pandemic continued during 2023. A key driver was the size of the NHS waiting list, which at its peak in 2023 was 77% larger than before COVID-19.[4] With patients experiencing record waiting times for care, consumers are spending more on private health products and services.

Our own research with UK consumers found that nearly a quarter (24%) were now spending more on private health products and services than 12 months earlier.

Cost can be a major obstacle to accessing healthcare services. With the average consumer health insurance policy costing £2,201 per year,[5] people are looking for affordable options. Private medical insurance, which can include services not provided by Benenden Health, is considerably more expensive. Unlike the majority of PMI products, the cost of Benenden Health membership does not rise with age or when people use services. New joiners tell us that the affordability of our product is the main factor behind them choosing Benenden Health as their healthcare provider.[6] Affordability is also a key factor in Benenden Health being the number one choice for consumer healthcare.

Businesses are also looking for cost-effective health products. More organisations want to provide coverage for all their employees, not just the most senior people.

This differentiates them as employers by showing that they look out for employees' health and wellbeing, but also means that workers return to work more quickly from illness or injury.

Health cover premiums for businesses are rising steeply, with one intermediary reporting average increases of around 20%. As most health cover renewal premiums are based on how much employees use medical services, some businesses have faced significantly higher increases.

Benenden Health's lower price compared with the average B2B health cover policy (£914 a year) also makes it a more affordable option for covering the whole workforce.[7]

NHS waiting times and self-pay: demand for self-pay grows

A key priority for the NHS has been to cut the backlog of demand for care. Between February 2020 and October 2023, the number of patients waiting for treatment rose from 4.4 million to 7.7 million.

The NHS in England has made considerable progress in reducing the number of people waiting between 78 and 104 weeks. Waits of over 104 weeks are all but eliminated, falling 99% between January 2022 and October 2023, with just 190 patients waiting this long. The number waiting over 78 weeks has also fallen steeply by 77% to October 2023.

But the number of patients waiting over 52 weeks remains stubbornly high. In October 2023, 377,000 people were waiting this long, down just 0.5% on January.[8]

The overall waiting list size of 7.7 million is forecast to peak in 2024, but long waiting times to access certain treatments are likely to persist.

Each UK nation has its own waiting time target. In England, 58.2% of patients started treatment within 18 weeks. The target is 92%. Waiting time performance for all but one of the specialities where we offer surgical treatment services tracked below the national average.

In Scotland, 68.7% of patients started treatment within 18 weeks of referral. Although this was the closest any UK nation came to achieving their target, it was still more than 20% behind the 90% standard.[9] In Wales, 58.5% of patients started treatment within 26 weeks – 36.5% below the 95% target.[10] In Northern Ireland, where the target is for 55% of patients to start treatment within 13 weeks of referral, just over a fifth (21.4%) actually began treatment within this timeframe, while 51.9% waited over 52 weeks.

Long NHS waiting times are driving a surge in self-pay care. In the first two quarters of 2023, admissions were up 38% on the corresponding quarters in 2019. Demand for hip and knee replacements was particularly strong, representing the second and third most popular self-pay procedures respectively. The private sector now carries out more hip and knee replacements than the NHS.

Self-pay admission growth rates were highest in the countries with the longest NHS waits. Admissions in Wales in Q2 2023 were up 17% on the same quarter the previous year, while in Northern Ireland volumes increased by 92%.[11]

377,000

NHS patients are waiting over a year for care

in October 2023

Environmental Report

In 2022, we began the process of analysing the carbon emissions of our business, including those of our suppliers and employees. We have used this analysis to understand how we can contribute to the government's ambition to make the UK's carbon emissions net zero by 2050 and to start on a plan to work with stakeholders to reduce emissions.

In 2023, the power supplied to our offices was 100% renewable. We also started installing solar panels at our offices in York and expect to complete this during 2024. This will mean we buy significantly less electricity and make substantial savings in energy costs. In addition, we have four EV chargers at the York offices, which 18 employees have signed up to use. We have also updated our supplier due diligence process to capture more accurate climate change information upfront and added an environmental, social and governance (ESG) schedule to our standard contract templates.

Governance

The Board is ultimately responsible for managing risk (including climate risks) and approving the risk appetite statements, although it delegates much of the oversight of risk to the Group Audit and Risk Committee (GARC). For details of the risk governance process, including how it relates to climate risks, see the Risk Management Report (page 38).

We have made identifying and managing climate-related risks part of our existing risk management framework to give us an appropriate level of oversight.

Our Statements of Responsibility reflect how we share responsibilities for identifying the financial risks associated with climate change among the Society Executive.

Strategy

We do not face the same issues as general insurance companies that have to factor extreme weather into their liability calculations, but we are conscious of the risks we, and society in general, face associated with climate change. We have a responsibility to positively contribute to the government's aim of net zero carbon emissions by 2050, and our strategy is to understand, report on and reduce our carbon emissions in line with Streamlined Energy and Carbon Reporting (SECR).

This matches our aim to have a positive impact on our local environment and be seen as an ethical employer and supplier. It also makes us more attractive to would-be members, corporate clients and employees, who rightly expect organisations to make a determined effort to limit climate change.

This year, we have continued to develop an ESG strategy. We have worked with experts to better understand our carbon footprint by analysing the impact of our supply chain and employee commuting and home working.

This has helped us see how we can reduce our carbon footprint over time, and in 2024 we will take action to help us achieve our goals.

This includes engaging with suppliers to understand their progress against their carbon emission reduction targets.

It might not be possible to eradicate 100% of our base-level carbon emissions, and we have made plans to offset a small portion by recreating woodland areas on our land in Kent, which will reduce carbon in the environment.

As we are not a UK listed company, we are exempt from TCFD regulations, but we have decided to provide as much data as we can. This helps us focus our efforts to define metrics, set targets and gather the data we need to progress towards meeting what we see as our obligation to cut our emissions. The Board recognises the importance of understanding the short-term, medium-term and long-term impacts of climate change on the group. Given the nature of the Society's healthcare product, we consider the impact of climate change on our business to be low in the short to medium term. But we accept that risks associated with the transition to a low-carbon economy might have an impact on us, especially how our investments perform.

How we understand climate risk

While we consider the short-term risks to the Society from climate change to be low, the GARC recognises the importance of identifying and managing the financial risks associated with climate change.

Our risks fall into two categories:

- Physical risks associated with higher and more variable temperatures and extreme weather events (like heatwaves, floods, wildfires and storms) and longer-term climate shifts (like changes in rainfall, more volatile weather and rising sea levels and mean temperatures). Examples of physical risks materialising include:
  - More extreme temperatures or pollution levels leading to increased claims
  - More frequent, severe or volatile extreme weather causing more business disruption and losses and potentially making property insurance unavailable or more costly
  - More regular and severe flooding causing damage to assets we own, like the Hospital, or other properties we hold as investments

We do not anticipate that physical risks will have a material impact on demand for care or membership numbers in the short term, but continuing to analyse healthcare data and our market will help spot trends which might affect us.

- Transition risks associated with adjusting to a low-carbon economy. The UK government has set a target to achieve net zero greenhouse gas emissions by 2050. Examples of transition risks materialising include changes in:
  - Government policy on net zero compliance affecting the economy
  - Capital investment required in new and alternative technology
  - Shifts of consumer and investor sentiment to less carbon-intensive products or investments

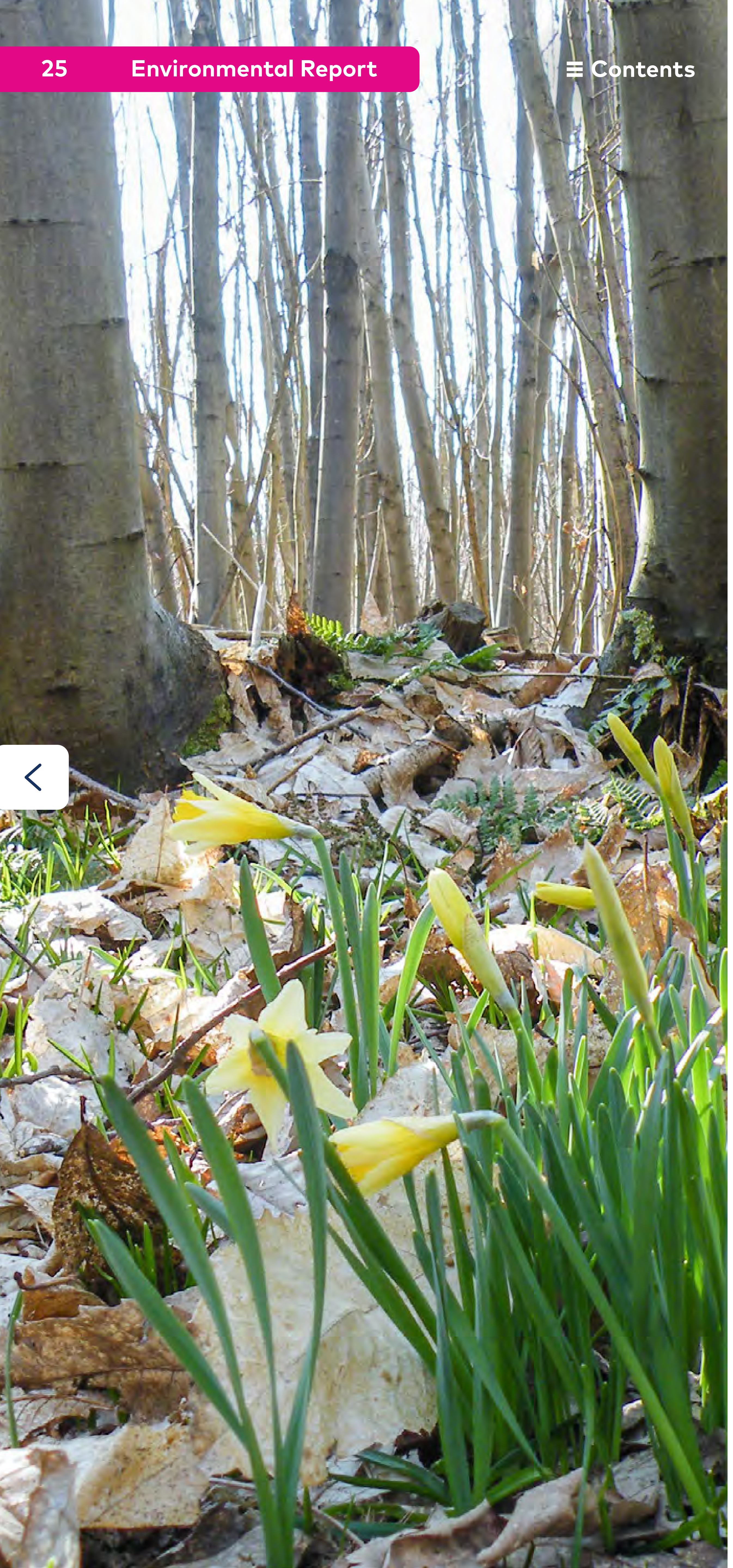
How we manage climate risk

We have established a culture where everyone is conscious of risk and their role in controlling it, which reduces the chances of us overlooking risks.

For details of the risk management framework, see the Risk Management Report (page 38).

This table shows how we understand and manage risk as it develops:

Climate change risk	Actions taken
The risk that the changing climate and increasing extreme weather events might have a financial impact on our business.	Instead of identifying climate change as a separate key risk, we regularly review our risk universe to identify any more actions we need to take because of climate change. This involves considering physical risks to our premises and how members' claim behaviour might change. We also monitor changes in government policy, stakeholder expectations and the development of new technologies as we transition to a net zero economy. We are working with an external expert to better understand our operational impact on the environment and create a plan for achieving net zero operational emissions no later than 2050. All our investment managers have ESG-aligned strategies designed to promote responsible investing and influence corporate greenhouse gas emitters' action on climate change. We updated our Investment and Treasury Policy in 2023 to reflect ESG considerations in our investment decision-making. We have business continuity plans to prepare us for extreme weather events. We have also enhanced our supplier onboarding and management processes to understand how they are responding to climate change and mitigating the risks. We have insurance against loss of, or damage to, our properties from extreme weather events, as well as business interruption insurance.



Operational emissions

In 2023, we have enhanced our understanding of our operational emissions from employee commuting and home working. This has allowed us to report on these emissions for the first time. Further progress is needed to obtain the necessary emissions data from within our supply chain so these emissions are not included within our Scope 3 reporting.

The main metric we use is our carbon footprint, measured in tCO2e (tonnes of carbon dioxide equivalent). These figures cover emissions from 1 January to 31 December 2023. As our SECR disclosure is voluntary, the metrics do not include direct emissions from Benenden Hospital. Benenden Hospital is also aiming to achieve net zero and is putting measures in place.

We recognise that 2021 and 2020 were unusual years due to changes in behaviour during the COVID-19 pandemic, so we have not shown them. But we do show 2019 emissions for context.

The increase in Scope 1 and 2 emissions in 2023 is a result of increased gas and electricity usage in the year, which reflects the Society's revenue growth. Scope 3 emissions increased as the number of Society employees increased.

Operational emissions – Society only	2023 Tonnes CO2e	2022 Tonnes CO2e restated*	2019 Tonnes CO2e
Scope 1 Combustion of gas	3.82	3.22	4.50
Scope 2 Purchased electricity, heat, steam and cooling (location-based)	69.09	63.24	86.20
Scope 3 Emissions from business travel in rental cars or employees' own vehicles	22.72	18.40	23.06
Scope 3 Other emissions from business travel	26.60	23.24	49.91
Scope 3 Emissions from employees' commuting and home working**	333.65	303.64	Not available
Gross total	**455.88**	**411.74**	**163.67**
Intensity ratio – revenues (per £million)	3.51	3.44	1.64
Intensity ratio – people (per employee)	1.18	1.20	0.59

*2022 FY restated to include the estimated commuting and home working emissions.

**Home working emissions relate to estimated energy usage of employees while working from home.

Scope 1 are direct emissions that are owned or controlled by the Society, whereas Scope 2 and 3 indirect emissions are a consequence of the Society's activities, but come from sources not owned or controlled by it.

Methodology

In line with last year, we have followed the Greenhouse Gas (GHG) Protocol for measuring our carbon emissions.

We buy most of our gas and electricity directly and have used kWh figures from our providers.

We extracted kWh details from the invoice amounts using gas and electricity readings. We calculated carbon emissions based on the government's conversion factors.

We extracted business travel data from our finance, expenses and travel booking systems. We used government conversion factors for company reporting of greenhouse gas emissions to convert distance into carbon emissions. In calculating vehicle emissions, we have used average car estimates.

We extracted commuting and home working data from a 2023 employee survey. We used government conversion factors for company reporting of greenhouse gas emissions to convert distance into carbon emissions. In calculating vehicle emissions, we have used average car estimates. We also used government conversion factors for company reporting of greenhouse gas emissions to convert employee working hours into carbon emissions.

Climate metrics associated with the assets in our investment portfolio

We recognise that climate change is a risk that could affect the financial returns of our investments if not properly measured and managed. Also, we recognise that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address climate change.

We have assessed climate-related risks and opportunities based on information that is currently available, both in terms of data from the companies and investment managers in which we invest. This data is subject to change as climate change reporting improves.

Climate change is one risk among many that we measure, monitor and manage. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way. We will therefore continue to invest in companies where there is a sufficiently attractive investment case and the asset manager believes there is an opportunity to engage and influence change in the behaviour and actions of a company.

We have sourced the climate metrics set out on page 28 directly from our investment managers. The aim of reporting this information across several different metrics is to give a slightly different insight into the makeup of our portfolios from a climate change perspective. In this way, we can identify the areas of our investment strategy that present the greatest risks and opportunities and engage with our investment managers to make sure they manage these risks appropriately.

Overview of metrics

Emissions of the seven greenhouse gases have different impacts on climate change. To simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO_2e). In this way, we can compare companies that emit different amounts of different gases on a consistent basis. The data presented on page 25 is all on a Scope 1+2 basis, and as the robustness and availability of Scope 3 data improves, we will extend our reporting to include it. Data in less traditional asset classes, e.g. real estate and sovereign debt, is both less available and less reliable and will be reported on once consistent methodologies and reporting are available.

Listed assets (equities and corporate bonds)

Emissions metrics	Overview	Description
Absolute GHG emissions	Total greenhouse gas (GHG) emissions: tonnes of CO_2 and equivalents (tCO_2e)	Calculates an investor's share of the total emissions for each company/holding. It seeks to answer what real-world emissions the investor is responsible for.
Carbon footprint	tCO_2e/$million invested	The amount of carbon dioxide and equivalents (tCO_2e) emitted per million dollars of our investments. Seeks to show how intensive the various elements of the investment strategy are.
Weighted average carbon intensity (WACI)	tCO_2e/$million revenue	Average exposure (weighted by portfolio allocation) to GHG emissions normalised by revenue. It seeks to answer how carbon-intensive the companies held in the portfolio are.
Implied temperature rise	Expressed as °C	Prediction of temperature rise scenarios over the rest of the century, given a company's emissions, commitments and momentum. This can be compared to the aims of the Paris Agreement, which targets 1.5°C to provide an indication of alignment versus this goal.

Asset class	Investment strategy	Assets as at 31/12/2023 (£m)	(% of total analysed investment portfolio)	WACI (tCo2e/$m revenue)	Carbon footprint (tCo2e/$m invested)	Total GHG emissions (tCo2e)	Implied temperature rise (°C)
Publicly traded corporate bonds	**Mercer short duration bond fund – corporate bonds portion**	8.3	12.9%	38.5	13.0	132.0	1.9
	Janus Henderson – multi-asset credit – public credit portion	30.8	48.0%	37.0	48.7	1,419.9	2.0
	Mercer absolute return fixed income – corporate bonds portion	6.5	10.1%	81.5	47.3	191.9	2.3
	Total publicly traded corporate bonds	**45.6**	**71.0%**	**43.6**	**42.0**	**1,743.8**	**2.0**
Diversified growth fund – equity portion	**Ruffer – listed equity portion**	7.7	12.0%	142.7	82.7	1,789.3	3.6
	RLAM global equity select	10.9	17.0%	45.7	26.8	291.7	2.2
	Total analysed listed assets (listed equity and corporate bonds)	**64.2**	**100.0%**	**55.9**	**44.3**	**3,824.8**	**2.2**
For comparison, we have included the results for the 2022 total analysed listed assets		**43.3**	**100.0%**	**121.0**	**86.1**	**3,903.5**	**2.7**

Source: Investment Managers Disclosure, data as at 31 December 2023. Where metrics were provided on different currency bases, these have been converted into USD terms as at 31/12/2023.

Figures subject to rounding.

Where absolute emissions metrics have been provided on a total pooled fund basis, these have been scaled down to reflect the size of Benenden Health's investment.

Aggregate implied temperature rise metrics have been calculated as a weighted average.

In order to contextualise the above results, we provide a broad equity market comparator below:

Benchmark	WACI (tCO2e/$m invested)	Carbon footprint (tCO2e/$m invested)	Total GHG emissions (tCO2e)	Implied temperature rise (°C)
MSCI ACWI	128.9	54.2	-	2.4

Source: MSCI ESG 2023, reproduced by permission. Figures subject to rounding.

2023 Financial Review

2023 Financial Review

	2023	2022
Number of members	**882,650**	847,409
Total income (excluding the gains/losses on realisation of investments)	**Up 9%**	Up 5%
Proportion of income spent on members*	**88%**	74%
Operational (deficit)/surplus**	**£(12.1)m**	£8.4m
(Decrease)/increase in members' funds	**£(8.6)m**	£9.3m
Members' funds	**£179.3m**	£187.9m

*An alternative performance measure showing the underlying cost of members' benefits as a proportion of the income the Society receives through member contributions.

**An alternative performance measure which the Board believes gives a clear view of the group's underlying performance. As shown in the table on the next page, it represents net income excluding the impacts of revaluations of the group's property and investment portfolios.

- **We have seen membership growth –** the continued investment in brand awareness, coinciding with record NHS waiting lists, has seen our membership increase in the year by 35,241 to 882,650. Despite the ongoing squeeze on household budgets, new and existing members continue to recognise the value in our product. Our corporate sales have also gone from strength to strength, with record growth of 25%
- **We have provided record help to our members –** we have spent 88% of Society contribution income on members (2022: 74%). More members have turned to Benenden Health due to record NHS waiting lists during 2023. We helped our members 173,079 times in 2023, an increase of 26% on 2022
- **We have incurred an operational deficit of £12.1m for 2023 (2022: surplus of £8.4m) and reduced members' funds by £8.6m (2022: increased by £9.3m) to £179.3m –** this deficit is a result of increased spending on members' benefits, as we helped more members and the cost of treatment also rose during a period of high inflation. The contribution rate increase in April 2023, the first for two years, has not been enough to cover the cost of high demand for care in 2023. This new level of demand for services and ongoing inflationary pressures mean that the contribution rate has had to increase to £15.50 per person per month from April 2024 to continue to keep the Society financially secure

Operating result and impact on members' funds

The operating result is an alternative performance measure designed to give a clear view of the group's underlying performance. It represents net income excluding the impacts of revaluations of the group's property and investment portfolios.

	2023 £m	2022 £m
(Deficit)/excess of income over expenditure after tax	**(11.3)**	**6.6**
Adjustments to remove:		
Less gains/add losses on investments	(0.7)	0.9
Less change in investment property valuations	(0.1)	(0.2)
Add change in operational property valuations	0.0	1.1
Operational (deficit)/surplus for the year	**(12.1)**	**8.4**
Change in investment fund – realised and unrealised gains/(losses)	3.3	(11.2)
Net loss on property revaluations	(0.1)	(0.5)
Actuarial gain on pension scheme	0.3	12.6
(Decrease)/increase in members' funds	**(8.6)**	**9.3**

Members' funds decreased by £8.6m primarily due to the operational deficit of £12.1m. This is partially offset by a positive performance from our investment fund, which generated net gains of £3.3m compared to a loss of £11.2m in 2022. Offsetting movements on the pension scheme asset and liability values resulted in a small actuarial gain on the pension scheme.

The operational deficit for the year of £12.1m compares to a surplus of £8.4m reported in 2022 – a difference of £20.5m – and is down to the higher-than-anticipated demand we experienced in 2023, which in turn was down to longer NHS waiting lists.

Summary income statement	2023 £m	2022 £m
Income		
Contributions	**129.7**	119.6
Gains/(losses) on the realisation of investments	**0.7**	(0.9)
Gains on investment property valuations	**0.1**	0.2
Third-party income from hospital activities	**19.0**	16.7
Other income*	**3.6**	2.9
Total income	**153.1**	**138.5**
Expenditure		
Members' benefits	**(129.0)**	(96.9)
Management expenses	**(32.7)**	(31.4)
Other expenses**	**(2.7)**	(3.6)
Total expenditure	**(164.4)**	**(131.9)**
(Deficit)/excess of income over expenditure after tax	**(11.3)**	**6.6**

*Includes investment income, commissions receivable and other income.

**Includes non-recurring costs, impairment charges, depreciation, investment expenses, interest and similar costs.

Income

We have achieved a net increase of 35,241 members in 2023, bringing the total to 882,650 (2022: 847,409).

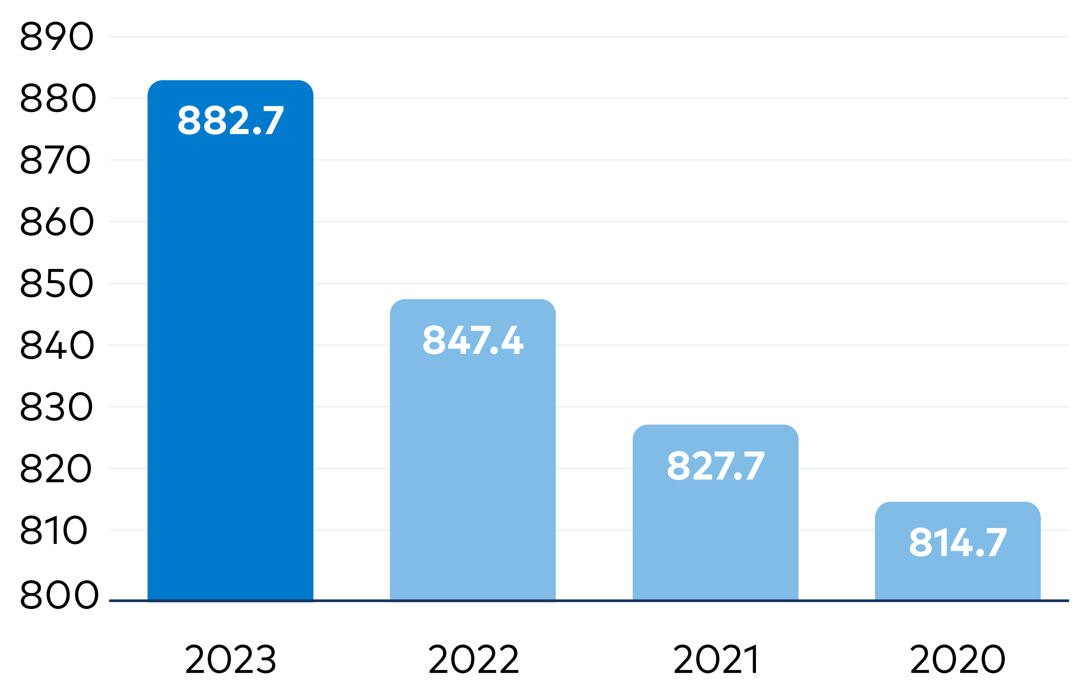
To maintain momentum in our membership growth, we continued to raise our brand awareness by investing in TV and radio advertising and our Channel 4 partnership. Our corporate sales channels saw record growth in 2023.

This is despite ongoing cost-of-living concerns and increased competition from new healthcare providers and new products in the market.

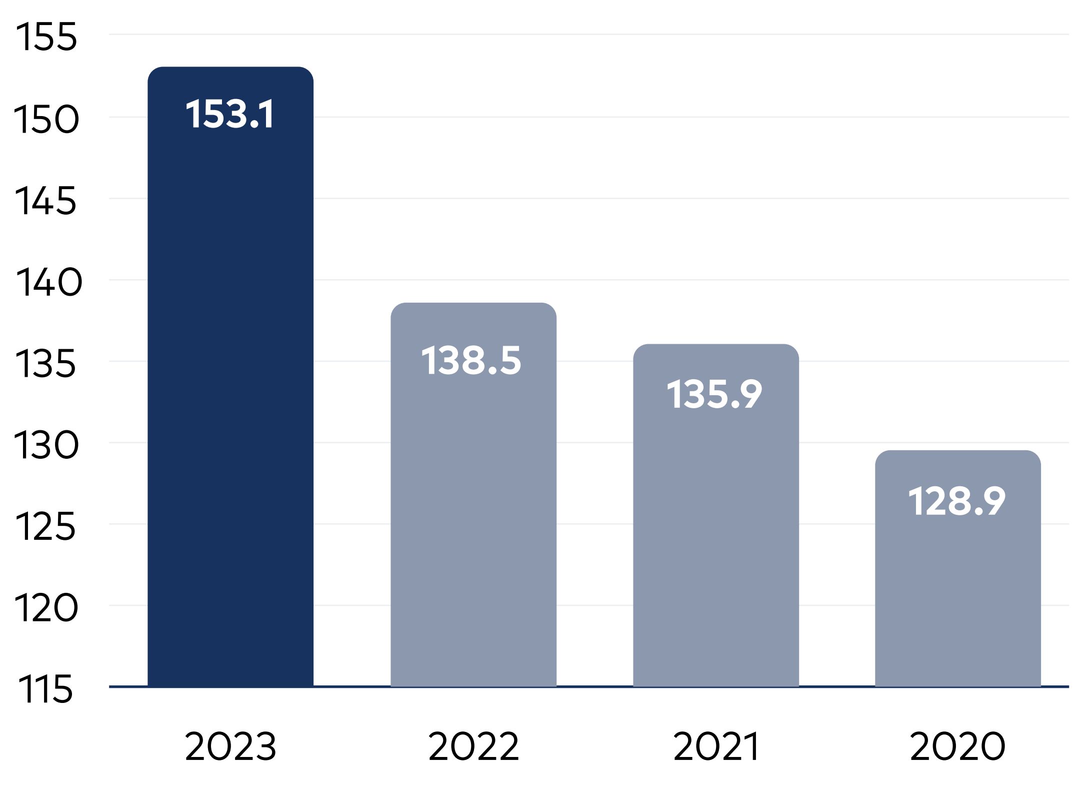
Our membership has increased by nearly 68,000 in the past three years.

We increased the monthly members' contribution rate in April 2023 for the first time in two years, from £11.90 to £12.80. Group income has increased by £14.6m to £153.1m (2022: £138.5m) due to the contribution rate increase, our growing membership and increasing Benenden Hospital income, as more people choose to fund their own treatments instead of waiting for NHS treatment.

Society membership numbers ('000s)



Income (£m)



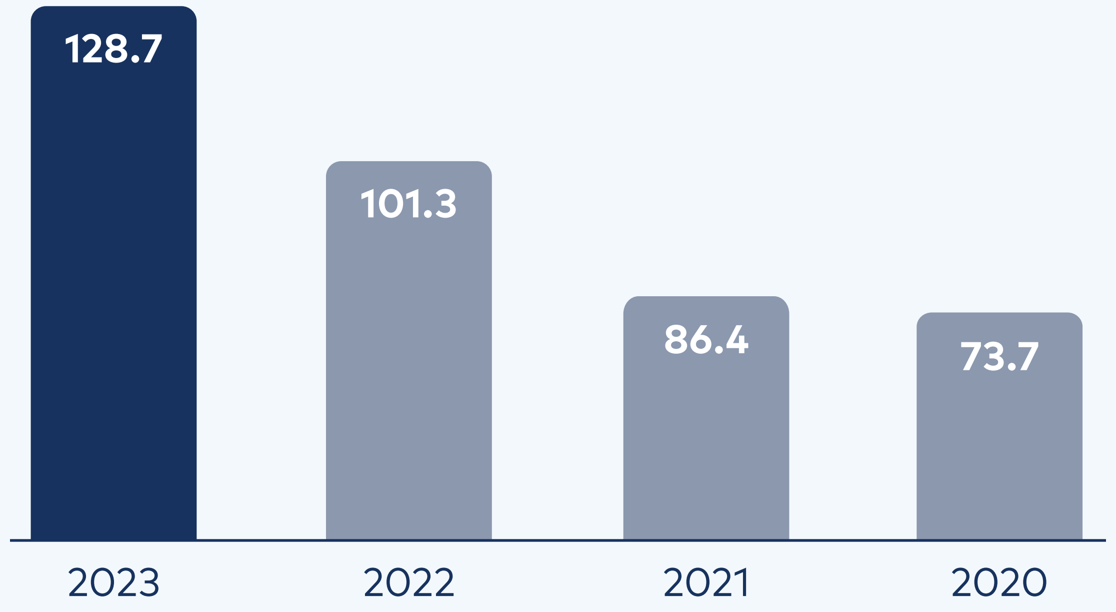
Expenditure

Member benefit costs

An increase in membership and a rise in demand for services, due in part to NHS waiting times, have led to significantly higher member benefit costs in 2023.

Underlying member benefit spend (the reported member benefit cost adjusted for movements in provisions due to changes in estimates) gives a realistic view of how members' benefits have changed in the last few years.

Underlying member benefit spend (£m)



Reconciliation between reported members' benefits and the underlying cost	2023 £m	2022 £m	2021 £m	2020 £m
Reported in the income statement (page 85)	129.0	96.9	85.4	77.2
Adjustments to prior year estimates	(0.3)	4.4	1.0	(3.5)
Underlying member benefit spend	**128.7**	**101.3**	**86.4**	**73.7**

The underlying member benefit costs in 2023 of £128.7m were far higher than the previous year (2022 restated: £101.3m). As membership has grown and the pressure on the NHS has increased, we have provided services to more members. The increase in the limit on diagnostic claims from £1,800 to £2,500 also sheltered members from rising medical costs.

Despite having long contracts in place with some of our key suppliers, we were not immune to inflationary pressures in 2023. We expect inflationary pressure to continue in 2024 as wage inflation (including supplier, anaesthetist and consultant pay awards to maintain service) flows through to the supply chain.

Expenses of management

Expenses of management (the cost of running our business) have increased by £1.3m in 2023 to £32.7m (2022: £31.4m). This is largely due to wage inflation through our salary benchmarking exercise to make sure we retain our frontline staff members, together with an increase in staff numbers. Investment in our core systems to deliver longer-term productivity gains has also increased our costs.

We continued to invest in the Benenden Health brand in 2023, but at a lower level than in 2022.

Financial position

Summary statement of financial position	2023 £m	2022 £m
Assets		
Intangible assets	**3.4**	3.6
Tangible assets	**44.6**	46.5
Investments	**159.3**	158.2
Cash and cash equivalents	**18.5**	18.2
Debtors and other assets	**9.7**	10.7
Total assets	**235.5**	237.2
Capital and reserves		
Members' funds	**179.3**	187.9
Liabilities		
Provision for outstanding members' benefits	**28.0**	20.1
Defined Benefit Pension scheme liability	**12.0**	14.0
Other liabilities	**16.2**	15.2
Total liabilities and members' funds	**235.5**	237.2

The group's financial position remains strong, though our operational deficit means members' funds have reduced by £8.6m.

There has also been a slight reduction in total assets. Investment performance has been positive, and the cash and liquidity position remains strong.

The Society continued to diversify its investment portfolio in 2023 by investing in a new global equity fund (managed by Royal London Asset Management) and towards the end of the year invested in Mercer's Absolute Return Fixed Income Fund, with further new investments made in 2024. To fund the investments, the Society has sold a portion of its index-linked gilts to match the reduced pension deficit liability, as well as reducing its exposure to short-dated bonds and cash.

The provision for outstanding members' benefits has increased, reflecting the increase in claims and the costs of servicing them.

The Defined Benefit Pension scheme has seen a fall in the scheme liability of £2.0m and now stands at £12.0m. This has reduced significantly in recent years, having stood at £44.2m in 2020.

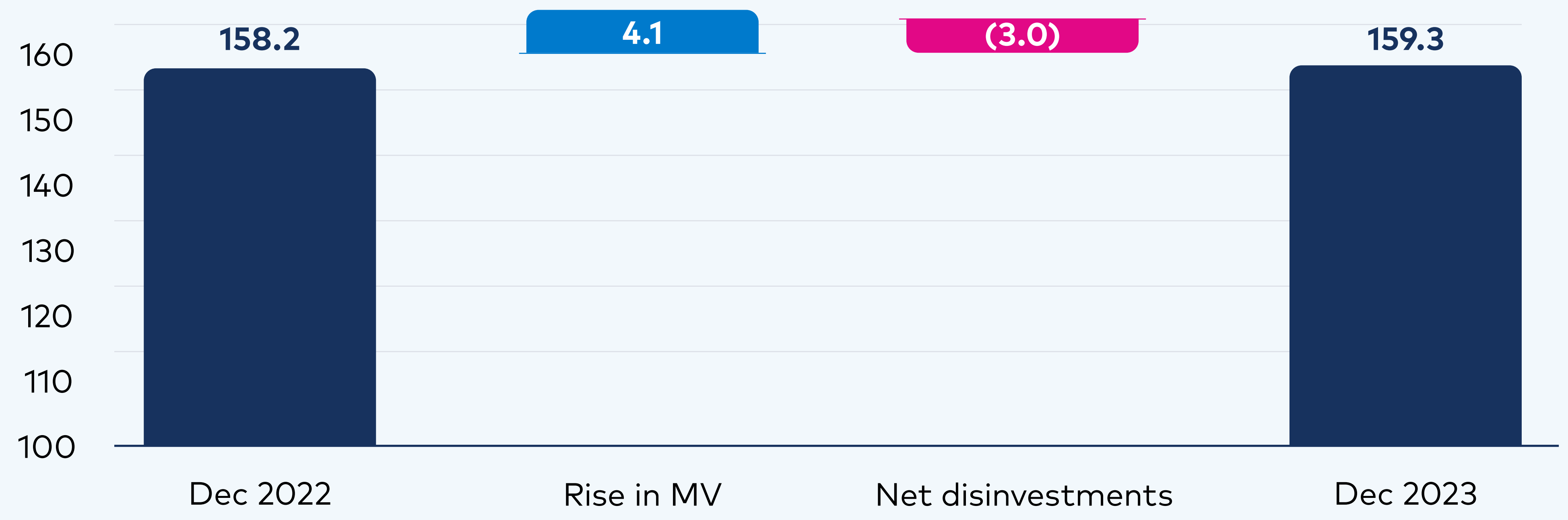
Investments

The market value of our investments recovered in 2023 after falling in 2022.

Less financial market volatility helped the market value (MV) of our investments, including investment properties, increase by £4.1m (2022: decrease of £10.6m). This was offset by £3.0m of investments being realised, with the proceeds transferred to cash.

The asset managers' ability to capitalise on the changing interest rate environment and the initial soft landing of the Western economies were the main drivers of the positive performance of the portfolio. The year saw credit spreads tighten (i.e. corporate bonds performed well), and a strong rally in equities and bonds in the last two months of the calendar year helped boost returns as inflation fell and markets anticipated future cuts in interest rates by central banks.

Movement in investments 2023 (value £m)



The increase in the market value of our investments was down to:

- The performance of the Janus Henderson fund, where the value of our investment increased by £5.2m (12%) in the year. The asset manager successfully navigated the rising interest rate environment over the year, also capitalising on the growing belief that interest rates had peaked by the end of the year. The fund's investments in the technological and healthcare sectors were notable contributors, as was the positive impact of holding floating rate debt, which produced higher returns following interest rate rises. The United States holdings (c.26% of the portfolio throughout the year) were also strong performers. The aim of the fund is to generate a total return in excess of the Bank of England benchmark interest rate over a three-to-five-year investment horizon, and it is made up of secured loans, high-yield investments, asset-backed securities and cash
- In July, we invested £10.0m in a global equity fund managed by Royal London Asset Management (RLAM). This investment had gained £0.9m in value by the end of the year. Since its inception in July, RLAM benefited from the deceleration of inflation and increased expectations of an economic soft landing. With a relatively concentrated portfolio, RLAM outperformed the markets in great part due to their US pharmaceutical company holding Eli Lilly and Lithia Motors, the US online and physical auto dealership
- There were also small gains in the bond and index-linked gilt portfolios
- The Ruffer fund decreased in value by £3.4m (7%) in the year. Ruffer's negative performance over the year is mainly explained by the manager's negative outlook for the global economy throughout the period, driven by a combination of continued inflationary pressures and emerging recessionary fears that failed to materialise. This translated into losses on the manager's credit protection strategies, equity derivatives and Japanese Yen exposure. This contrasts with earlier periods, where this fund outperformed market benchmarks and generated gains. The goal of the fund is to retain capital value in any rolling 12-month period and to generate returns which are meaningfully ahead of the return on cash
- Management performed an in-house investment property valuation at 31 December 2023. This resulted in a small increase in the value of our portfolio

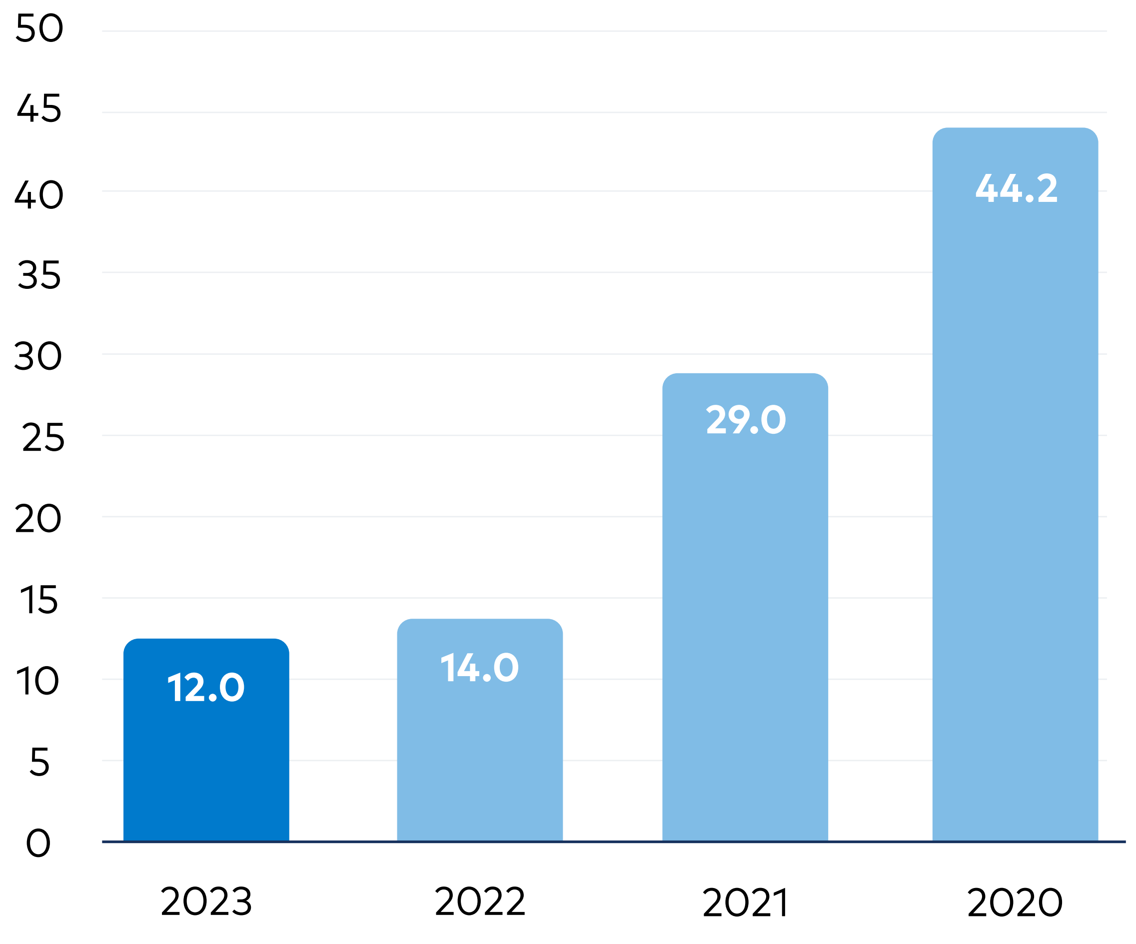
Mercer Investments continue to act as our investment advisors, and during the year we took further steps to diversify our investment portfolio. This included a £10.0m investment in a global equities fund in July and an £11.9m investment in an absolute return fixed income fund in December. Both investments were funded by realising existing investments.

Defined Benefit Pension deficit

A decrease in long-term inflation expectations and life expectancies, together with a return on assets above the projected interest income, offset by a fall in corporate bond yields over the year, led to an overall actuarial gain of £0.3m.

This, combined with payments made to the scheme, reduced the deficit by £2.0m to £12.0m (2022: £14.0m) and improved the scheme's funding level, which measures assets available to meet future pensions liabilities, to 86% (2022: 84%). The group continues to make annual contributions to reduce the deficit in line with the plan agreed with the scheme trustees.

Defined Benefit Pension deficit (£m)



Provision for outstanding members' benefits

The provision for members' benefits, which reflects the estimated outstanding cost for members' benefits approved or pending approval, but not yet fully paid, has increased by £7.9m to £28.0m (2022: £20.1m), due to both an increase in the number of cases and the cost of servicing them. This includes allowances to capture estimated increases in costs due to inflation.

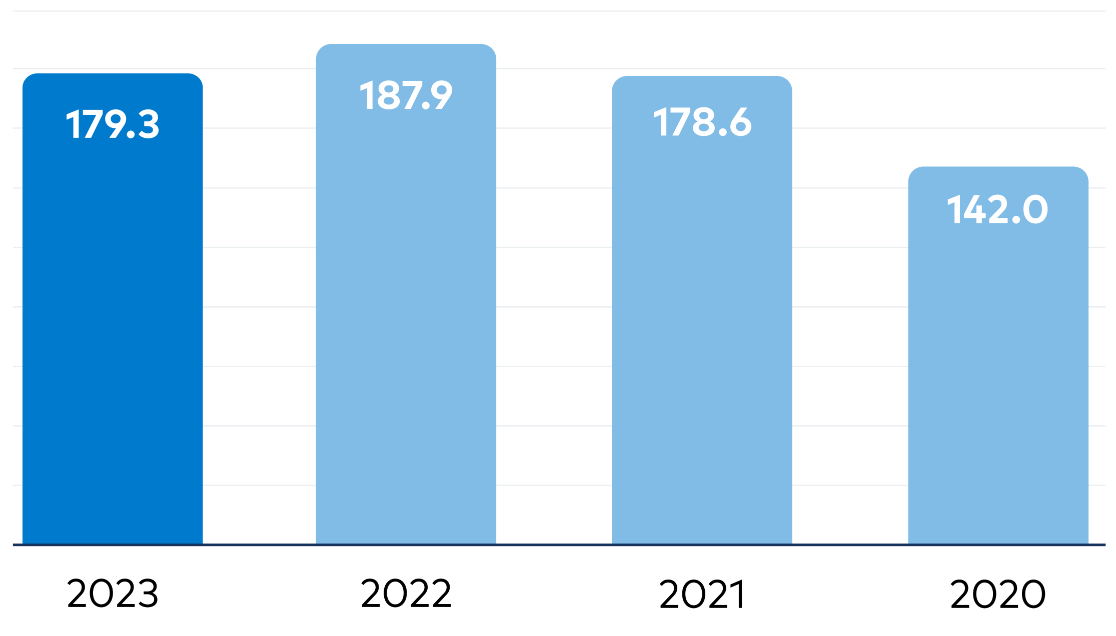
We hold enough cash and liquid assets to service increased demand.

Total members' funds and solvency coverage

The decrease in members' funds in the year meant that they ended 2023 at £179.3m (2022: £187.9m). Despite the reduction, this position is still sufficient to withstand the continued impact of higher member benefit costs and allows the group to continue to invest in providing a better, more modern service to more of those who need it.

To make sure the Society and our regulated subsidiary Benenden Wellbeing Limited maintain enough capital to be able to carry on providing services, we monitor capital continually. Although laws and regulations do not demand it, we judge how much capital we need using the Solvency II regulations for insurance companies, designed to make sure that organisations can survive a once-in-200-year risk event. The Group Audit and Risk Committee reviews results quarterly. Holding enough capital and monitoring it regularly are especially important in periods of economic instability or investment market volatility, which can cause meaningful swings in the capital that organisations hold or need.

Group membership funds (£m)



The solvency capital requirement (SCR) increased in the year to £76.7m (2022: £73.4m). This is largely because market risk and health risk have increased, offset by a reduction in operational risk. The increase in market risk is driven by an increase in the market value of our investments, and the increase in health risk reflects our higher claims cost experience. The decrease in operational risk is due to updates following a methodology review conducted during the year.

The fall in members' funds and the increase in the SCR mean that, at the end of 2023, the capital coverage for the Society, the ratio of members' funds to the SCR, decreased to 213% (2022: 235%). However, we remain in a strong position to absorb adverse market conditions or other major capital shocks.

Benenden Wellbeing Limited is subject to FCA-regulated minimum capital requirements, which we met throughout 2023.

Cash flow

The group's cash position has increased by £0.3m to £18.5m (2022: £18.2m). While there has been a net cash outflow from operating and investing activities, this has been offset by funds transferred from investments.

Cash flow category	2023 £m	2022 £m
Net cash flows from operating activities	(1.3)	(0.9)
Net cash flows from investing activities	(1.0)	(2.2)
Funds transferred from/(to) investment fund	2.6	(15.0)
Net movement in cash and equivalents	**0.3**	**(18.1)**
Closing cash and cash equivalents	18.5	18.2

The net cash outflow from operating activities is due to payments to our member benefit suppliers being higher than member contribution receipts. Also, payments towards the pension deficit have led to a further cash outflow from operating activities. The transfer from investment funds relates to funds being moved from a bank term deposit account with a maturity of 95 days (previously classified within investments) to an account with a maturity of 32 days (classified as cash).

Risk Management Report

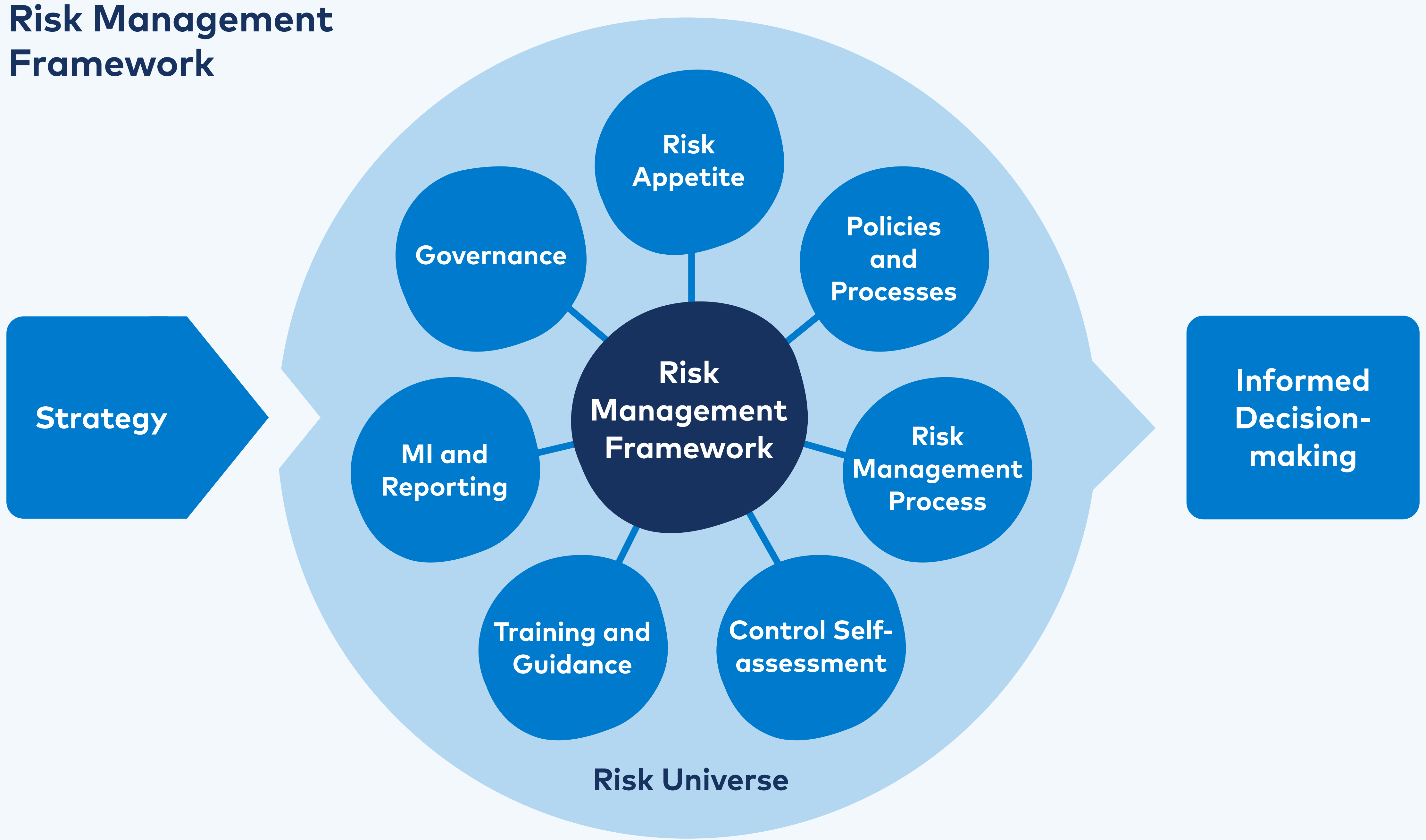
This report shows the Society's approach to risk management, what we have done to improve our control environment and protect members' funds and the key risks the group is exposed to.

Political and economic volatility continued into 2023, affecting several of the Society's key risks. Having an effective risk management framework helps us identify new and emerging risks and manage them appropriately. It plays an important role in making sure we can deliver our strategy, make better business decisions and protect members' funds.

Our approach to risk management

The Society has established a culture where everyone is conscious of risk and their role in controlling it. This, in turn, reduces the chances of us overlooking risks.

Risk Management Framework



Our risk management framework has seven key elements that together create robust mechanisms to make sure we identify, assess and monitor all risks. This helps us understand what could go wrong and the impact it would have on our strategy and members. It also allows us to identify adverse trends and monitor the effectiveness of our controls so that we can continuously improve. The key elements are summarised on pages 40 to 42.

The Board is ultimately responsible for setting the risk appetite and making sure we mitigate risks to the group's business model and strategy as far as possible. It delegates the oversight of risk management to the Group Audit and Risk Committee (GARC), who oversee the risk management framework and monitor its effectiveness, as well as the overall control environment.

While the Board generally takes a prudent approach to risk management, it recognises that things do go wrong from time to time and accepts that we need to take some risks to grow. The risk management framework is designed to give a clear view of our risks and make sure we are not exposed to them unnecessarily. This means that if risk becomes reality, we reduce the impact.

We have incorporated the impact of climate change and the move to a greener economy into the risk framework. We are also measuring the environmental impact of our business so that we can set targets for reducing carbon emissions. For more details, see the Environmental Report (page 22).

All staff are responsible for managing risks so that we can carry on improving our controls and giving our members a great service. Effective risk management makes for informed decision-making and helps us deliver on our business objectives.

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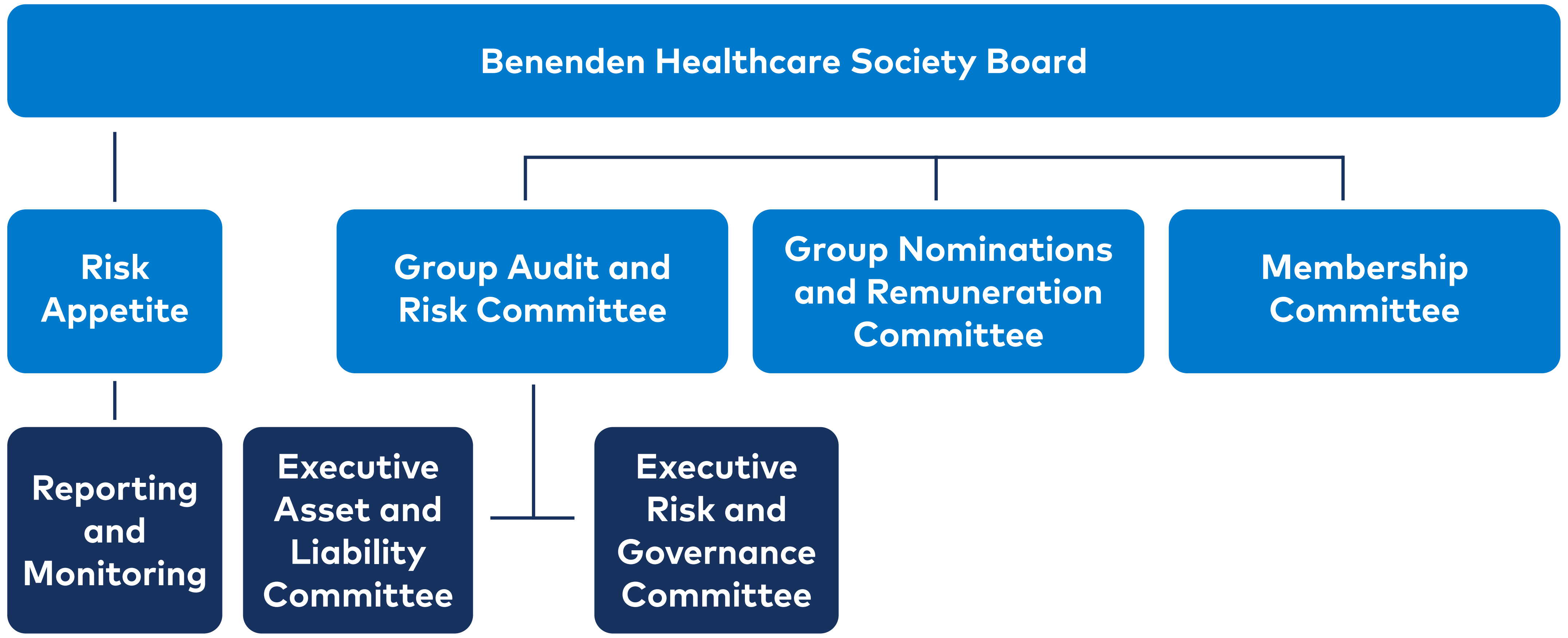
Risk governance

Our governance arrangements are as follows:



The **Board** is ultimately responsible for managing risk (including risks associated with climate change) and approving the risk appetite statements, but delegates much of the oversight to the GARC.

The **GARC** is responsible for advising the Board on risk management strategy and current and potential risk exposure and for defining the risk appetite. The GARC operates within terms of reference that are reviewed annually and include overseeing:

- Compliance with the group risk management policy
- Effectiveness of risk management of all group entities
- The group's risk profile, including financial risks from climate change
- Capital management strategy: making sure the Society maintains a healthy capital position
- Management of Society assets and liabilities: protecting members' funds for the long-term benefit of members

The Committee does this by reviewing risk reports to assess how we manage and respond to existing and emerging risks, and how effective the control environment is and by tracking performance against the agreed risk appetite statements.

These non-executive directors were members of the GARC during the year:

- Ian Blanchard (Chair)
- Belinda Moore
- David Fletcher (resigned June 2023)
- Brian Eaton (resigned June 2023)
- Jo Andrews (resigned June 2023)
- Sameer Rahman (resigned June 2023)
- Damien Marmion (from July 2023)
- Lee Howell (from July 2023)
- Anthony Lock (from July 2023)
- Dean Waddingham (from July 2023)

Members of the Executive also attend the GARC's meetings, including the CEO, CFO, CRO and Benenden Hospital Director.

For details of members' backgrounds, see pages 46 to 50.

The GARC met five times in 2023. Key activities included:

- Monitoring the effectiveness of the 'three lines of defence' model in risk management
- Reviewing and recommending the Society's risk appetite statement to the Board
- Overseeing and approving the 2022 Annual Report and Accounts
- Overseeing the implementation of, and compliance with, the Consumer Duty regulations
- Developing the capital management strategy and investment strategy allocation
- Developing options to manage demand for our services

All meetings were attended (as appropriate) by GARC members and relevant executive directors.

The **Executive Risk and Governance Committee (ERGC)** is responsible for overseeing day-to-day risk management, including, among other things, reviewing the effectiveness of the group's risk management framework and system of internal controls. It has authority to direct the business in relation to mitigating actions and to approve or endorse risk acceptance within defined levels.

The **Executive Asset and Liability Committee (EALC)** is responsible for overseeing the day-to-day investment and property portfolio strategy, including buying and selling investments in line with the delegated authority limits. It also makes recommendations to the GARC and the Board for decisions falling outside the delegated authority limits. It reports to the GARC.

Risk appetite

The Board's risk appetite is a series of statements setting out the amount of risk that the Board is prepared to accept to deliver our strategy. We have designed them to:

- Reflect the Board's focus on maintaining the long-term sustainability of the Society and deliver value for members
- Articulate the amount of risk we are willing to take to deliver our strategic objectives
- Discharge our corporate governance responsibilities
- Articulate how we strike a balance between taking risks and exercising control

The risk appetite includes quantitative and qualitative statements covering:

- Operational and technology
- Legal and regulatory
- Financial and markets
- Strategic and stakeholders

The Board reviewed, updated and approved the risk appetite statements, making no material changes.

The statements include operating parameters within which we manage risk. We have developed forward- and backward-looking key risk indicators to monitor our risk profile and drive risk-based decisions. Where we identify a risk as falling outside the risk appetite, the GARC oversees and monitors risk treatment strategies.

Risk management process

Robust risk management processes are essential to the effectiveness of any risk management framework. Our risk management processes facilitate a continuous assessment of the Society's risk profile to make sure we understand what could go wrong and how effective our controls are so we can take proactive action to mitigate risks where we need to. We use a risk software system to capture the outputs and actions from the risk management process.

Risk universe

We have created a risk universe to capture all the different types of risks that the Society is exposed to. They fall into these categories:

- **Operational and technology**
- **Legal and regulatory**
- **Financial and markets**
- **Strategic and stakeholders**

There are sub-categories for each high-level risk category to make sure we can identify all material financial, non-financial and conduct-related risks that the Society could be exposed to.

Three lines of defence

The 'three lines of defence' model is an integral part of our risk management framework.

First line: functions that own and manage risks

The Board delegates day-to-day risk management to the CEO and business managers through a system of delegated authorities and limits. Business managers and frontline staff are responsible for identifying events that either have happened or might happen. They are responsible for making sure we have the right controls to manage risks and that the controls are effective.

Second line: functions that oversee risks

The CRO oversees risk, supported by the Group Risk Management function. They are responsible for developing an appropriate risk management framework, monitoring risk control improvement plans and reporting on the risk environment to the ERGC and the GARC.

Third line: functions that give independent assurance

We outsource internal audit to an independent professional services firm, who verify the adequacy and effectiveness of our internal risk and control management systems. The GARC supervises and challenges the internal auditors.

Risk control self-assessment

We operate control self-assessment to test the effectiveness of our controls. The first line is responsible for completing the assessments and taking actions where necessary. This fosters a culture of continuous process improvement and helps each area of the business properly define their risks and understand the control environment. The second line is responsible for defining the risk control self-assessment process and overseeing first line outputs and reporting.

Management information and reporting

We extract data from the risk management system around managed/active risks, risk events and the effectiveness of our controls. The risk team, overseen by the CRO, analyse the data and report their findings to the ERGC and the GARC. Any material issues are also reported to the Board by either the Chair of the GARC or the CRO.

Climate change

The Board recognises that climate change is important to a range of stakeholders and that we have a responsibility to understand climate-related risks and their impact on the group. While longer-term changes to climate may affect morbidity and mortality rates, we consider the risks that the Society is exposed to as low because of the scope and nature of the Benenden Health product.

Physical climate-related risks, such as extreme weather events or longer-term shifts in climate, could disrupt services, whereas risks associated with transitioning to a low-carbon economy are more likely to result in policy, legal and technology changes. We have made identifying and managing climate-related risks part of our existing risk management framework to provide an appropriate level of oversight.

We are developing an environmental, social and governance (ESG) strategy, which will include targets for reducing carbon emissions, a key driver of climate change. Although we are not required to produce disclosures under the Task Force on Climate-related Financial Disclosures (TCFD) model, we have used the TCFD framework to describe our current position and what we are doing to manage climate-related risks. For more on this, see the Environmental Report (page 22).

Key risks and uncertainties

When we identify risks, we consider what might get in the way of the Society delivering its strategic objectives, which, for 2023, were to create a Mutual for Tomorrow by:

- Focusing on sustainable growth
- Putting our members at the heart of everything we do
- Developing a culture and workforce ready for our future business
- Developing a fit-for-purpose infrastructure
- Developing and making the most of the Hospital asset

This table summarises the group's key risks. Current economic volatility, driven by high inflation, rising interest rates and the threat of recession, is a common theme affecting many of our key risks. While our ability to support our members has not been adversely affected so far, we will continue to monitor the macroeconomic environment and our financial performance so that we can take more action to mitigate risks if we need to.

Key risks	Risk management and mitigation plans	Linked to strategic objective
Investment markets – pension deficit Risk that adverse market conditions increase the group's Defined Benefit Pension scheme deficit.	The pension deficit at the end of 2023 was £12.0m, and this has reduced by £2.0m during the year, mainly due to £2.3m deficit repair payments made by Benenden Hospital and the Society. The pension deficit is measured on the FRS 102 accounting basis. The Defined Benefit Pension scheme is chaired by an independent trustee. The trustees and employers review the scheme financials regularly, and interest rate hedging has been deployed to help avoid volatility.	**Sustainable growth**

Key risks	Risk management and mitigation plans	Linked to strategic objective
Investment markets – member funds Risk that adverse market conditions could lower the value of members' funds and leave the group with less capital.	2023 was less volatile than 2022, and we have continued to diversify our portfolio. We invested in a new global equity fund (managed by Royal London Asset Management) and towards the end of the year invested in Mercer's Absolute Return Fixed Income Fund, with further new investments planned for 2024. To fund the investments, we have sold a portion of our index-linked gilts to match the reduced pension deficit liability, as well as reducing our exposure to short-dated bonds and cash. With our investment advisors, Mercer, we regularly review investment performance and discuss performance with fund managers on a rolling basis.	**Sustainable growth**
Claims ratios Risk that the cost of claims is more than the contributions we get from members, and that we have less capital.	The pressures on the NHS have resulted in significantly higher levels of claims in 2023. This has been seen across the industry. Together with high levels of inflation resulting in increased costs, this has resulted in the Society posting a deficit for this period and using some of its reserves to fund the increased level of claims. We monitor claims closely and carry out stress testing to make sure we can meet them under the severest of scenarios. The level of reserves has increased over the last few years, which has meant that the Society can absorb the deficit and still have an adequate level of reserves. The contribution rate is also increasing by 21% in 2024 to meet the increased claims costs.	**Sustainable growth**

Key risks	Risk management and mitigation plans	Linked to strategic objective
Critical outsourcing failure Risk of losing member services and suffering reputational damage if a critical supplier either fails to deliver the agreed service to the right standard or goes out of business.	Suppliers' cost bases are under pressure due to borrowing costs and energy prices. Also, pressures on the NHS are leading to increased demand for some of the Society's services. Critical suppliers are subject to initial and ongoing due diligence to assess their financial position and understand their processes and controls. They are also subject to relationship management to monitor performance against the contract terms. Our partnership management teams work closely with suppliers to develop extra capacity where it's needed. Key partners also share strategy and market insights with the Society Executive on an annual basis.	**Members at the heart of everything**
Information technology Risk that the IT infrastructure cannot support our strategic objectives.	A five-year technology transformation will be completed in 2024 with the delivery of a new cloud-based policy and product administration system. We constantly review our IT infrastructure, system resources and capacity to make sure they match demand and support our business strategy.	**Fit-for-purpose infrastructure**
Cyber security Risk of a material incident resulting in financial loss, operational disruption and/or reputational damage.	The threat from targeted cyber attacks continued to be a serious risk throughout 2023, and we do not see this changing in the short term. We have a multi-layered cyber security strategy, which is continuously tested and audited by external partners. We also work with specialist external partners, who provide 24/7 monitoring and response services. And we continually invest in cutting-edge technology and recruit and train internal IT cyber specialists to help us stay ahead of increasingly sophisticated cyber threats.	**Fit-for-purpose infrastructure**

Key risks	Risk management and mitigation plans	Linked to strategic objective
Operational resilience Risk that we cannot deliver core business processes and support our members because of an unexpected business disruption.	Migrating systems to the cloud and moving to a hybrid working model, where employees work both in the office and at home, have increased our operational resilience. We have business continuity and IT disaster recovery plans, which we review and test regularly through scenario exercises to make sure they are still fit for purpose. We also monitor, develop and embed regulatory requirements and best practice around operational resilience.	**Fit-for-purpose infrastructure**
Business strategy Risk of market changes, technology disruptions or macroeconomic developments adversely affecting the effectiveness of our business strategy.	We develop our strategy and business plan using data analytics and evidence-based insight about the healthcare sector. We continually monitor performance against our plan using key performance indicators. We identify risks to the plan and implement mitigations to avoid deviating from the plan. The processes for developing the business strategy and financial planning are subject to internal audit.	**Sustainable growth**

Key risks	Risk management and mitigation plans	Linked to strategic objective
Competitive environment Risk that we cannot maintain or grow our market share because of disruption from existing or new competitors or changing consumer preferences.	There are increasing signs that competitors have identified the low-cost healthcare product market as a growth area, particularly for corporate clients. We continually monitor the market and healthcare developments to understand how we can develop our products and services to better support our members. We also continually review our product and processes to make sure we deliver excellent value at the price point, harnessing innovation and insight to ensure our services meet the evolving needs of our members. However, it is important that we increase the speed of innovation and use digital technologies to deliver product enhancements quickly, as an increasingly competitive marketplace requires a constantly evolving product.	**Sustainable growth**
Regulatory challenge Risk of regulatory scrutiny because of systemic regulatory breaches or widespread customer detriment resulting in regulatory censure or fines.	We have systems and controls to make sure we comply with regulatory and legal requirements, and we monitor and respond to regulatory change. During the year, we also prepared for the Consumer Duty regulations introduced on 31 July 2023 and continued to identify and support vulnerable members. All employees complete regulatory training on induction, and annually after that.	**Fit-for-purpose infrastructure**
Retaining and recruiting talent Risk that we cannot retain or recruit talent to support our business needs.	The health and wellbeing of our people continue to be priorities, and we promote healthy lifestyles through initiatives throughout the year and by offering flexible or hybrid working. We are proud of our highly engaged workforce, who benefit from opportunities to develop their skills and knowledge through training, coaching and mentoring. We also fund formal qualifications for certain roles. In addition, we focus on how we develop the skills and capabilities that we will need to deliver our strategy, especially as we move to a more digitised and automated product offering. To see that we remain an attractive employer in a highly competitive sector, we regularly benchmark our rewards and adjust them accordingly.	**Culture and workforce**
Hospital growth Risk that our Hospital requires significant financial support from the Society.	The Hospital has a strategy to grow its third-party income, which is monitored by the Society and the Hospital's Board of Governors. We regularly review the financial performance and risk management outputs of the Hospital to identify any adverse trends in time to take action. We also work with the Hospital to make sure its strategic objectives are compatible with ours.	**Making the most of the Hospital**

Board Biographies

(as at 31 December 2023)

David Furniss
Board-nominated, Chair

Group Nominations and Remuneration Committee

Benenden Wellbeing Limited (Chair)

Board involvement:

Elected to the Board in June 2017 and Chair of the Board since July 2017.

Business skills:

David is an experienced Board Chair and Group CEO. He has relevant leadership skills and strong strategic experience to support the organisation within the context it operates in. David takes a member-focused approach to strategic positioning and has sound commercial judgement underpinned by a strong mutual ethos to deliver an excellent and affordable healthcare and wellbeing service for members. He applies independent thinking to identify the important issues facing the organisation.

Background and experience:

David is a Chartered Insurer and member of the Chartered Institute of Marketing and is a director with over 40 years' experience of regulated financial services, mostly in the mutual, insurance and healthcare sectors. He has wide experience of corporate governance best practice and relevant regulatory compliance to help maintain a strong and sustainable business in the continually changing healthcare environment. David is also Chair of the Board of Bournemouth University.

Helen Chamberlain
Executive – Chief Financial Officer

Benenden Wellbeing Limited

Board involvement:

Co-opted to the Board in November 2017 and elected in June 2018.

Business skills:

Supports the Board in strategic development and decision-making. Bringing deep commercial understanding combined with financial leadership, Helen is particularly skilled in ensuring business resilience as well as providing solutions to new and ongoing challenges.

Background and experience:

Played a key role in Benenden Health's recent journey and successful performance. A Chartered Accountant, Helen has extensive senior finance experience, mainly in large financial services organisations and a regulated legal services firm. She has built, developed and led talented teams that work in partnership with the business.

Ian Blanchard
Board-nominated

Group Audit and Risk Committee (Chair)

Board involvement:

Co-opted to the Board in February 2018 and elected in June 2018.

Business skills:

An experienced Chief Financial Officer and a Fellow of the Institute and Faculty of Actuaries with wide experience of risk management, investment strategies and mergers and acquisitions.

Background and experience:

Over 40 years' experience in regulated financial services, much of it in the mutual and friendly society sector. Independent non-executive Chair of the With Profits Committee and independent non-executive member of the RNPFN Supervisory Board at Liverpool Victoria Financial Services Limited.

Paula Clark
Board-nominated

Benenden Charitable Trust (Chair)

Benenden Hospital Trust

Board involvement:

Elected to the Board in June 2019.

Business skills:

Strategic planning, corporate and clinical governance, NHS commissioning and service provision/improvement.

Background and experience:

Over 20 years' experience in the NHS as CEO in both commissioning and challenging hospital settings. Having led turnarounds for three hospital trusts and with other key stakeholders and partners in health and care systems, she has an in-depth understanding of the workings of the NHS and policy. She is currently Independent Chair of Leicester, Leicestershire and Rutland Patient Care Locally Limited, a health Community Interest Company serving the local NHS.

James Clarke
Member-nominated

Group Nominations and Remuneration Committee

Membership Committee

Board involvement:

First elected to the Board in June 2023.

Business skills:

James is an experienced Board member with strengths in leadership and strategy, professionally qualified as a Chartered Fellow of the Chartered Management Institute and Visiting Fellow at Loughborough University and Henley Business School. James' core skills gained from the private, public and voluntary sectors include strategy and planning, leading transformation programmes and improving customer experience and propositions. He is outcome-focused and energetic.

Background and experience:

James has recently joined a large NHS trust as Chief Strategy Officer. Before this, he worked as a senior civil servant responsible for leading corporate support teams to enable frontline success. James has also held senior roles in the John Lewis Partnership (the largest employee-owned business in the UK) for over a decade. James brings experience of working in a customer-centric, democratically run organisation to drive effective outcomes.

Angela Hays
Member-nominated, Vice-Chair

Benenden Hospital Trust (Chair)

Group Nominations and Remuneration Committee

Board involvement:

First elected to the Board in June 2017.

Business skills:

Experienced senior finance leader. Strong commercial and strategic acumen, change management, transformation programmes, articulate communicator, relationship management of external advisors and third-party service providers, corporate governance.

Background and experience:

Angela joined Benenden Health in 1989. A Chartered Accountant with significant experience, including external and internal audit, supporting an extensive knowledge of controls and processes.

Manages and develops successful teams for global organisations covering all areas of finance, from tax and treasury to payroll. Operates in private and public environments across a broad range of sectors.

Lee Howell OBE
Member-nominated

Group Audit and Risk Committee

Membership Committee

Board involvement:

First elected to the Board in June 2023.

Business skills:

Lee is a competent executive and non-executive director with experience gained in the private, public and charitable sectors. He holds a Master's degree in Business Administration and is a Fellow of the RSA. An independent thinker with a track record of sound judgement, Lee firmly believes in the mutual ethos and its ability to deliver an excellent and affordable healthcare and wellbeing service for members.

Background and experience:

Lee is a Chartered Insurance Risk Manager with experience as a director in a hybrid mutual company regulated by the Financial Conduct Authority. His extensive public service experience includes working as a ministerial advisor, as well as enhancing safety and public health outcomes through collaboration with partners. He has strong strategic experience, having led risk-critical organisations for almost 20 years. Lee is a trustee of the Firefighters Memorial Trust and a member of the Advisory Committee for Clinical Impact Awards for the Department of Health and Social Care.

Anthony Lock
Member-nominated

Group Nominations and Remuneration Committee

Group Audit and Risk Committee

Board involvement:

First elected to the Board in June 2023.

Business skills:

Holder of a business degree (honours) specialising in marketing. A member of the Institute of Directors (2003–2017), Anthony has attended the Non-Executive Director course, has successfully implemented change programmes at various levels and has been involved in a large business start-up.
He has demonstrated his entrepreneurial skills in all areas of business by successfully starting and running three of his own companies.

Background and experience:

A Benenden Health member since 2011, Anthony also has 15 years' corporate marketing experience to director level in major quoted companies, working in the UK and the Netherlands. He has worked, or currently works, as a director for three national membership organisations (one in healthcare), three commercial organisations (one insurance-related), two charities (both unremunerated) in mental health and sport, demonstrating a commitment to helping others and being involved at a grass roots level.

Damien Marmion
Board-nominated

Group Audit and Risk Committee

Benenden Hospital Trust

Board involvement:

Co-opted to the Board in March 2023 and elected in June 2023.

Business skills:

Governance, strategy, digital health transformation, quality, people and operational leadership, international perspective.

Background and experience:

Experience as a board chair and CEO, with proven leadership experience in healthcare businesses across highly regulated global markets. Success spearheading organic and acquisitive growth, innovation and performance improvement in fast-growing customer service-driven businesses. Strong strategic skills, operational leadership experience and stakeholder engagement capabilities, with a natural ability to support, challenge and guide. Uses his clinical background and digital technology to drive health improvement while optimising stakeholder outcomes.

Belinda Moore
Board-nominated

Group Audit and Risk Committee

Membership Committee (Chair)

Board involvement:

Co-opted to the Board in November 2022 and elected in June 2023.

Business skills:

Value creation, driving change through a clear vision, functional expertise, rigour and people skills. Core capabilities include transformation, digital, strategy, patient and customer experience and brand.

Background and experience:

Board-level marketing and commercial director with fast-moving consumer goods, consumer service and healthcare experience across FTSE 100 and multi-site private equity-backed businesses. A Fellow of the Chartered Institute of Marketing, currently non-executive director of Tipton and Coseley Building Society, LGPS Central and Moat Housing Association. Former executive director roles at General Healthcare Group (owner of BMI Healthcare), Care UK and E.ON Energy.

Les Philpott
Member-nominated

Group Nominations and Remuneration Committee (Chair)

Membership Committee

Board involvement:

First elected to the Board in June 2017.

Business skills:

Board director in executive and non-executive capacities: strategic, financial and change leadership across the public, private and voluntary sectors, including leadership of public health and safety regulatory bodies, corporate governance, audit, assurance and risk management.

Background and experience:

A Benenden Health member for some 35 years, Les formerly held the position of CEO at the Office for Nuclear Regulation and previously held senior roles in the Health and Safety Executive. In addition to Benenden Health, Les' non-executive experience includes Chair and NED roles in central government, the NHS and education.

Dean Waddingham
Member-nominated

Group Audit and Risk Committee

Benenden Wellbeing Limited

Board involvement:

First elected to the Board in June 2023.

Business skills:

Experienced board-level leader with a passion for delivering customer service excellence by developing strong teams, supported by effective and efficient processes and the appropriate technology. Strategic thinker, familiar with facilitating and delivering strategic change. Areas of demonstrable strength include developing attractive and efficient customer propositions, building and optimising strategic relationships, operations management and implementing complex regulation.

Background and experience:

Following a 44-year executive career working across various sectors in financial services, Dean took up a role as a trustee director at a financial mutual in 2022, which complements his role with Benenden Health. He is a Chartered Director, a Fellow of the Chartered Institute of Bankers, a Fellow of the Institute of Directors and a Fellow of the Chartered Institute of Marketing. A strong believer in the importance of continuing professional development, since completing his Henley MBA, he has completed courses in areas including service operations management, fintech, cyber security and strategy in the age of digital disruption.

Attendance at Meetings

The table shows the record of attendance at Board and major Board Committee meetings during the year ended 31 December 2023.

Senior Management – Society Executive

The Society Executive (SE) focuses on delivering the Society's business plan and corporate strategy (including HR strategy, corporate services, regulatory liaison, commissioning and funding) and is comprised of the Chief Executive Officer (CEO) and the CEO's direct reports. The Chief Information Officer and the Head of HR also attend all SE meetings.

At 31 December 2023, the SE members were:

Chief Executive Officer
Bob Andrews

Chief Financial Officer
Helen Chamberlain

Chief Operating Officer
Andrew Barker

Chief Risk Officer
Stella Croot

Chief Commercial Officer
Andy Wiggans

Hospital Director
Jane Abbott

Name	Board		Group Audit and Risk		Group Nominations and Remuneration		Membership	
	Called to	Attended	Called to	Attended	Called to	Attended	Called to	Attended
Bob Andrews*§†	7	7	-	-	-	-	-	-
Jo Andrews (to 23/06/23)	3	1	3	1	-	-	2	1
Ian Blanchard	7	7	5	5	-	-	-	-
Helen Chamberlain*	7	7	-	-	-	-	-	-
Paula Clark§#	7	7	-	-	2	2	-	-
James Clarke (from 23/06/23)	4	4	-	-	2	2	2	2
Brian Eaton (to 23/06/23)	3	2	3	3	-	-	2	2
David Fletcher (to 23/06/23)*	3	1	3	2	-	-	-	-
David Furniss*	7	7	-	-	4	4	-	-
Angela Hays§	7	6	-	-	4	4	-	-
Lee Howell OBE (from 23/06/23)	4	4	2	2	-	-	2	2
Deryck Lewis (to 23/06/23)	3	1	-	-	2	1	2	2
Anthony Lock (from 23/06/23)	4	4	2	2	2	2	-	-
Damien Marmion (from 02/03/23)§	6	6	2	2	-	-	-	-
Belinda Moore	7	7	5	3	-	-	4	1
Les Philpott	7	7	-	-	4	4	4	4
Sameer Rahman (to 22/06/23)	2	1	3	2	-	-	-	-
Dean Waddingham (from 23/06/23)*	4	4	2	2	-	-	-	-

*Also attended meetings of the board of Benenden Wellbeing Limited.
§Also attended meetings of The Benenden Hospital Trust.
#Also attended meetings of The Benenden Charitable Trust.
†Resigned from all directorships on 25 April 2024.

Board Timeline 2023

Activity	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Board meeting		22nd			9th	22nd	5th	16th		4th	29th	
Board strategy days								16th			28th/29th	
Board Committees		7th/8th		4th, 26th/27th			26th/27th	2nd			7th/8th	
Conference						22nd						
Training/Briefing			Quarterly e-learning*			Quarterly e-learning* Consumer duty			Quarterly e-learning*	4th Member insight		Quarterly e-learning*
Board/Board Committee effectiveness exercise											Board effectiveness exercise →	→

*For further details on quarterly e-learning, please see page 69 of the Corporate Governance Report.

The Board's Report

The Board's Report 2023

Electing new Board members

The Society's Board is comprised of six Board-nominated non-executives, six member-nominated non-executives and two executive members. Non-executive Board members are considered independent.

Leaving the Board in 2023 were Board-nominated member Sameer Rahman and member-nominated members Jo Andrews, Brian Eaton, David Fletcher and Deryck Lewis.

After their election at the Annual Conference in June 2023, the Board welcomed these member-nominated non-executive members:

- James Clarke
- Lee Howell OBE
- Anthony Lock
- Dean Waddingham

Having been appointed by the Board in November 2022 and March 2023 respectively, Belinda Moore and Damien Marmion were also formally elected as Board-nominated members of the Board at the Annual Conference in June 2023.

During 2023, no Board members were affected by the Friendly Societies Act 1992 requirement for annual elections for Board members of 70 or over.

The names and biographies of Board members at the end of 2023 are on pages 46 to 50.

Accounting as a going concern

The Board has assessed the Society's financial position, net assets and prospects, as well as our strategy and the potential impact of risks and uncertainties. Based on this, the Board is confident that we have the financial resources to carry on operating for the foreseeable future, or for at least 12 months from the date of this report.

For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

Longer-term viability

The Board has reviewed the Society's future cash requirements, earnings projections and capital projections over the five years to 31 December 2028, reflecting the Society's financial planning cycle. The Board believes that these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance, such as increases in spending on members' benefits, reductions in membership and reductions in investment valuations. The Board has continued to review the Society's financial and operational performance up to the date of approval of the Financial Statements. This review includes:

- Recognising a continuing increase in demand for the Society's services and inflationary cost pressures in the near term
- Regular monitoring of the Society's investment fund and liquidity
- Completing the 2024–28 budget and forecast, together with stress testing covering several severe scenarios

The Board has concluded that the Society will be able to operate without needing external funding.

It also has a reasonable expectation that the Society will stay viable and be able to meet its liabilities over the five years to 31 December 2028.

Charitable and political donations

During 2023, the Society made charitable donations of £29k to several local charities (2022: £20k).

The Society also made a charitable donation of £25k to support the Red Cross response to the Turkey earthquake.

The Society made nil political donations in 2023 (2022: nil).

Combatting modern slavery

We know that modern slavery (slavery, servitude, forced labour and human trafficking) is a growing global issue that no sector or economic area can consider itself immune from. We will not tolerate modern slavery of any kind in our business and supply chain. We will also take seriously any allegations about human rights being abused.

We construct our key contracts to demand that suppliers:

- Comply with the Modern Slavery Act
- Run regular modern slavery risk assessments for their own supply chains
- Bring in controls to prevent modern slavery
- Tell us immediately if they find any modern slavery in their supply chains

If suppliers break these obligations, we could end their contracts.

We do not use forced, bonded or compulsory labour: all our people are free to leave their jobs after giving notice. Also, we do not ask our people to deposit money or identity papers before we employ them.

We have developed e-learning to raise awareness of the issues involved in modern slavery and our legal responsibilities. New starters complete this, as do all colleagues as an annual refresher.

Insuring our officers

The Society has officers' liability insurance to cover officers carrying out their duties.

Principal activity

We aim to give our members affordable healthcare services on a discretionary and non-discretionary basis.

Disclosing information to our auditor

The Board in office when this report was approved confirms that, as far as it knows, there is no relevant audit information that our auditor is unaware of. The Board also confirms that each of its members has done all they can to make themselves aware of any relevant audit information and to make sure the Society's auditor knows about it, too.

Taxation

As a Society, we are not liable for corporation tax, income tax or capital gains tax. Our subsidiary companies might not all be eligible for the same tax exemptions as the Society.

Regulated status

We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

We are classed as a 'small NDF' (non-directive firm) and we fall outside the scope of Solvency II because we carry out 'Solvency II excluded operations'. This means we are a mutual whose insurance business is restricted to providing benefits which vary according to the resources available, and in which members' contributions are determined on a flat-rate basis.

Solvency and actuarial valuation

Although we are subject to prudential requirements, as a friendly society conducting flat-rate benefits business, we do not have to maintain a margin of solvency or carry out an actuarial valuation. But we recognise the importance of having a robust capital management strategy and therefore monitor our capital position based on Solvency II principles.

Benenden Health Pension Plan

The assets and management of the Benenden Health Pension Plan are totally separate from the Society's assets and management.

Pension Plan assets are invested through independent fund managers. To comply with pension regulations, at least one-third of the Pension Plan trustees are nominated by members.

The Defined Benefit section of the Pension Plan closed to new accruals on 31 December 2018, and active members of the scheme were enrolled into the Defined Contribution section of the Plan from 1 January 2019.

Subsidiary companies and controlled bodies

The Society directly controls:

- Benenden Wellbeing Limited – a wholly owned subsidiary company limited by shares and authorised and regulated by the Financial Conduct Authority
- The Benenden Charitable Trust – a registered charity and a company limited by guarantee
- The Benenden Hospital Trust – a registered charity and a company limited by guarantee
- Benenden Hospital Limited – a wholly owned subsidiary company limited by shares and registered with Companies House. The subsidiary did not trade during 2023
- The Friendly Healthcare Organisation Limited – a wholly owned subsidiary company limited by shares. The subsidiary was dormant throughout 2023
- Best Health Limited – a wholly owned subsidiary company limited by shares. The subsidiary was dormant throughout 2023

Statement of the Board's responsibilities

The Board is responsible for preparing the Annual Report and Financial Statements in line with applicable laws and regulations.

Friendly Society law says the Board must prepare Financial Statements for each financial year. Under that law, the Board has chosen to prepare Financial Statements in line with UK Accounting Standards and law (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard that applies in the UK and Republic of Ireland.

By law, Financial Statements have to give a true and fair view of the state of affairs at the end of the financial year, along with income and expenditure for the financial year.

In preparing Financial Statements, the Board has to:

- Choose suitable accounting policies and apply them consistently
- Make reasonable and prudent judgements and estimates
- Say whether they have followed UK Accounting Standards, and if they have departed from them, say why
- Prepare the Financial Statements on the going concern basis, unless it is not appropriate to presume that the organisation will stay in business

The Board is also responsible for:

- Keeping proper accounting records that disclose the organisation's financial position with reasonable accuracy. These records also let the Board make sure the Financial Statements comply with the Friendly Societies Act 1992 and its regulations
- Preparing a report in line with the Friendly Societies Act 1992 and its regulations
- Keeping the corporate and financial information on the Society's website up to date. UK laws on preparing and disseminating Financial Statements may be different from legislation elsewhere
- Doing anything reasonable to protect the Society's assets and to prevent and detect fraud and other irregularities

Section 172 report

In the spirit of good practice, the group is disclosing a section 172(1) statement, although, as a friendly society, it does not legally have to. The statement requires company directors to describe how they have complied with their duties to promote the long-term success of the company under section 172 of the Companies Act.

The directors recognise the best practice outlined in section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Society for the benefit of its members as a whole and, in doing so, have regard to:

a. The likely consequences of any decision in the long term – this is noted in the strategy section of the report, in particular the capital reporting and the Society's approach to capital coverage (see page 13 of the Strategic Report). Directors attend meetings with our active members to engage on the Society's strategic direction and understand member feedback on strategic decisions.

b. The interests of the company employees – see pages 17 to 18. of the Strategic Report describing how we support our people. Directors spend time with our colleagues to develop knowledge of specific areas of the Society's operation and understand colleague feedback.

c. The need to foster the company's business relationships with suppliers, customers and others – see page 14 for how we focus on strong partnerships, page 15 for how we attract and retain our members and pages 64 to 67 for a description of our member engagement, including a timeline. Regular reports from the CEO keep directors updated on key supplier relationships. Progress with recruitment and retention is discussed at each Board meeting. Through the Membership Committee, the Member Council, Benenden Health Communities and member engagement events, the Board can better understand the views and needs of members. The Board has developed a stakeholder map to help it further understand the impact of business decisions on the Society's stakeholders.

d. The impact of the company's operations on the community and environment – see page 16 for an overview of how we manage our impact on the environment and how we support our community. Regular reports from the CEO keep directors updated on initiatives to support our community. The Board is mindful of the Society's impact on the environment, particularly climate change. The management of financial risks related to climate change is discussed by the Group Audit and Risk Committee.

e. The desirability of the company upholding a reputation for maintaining high standards of business conduct – see the Corporate Governance Report on page 57. The Board has set a strong values framework, promoting high standards of behaviour and a positive culture throughout the Society. The Board reviews the Society's performance against corporate governance best practice on an annual basis and identifies any areas for improvement.

f. The need to act fairly as between members of the company – see the Corporate Governance Report on page 57. The Board considers conduct risk – the risk that the business' behaviour will result in poor outcomes for consumers – as a central part of each item it discusses. In doing so, directors demonstrate at all times their commitment to avoiding unfairness or detriment to our members.

The Board has prepared its Corporate Governance Report in line with the requirements of the Association of Financial Mutuals Corporate Governance Code, while also taking account of the requirements of other corporate governance codes and statements of best practice. For more about the Society's governance arrangements, see the Corporate Governance Report on page 57.

We believe the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide members with the information they need to assess the Society's position, performance, business model and strategy.

For and on behalf of the Board

René Fraioli
Society Secretary

Corporate Governance Report

The Society's Board is fully committed to a high standard of corporate governance and, as a member of the Association of Financial Mutuals (AFM), complies with the AFM Corporate Governance Code.

The AFM ask members to show in their annual reports how they have applied the Code's six high-level principles and how that has helped to improve corporate governance.

Though reporting against the requirements of the AFM Code, the Board believes there are lessons to be learned from governance codes in other sectors, and we will continue to study wider best practice.

To underline our commitment to good corporate governance, we carry out an annual benchmarking exercise to consider opportunities for implementing best practice guidance from other sources.

The 2023 benchmarking exercise revealed that the Society continues to perform well overall against other governance codes.

Work continued during 2023 on implementing our new democratic and engagement structure. It has already had an impact on stakeholder engagement, and we hope to see that grow as we embed the new structure further.

For more about this, see the Member Engagement section on pages 64 to 67.

AFM Corporate Governance Code: principles and supporting statements

Purpose and leadership	An effective board promotes the purpose of an organisation and ensures that its values, strategy and culture align with that purpose.
Board composition	Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.
Director responsibilities	A board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.
Opportunity and risk	A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.
Remuneration	A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.
Stakeholder relationships and engagement	Directors should foster effective stakeholder relationships aligned with the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board's report against the AFM Code:

Purpose and leadership	
How we apply the principle	**This contributes to good governance because...**
The Board held focused strategic discussions on a quarterly basis during 2023.	These discussions give the Board an opportunity to devote time to focusing on strategy, purpose and business model.
We have a strong values framework and work hard to make sure a positive culture pervades our Society.	Staff pay awards are linked to objectives and to values-led behaviours. 80% of staff achieved a bonus payment in 2023. We carried out one staff survey during 2023, allowing our people to feel involved and engaged in the business. Our consequences framework means there are implications for staff, members, volunteers and directors who behave in ways which are not in line with our values or the regulatory code of conduct, or which might bring the Society into disrepute. This framework underlines the importance we place on maintaining a positive culture. Staff commitment to our values is clearly demonstrated through regular nomination of Values Heroes on our intranet site (BNet).
We have continued to review our systems and controls to make sure we have a strong control framework. Work in 2023 has included a full review of our corporate governance documents, such as the Board Handbook, the Democratic Handbook, the Responsibilities Map and the Scheme of Delegation.	Keeping our governance documentation, policy framework, risk framework and procedures up to date leads to more transparency and better accountability.

Board composition	
How we apply the principle	**This contributes to good governance because...**
The size and composition of our Board is subject to ongoing review.	Having the right people, and the right number of people, around the Board table is key to effective decision-making. As we embed our new democratic and engagement structure, the Board will continue to consider the appropriateness of its size and composition.
Appointments for Board-nominated Board positions are made through open competition, using professional recruitment consultants.	This allows us to consistently identify appropriate candidates for Board-nominated Board positions and keep the right experience and skills around the board table. We appointed one Board-nominated director in 2023, and there is one Board-nominated vacancy, which we hope to fill during the first half of 2024.
We published information about Board elections, the positions available, the election process and the role of non-executive Board members to give members enough information to decide whether to self-nominate for the role of Member-nominated Board member.	Providing comprehensive information in this way proved successful in 2023. 18 Member-nominated candidates were interviewed by representatives from the Board and Member Council (led by an external independent chair), with six put forward for the Direct Member Vote.
We published information for members entitled to vote about all candidates standing for election to the Board at our 2023 Conference.	Giving our members as much information as possible about the candidates means they can make an informed decision when casting their votes.

≡ Contents

Board composition (continued)

How we apply the principle	This contributes to good governance because…
Board-nominated directors are elected at the first AGM after their appointment. Member-nominated directors are not appointed before election unless they have been co-opted to fill a vacancy between elections. Any co-opted director is elected at the first AGM after their co-option. All directors serve for a three-year term, with a maximum tenure of nine years.	Our new rules on Board rotation start to come into force from Conference 2024 on a transitional basis, with one-third of the existing Board members standing down every year until the system of rotation (with each Board member serving a three-year term) is fully in place. This will allow us to refresh Board members progressively, while maintaining stability by removing the risk that an entire Board might be replaced in one election.
Succession planning is a priority to give us management continuity. So it is a regular item on the Group Nominations and Remuneration Committee agenda.	This supports our decision-making processes, allowing candidates for Board-nominated Board positions to be identified in good time to replace Board-nominated directors retiring under the nine-year maximum tenure.
Each Board member has an annual appraisal with the Chair. The Chair's appraisal is run by the Vice-Chair. The Chief Executive's appraisal is run by the Board Chair and the Chief Financial Officer's appraisal is run by the Chief Executive, and both include their Board performance.	It is important not just to recruit the right people for our Board, but to help them maintain their fitness for the role. Our annual appraisal process creates an opportunity for each Board member to work with the Chair in identifying continuing professional development needs.

Board composition (continued)

How we apply the principle	This contributes to good governance because…
We carry out annual evaluation of the effectiveness of the Board and its Committees.	An externally facilitated review of Board effectiveness began in the last quarter of 2023 and will be completed in the second quarter of 2024, with the final report presented to the Board meeting in May 2024. Following substantial changes to the membership of Board Committees during 2023, we have postponed the review of Board Committee effectiveness until 2024 to allow us to embed the changes. Implementing action plans from Board evaluations leads to improvements in Board effectiveness.
We held Board development sessions during 2023, in particular group sessions on consumer duty requirements and member insight, as well as a full programme of e-learning.	Along with regular compliance and governance updates, this training maintains Board members' professional development, keeping their knowledge up to date and relevant.
We have a Board diversity policy. At the end of 2023, our Board gender balance had dropped from 38% to 30.8% as a result of changes in Board membership. In our senior leadership roles below Board level, the proportion of women remains stable at 38%.	Board diversity encourages challenge, reducing the risk of 'group think'. Gender balance on our Board and at senior management level is something we are very aware of, though we still believe that the most important thing is to have the right people in the posts, regardless of gender.

Director responsibilities

How we apply the principle	This contributes to good governance because...
We have corporate governance documents, including a Responsibilities Map, Scheme of Delegation, Statements of Responsibilities, Conflicts of Interest Policy and processes, Board Handbook and Board and Committee terms of reference. We review all these documents annually.	Maintaining up-to-date documents keeps governance arrangements clear, especially around lines of accountability and responsibility. Each time we review these documents, we have the opportunity to think about whether they are still relevant or whether there might be a better way of doing things.
There is a balance of Board-nominated and member-nominated Board members, and the Board Chair is one of our Board-nominated directors.	This makes sure there is independent challenge at Board and Board Committee meetings.
We have a standardised Board paper template.	We review the Board paper template regularly and last updated it in August 2023. A consistent format means the Board can quickly see what is expected of it in relation to each paper and that it has the right balance of detail to make an informed decision.

Opportunity and risk	
How we apply the principle	**This contributes to good governance because...**
We have an effective risk management framework.	We have a mature and appropriate risk management system. It identifies the Society's emerging risks and lets the Board make informed and robust decisions about: • Determining the Society's risk appetite • Agreeing how to manage or mitigate the principal risks to reduce their likelihood and/or impact • Establishing clear internal and external communication channels on identifying risk factors • Agreeing a monitoring and review process For more about our work to develop our risk management processes, see pages 38 to 45.

Remuneration	
How we apply the principle	**This contributes to good governance because...**
Through our Group Nominations and Remuneration Committee, our remuneration strategy and our gender pay gap reporting.	Appropriate and fair levels of remuneration allow us to attract and retain high-quality directors and senior managers. We do not lose sight of our not-for-profit status, making sure we match remuneration to our strategy, values and long-term success. For more about our Group Nominations and Remuneration Committee, see page 74 and the Directors' Report on Remuneration on page 73. Our Gender Pay Gap Report is on our website: **www.benenden.co.uk**

Stakeholder relationships and engagement	
How we apply the principle	**This contributes to good governance because...**
We engage regularly and effectively with our principal stakeholders (our members and staff) in various ways. For more about how we have engaged with each during the year, see Member Engagement (page 64) and Looking after our people (page 17).	Building good relationships with our stakeholders is important to us – we recognise that the success or failure of any policy or product begins and ends with the stakeholders it affects. Engaging effectively with our members gives us the opportunity to learn what they want or need and to test any assumptions we might have. Understanding our members' viewpoints helps us to build credibility and trust ahead of asking them to make important decisions at our Conferences. Our new democratic and engagement structure has given us different opportunities to engage with our members, and we are encouraged by the positive signs that the new structure will result in more engagement with a larger number of our members. To engage with our staff, we have developed formal and informal channels which let colleagues share ideas and concerns with senior management. Many ideas for process improvements have come through these channels.
We are particularly proud of our engagement with our wider community (see Strategic Report, page 18)	Positive engagement with our community helps us attract and retain staff as well as members, build our culture and embody our brand values. Our internal questionnaire responses showed that staff value the opportunities we give them to contribute to our community through volunteering with organisations like York Cares.

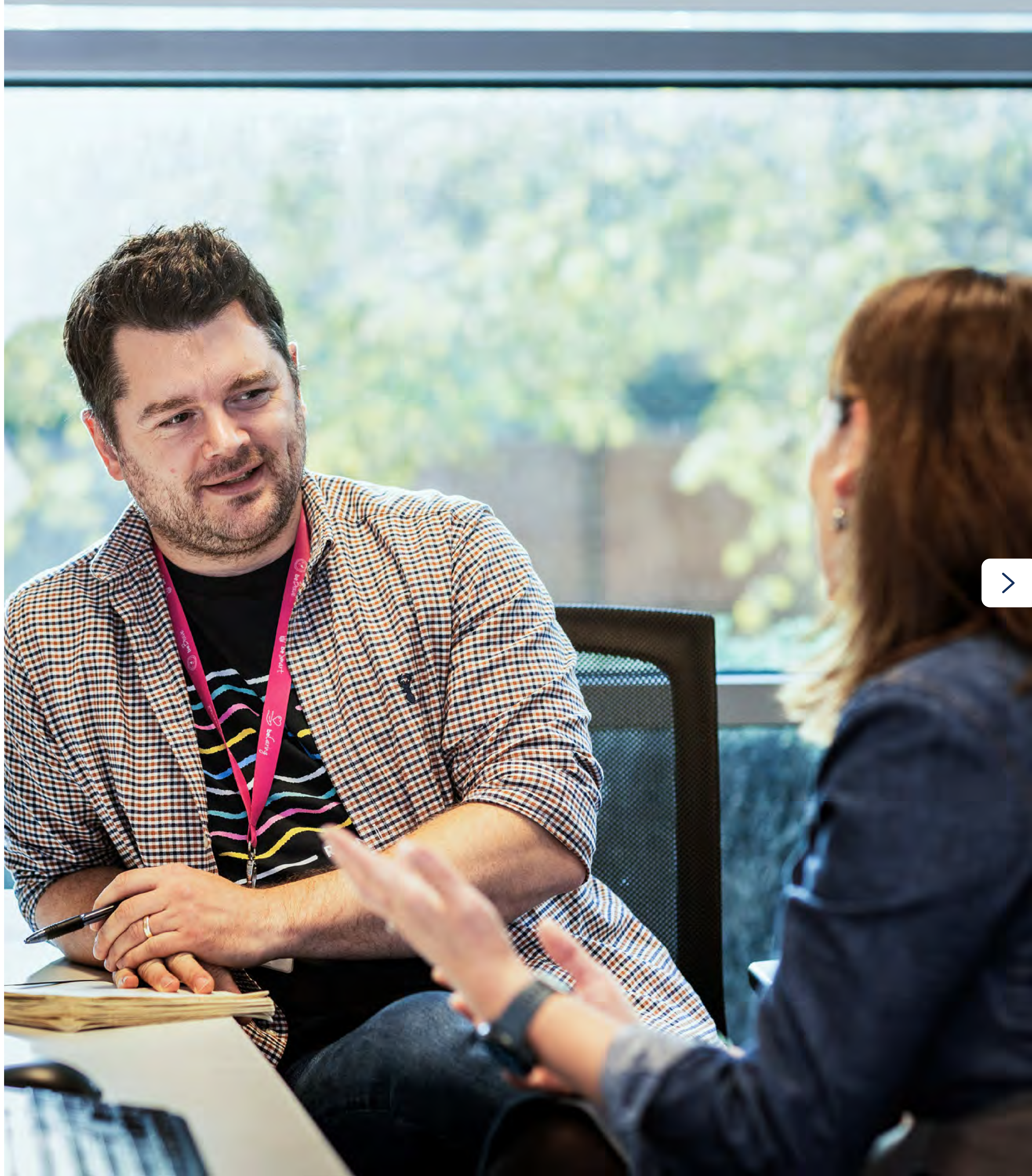
Performance evaluation

We began an externally facilitated Board effectiveness evaluation in the last quarter of 2023. The outcomes will be reported to the Board in the second quarter of 2024, when we will agree an action plan.

Each Board member has also had an individual appraisal meeting with the Chair. The Vice-Chair led the Chair's appraisal.

Board training in 2023 included:

- **Mandatory e-learning modules**
  - Three lines of defence
  - Gifts and hospitality
  - Conflicts of interest
  - Modern slavery
  - Consumer duty
  - Diversity
  - Product knowledge – Healthcare
  - Information security
  - Whistleblowing
  - Conduct risk
  - Anti-financial crime
  - SMCR and conduct rules
  - Product knowledge – Wellbeing
  - Vulnerable customers
- **Facilitated group Board development sessions**
  - Consumer duty (externally led)
  - Member insight (internally led)
- **Maintaining an electronic continuing professional development folder** – containing regulatory updates and newsletters which all Board members can access



Member Engagement

Member engagement

Our Member Engagement team has had an exciting year as the Society's new democratic and engagement structure begins to transform how our members can have a say in how we are run. We are very proud of our mutual status, and key to its success is the opportunity we give for members to get involved, both in receiving information from us and in sharing their views with us.

Early indications are that our new structure will prove successful in helping us to engage with more of our members.

During 2023, we:

- Supported the start-up of each Member Community
- Delivered health-focused Member Meetups across the country
- Ran our first Direct Member Voting process before and during our 2023 Conference
- Launched our Online Community
- Supported the first meetings of the Member Council

We hope these developments will help members keep up to date with Society news and give us valuable feedback.

Member Communities and Member Meetups

Each Member Community supports our engagement with members by:

- Holding Member Meetups (where members can find out more about the Society's products and services and information on healthcare topics)
- Representing members' views for the Member Council and the Board to consider

During 2023, we held 20 Member Meetups, attended by approximately 1,900 members.

Direct Member Voting

One of the biggest changes to our democracy is the move to Direct Member Voting. Instead of delegates voting on members' behalf, members can now cast their individual vote on key business decisions ahead of our Annual Conference.

In 2023, members could vote on:

- Resolution to receive the Annual Report and Financial Statements 2022
- Advisory note to agree the Directors' Report on Remuneration 2022
- Resolution to agree the appointment of the Society's Auditor
- Elections for the Board of Directors

We gave members the information they needed to cast an informed vote, accompanying each proposal with a rationale. We invited members to vote online, by post or at Conference itself for the elections, and we made sure that each candidate was supported by clear and concise biographical information.

In 2024, we will also use Direct Member Voting for elections for Member Community representatives, as well as proposals to change the Society's rulebook.

We were pleased that 17,132 members – 3.8% of our membership – cast votes at our 2023 Conference, compared to 0.1% of members through our previous delegate system.

Online Community

We have launched an Online Community, introducing a new way for members to engage with the Society when it suits them. The Online Community enables members to have their say, connect with us and other members and talk about the health and wellbeing topics that matter to them.

Member Council

Our new democratic and engagement structure also includes a Member Council, a forum that gives members a voice at the highest level of the Society. The Member Council is comprised of one Community representative from each Community and meets at least four times a year to represent members' views.

As the Member Council develops, it will act as a channel between Member Communities and the Board, feeding members' ideas up, passing news from the Society down and constructively challenging the Board on behalf of members.

From our Member Council Chair, Graham Steel

It has been a busy first year for the Member Council. After our inaugural meeting in January 2023, the Member Council held four more meetings during the year. We have had some successes, including setting the framework for our activity and agreeing important documents such as the Democratic Handbook, our terms of reference and the Community Charter.

Member Council representatives have taken the lead in recruiting new Member-nominated Board members. We have supported Member Meetups and the Online Community and established sub-committees for communications and member wellbeing.

We have worked closely with the Board, receiving updates, discussing strategy and influencing some Board decisions. We have worked hard to raise our awareness of the changing healthcare market.

There is plenty of room for improvement. We would like to see an increase in the level of member engagement, and we have plans to improve communications with Member Communities and members with the objective of being more credibly representative. We want to create a better, more productive relationship with the Board and Executive in 2024 and beyond. Improving and protecting Benenden Health and its services for members in the challenging new healthcare environment is our priority.

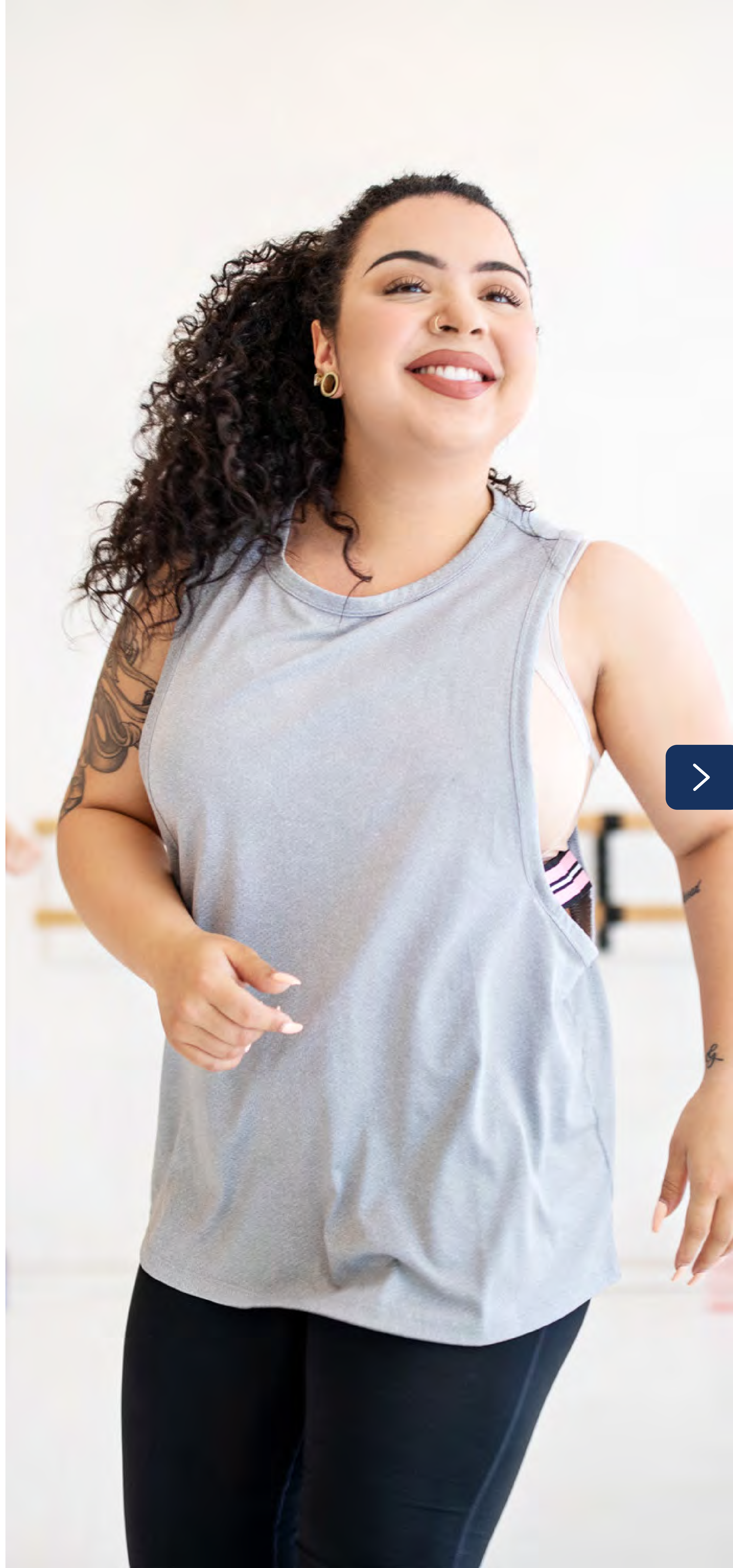
Your Member Council representatives, each of whom is selected by Community representatives to serve on the Member Council, are:

Graham Steel – North East London, Chair
Lana Beckwith – South West London, Vice Chair
Julie Benstead – Scotland
Deborah Lennen-Wood – Essex
Stan Blayney – Northern Ireland 1
Jonathan Spain – North West London
Steven Law –Northern Ireland 2
Linda Emerton – South East London
Jim Black – North East & Yorkshire
Peter Norris – North & East Kent
Colin Elderkin – North West
Graham Hadfield OBE – West Kent & Sussex Borders
Geoff Phillips – Wales
Bob Bedford – South Central
John Woodall – Midlands
Jack Reed – South Coast to Counties
Maureen Gardiner – East Anglia
Les Calder – South West

The Member Council is also ably supported by deputies to ensure that each of our Member Communities is represented at Member Council meetings.

My thanks to the Member Council representatives and their deputies for helping the Member Council to establish itself in its first year of operating.

Graham Steel
Member Council Chair,
Benenden Health



Member Engagement Timeline 2023

Activity	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Direct Member Voting and Conference					**25th** Direct Member Voting pack	**22nd** Conference						
Community events					Spring engagement event						Autumn engagement event	
Member events							Launch of Member Meetups and the Online Community* Member Meetups	Member Meetups	Member Meetups	Member Meetups	Member Meetups	
Be Healthy	Democracy article →	→		Democracy article →	→				Democracy article →	→		

*In July 2023, we launched a new Online Community for members and Community representatives where they can have their say, connect with each other, ask questions and share their thoughts.

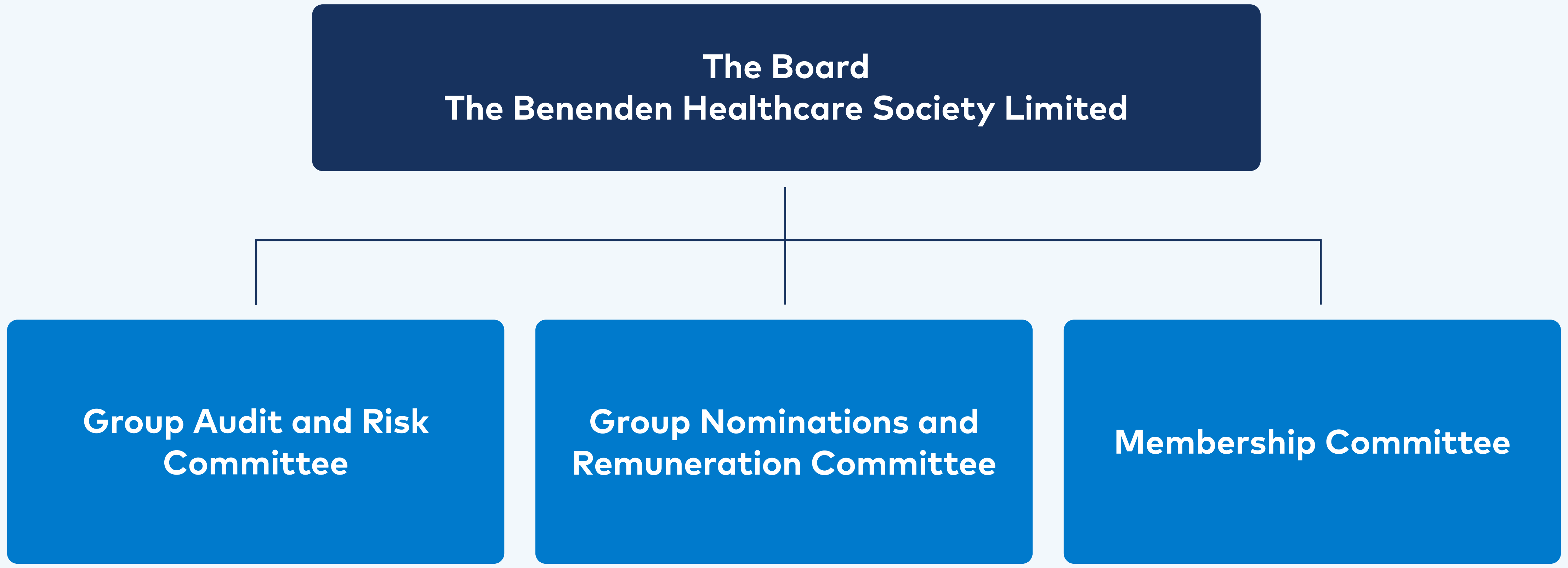
Board Committees

In 2023, we held our Board Committee meetings virtually, face-to-face and in a hybrid format. Each Committee has successfully managed its responsibilities working in this way.

All Board Committees reviewed their own effectiveness and terms of reference in the fourth quarter of 2023. The terms of reference are available in the member area of the website (www.benenden.co.uk) and from the Society Secretary.

All Board Committee meeting minutes go to the Board, with the Chair of each Committee also giving a written update to the next available Board meeting.

Board Committee structure at 31 December 2023



Group Audit and Risk Committee (GARC)

Members:

- Ian Blanchard (Chair)
- Lee Howell OBE
- Anthony Lock
- Damien Marmion
- Belinda Moore
- Dean Waddingham

For details of members' backgrounds, see pages 46 to 50.

Members of the Society Executive, including the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO), attend GARC meetings, as do the Company Secretary and the Society's internal and external auditors.

The GARC is a Board Committee which carries out its duties for The Benenden Healthcare Society, Benenden Wellbeing Limited and The Benenden Charitable Trust. The GARC receives information from The Benenden Hospital Trust on managing Hospital-related risks. The Benenden Hospital Audit Committee reports quarterly to the GARC.

The GARC has written terms of reference covering its role and responsibilities, which include:

- Monitoring and assessing the effectiveness of the internal control systems and compliance with consumer duty and whistleblowing requirements
- Reviewing arrangements for complying with regulatory and financial reporting requirements and accounting standards
- Assessing the integrity of the Annual Report and Financial Statements, including any reporting judgements, and advising the Board whether they are fair and balanced
- Recommending external and internal auditors to the Board and assessing the quality of their reports and findings
- Monitoring and assessing the effectiveness of the Society's risk management framework and changes in risk profile
- Recommending the Society's risk appetite statement to the Board
- Monitoring and assessing the Society's capital management and investment strategies
- Advising the Board on proposed strategic transactions, including acquisitions or disposals, before the Board takes a decision

The GARC held four meetings in 2023, with one additional meeting for the Annual Report and Financial Statements sign-off and year-end business, and one decision was taken by email. All members were fully engaged in discussion, debate and challenge.

Key pieces of work for the GARC during 2023 included:

- Monitoring the effectiveness of the internal and control environment through independent internal audit function. During the year, the Committee carefully considered the risks associated with the group control framework. Work undertaken by Internal Audit during the year, as part of the annual audit cycle, has satisfied the Committee that the overall control framework remains stable
- Approving the 2022 year-end papers
- Approving the Annual Report and Financial Statements 2022 and recommendation to the Board of Directors
- Reviewing the CRO's reports on the performance of all three lines of defence and the risk environment
- Overseeing the implementation of the Consumer Duty regulations
- Reviewing and recommending the risk appetite statement to the Board
- Developing the capital management and investment strategies
- Developing options to manage demand for the Society's services

The GARC continually reviews its activities to make sure they match with the Society's strategy and operating environment.

Internal audit and internal controls

RSM UK LLP has been the Society's internal auditor throughout 2023.

The internal auditor reports to the CEO and, after each audit, distributes the report to the GARC, the CEO and the CRO. The internal audit plan is developed using a risk-based methodology for a rolling three-year period covering the Society and its subsidiaries. The internal audit plan is a core part of assessing operational risks and the effectiveness of the group's internal systems and controls. Senior management and the internal auditors agree a draft plan, with final challenge and approval by the GARC.

The GARC reviewed 11 internal audit reports and four advisory reviews or follow-up reports in 2023:

Internal audit reports

- Corporate Sales Practice
- Key Financial Controls
- Benenden Hospital Finance System
- Telephony Replacement Programme
- Benenden Hospital CQC
- Direct Debit Collections Report
- Phoenix Project Phase 1
- Hospital Procurement
- Digital Programme Management
- Portal Project Management
- Complaints – Benenden Hospital

Advisory reviews or follow-ups

- Direct Debit Collections Report Advisory Review
- Consumer Duty Pre-Implementation Advisory Review
- Training and Competency Framework Advisory Review
- IT Target Operating Model and IT Strategy – Phase 1 Advisory Review

As a standing agenda item, the Committee receives reports on any instances of fraud, whistleblowing and internal control deficiencies and any action to deal with them.

The Committee tracks all internal audit and compliance monitoring actions until they are complete. This assures us that management has taken, or is taking, the action needed to put right any failings or weaknesses in the Society's controls.

External audit and financial reporting

Deloitte LLP has been the Society's external auditor throughout 2023.

In 2023, an external audit tender process commenced, and the appointment of the chosen auditor is due to be approved in the first half of 2024.

The GARC considers the financial information published in the Society's Annual Report, in particular the key judgements that management have made in preparing the Financial Statements.

The GARC gets updates throughout the year from both the external auditor and the Finance department. This includes:

- Tracking the observations on controls in the management letter about the 2022 year-end through to completion
- Reviewing the external auditor's audit strategy
- Reviewing and approving the wording for the audit sections of the Annual Report

The GARC has received 'judgement' papers describing the basis for preparing the Annual Report and Financial Statements. These include the valuation of properties, the investment fund valuation and the estimate of provisions for outstanding members' benefits. This meant the GARC (and then the Board) could review and challenge the content to make sure the 2023 Annual Report was fair, easy to understand and balanced so that members can assess the Society's strategy and performance.

The GARC regularly considers the balance between audit and non-audit services to keep in line with best practice on independence and objectivity. The ratio of non-audit fees to audit fees for the period up to 31 December 2023 was nil for our current auditor (2022: nil). This is highlighted in note 6 of the Financial Statements.

The GARC is satisfied that the 2023 Annual Report and Financial Statements are fair, balanced and understandable.

Risk management

The Board recognises how important sound risk management, systems and controls are in delivering its objectives.

Also, effective controls should make us more efficient and effective, based on reliable management reporting. Senior management, through the Society Executive, is responsible for designing the internal systems and control framework and implementing policies that the Board approves.

The GARC regularly receives reports on our principal risks and uncertainties, including strategic, legal, financial and operational risks and the actions we take to mitigate these risks. The Committee receives more detailed reports on any risks and issues that materialise.

For more about our approach to risk management, see page 38.

Group Nominations and Remuneration Committee (GNRC)

Members:

- Les Philpott (Chair)
- James Clarke
- David Furniss
- Angela Hays
- Anthony Lock

For details of members' backgrounds, see pages 46 to 50.

The CEO and the Company Secretary attend GNRC meetings. The Chief Operating Officer (COO) and the Head of HR attend for agenda items about their individual responsibilities, particularly when they relate to remuneration.

The GNRC is a Board Committee which carries out its duties for The Benenden Healthcare Society, Benenden Wellbeing Limited and The Benenden Charitable Trust. It communicates with the Nominations Committee and the Remuneration Committee of The Benenden Hospital Trust as appropriate.

The Committee has written terms of reference covering its role and responsibilities, which include:

- Assessing the balance of skills, knowledge, experience and diversity needed on the Board to deliver the Society's objectives in the regulatory environment it operates in
- Overseeing the recruitment of, and recommending, candidates for the Board or Society Executive
- Setting appropriate remuneration and reward strategies for all our people to attract and retain the right calibre of staff
- Recommending the remuneration package for the Board and setting the remuneration package for the Society Executive

The GNRC held four meetings in 2023, with four decisions taken by email. All meetings and decisions achieved quorum, with all members fully engaged in discussion, debate and challenge.

Key pieces of work for the GNRC in 2023 included:

- Recommending to the Board a candidate to fill a Board-nominated non-executive director vacancy and carrying out a recruitment process for a further vacancy
- Leading the member-nominated director candidate process, which included appointing the independent chair of the interview panel
- Recommending the Board rotation process to apply from the election at Conference 2024
- Agreeing the Board development programme for 2023
- Agreeing remuneration recommendations, including Society Executive remuneration and bonus arrangements and the staff pay award
- Approving standard reports, including the Directors' Report on Remuneration and the Gender Pay Gap Report
- Engaging with the Member Council on the Directors' Report on Remuneration

The Committee takes external advice and guidance from professional remuneration consulting firms when it needs to. During 2023, Willis Towers Watson were used for executive pay guidance.

A performance development review process sees that individual and team objectives help to deliver the business plan.

In line with our reward principles, we have made sure we have a transparent reward framework. This includes introducing salary ranges and job 'families' and reviewing all aspects of financial reward, as well as non-financial reward.

For the Committee's Directors' Report on Remuneration, see page 73.

Membership Committee

Members:

- Belinda Moore (Chair)
- James Clarke
- Lee Howell OBE
- Les Philpott

For details of members' backgrounds, see pages 46 to 50.

The Society Secretary, Company Secretary, CEO, CRO and COO are invited to attend Membership Committee meetings.

The Membership Committee is a Board Committee which carries out its duties for The Benenden Healthcare Society Limited.

The Membership Committee has written terms of reference covering its role and responsibilities, which include:

- Reviewing and monitoring the effectiveness of the Society's democratic and member engagement structure
- Monitoring and assessing performance against the consumer duty requirements that relate to consumer understanding and support (product performance and member experience) and giving assurance to the Board that the Society complies with them

- Monitoring member correspondence received by the Society Secretary
- Overseeing arrangements for the Society's Conferences

The Committee held four meetings in 2023, each achieving quorum, with one decision taken by email. All members were fully engaged in discussion, debate and challenge.

Key pieces of work for the Membership Committee in 2023 included:

- Arrangements for Conference 2023
- Reviewing member experience updates
- Receiving Member Council updates
- Reviewing/approving the member expulsion process
- Overseeing the implementation of the new democratic and engagement structure
- Reviewing consumer duty reporting and the Committee's consumer duty responsibilities

Lord Plant Travelling Fellowship Committee

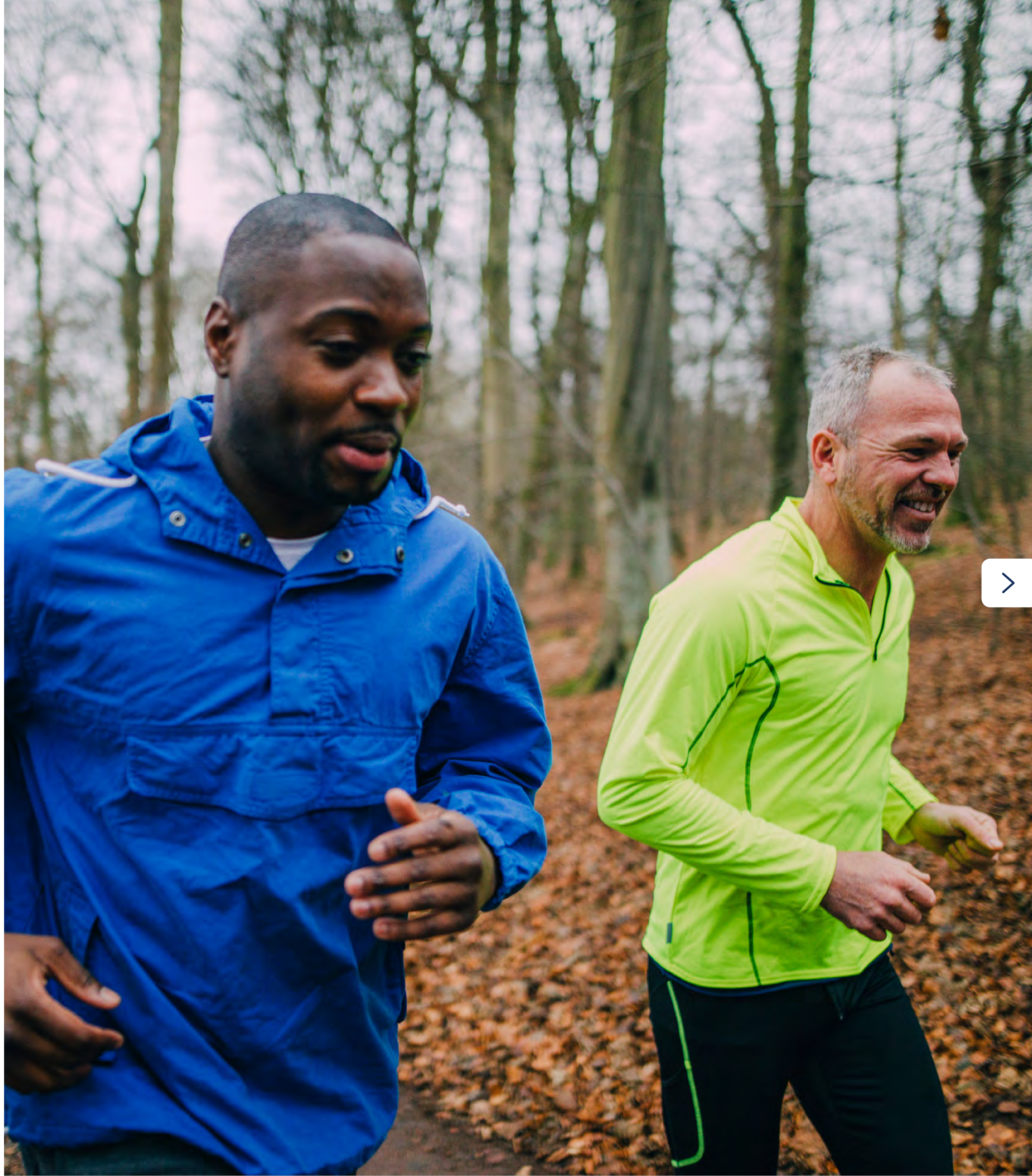
Members:

- Deryck Lewis (Chair until 23 June 2023)
- HMRC Branch member
- Relative of Lord Plant

The Lord Plant Travelling Fellowship gives Benenden Health and Benenden Hospital employees the chance to apply for funding for a project abroad or in the UK. These projects could be to give back to the community, learn new skills or gain knowledge and experience for professional or personal development.

The Committee did not make an award in 2023, but proposed changes to increase the impact of the Fellowship for future awards.

Kate Minett, a Staff Nurse at Benenden Hospital who won the award in 2022, successfully completed her project in 2023. Kate and her colleagues at the Hospital used the award to run a year of fundraising events in memory of a close colleague, raising a total of £12,767 for the Papyrus charity (over double the original target). Papyrus is dedicated to preventing suicide and promoting positive mental health and emotional wellbeing in young people.



The Directors' Report on Remuneration

The Group Nominations and Remuneration Committee Report

including the Directors' Report on Remuneration

In 2023, the Group Nominations and Remuneration Committee, chaired by Les Philpott, carried out its responsibilities in line with its terms of reference.

The challenges facing the Committee were:

1. The increasingly difficult recruitment market and candidate shortages in specialist areas
2. Motivating and retaining our people
3. Balancing this with the need to 'spend members' money wisely' in line with the 'Be smart' Society value

The Committee and main Board decided it was important to recognise how the Society had performed against a backdrop of rising member demand for services. It is important to note the increase in membership numbers driven by business performance and the hard work of colleagues.

This is why we made an annual pay award of 6% (this is a maximum and included any increases from the benchmarking exercise) in April 2023 to all colleagues, including the Society Executive. The decision was based on indicators including the Consumer Price Index and owner-occupiers' housing costs (CPIH) at the time. This was higher than in previous years due to the cost-of-living crisis, with inflation remaining high throughout 2022 and the majority of 2023.

The Committee recognises that market pay rates have increased and the cost of living has risen significantly. Also, total reward (which includes all benefits as well as salary) is even more important to attracting and keeping people. Making sure that hybrid working works well also matters, and Benenden Health fully embedded smart working in 2023 to make sure that partial working from home still benefits the business.

How we decide what to pay our people

Our approach to total reward reflects our values and strategic objectives. It considers our mutual status and our commitment to spend our members' money wisely. We must also look at the market sectors we recruit from to make sure we can attract and retain the right people to drive performance.

As the Society benchmarking was completed in 2022, any increases in salaries were applied from 1 January 2023. We will next benchmark our Society salaries in the latter half of 2024. The findings will be presented to the GNRC in November 2024. Any agreed increases in salaries will apply from 1 January 2025.

This will make sure we do not fall behind market rates and can recruit and retain the people we need to look after our members, grow the business and reach our long-term goals.

All our Society colleagues have the chance to earn a discretionary performance bonus, including executive directors. This varies depending on the overall performance of the Society and the individual's contribution to the Society's success. We measure someone's contribution against performance goals set at the start of the financial year, as well as measuring conduct and behaviour in line with our values. The average discretionary bonus paid in April 2023, excluding the Society Executive, was 4.16%. The maximum discretionary bonus for employees, excluding the executive directors, was 8.8%. A discretionary bonus is common practice among our competitors and keeps our people's rewards in line with those in comparable organisations.

Executive remuneration

The Committee realises the importance of its role in setting remuneration for the executive directors and Society Executive at a level that promotes the long-term success of the organisation. But it also recognises that, as a mutual organisation, the Society needs to be prudent with members' money.

As the executive remuneration was benchmarked and presented to the GNRC in 2023, this will next be undertaken and presented to the Committee in 2025.

Executive directors' bonus depends on how they perform against key measures. The executive directors are measured against personal and collective objectives which drive the variable element of the discretionary bonus. The Committee also looks at conduct and behaviour in deciding any discretionary award.

Usually, the discretionary element of reward includes a maximum of 30% of individual executives' salaries with an 'on target' expectation at 25%, to reflect the realistic maximum payments we are likely to make. The bonus opportunity is designed to drive outstanding performance and deliver the best we can for the Society and all our members on a sustainable basis. The Committee decided it was important to recognise the Society's performance, particularly in sustaining growth in the membership numbers in 2023, despite the backdrop of high inflation and balanced against the deficit that arose largely as a result of the substantial increase in member benefits spend. Therefore the Committee set bonuses payable in April 2024 at 22.5% of salary for both the CEO and the CFO. This reflects lower bonus payments than those of 2023, where the bonus was paid at 27.5%.

The impact of performance on executives' discretionary pay

In considering the discretionary element of executives' pay, the Committee assesses the performance of the Society and each executive's contribution. Payments under the plan are made at the Committee's discretion in April, following the audited accounts. A 'clawback' provision is in place for any audited activity that, after year-end, turns out not to have been delivered to the expected level or standard.

The Committee must be satisfied that there is no significant conduct risk or any reputational, financial, operational or other reason not to make awards. It makes this judgement based on input from the Group Audit and Risk Committee.

As well as recognising whether executives deliver objectives, the Committee has also assessed how they have dealt with long-term issues and risks facing the group. It has also made sure that it carries on supporting members and safeguarding stakeholders' interests.

Non-executive directors' remuneration

As the Committee commissioned an independent benchmark of non-executive directors' remuneration, presented in 2022, this will be rebenchmarked and presented to the Committee in 2024. The honoraria payment made to the Member Council representatives will also be rebenchmarked and presented to the Committee in 2024.

The table below shows the audited directors' remuneration for 2023.

	Salary/fees	Additional responsibility	Benefits	Annual bonus payable	Total	Total
	£'000	£'000	£'000	£'000 (bonus paid in April 2024)	2023 £'000	2022 £'000
Executive						
Bob Andrews	290	-	42	68	400	399
Helen Chamberlain	236	-	34	54	324	328
Non-executive						
Ian Blanchard	30	6	-	-	36	36
Paula Clark	30	-	-	-	30	30
James Clarke	16	-	-	-	16	-
David Furniss	85	-	-	-	85	82
Angela Hays	30	6	-	-	36	36
Lee Howell OBE	16	-	-	-	16	-
Anthony Lock	16	-	-	-	16	-
Damien Marmion	25	-	-	-	25	-
Belinda Moore	30	3	-	-	33	3
Les Philpott	30	6	-	-	36	35
Dean Waddingham	16	-	-	-	16	-
Non-executive – Left in year or prior year						
Jo Andrews	15	-	-	-	15	30
Brian Eaton	15	-	-	-	15	30
David Fletcher	15	-	-	-	15	30
Louise Fowler	-	-	-	-	-	26
Adrian Humphreys	-	-	-	-	-	30
Deryck Lewis	15	-	-	-	15	32
Sameer Rahman	13	-	-	-	13	28

Executive pension entitlement

Bob Andrews and Helen Chamberlain have chosen not to participate in the employer pension scheme, as they have reached the lifetime allowance.[1] As part of their remuneration package, they receive an allowance equivalent to 10% of their basic salary in lieu of pension contributions.

This is consistent with the contribution arrangements for employees who are members of the Legal & General Worksave Master Trust Pension Scheme. The allowance is included in the benefits figure in the emoluments table on page 75.

Workforce profile

Benenden Health has a diverse, multi-generational workforce. Our people cover an age range from 18 to over 50. Length of service also varies – 125 colleagues have fewer than two years' service and 72 employees have 10 years and over.*

We are committed to promoting diversity, equity and inclusion in our recruitment and people processes. Our employee profile is 63% female and 37% male, and 17% of our workforce work part-time. This shows that we promote flexible working by offering part-time and varied roles, including job shares and alternative working patterns.

Of our current 39 senior leaders – the Board, the Society Executive and the senior management team – 44% are female and 56% are male. Excluding the non-executive directors and Society Secretary, on 1 February 2024, the gender split for the executive and senior management of 24 people was 54% female and 46% male.

*Data as of 4 January 2024.

Gender pay gap reporting

The gender pay gap is the difference between the average pay of all men and the average pay of all women in an organisation. Benenden Health believes in equal opportunities and equal pay for work of equal value. We are pleased that our mean gender pay gap has decreased from 25.5% in 2022 to 20.3% in 2023. We are still very confident that our transparent grading structure and role evaluation supports equal pay.

As much as possible, our policy is to keep pay gaps to a minimum, and we have been reporting on gender pay since 2017. This table summarises the trend in pay and bonus gaps.

The mean gender pay gap is the difference in average hourly rates of pay for male and female employees.

This gives an overall indication of the gender pay gap by taking all hourly rates of pay and dividing by the total number of people in scope. A gender pay gap of 20.3% is a broad measure of the difference between the average earnings, including bonuses, of men and women across all roles and at all levels in our organisation. The national average is 13.2%, and in the financial and insurance sector the average is 24.7%.

The gender pay gap at Benenden Health is not a result of equal pay issues. We have a gender-neutral approach to deciding pay for roles at all levels, and we regularly monitor this to make sure that we continue to meet legal and moral obligations.

For more information on the Gender Pay Gap Report, see our website.

Gender reward gap	2023	2022	2021	2020	2019	2018	2017
Pay – mean	20.3%	25.5%	16.7%	17.8%	19.8%	20.3%	31.2%
Bonus – mean	-0.7%	53.3%	37.3%	27.6%	29.4%	7.9%	33.0%

[1] Bob Andrews and Helen Chamberlain receive a pension allowance equivalent as neither are in the pension scheme. A decision will be made by the GNRC pending any further government updates around the lifetime allowance limit, which is currently being removed from April 2024.

Diversity, equity and inclusion

We continue to partner with recruitment agencies who commit to sourcing diverse candidates, and we continue to review all the agencies we work with.

In 2023, we continued to offer our flexible benefits platform, with an emphasis on health and wellbeing products such as health assessments, gym memberships and will-writing products.

We promote vacancies internally, recruiting 25% of all roles in-house in 2023. We have succession planning and development opportunities to harness the talent we have internally.

CEO pay ratio reporting

The Pay Ratio Regulations make it a legal requirement for UK-listed companies with more than 250 employees to annually disclose the ratio of their CEO's pay to the median, lower quartile and upper quartile pay of their UK employees.

In the spirit of the transparency of our reward approach, we welcome the opportunity to share the pay ratio of our CEO using salaries on 5 April 2023. At Benenden Health, the ratio of CEO salary to the median workforce salary is 9:1.

Pay ratios*

Salaries as of 5 April 2023:

CEO to average FTE salary	7:1
CEO to average actual salary	8:1
CEO to median salary	9:1
CEO total remuneration to 50th percentile	9:1
CEO total remuneration to 25th percentile	12:1
CEO total remuneration to 75th percentile	6:1

*The salary figures are post-salary sacrifice. Employer's pension contributions are not included.

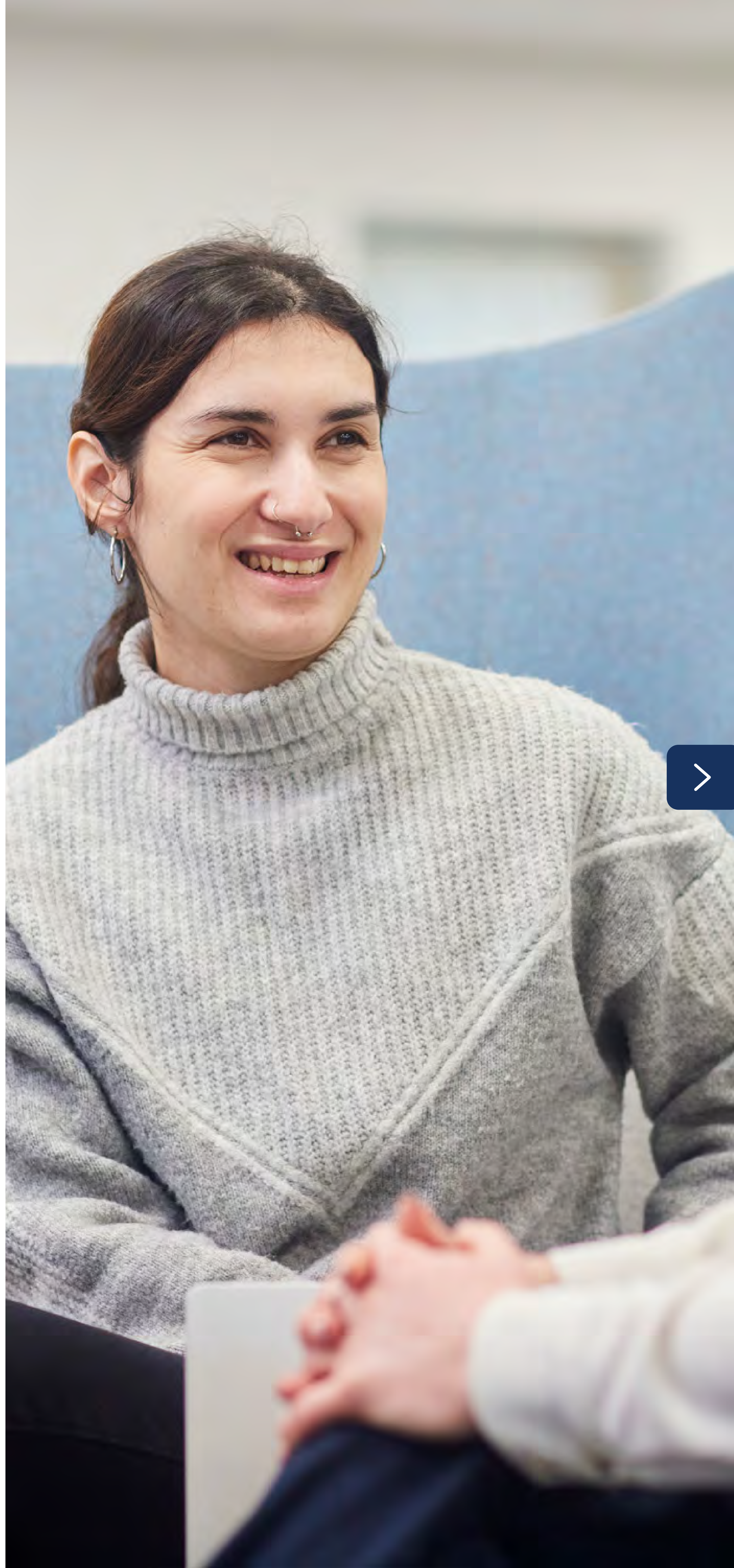
The year ahead

The GNRC's purpose is to help and advise the Board on the remuneration of the Board and Society Executive.

The Committee will operate in line with these principles:

1. Focus on recruiting, retaining and motivating a high-quality and high-performing workforce
2. Be as transparent as we can and make decisions based on evidence
3. Use members' money wisely
4. Keep monitoring inflation and cost-of-living data

The Committee will carry on working to make sure that our remuneration structure supports the right culture, conduct and behaviours and helps us perform well. Key priorities for 2024 are to review non-executive remuneration and the Society remuneration. This will take full account of and reflect the Society's strategy and mutual status, as well as wider market developments.



Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BENENDEN HEALTHCARE SOCIETY LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of The Benenden Healthcare Society Limited (the 'Society') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the Society's affairs as at 31 December 2023 and of the group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the financial statements which comprise:

- the group and Society statement of income and expenditure;
- the group and Society statement of other comprehensive income;
- the group and Society statement of financial position;
- the group and Society statements of changes in members' funds;
- the group and Society statement of cash flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of the provision for outstanding members' benefits.
Materiality	The materiality that we used for the group financial statements was £1.55m which was determined on the basis of 1.2% of member contributions.
Scoping	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Therefore, our group audit scope focused on The Benenden Healthcare Society, The Benenden Hospital Trust, The Benenden Charitable Trust and Benenden Wellbeing Limited, which together account for 100% of the group's net assets and 100% of the group's member's contributions.
Significant changes in our approach	There have been no significant changes to our audit approach in comparison to the prior period.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and Society's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's judgement paper regarding future cash flow, earnings and capital projections. This included the assumptions applied in respect of memberships, costs of members' benefits, inflation and investment valuations, and testing the mechanical accuracy of the underlying forecast;
- assessing the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the disclosures in relation to going concern and their consistency with our understanding of the group's forecast performance and position.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the provision for outstanding members' benefits

Key audit matter description	The valuation of the provision for outstanding members' benefits is the key judgement, where there is a risk of fraud, within Benenden's financial reporting. As at 31 December 2023, the provision held was £28.0m (2022: £20.1m). The provision is based on outstanding members' benefits reflecting a liability to fund services and treatment that has been authorised but not yet fully undertaken and paid. The provision is estimated using cohort methodology with Management exercising judgement where projection results appear to be outside of the expected range of values based on previous experience. The key assumptions within the calculation are the take-up rates and the average cost. From our risk assessment we determined that the greatest complexity inherent in the calculation lies within the management overlays applied. These are based on historical data and recent experience of member demand behaviour, and we identified them as a potential area for fraud. Management has also allowed for inflation on the value of outstanding costs within the provision to reflect the current general inflationary pressures that will feed through to costs of service packs. This is in line with the prior year approach. Management has obtained an independent review by an external actuarial firm to help determine the range of possible outcomes. Management has evaluated the insight provided from the independent review alongside their own provisioning model and recent experience in relation to volumes and medical inflation to form their own best estimate, which is in the top end of the range provided by the actuarial consultancy. The critical accounting judgement and key accounting estimate disclosure for the provision for outstanding members' benefits is set out in note 3 and the financial disclosures are set out in note 18.
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we performed the following procedures: • obtained an understanding of the relevant controls over the calculation of the provision and manual adjustments, including management's review of the assumptions used in the calculation; • assessed the accuracy of the estimated costs used in management's calculation by reconciling the number of service packs and amounts paid per management's calculation to the totals in Benefit Assists System ("BAS"); • tested the underlying data used in the provision calculation by agreeing a sample of service packs from third party data sheets sent to the group to details on BAS; • reviewed management's judgement paper and challenged the key assumptions used such as the take up rate and average cost assumption through obtaining corroboratory and contradictory evidence; • reviewed judgemental overlays applied to the take up rate and average cost assumptions and challenged these against historic data trends and recent member behaviour; • with the involvement of our internal actuarial specialists, we compared the methodology applied to peers and considered its appropriateness; • assessed the impact of the pipeline provision and how the increased demand has been factored into the provision calculation; • challenged the reasonableness of inflation assumptions • obtained the calculation and checked its mechanical accuracy by performing a recalculation using the underlying data; • analysed the run-off of the 31 December 2022 reserve post year end to the actual development in 2023; and • analysed the run-off of the 31 December 2023 reserve post year end comparing it to the typical run-off in the previous period.
Key observations	Based on the procedures performed above, we concluded that the valuation of the provision for outstanding members' benefits, including the manual adjustments that were made, was reasonable.

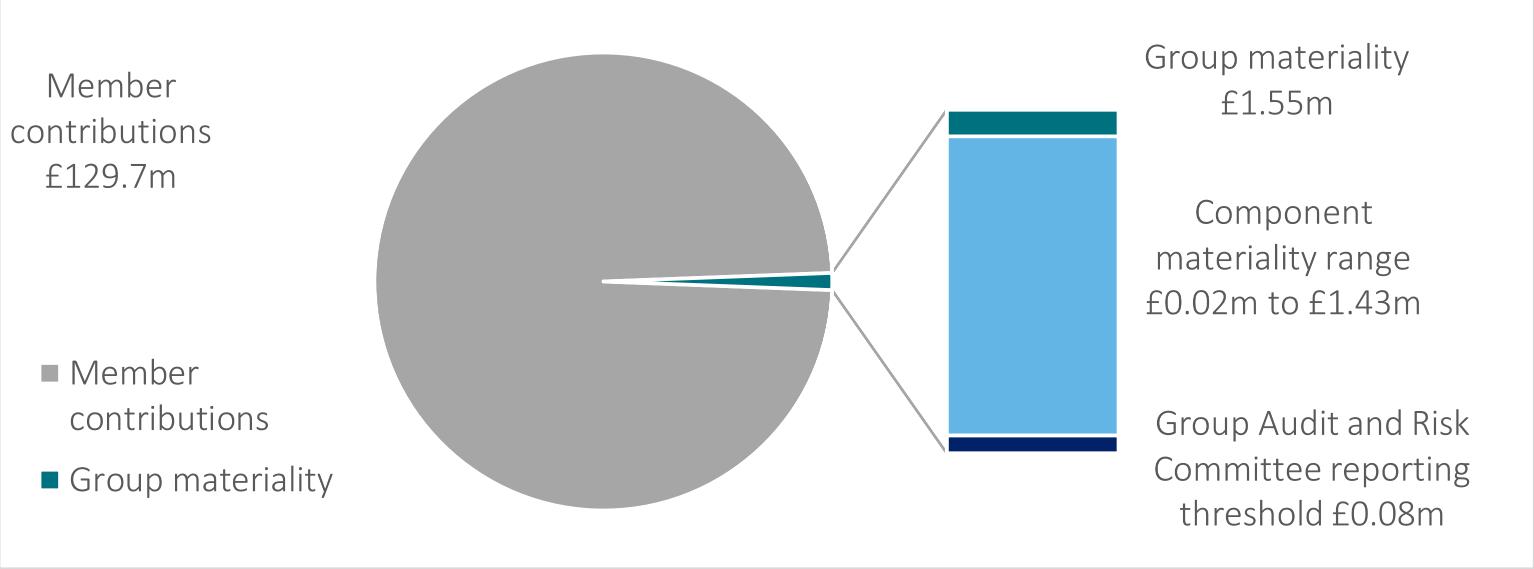
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Society financial statements
Materiality	£1.55m (2022: £1.43m)	£1.43m (2022: £1.32m)
Basis for determining materiality	Approximately 1.2% of member contributions (2022: approximately 1.2% of member contributions).	Approximately 1.2% of member contributions, which is capped at 92.5% of group materiality. (2022: approximately 1.2% of member contributions capped at 92.5% of group materiality).
Rationale for the benchmark applied	We determined member contributions to be the most suitable measure for both the group and the Society given that the size of the membership, and in turn the value of membership contributions, is a key focus area for users of the financial statements and management. It is also a more stable measure year on year than the excess of income over expenditure.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Society financial statements
Performance materiality	80% (2022: 80%) of group materiality	80% (2022: 80%) of Society materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and b. our risk assessment, including our assessment of the group's overall control environment.	

6.3. Error reporting threshold

We agreed with the Group Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.08m (2022: £0.07m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Group Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

We focused our group audit primarily on the operations and results on The Benenden Healthcare Society, and also The Benenden Hospital Trust, The Benenden Charitable Trust and Benenden Wellbeing Limited, which together account for 100% of the group's net assets and 100% of the group's members contributions. All entities are audited to an individual materiality level determined on their individual financial statements which range from £0.02m to £1.43m (2022: £0.01m to £1.32m). The Benenden Hospital Trust is audited by a separate engagement team led by the group engagement partner, as a result the partner was involved in all stages of the audit, including reviewing the documentation. The consolidation, including adjustments was audited by the group audit engagement team.

7.2. Our consideration of the control environment

We identified the financial reporting and provisioning for outstanding members' benefits business cycles to be the most relevant to the audit. Although we have not taken a controls reliance approach over the provisioning for outstanding members' benefits in the current period, we plan to take a controls reliance approach in future years. We have shared observations from our procedures with management and the Group Audit and Risk Committee. The Board's assessment of the group's internal control environment is set out on page 55 and the Audit Committee's assessment is set out on pages 69 to 71.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements. The group continues to develop its assessment of the potential impacts of climate change as explained in the Environmental Report on pages 22 to 28.

As part of our audit, we have held discussions with Management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the group's financial statements. Management has identified there to be no material impact arising from climate change on the judgements and estimates made in the financial statements.

We performed our own qualitative assessment of the potential impact of climate change material misstatement. Our procedures also included reading disclosures included in the Environmental Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 30 April 2024;
- results of our enquiries of management, the directors and the Group Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the provision for outstanding members' benefits. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Friendly Societies Act and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the requirements of the Financial Conduct Authority and the Care Standards Act.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the provision for outstanding members' benefits as the key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Group Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Friendly Societies Act 1992

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

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

In the light of the knowledge and understanding of the group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matters prescribed by our engagement letter

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 as if those requirements applied to the Society.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Friendly Societies Act 1992 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

15. Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Heaton

David Heaton (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, UK

30 April 2024

Financial Statements

Statement of income and expenditure

for the year ended 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Income					
Contributions		**129,667**	119,633	**129,724**	119,633
Investment income	4	**1,841**	1,146	**4,324**	3,599
Gains/(losses) on the realisation of investments		**708**	(889)	**708**	(889)
Gains on investment property revaluations		**126**	209	**126**	209
Commissions receivable		**1,533**	1,210	**-**	-
Third-party income from hospital activities		**19,017**	16,720	**-**	-
Other income		**191**	503	**184**	487
Total income		**153,083**	138,532	**135,066**	123,039
Expenditure					
Members' benefits	5	**(129,045)**	(96,907)	**(114,969)**	(83,902)
Expenses of management	6	**(32,668)**	(31,439)	**(30,924)**	(30,436)
Non-recurring costs	8	**(25)**	(250)	**(25)**	(250)
Investment expenses and charges		**(957)**	(578)	**(957)**	(578)
Depreciation and impairment of operational property		**(1,114)**	(2,184)	**(1,114)**	(2,184)
Interest and other similar costs		**(604)**	(510)	**(604)**	(510)
Total expenditure		**(164,413)**	(131,868)	**(148,593)**	(117,860)
(Deficit)/excess of income over expenditure before tax		**(11,330)**	6,664	**(13,527)**	5,179
Tax on (deficit)/excess of income over expenditure	22	**(8)**	(17)	**(8)**	(17)
(Deficit)/excess of income over expenditure for the financial year		**(11,338)**	6,647	**(13,535)**	5,162

Statement of other comprehensive income

for the year ended 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
(Deficit)/surplus for the financial year		**(11,338)**	6,647	**(13,535)**	5,162
Unrealised gains/(losses) on investments		**2,713**	(10,313)	**2,764**	(10,365)
Unrealised (losses)/gains on operational property		**(213)**	338	**(213)**	338
Benenden Hospital pension contribution		**-**	-	**1,800**	2,550
Pension scheme actuarial gain		**285**	12,590	**285**	12,590
Total gains of other comprehensive income		**2,785**	2,615	**4,636**	5,113
Total (losses)/gains recognised since the last annual report		**(8,553)**	9,262	**(8,899)**	10,275

Statement of financial position

as at 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Assets					
Intangible assets					
Computer intangibles	9	**3,388**	3,597	**2,274**	1,993
Investments					
Land and buildings	11	**17,186**	17,060	**17,186**	17,060
Other financial investments	12	**142,085**	141,178	**141,325**	140,367
Investment in subsidiary	13	**-**	-	**1,750**	1,750
Debtors					
Members' contribution receivable		**1,396**	1,579	**1,396**	1,579
Debtors	16	**5,103**	5,979	**5,184**	5,501
Other assets					
Tangible assets	10	**44,649**	46,487	**36,783**	37,907
Stocks	15	**669**	528	**-**	-
Cash and cash equivalents		**18,485**	18,237	**10,695**	12,168
Pre-payments and accrued income					
Pre-payments and accrued income		**2,542**	2,509	**1,732**	1,766
Total assets		**235,503**	237,154	**218,325**	220,091

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Liabilities					
Capital and reserves					
Members' funds		**179,323**	187,876	**163,491**	172,390
Gross technical provisions					
Provision for outstanding members' benefits	18	**28,015**	20,081	**28,015**	20,081
Provision for liabilities and charges					
Defined Benefit Pension scheme liability	19	**12,025**	13,956	**12,025**	13,956
Creditors					
Creditors	17	**2,082**	2,393	**3,160**	3,556
Accruals and deferred income					
Accruals and deferred income		**14,058**	12,848	**11,634**	10,108
Total liabilities		**235,503**	237,154	**218,325**	220,091

The notes on pages 89 to 111 form part of these Financial Statements.

The Financial Statements on pages 84 to 111 were approved and authorised for issue by the Board on 30 April 2024 and were signed on their behalf by:

René Fraioli
Society Secretary

The Benenden Healthcare Society Limited
Friendly Society number 480F

Statement of changes in members' funds

for the year ended 31 December 2023

Group	General fund	Operational property reserve	Investments reserve	Lord Plant fund	Total members' funds
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2023 £'000
Deficit for the financial year	**(11,338)**	-	-	-	**(11,338)**
Unrealised gains on investments	-	-	**2,713**	-	**2,713**
Unrealised losses on operational property	-	**(213)**	-	-	**(213)**
Pension scheme actuarial gain	**285**	-	-	-	**285**
	(11,053)	**(213)**	**2,713**	-	**(8,553)**
Balance at 1 January	**185,832**	**398**	**1,604**	**42**	**187,876**
Balance at 31 December	**174,779**	**185**	**4,317**	**42**	**179,323**
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Surplus for the financial year	6,647	-	-	-	6,647
Unrealised losses on investments	-	-	(10,313)	-	(10,313)
Unrealised gains on operational property	-	338	-	-	338
Pension scheme actuarial gain	12,590	-	-	-	12,590
	19,237	338	(10,313)	-	9,262
Balance at 1 January	166,595	60	11,917	42	178,614
Balance at 31 December	185,832	398	1,604	42	187,876

The group seeks to hold a long-term surplus which is available to support requests for assistance that are likely to arise from current and future members.

Included in members' funds are £15,940k (2022: £15,601k) of net assets (after consolidation adjustments) held by The Benenden Hospital Trust and The Benenden Charitable Trust. Both are registered charities and must apply these funds solely in the pursuit of their charitable objectives; consequently, these funds are not available for the general purposes of the group.

Society	General fund	Operational property reserve	Investments reserve	Lord Plant fund	Total members' funds
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2023 £'000
Deficit for the financial year	**(13,535)**	-	-	-	**(13,535)**
Unrealised gains on investments	-	-	**2,764**	-	**2,764**
Unrealised losses on operational property	-	**(213)**	-	-	**(213)**
Benenden Hospital pension contribution	**1,800**	-	-	-	**1,800**
Pension scheme actuarial gain	**285**	-	-	-	**285**
	(11,450)	**(213)**	**2,764**	-	**(8,899)**
Balance at 1 January	**170,407**	**398**	**1,543**	**42**	**172,390**
Balance at 31 December	**158,957**	**185**	**4,307**	**42**	**163,491**
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Surplus for the financial year	5,162	-	-	-	5,162
Unrealised losses on investments	-	-	(10,365)	-	(10,365)
Unrealised gains on operational property	-	338	-	-	338
Benenden Hospital pension contribution	2,550	-	-	-	2,550
Pension scheme actuarial gain	12,590	-	-	-	12,590
	20,302	338	(10,365)	-	10,275
Balance at 1 January	150,105	60	11,908	42	162,115
Balance at 31 December	170,407	398	1,543	42	172,390

The Society seeks to hold a long-term surplus which is available to support requests for assistance that are likely to arise from current and future members.

The Lord Plant Fund was established following the death of Cyril Thomas Howe Plant to allow staff the opportunity to travel within the United Kingdom or overseas to develop personally and bring improvements in all aspects of care for our members and patients.

Statement of cash flows

for the year ended 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Cash flows (to)/from operating activities					
(Deficit)/surplus for the year		**(11,338)**	6,647	**(13,535)**	5,162
Adjustments for:					
Depreciation, amortisation and impairment		**4,637**	4,802	**2,388**	2,246
Net (gains on)/impairment of property revaluations		**(126)**	829	**(126)**	829
(Profit)/loss on sale of assets and investments		**(708)**	894	**(708)**	889
Investment income	4	**(1,841)**	(1,146)	**(4,324)**	(3,599)
Interest on pensions		**604**	510	**604**	510
		(8,772)	12,536	**(15,701)**	**6,037**
Decrease/(increase) in debtors		**1,026**	(676)	**534**	(1,305)
(Increase)/decrease in stocks		**(141)**	134	**-**	-
Increase/(decrease) in creditors		**983**	(6,890)	**1,130**	(7,575)
Increase/(decrease) in provisions for members' benefits		**7,934**	(3,009)	**7,934**	(3,009)
		9,802	(10,441)	**9,598**	(11,889)
Defined Benefit Pension contributions		**(2,334)**	(3,000)	**(450)**	(450)
Net cash flows used in operating activities		**(1,304)**	(905)	**(6,553)**	(6,302)

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Cash flows from/(used in) investing activities					
Proceeds from sale of fixed assets		**3**	-	**3**	106
Dividends received		**247**	443	**247**	443
Interest and other income received		**1,460**	601	**3,943**	3,054
Proceeds from sale of investments	12	**79,321**	59,429	**79,321**	59,429
Acquisition of investments	12	**(76,676)**	(74,778)	**(76,676)**	(74,778)
Acquisition of equipment and intangible assets		**(2,803)**	(2,863)	**(1,758)**	(1,535)
Net cash flows generated from/(used in) investing activities		**1,552**	(17,168)	**5,080**	(13,281)
Net increase/(decrease) in cash and cash equivalents		**248**	(18,073)	**(1,473)**	(19,583)
Opening cash and cash equivalents		**18,237**	36,310	**12,168**	31,751
Closing cash and cash equivalents		**18,485**	18,237	**10,695**	12,168

Notes to the Financial Statements

for the year ended 31 December 2023

1. General information

The Benenden Healthcare Society Limited (the 'Society') is a friendly society conducting flat-rate benefits business, and in addition together with its subsidiaries (the 'group') provides a range of general insurance products to its members and the wider public.

The Society is a mutual incorporated in England (Friendly Society no. 480F). The address of its Registered Office is Holgate Park Drive, York, YO26 4GG.

Statement of compliance

The Financial Statements of the Society and the group have been prepared in compliance with United Kingdom Accounting standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and The Friendly Societies (Accounts and Related Provisions) Regulations 1994. The Society has chosen to adopt the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement, as per paragraph 11.2(b) of FRS 102.

2. Summary of significant accounting policies

The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

(a) Basis of preparation

These separate and consolidated Financial Statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value (namely investment properties, land and buildings and listed investments).

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and Society's accounting policies. Management estimates are based on subjective as well as objective factors and, as a result, judgement may be required to estimate an amount at the date of the Financial Statements. Management's judgement is based on its knowledge and experience about past and current events, its assumptions about conditions it expects to exist and courses of action it expects to take. Judgements made by management in the application of these accounting policies that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed under 'Critical accounting judgements and estimation uncertainty'.

(b) Going concern

The consolidated Financial Statements are prepared on a going concern basis. In considering the going concern basis, the directors have reviewed the group's and Society's future cash requirements, earnings projections and capital projections. The Board of Directors believes these forecasts have been prepared on a prudent basis and has also considered the impact of a range of potential changes to trading performance. Forecasts have been stress tested for a range of possible, but very unlikely, scenarios relating to increases in members' benefits spend, reductions in membership, inflation and reductions in investment valuations.

The Board of Directors has concluded that the group and Society will be able to operate without requiring additional external funding and therefore believes it is appropriate to prepare consolidated Financial Statements of the group and Society on a going concern basis.

(c) Basis of consolidation

The consolidated Financial Statements include the results of the Society and its subsidiary undertakings and controlled bodies made up to 31 December each year. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiary undertakings are included in the consolidated statement of income and expenditure from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Benenden Charitable Trust and The Benenden Hospital Trust are controlled bodies of the Society under the provisions of the Friendly Societies Act 1992 and are fully consolidated accordingly. Benenden Hospital Limited, which has not traded in the period, has been controlled by the Society since its incorporation on 13 October 2021.

The amounts in the consolidated Financial Statements all arise from continuing operations made up until 31 December each year.

(d) Functional and presentation currency

The group Financial Statements are presented in pounds sterling and rounded to the nearest thousand.

The Society's functional and presentational currency is pounds sterling, as this is the currency of the United Kingdom in which the Society exclusively trades.

(e) Revenue recognition

(i) Contribution income

Revenue is recognised at the fair value of the consideration received, with the main source being member contributions. Contributions are recognised on a monthly basis as and when certainty of membership is confirmed.

Revenues are included in the Financial Statements and represent the income payable by the active membership in the year either:

a) by amounts advised as being deducted from members' payrolls by employers or pension providers in the year;

b) on payments received directly from members in respect of the year; or

c) deducting refunded contributions paid to members.

(ii) Investment income

Income from rental properties and investments includes dividends from the investment portfolio, together with any associated tax credit and interest from bank deposits, and is shown in the statement of income and expenditure on an accruals basis.

(iii) Commission income

Commission income is comprised of commission earned by Benenden Wellbeing Limited on travel insurance, health assessments and health cash plans.

Commission income is recognised at fair value on a monthly basis in line with contractual obligations with the respective third parties.

(iv) Third-party income from Hospital activities

Third-party income from Hospital activities represents the invoiced value of goods and services supplied. It is recognised to the extent that it is probable that the economic benefits will flow to the Hospital and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable.

(v) Other income

Charitable donations, profit shares, legacy and other income are credited to the statement of income and expenditure when there is adequate certainty of receipt.

(f) Employee benefits

The Benenden Healthcare Pension Plan (the 'Scheme') is funded by the Society, The Benenden Hospital Trust (the 'employers') and employees of both entities through their respective contributions.

(i) Group Defined Benefit Plan

The Society recognises the cost and net obligation of the group-wide Defined Benefit Pension plan. One of the Society's subsidiaries (The Benenden Hospital Trust) also participates in the Scheme. There is no contractual agreement or stated policy for charging the net Defined Benefit cost between the Society and The Benenden Hospital Trust (the 'Hospital Trust'). In light of this, the Society recognises the full cost of the Scheme, including the Hospital Trust's portion of the FRS 102 Scheme liability.

The Society's net obligation in respect of the Defined Benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted from the total liability to arrive at the net asset or obligation. The net interest expense/income is determined on the net Defined Benefit liability for the period by applying the discount rate (as determined at the beginning of the annual period) to the net Defined Benefit liability, taking account of changes arising as a result of contributions and benefit payments.

The Scheme assets and liabilities are recognised in full in the accounts of the Society on a net basis. FRS 102 requires that the discount rate should reflect the current rate of return available on high-quality corporate bonds (typically AA-rated or equivalent) of equivalent currency and term to the plan liabilities.

The Society's Defined Benefit Pension scheme closed to future accrual on 31 December 2018. Previously, the rates of contribution paid were determined by the pension trustees on the advice of the Scheme actuary.

A triennial valuation is undertaken by a professionally qualified actuary. Actuarial gains or losses are recognised under the heading 'Pension scheme actuarial gain/loss' within the statement of other comprehensive income.

(ii) Group Defined Contribution plan

A Defined Contribution scheme is a pension scheme under which the group pays fixed contributions into a separate entity and provides no guarantee as to the quantum of retirement benefits that those contributions will ultimately purchase.

The Society operates a Defined Contribution pension scheme for the auto-enrolment of all new employees and any existing employees. The Society's principal subsidiary, The Benenden Hospital Trust, participates in this Scheme. The Society makes guaranteed fixed contributions on a regular basis relative to the level of the employee contribution. The future benefits are not guaranteed, and the Society has no legal or constructive obligation to pay further amounts.

(g) Taxation

The Benenden Hospital Trust and The Benenden Charitable Trust are exempt from corporation tax.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end in the Financial Statements.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the Financial Statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in Financial Statements. In general, deferred tax is recognised in respect of all timing differences between taxable profit and total comprehensive income at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

(h) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are separable from the entity or arise from contractual or legal rights. An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost or value can be measured reliably. Intangible assets are measured using the cost model, which takes into account accumulated amortisation and all impairment losses. The valuation is based on the predicted future cash flows of the intangible asset using an appropriate discount rate.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Computer intangibles	3 years

(i) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses or revalued amount. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling costs and restoration costs.

(i) Property, plant and equipment

The Hospital asset is valued at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses by both the group and Society.

Other property is recognised initially at cost and is revalued periodically using market-based evidence. Gains on revaluation in excess of losses previously recognised on individual assets are credited through the statement of other comprehensive income. Losses on revaluation in excess of gains previously recognised on individual assets are debited through the statement of income and expenditure.

Plant and equipment are recognised at cost, including all costs necessary to prepare the asset for its intended use, an estimate of the costs of dismantling and removing the item and restoring the site if required.

Revaluations are made with sufficient regularity to ensure that the carrying value does not differ materially from fair value.

(ii) Depreciation

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Buildings (Hospital asset)	Over the period of the lease
Buildings (Other property)	40 years
Fixtures and fittings	15 years
Furniture and equipment	3-7 years
Motor vehicles	3 years

Assets held under the revaluation model are depreciated in the period when they are not revalued, with the accumulated depreciation being reversed at each revaluation date.

Within the prior year, the accounting estimate for the depreciation of the Hospital asset was changed, from over 40 years to over the period of the lease. See note 3 (c) for further details.

(j) Leased assets

At inception, the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases and are charged to the statement of income and expenditure on a straight-line basis over the period of the lease. All other leases are classified as finance leases. Finance leases are recognised at the present value of the minimum lease value; neither the group nor the Society held any finance leases in 2023 or 2022.

(k) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit, ACGU) may be impaired. If there is such an indication, the recoverable amount of the asset (or ACGU) is compared to the carrying amount of the asset (or ACGU).

The recoverable amount of the asset (or ACGU) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or ACGU's) continued use.

The cash flows are derived from the business plans for the next three to five years and do not include any activities that the group is not yet permitted to undertake or significant future investments that will enhance the asset's performance. If it is not possible to determine the recoverable amount of the asset, then it is based on the recoverable amount of the income-generating unit to which it belongs.

If the recoverable amount is lower than the carrying amount, the difference is recognised in the statement of income and expenditure as an impairment loss. Assessment of impairment is carried out at each reporting date, where there are indicators of impairment of individual assets. Management performs impairment tests based on the recoverable amount.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or ACGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of income and expenditure.

(l) Investments in subsidiaries

Investments in subsidiaries are measured at cost on initial recognition and subsequently subject to impairment review. Any impairment loss is recognised in the statement of income and expenditure. Assessment of impairment is carried out at each reporting date, where there are indicators of impairment of individual investments. Management performs its impairment test by comparing the carrying value of the investment with the recoverable amount. The cash flows are derived from the business plans for the next five years and do not include any activities that the group is not yet permitted to undertake or significant future investments that will enhance the asset's performance. If it is not possible to determine the recoverable amount of the asset, then it is based on the recoverable amount of the income-generating unit to which it belongs.

(m) Investments

(i) Investment properties

Investment property is property held to earn rental income or for capital appreciation or both. Investment property is measured at cost on initial recognition. Subsequently, investment property is measured at fair value at the reporting date, with any changes recognised in the statement of income and expenditure.

(ii) Other investments

Other investments held by the Society (excluding term deposits with a maturity date of more than three months) are classified as being available for sale (AFS) and are stated at fair value. Other investments are initially recognised at cost in the statement of financial position and are revalued on a quarterly basis at the quoted price, with any gain or loss recognised in the revaluation reserve within the statement of other comprehensive income. On disposal, cumulative gains and losses that have arisen as a result of changes in fair value in AFS financial assets are recycled in full in the statement of income and expenditure.

Term deposits with a maturity date of more than three months are stated at initial investment plus any accrued interest and are classified as loans and receivables.

All of the Society's other investments are quoted in an active market. The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis and use the source which the Society's investment advisors consider most appropriate for the market and investment concerned. The quoted price is usually the current bid price.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined below.

(n) Debtors

Member contributions receivable and other debtors are initially recognised at fair value, which is generally equal to face value, and are subsequently held at amortised cost.

A provision is made when there is objective evidence that the group will not be able to recover balances in full, with the charge being recognised in the statement of income and expenditure.

(o) Stocks

Stocks are valued at the lower of cost or estimated selling price less selling costs (net realisable value) and include Hospital medical goods.

(p) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash at banks and in hand and short-term deposits with a current maturity date of three months or less at the date of the deposit.

(q) Financial instruments

The group has chosen to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value or amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of income and expenditure.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of income and expenditure.

Other financial assets that are not subsidiaries, associates or joint ventures are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value, and the changes in fair value are recognised in the statement of income and expenditure, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price and represent the total change in fair value since an investment was acquired and are calculated using the average cost method. Movements in unrealised gains and losses on investments represent the difference between the fair value at the statement of financial position date and their purchase price or their fair value at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Dividends on equity instruments are included as investment income on the date the equity shares are quoted ex dividend and are stated net of any withholding tax.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

The provision for outstanding members' benefits represents the anticipated cost of all cases that either have been authorised and are expected to commence treatment or have started treatment and the costs are yet to be fully charged and are thereby accrued in line with FRS 102 section 21.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and are subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, i.e. when the contractual obligation is discharged, is cancelled or expires.

(r) Related party transactions

Balances due to or from other group companies are initially recognised at fair value and are subsequently held at amortised cost less any provision for impairment.

(s) Members' benefits

Members' benefits consist of all the directly attributable costs of delivering services to the membership such as medical services, costs related to Benenden Hospital (including costs for third-party treatment), information-based services, the cost of running the Member Services function as well as movements in the outstanding members' benefits provision.

(t) Expenses of management

The expenses of management are recognised as the non-medically related costs incurred by the group and consist of all the running costs of the group excluding those categorised as 'members' benefits' in the Financial Statements. Included within expenses of management are staffing (e.g. salaries, pension, recruitment, training), operational costs (e.g. utilities, stationery, systems support and maintenance), costs relating to the recruitment of members, Conference costs, Board costs, depreciation and costs associated with the delivery of strategic objectives.

(u) Total members' funds

Total members' funds are the accumulated unrestricted surpluses of the Society, its subsidiaries and its controlled bodies added to the unrealised gains on investments. Total members' funds are available for use at the discretion of the Board and increase (or decrease) the organisation's ability to absorb or respond to temporary changes in its business environment.

3. Critical accounting judgements and estimation uncertainty

In the preparation of these Financial Statements, the group is required to make estimates and judgements that affect items reported in the group and Society statement of income and expenditure, the statement of financial position and other primary statements and related notes. The key areas involving a degree of judgement or complexity, or areas where assumptions are significant to the Financial Statements, are listed below.

Management has considered the impact of climate-related risks and the cost of mitigating actions on the group's Financial Statements. Whilst the effects of climate change represent a source of uncertainty, management has identified there to be no material impact arising from climate change on the judgements and estimates made in the Financial Statements.

Critical judgements in applying the group's accounting policies

(a) Provision for outstanding members' benefits

Management deems FRS 102 section 21 to be the appropriate accounting standard to follow when assessing what provision is required for its obligations in respect of outstanding members' benefits. This provision, at the reporting date, represents the anticipated cost of all cases that have been or are expected to be authorised and are expected to commence treatment or have started treatment and the costs are yet to be fully charged.

(b) Investment in subsidiary

It is management's view that the value of the Society's investment in its subsidiary should be reviewed each year for evidence of impairment. Management exercises its judgement in determining whether indicators of impairment exist.

(c) Property valuation

The group and Society hold investment property and operational property. Property is held at depreciated cost or fair value, dependent on its asset class. Where property is held at fair value, management has based the value on the latest external valuation adjusted for market movements since that date using market data for similar property in the same geographical area where an external valuation was not undertaken at the reporting date.

Key accounting estimates and assumptions

(a) Provision for outstanding members' benefits

The valuation of the outstanding members' benefits provision is based on the expected future costs of settling cases that have been, or are expected to be, authorised, by reference to past experience and trends seen in the preceding months. The provision uses average take-up rates and average case costs to estimate the liability of all open cases at 31 December 2023 that have not been fully settled. The assumptions used are sensitive to fluctuations in demand and cost; however, the trends are analysed over the preceding months using a cohort methodology to extrapolate the underlying data (see note 18).

The provision is estimated using cohort methodology, with management exercising judgement where projection results appear to be outside of the expected range of values based on previous experience. These judgements have been used on the more recent cohort cost estimates, which can be impacted by the timing of billing.

Due to much greater uncertainty in relation to volumes and medical inflation, management engaged an actuarial consultancy that specialises in healthcare to undertake an independent review of the reserves at 31 December 2023. Although this independent review used different reserving methods and assumptions, their best estimates supported internal estimates. Management has evaluated the insight provided from the independent review alongside their own provisioning model and recent experience in relation to volumes and medical inflation to form their own best estimate, which is in the top end of the range provided by the actuarial consultancy.

At 31 December 2023, the provision for outstanding members' benefits was £28,015k (2022: £20,081k).

Guidance from the Financial Reporting Council requests disclosure of sensitivity analysis or ranges of possible outcomes to be provided for areas subject to significant estimation uncertainty. Management views the provision for outstanding members' benefits as a key estimate and in the period has obtained an independent review by an external actuarial firm to help determine the range of outcomes. Management's own best estimate is at the top end of the range provided by the independent review. Management therefore considers that the estimated range of outcomes for members' benefits could result in the provision being up to £4.1m lower for the year, representing the difference between the upper reserved estimates and lower estimates provided by an independent review. This range reflects the volatility of the cost per member trends observed in our data. In the event that the costs for members' benefits is higher than that provided for, each 1% increase in the provision required would represent £0.28m.

(b) Investment in subsidiary

The recoverable amount of the cash-generating unit is based on value in use calculations. The calculations are based on expected pre-tax cash flows. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows and the discount rate used. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance. At 31 December 2023, the Society's investment in its subsidiary was valued at £1,750k (2022: £1,750k).

(c) Property valuation

Management engaged an independent professional valuer to undertake a valuation at 31 December 2022. The methodology for this calculation is detailed in note 10. Management has undertaken an internal valuation of its property at 31 December 2023 using the 2022 external valuation as its base and adjusting for market movements using publicly available market data. This revaluation has resulted in a net decrease in value in the year of £87k (2022: increase of £209k). At 31 December 2023, the group's and Society's property was valued at £53,608k (2022: £54,809k).

(d) Pension benefit obligation

The valuation of the pension benefit obligation for the group's Defined Benefit scheme requires actuarial assumptions relating to discount rates, inflation, longevity and future pension increases. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty. Details of the principal assumptions used for the Defined Benefit scheme are disclosed in note 19. At 31 December 2023, the net pension benefit obligation was £12,025k (2022: £13,956k).

4. Investment income	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Collective investment income	**247**	443	**247**	443
Rental income	**322**	321	**2,911**	2,784
Interest received	**1,272**	382	**1,166**	372
Income from investments	**1,841**	1,146	**4,324**	3,599

The above investment income includes income generated from group investment holdings (note 12), rental income and income from cash on deposit held across the group.

5. Members' benefits	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Treatment services	**29,927**	20,502	**29,927**	20,502
Consultation services	**52,290**	35,557	**52,290**	35,557
Benenden Hospital treatment and consultation services (2022: reclassified)	**-**	-	**30,522**	23,376
Financial assistance	**264**	276	**264**	276
Grants and donations (2022: reclassified)	**-**	-	**331**	852
Hospital running costs	**44,929**	37,233	**-**	-
Information-based services	**1,635**	3,339	**1,635**	3,339
Total members' benefits	**129,045**	96,907	**114,969**	83,902

Regulated activity

Less than 0.1% of the total members' benefits relates to the regulated activity of provision of approved treatment for tuberculosis or any allied condition.

The re-classification of £23,376k in 2022 relates to the Benenden Hospital treatment and consultation services, which were not paid on a donation basis in 2022 and have therefore been reclassed from grants and donations and are shown separately to enhance the usefulness, comparability and understandability of the information in the Financial Statements.

6. Expenses of management include the following expenditure	Group		Society	
	2023 £'000	2022 restated £'000	2023 £'000	2022 restated £'000
Officers' emoluments and other payments*	**1,253**	1,255	**1,253**	1,255
Auditor's remuneration (including VAT)	**458**	395	**305**	253
Expenses paid to the Officers	**49**	79	**49**	79
Operating lease rentals	**147**	141	**86**	82
Depreciation and impairment of tangible fixed assets	**124**	154	**124**	154
Amortisation and impairment of intangible fixed assets	**1,241**	961	**1,150**	946
Officers' emoluments and other payments*				
Chief Executive Officer	**400**	399	**400**	399
Chief Financial Officer	**324**	328	**324**	328
Secretary	**108**	105	**108**	105
Non-executive directors	**418**	428	**418**	428
Total	**1,250**	1,260	**1,250**	1,260
Amount receivable (excluding VAT) by the group's auditor and its associates in respect of:				
Audit of financial report and Financial Statements				
- fees and expenses in respect of current year	**254**	211	**254**	211
- audit of the Financial Statements of the subsidiaries	**128**	118	**-**	-
Total	**382**	329	**254**	211

*Officers' emoluments and other payments represent the amounts paid in the year on salaries, bonus (including accrued and not yet paid), car allowance and the employer's pension contributions.

The number of remunerated non-executive directors at the end of 2023 was 11 (2022: 11).

The group and Society's key management personnel are the members of the Board.

The restatement in 2022 relates to the removal of depreciation and amortisation amounts, which were incorrectly included in the 'Depreciation and impairment of tangible fixed assets' and 'Amortisation and impairment of intangible fixed assets' headings within the Expenses of management note in 2022 when these were included in separate or other line items in the primary statement of income and expenditure.

7. Employee number and costs	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	**28,475**	24,716	**15,756**	13,350
Social security costs	**2,820**	2,438	**1,725**	1,449
Contributions to Defined Contribution Pension plan	**3,333**	2,976	**1,951**	1,723
Redundancy costs	**171**	139	**-**	-
Total cost	**34,799**	30,269	**19,432**	16,522
	No.	No.	No.	No.
Board	**13**	13	**13**	13
Management	**5**	5	**4**	4
Medical services	**360**	333	**-**	-
Administration and support	**511**	466	**381**	340
Number of employees	**889**	817	**398**	357

Senior management

Full disclosure of the Chief Executive Officer's and Chief Financial Officer's employee benefits are shown in The Directors' Report on Remuneration on pages 73 to 77.

8. Non-recurring costs	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Donations	**25**	250	**25**	250
Total non-recurring costs	**25**	250	**25**	250

In the year, the Society donated £25k to the Turkey/Syria earthquake appeal (2022: £250k to the Disasters Emergency Commitee Ukraine Humanitarian Appeal). The donation was made through the British Red Cross, whose objectives, the Board agreed, matched the wider purposes of the Society, namely improving health and preventing disease.

9. Intangible assets	Computer intangibles	
	Group	Society
Cost	**£'000**	**£'000**
At 1 January 2023	12,533	10,421
Additions	1,431	1,431
At 31 December 2023	**13,964**	**11,852**
Amortisation and impairment		
At 1 January 2023	8,936	8,428
Amortisation charge for the year	1,584	1,150
Impairment	56	-
At 31 December 2023	**10,576**	**9,578**
Net book value at 31 December 2022	3,597	1,993
Net book value at 31 December 2023	**3,388**	**2,274**

10. Tangible assets	Land and buildings		Fixtures and fittings	Motor vehicles	Furniture and equipment	Total
Group	@Revaluation	@Cost				
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2023	2,950	51,837	10,992	85	14,691	80,555
Additions	-	-	30	-	1,342	1,372
Revaluation	(213)	-	-	-	-	(213)
At 31 December 2023	**2,737**	**51,837**	**11,022**	**85**	**16,033**	**81,714**
Depreciation and impairment						
At 1 January 2023	-	17,038	5,356	81	11,593	34,068
Provided in the year	74	1,040	442	4	1,437	2,997
At 31 December 2023	**74**	**18,078**	**5,798**	**85**	**13,030**	**37,065**
Net book value at 31 December 2022	2,950	34,799	5,636	4	3,098	46,487
Net book value at 31 December 2023	**2,663**	**33,759**	**5,224**	**-**	**3,003**	**44,649**

10. Tangible assets	Land and buildings		Furniture and equipment	Total
Society	@Revaluation	@Cost		
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2023	2,950	51,837	949	55,736
Additions	-	-	327	327
Revaluation	(213)	-	-	(213)
At 31 December 2023	**2,737**	**51,837**	**1,276**	**55,850**
Depreciation and impairment				
At 1 January 2023	-	17,038	791	17,829
Provided in the year	74	1,040	124	1,238
At 31 December 2023	**74**	**18,078**	**915**	**19,067**
Net book value at 31 December 2022	2,950	34,799	158	37,907
Net book value at 31 December 2023	**2,663**	**33,759**	**361**	**36,783**

The group and Society occupied land and buildings for its own use and the use of its members with a value of £36,422k at the year-end (2022: £37,749k).

In the year, the Society has undertaken an internal valuation of its property using an external valuation undertaken in 2022 as its base and adjusting for market movements using publicly available data. As a result, the value of operational properties reduced by £213k (2022: £700k).

11. Investments – land and buildings	
Group and Society	Investment property (at fair value)
Cost	**£'000**
Balance at 1 January 2023	17,060
Unrealised gain to members' funds	126
Balance at 31 December 2023	**17,186**
Net balance at 31 December 2022	17,060
Net balance at 31 December 2023	**17,186**

The group's investment properties are valued annually as at 31 December of each financial year at fair value.

In the year, the Society performed an internal revaluation review with reference to online market resources. The movements in property markets were reflected in the value of the properties held at the start of the year, which generated a revaluation gain of £126k in the value of the investment properties (2022: £209k gain following an external independent valuation).

At 31 December 2023, the fair value of the investment properties was determined by an internal review of market movements in the year. These movements, which were obtained from online resources such as the Office for National Statistics, were then applied to the valuations as at 31 December 2022, which were obtained from an independent, professionally qualified valuer.

The independent valuation at 31 December 2022 was undertaken in accordance with Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards 2021, effective from 31 January 2022, incorporating the IVSC International Valuation Standards (the RICS Red Book) and the UK National Supplement 2018, effective 14 January 2019.

The key assumption in this valuation is the definition of market value (as per Valuation Standard VPS 4 of the RICS Red Book) as being the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

If investment property had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

Net book value on historic cost basis	Group and Society	
	2023 £'000	2022 £'000
Historic cost	**5,675**	5,675
Accumulated depreciation and impairments	**(5,153)**	(5,012)
Net book value	**522**	663

12. Investments – other financial investments Group	Fixed maturity securities	Equity securities	Other investments (including derivatives)	Total investments
	£'000	£'000	£'000	£'000
Balance at 1 January 2023	**101,988**	**6,084**	**33,106**	**141,178**
Additions	**53,048**	**17,400**	**6,228**	**76,676**
Disposals	**(56,864)**	**(5,935)**	**(16,522)**	**(79,321)**
Gains/(losses) to members' funds or income statement	**5,259**	**1,062**	**(2,769)**	**3,552**
Balance at 31 December 2023	**103,431**	**18,611**	**20,043**	**142,085**
Net investments at 31 December 2022	101,988	6,084	33,106	141,178
Net investments at 31 December 2023	**103,431**	**18,611**	**20,043**	**142,085**

12. Investments – other financial investments Society	Fixed maturity securities	Equity securities	Other investments (including derivatives)	Total investments
	£'000	£'000	£'000	£'000
Balance at 1 January 2023	**101,441**	**5,956**	**32,970**	**140,367**
Additions	**53,048**	**17,400**	**6,228**	**76,676**
Disposals	**(56,864)**	**(5,935)**	**(16,522)**	**(79,321)**
Gains/(losses) to members' funds or income statement	**5,323**	**1,013**	**(2,733)**	**3,603**
Balance at 31 December 2023	**102,948**	**18,434**	**19,943**	**141,325**
Net investments at 31 December 2022	101,441	5,956	32,970	140,367
Net investments at 31 December 2023	**102,948**	**18,434**	**19,943**	**141,325**

Within investments, there are significant additions and disposals in the year which relate to the Society's investments with Ruffer LLP. Unlike the Society's other fund-based investments, Ruffer invests the funds under their management directly, thereby generating a large number of transactions. In line with accounting standards, the Society records these investment transactions as additions and disposals in the period.

In February, the Society disinvested £5.0m from L&G index-linked gilts and reinvested this amount in the Mercer Short Term Global Bond Fund. In July, £10.0m of time deposits was disinvested and reinvested into a Royal London Asset Management Global Equity Select Fund. In December, £11.9m was disinvested from the Mercer Short Term Global Bond Fund and reinvested into a Mercer Absolute Return Fixed Income Fund. These changes further strengthened the diversification of the Society's investment portfolio.

13. Society's investment in subsidiary undertakings

	2023 £'000
Cost	
At 1 January and 31 December 2023	**4,801**
Accumulated impairment	
At 1 January and 31 December 2023	**3,051**
Net book amount at 31 December 2022	1,750
Net book amount at 31 December 2023	**1,750**

Of the accumulated impairment loss brought forward, £2,301k relates to the impairment of the Society's investment in The Friendly Healthcare Organisation Limited (FHOL) in 2016. FHOL ceased to trade in July 2015 following the sale of its trade and assets to Benenden Wellbeing Limited, another group company. FHOL has been dormant since 3 August 2016.

The remaining £750k relates to the impairment of the Society's investment in Benenden Wellbeing Limited. At 31 December 2023, management reviewed the forecast performance of Benenden Wellbeing Limited, the results of which gave no indication that the net book value of £1,750k was no longer appropriate. The Society has therefore applied no impairment in the year (2022: £nil).

Investment in subsidiaries

At 31 December 2023, the group and Society had interests in the following subsidiaries, all of which are included in the consolidated figures:

Company name	Subsidiary of	Business activity	Registered Office address	Country of incorporation	Proportion of shares held	Share class	Shares issued
Benenden Wellbeing Limited	Society	Insurance intermediary	Holgate Park, York, YO26 4GG	England	100%	Ordinary	2,500,000
Best Health Limited	Society	Dormant	Holgate Park, York, YO26 4GG	England	100%	Ordinary	2
The Friendly Healthcare Organisation Limited	Society	Dormant	Holgate Park, York, YO26 4GG	England	100%	Ordinary	1
Benenden Hospital Limited	Society	Dormant	Holgate Park, York, YO26 4GG	England	100%	Ordinary	100

These consolidated results include the Financial Statements of The Benenden Charitable Trust and The Benenden Hospital Trust, as they represent controlled bodies for the following reasons:

The Benenden Charitable Trust

The Benenden Charitable Trust is a controlled body of the Society under the provisions of the Friendly Societies Act 1992. Control is effected by the Charity's constitution allowing the majority of its trustees to be appointed by the members; the Society is the sole member of the Trust.

Audited Financial Statements for The Benenden Charitable Trust are publicly accessible from The Charity Commission, from The Registrar of Companies or directly from The Benenden Charitable Trust, Holgate Park, York, YO26 4GG.

The Benenden Hospital Trust

The Benenden Hospital Trust became a controlled body of the Society under the provisions of the Friendly Societies Act 1992 with effect from 1 July 2003. Control was effected by the Trust's constitution being changed to allow the majority of its trustees to be appointed by the Society and the Society being admitted as a member of the Trust.

The transfer of control has been treated in accordance with UK Generally Accepted Accounting Practices, and as such fair values were assigned to the net assets of The Benenden Hospital Trust.

No consideration was paid by the Society in respect of the assessed fair value of assets as stated above. The financial results since acquisition have been incorporated into the consolidated Financial Statements of the Society.

Audited Financial Statements for The Benenden Hospital Trust are publicly accessible from the Charity Commission, from The Registrar of Companies or directly from The Benenden Hospital Trust, Goddard's Green Road, Benenden, Cranbrook, Kent, TN17 4AX.

Financial instruments

The group and Society use financial instruments to invest liquid asset balances and generate income through the return generated by these financial instruments.

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. This note describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The tables below analyse the group's and Society's assets and liabilities by financial classification:

14. Carrying values by category	Held at amortised cost		Held at fair value	
Group	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Total
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	18,485	-	-	18,485
Members' contributions receivable	1,396	-	-	1,396
Other assets	262	6,191	141,823	148,276
Total financial assets	**20,143**	**6,191**	**141,823**	**168,157**
Non-financial assets				67,346
Total assets	**20,143**	**6,191**	**141,823**	**235,503**
Financial liabilities				
Amounts owed to members and suppliers	-	29,280	-	29,280
Other liabilities	-	14,875	-	14,875
Total financial liabilities	**-**	**44,155**	**-**	**44,155**
Non-financial liabilities				12,025
Total liabilities	**-**	**44,155**	**-**	**56,180**

14. Carrying values by category	Held at amortised cost		Held at fair value	
Society	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Total
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	10,695	-	-	10,695
Members' contributions receivable	1,396	-	-	1,396
Other assets	262	5,492	141,063	146,817
Total financial assets	12,353	5,492	141,063	158,908
Non-financial assets				59,417
Total assets	12,353	5,492	141,063	218,325
Financial liabilities				
Amounts owed to members and suppliers	-	28,648	-	28,648
Other liabilities	-	14,161	-	14,161
Total financial liabilities	-	42,809	-	42,809
Non-financial liabilities				12,025
Total liabilities	-	42,809	-	54,834

Derivative financial instruments – forward contracts

One of the funds that the Society invests in enters into forward foreign currency contracts to mitigate the exchange rate risk on certain foreign currency assets within the fund. At 31 December 2023, there was a single outstanding contract to buy US$24,372k payable in GBP (2022: US$17,645k) maturing within three months of the year-end (2022: all mature within three months).

The forward currency contract is measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key input used in valuing the derivative is the forward exchange rate for GBP:USD (2022: GBP:USD). The fair value of the forward foreign currency contract is £284k (2022: £(242k)).

Valuation of financial instruments carried at fair value

The group and Society hold certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable (i.e. market data is unavailable) for the asset or liability.

The tables opposite summarise the fair values of the group's and Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the group and Society to derive the fair value of the financial instruments.

14. Fair value Group	Level 1	Level 2	Level 3	Total
Financial assets Available for sale	£'000	£'000	£'000	£'000
Other financial investments				
Fixed maturity securities	103,431	-	-	103,431
Equity securities	18,611	-	-	18,611
Other investments (including derivatives)	11,494	8,287	-	19,781
Other assets held at fair value				
Investment property	-	17,186	-	17,186
Society				
Financial assets Available for sale	£'000	£'000	£'000	£'000
Investments				
Fixed maturity securities	102,948	-	-	102,948
Equity securities	18,434	-	-	18,434
Other investments (including derivatives)	11,394	8,287	-	19,681
Other assets held at fair value				
Investment property	-	17,186	-	17,186

Credit risk

Credit risk is defined as the risk of loss if a counterparty fails to perform its obligations; it also may arise in terms of default or deterioration in a counterparty. Exposure to credit risk may arise in connection with a single transaction or an aggregation of transactions (not necessarily the same type) with a single counterparty.

The group's and Society's maximum credit risk exposure is detailed in the table below:

14. Credit risk	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash and cash equivalents	**18,485**	18,237	**10,695**	12,168
Members' contributions receivable	**1,396**	1,579	**1,396**	1,579
Debtors	**5,103**	5,979	**5,184**	5,501
Investments	**142,085**	141,178	**141,325**	140,367
Total statement of financial position exposure	**167,069**	166,973	**158,600**	159,615

The group and Society do not use credit derivatives, or similar instruments, to manage their credit risk. None of the above assets are either past due or impaired. The group's and Society's investments and cash are all held in investment-grade assets.

Liquidity risk

Liquidity risk is the risk that the group and Society cannot make payments as they become contractually due because there are insufficient assets in cash form.

The group and Society encounter potential liquidity risk exposures from their different business activities. These principally arise from an unexpected increase in members' benefits payments. Liquidity is maintained to a prudent level, with a buffer to cover contingencies, including the provision of temporary liquidity to The Benenden Hospital Trust. The group Investment and Treasury Policy and associated standards have been set to maintain sufficient liquid assets.

At a group level, there is a liquidity risk appetite statement, which requires that sufficient liquid resources are maintained to cover net cash outflows both on a business-as-usual basis and under stressed conditions.

The group and Society manage this by:

- Maintaining forecasts of cash requirements and adjusting investment management strategies as appropriate to meet these requirements, both in the short term and long term;
- Maintaining sufficient expected fund levels to be able to settle liabilities as these fall due; and
- Forecasting additional cash demands and management actions to be taken to liquidate sufficient assets to meet the increased demands.

Maturity analysis for financial liabilities

The tables below set out the remaining contractual maturities for the group's and Society's financial liabilities. In practice, contractual maturities are not always reflected in actual experience.

14. Liquidity risk Group	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	Total
	£'000	£'000	£'000	£'000	£'000
Financial liabilities					
Amounts due to members and suppliers	-	**26,000**	**18,155**	-	**44,155**
Total liabilities	-	**26,000**	**18,155**	-	**44,155**
Society					
Financial liabilities					
Amounts due to members and suppliers	-	**26,000**	**16,809**	-	**42,809**
Total liabilities	-	**26,000**	**16,809**	-	**42,809**

Market risk

Financial market risk is defined as the risk that arises from adverse fluctuations or increased volatility in asset values, asset income or interest rates. This includes credit spreads widening. The group manages these risks through aligning the investment strategy, asset allocation and performance benchmarks with the group's risk appetite.

The key types of financial market risk to which the group is exposed are:

Investment property

The group has a significant exposure to the UK property market through the carrying value of its land and buildings. If there is a sudden downturn in the UK property market, this could result in the group and Society booking a significant impairment loss to the statement of income and expenditure. The group manages this risk by monitoring market conditions. A sensitivity analysis has been provided opposite.

Market fluctuations

The group has an exposure to the stock and other investment markets through its investment portfolio. Management manages this risk by reference to the group's investment managers and by monitoring market conditions. A sensitivity analysis has been provided opposite.

Interest rate risk

The group has an exposure to interest rate risk through its investment portfolio and specifically though the group's fixed maturity securities of £19,869k (2022: £24,793k). Also within investments, the Society has cash investments of £8,549k (2022: £18,630k), all of which are exposed to interest rate movements. After consideration by the group, interest rate sensitivity analysis has not been included, on the basis that the potential impact of interest rate movements on the excess of expenditure over income and members' funds is considered to be low.

Foreign currency exchange rate risk

The group solely operates within the UK and therefore does not have significant exposure to the currency markets through its operations. However, the group's investment strategy and policies allow for a level of investment in overseas markets.

14. Market risk sensitivity analysis (Group)	Net investment	Change in market price by	Effect on income and on equity	Net investment	Change in market price by	Effect on income and on equity
Percentage change in:	**2023 £'000**	**2023 %**	**2023 £'000**	**2022 £'000**	**2022 %**	**2022 £'000**
Property market	**53,608**	**10**	**5,361**	54,809	10	5,481
Investment markets	**133,536**	**10**	**13,354**	122,548	10	12,255

Capital

The group's members' funds of £179,323k (2022: £187,876k) less the net assets of The Benenden Charitable Trust and The Benenden Hospital Trust of £15,940k (2022: £15,601k) represent the group's available capital. Both The Benenden Charitable Trust and The Benenden Hospital Trust are registered charities and must apply their funds solely in the pursuit of their charitable objectives; as such, these funds are not available for the general purposes of the group. Consequently, the group has available capital of £163,383k (2022: £172,275k) at 31 December 2023.

The Society has members' funds of £163,491k (2022: £172,390k), which represent the Society's available capital at 31 December 2023.

Benenden Wellbeing Limited is subject to FCA-regulated minimum capital requirements and has complied with these requirements in the period.

The Board monitors both the Society's and the group's capital position to ensure that both entities are able to meet their commitments as they fall due. The capital position is monitored against benchmarks to ensure that sufficient capital is available to the group and Society; the capital requirements calculations have remained consistent, and the entities have complied with these requirements in 2023.

15. Stocks	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Medical stocks	**669**	528	**-**	-
Total stocks	**669**	528	**-**	-

16. Debtors	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Other debtors	**5,103**	5,979	**4,959**	5,007
Amounts due from group undertakings	**-**	-	**225**	494
Total debtors	**5,103**	5,979	**5,184**	5,501

Amounts due from group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand. Further details of inter-entity transactions can be found in note 24.

17. Creditors	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	**1,265**	1,661	**633**	1,337
Other taxes and social security	**763**	651	**471**	393
Amounts due to group undertakings	**-**	-	**2,047**	1,819
Other creditors	**54**	81	**9**	7
Total creditors	**2,082**	2,393	**3,160**	3,556

Amounts due to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand. Further details of inter-entity transactions can be found in note 24.

18. Provisions (Group and Society)	Outstanding members' benefits
	£'000
At 1 January 2023	**20,081**
Additions dealt with in the statement of income and expenditure	**27,713**
Charges to the income statement during the year relating to strengthening of the prior year reserve	**324**
Amounts utilised	**(20,103)**
Balance at 31 December 2023	**28,015**

Outstanding members' benefits

The group estimates the expected cost of future requests for assistance arising from cases that have been or are expected to be authorised by reference to past experience and projected trends of the potential number and magnitude of these requests. As discretionary benefits are expected to be used within the period specified in Your Guide to Benenden Health, the projections require financial modelling over the expected take-up period.
At the end of 2023, to reflect a greater degree of medical inflation uncertainty, management used the upper estimate of this potential future cost of £28,015k (2022: £20,081k).
The assumptions used are sensitive to fluctuations in demand and costs trends, which are analysed over the preceding months using a cohort methodology to extrapolate the underlying data. It is anticipated that all of these cases will be paid within 15 months of the period end.

Last year's provision has developed adversely, which led to a charge to the income statement of £0.3m.

Potential costs arising from members' benefits not notified at the year-end do not constitute a liability, contingent or otherwise, and are therefore not recognised in the statement of financial position.

19. Pension obligations

	2023 £'000	2022 £'000
Fair value of plan assets	**74,699**	72,127
Present value of Defined Benefit obligation	**(86,724)**	(86,083)
Net scheme liability	**(12,025)**	(13,956)
Reconciliation of the opening and closing balances of the Defined Benefit obligation		
Defined Benefit obligation at the beginning of the period	**86,083**	133,271
Benefits paid	**(5,088)**	(3,584)
Interest cost	**3,978**	2,436
Actuarial losses/(gains)	**1,751**	(46,040)
Defined Benefit obligation at the end of the period	**86,724**	86,083
Reconciliation of the opening and closing balances of the fair value of plan assets		
Fair value of the plan assets at the beginning of the period	**72,127**	104,235
Interest income	**3,374**	1,926
Return on plan assets excluding interest income	**1,952**	(33,450)
Contributions by employer	**2,334**	3,000
Benefits paid	**(5,088)**	(3,584)
Fair value of plan assets at the end of the period	**74,699**	72,127
Defined Benefit costs recognised in the income statement		
Interest on the net Defined Benefit liability	**604**	510
Defined Benefit costs recognised in the income statement	**604**	510
Total amounts taken to other comprehensive income		
Actual return on plan assets – gains and (losses)	**5,326**	(31,524)
less: amounts included in net assets in net interest on the Defined Benefit liability	**(3,374)**	(1,926)
Remeasurement gains and (losses) – return on plan assets excluding interest income	**1,952**	(33,450)
Remeasurement (losses)/gains – actuarial (losses)/gains	**(1,751)**	46,040
Remeasurement gain recognised in other comprehensive income	**201**	12,590

In the year, the remeasurement gain varied from the amount shown on the statement of changes in members' funds. The pension disclosures are prepared on a cash received basis, whereas these Financial Statements are prepared on an accruals basis; consequently, an £84k difference arose between the note and the statement of changes in members' funds.

19. Pension obligations

	2023 %	2022 %
Assets		
Diversified growth funds	**9.3**	29.3
Absolute return bond fund	**9.4**	9.2
Multi-asset credit fund	**19.6**	20.6
Property	**2.5**	2.9
Bonds	**57.4**	40.5
Derivatives	**0.9**	(3.2)
Cash and insured policies	**0.9**	0.7
	100.0	100.0

The return on plan assets was a gain of £5,326k, 7.4% (2022: £31,524k loss, 30.2%). None of the fair values of the assets above included any of the group's own financial instruments or any property occupied by, or other assets used by, the group.

19. Pension obligations (continued)

	2023 %	2022 %
Assumptions:		
Discount rate (%)	**4.50**	4.75
Retail Prices Index (RPI) inflation	**2.90**	3.05
Consumer Prices Index (CPI) inflation	**2.50**	2.65
Life expectancy of male aged 65 at balance sheet date	**21.70**	22.20
Life expectancy of male aged 65 20 years after at balance sheet date	**23.30**	23.80
Life expectancy of female aged 65 at balance sheet date	**24.10**	24.50
Life expectancy of female aged 65 20 years after at balance sheet date	**25.90**	26.30

The Trustee Board of the Benenden Healthcare Pension Plan (the 'Scheme') is required by law to act in the best interest of the Scheme participants and is responsible for setting the investment, funding and governance policies of the Scheme fund. A representative of the employer attends Trustee Board meetings primarily to provide the group's view on investment strategy; however, the decision-making authority rests with the trustees.

The Defined Benefit Pension scheme is funded by both employees and employers through their respective contributions. One of the Society's subsidiaries (The Benenden Hospital Trust) also participates in the Scheme. There is no contractual agreement or stated policy for charging the net Defined Benefit cost between the Society and The Benenden Hospital Trust (the 'Hospital Trust'). In light of this, and because the Society recognises the cost of the Scheme, the Hospital Trust's portion of the FRS 102 Scheme liability of £10,221k (2022: £11,863k) is in line with accounting standards.

On 29 March 2023, the Society and the Hospital Trust agreed to pay Deficit Repair Contributions of £2,000k a year from 1 April 2023 to 31 March 2025, £5,200k from 1 April 2025 to 31 March 2026 and then £3,000k a year from 1 April 2026 to 31 July 2030 to the pension scheme to reduce the deficit.

The last full actuarial valuations were carried out as at 31 March 2022, the next one being due at 31 March 2025. The Scheme exposes the group to inflation risk, interest rate risk, market investment risk and demographic risk.

The group operates a Defined Contribution Pension scheme for the auto-enrolment of all eligible employees, and it makes contributions on a regular basis which are set relative to the level of the employee contribution. The future benefits are not guaranteed and the group will have no legal or constructive obligation to pay further amounts.

The assets of the Defined Contribution scheme are held separately from those of the group in independently administered funds. The pension costs and charge represent contributions payable by the group to the funds and amounted to £3,333k (2022: £2,976k).

Details of the cost to the group and Society of the Defined Contribution and Defined Benefit Pension Plans are shown in note 7.

The group and Society had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

20. Leases

	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Leases as lessor				
Not later than one year	**85**	54	**2,824**	2,655
Later than one year, less than five years	**31**	48	**10,983**	10,448
Later than five years	**-**	-	**38,330**	39,000
Total leases as lessor	**116**	102	**52,137**	52,103
Leases as lessee				
Not later than one year	**99**	140	**37**	81
Later than one year, less than five years	**147**	202	**17**	24
Later than five years	**-**	-	**-**	-
Total leases as lessee	**246**	342	**54**	105

The group and Society rent out residential properties and farmland to staff and other third parties; these leases are on a rolling 6-12-month basis. Contracts are charged at market rates.

The Society leases the Hospital to a fellow group entity, The Benenden Hospital Trust (the 'Hospital Trust'). The Society and the Hospital Trust agreed that, from 1 January 2024, the Hospital Trust would pay rent of £2,738k per annum (2023: £2,600k).

There are no finance lease commitments within the group.

21. Commitments	Group		Society	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Not later than one year	**2,000**	3,000	**2,000**	3,000
Later than one year, less than five years	**13,950**	12,000	**13,950**	12,000
Later than five years	**4,750**	7,750	**4,750**	7,750
Total commitments	**20,700**	22,750	**20,700**	22,750

Included in the commitments referred to above, £20,700k (2022: £22,750k) are repayments to fund the pension scheme deficit (see note 19) over the next seven years.

In 2023, the group entered into an agreement with the trustees of the pension scheme that, starting from 1 April 2023, the group would pay the following amounts:

1 April 2023–31 March 2025	£2,000k a year
1 April 2025–31 March 2026	£5,200k a year
1 April 2026–31 July 2030	£3,000k a year

22. Taxation	Group	
	2023 £'000	2022 £'000
(a) Corporation tax charge		
Current year tax charge:		
Current year	**8**	17
Adjustment in respect of prior years	**-**	-
Total current tax	**8**	17
Deferred tax:		
Temporary differences	**-**	-
Adjustment in respect of prior years	**-**	-
Total deferred tax	**-**	-
Total corporation tax	**8**	17
(b) Reconciliation of tax charge		
(Deficit)/excess of income over expenditure for the year	**(11,338)**	6,647
Total tax charge	**8**	17
(Deficit)/excess of income over expenditure excluding taxation	**(11,330)**	6,664
Tax using UK corporation tax rate of 19% (2022: 19%)	**(2,153)**	1,266
Tax on income not subject to corporation tax	**2,161**	(1,249)
Total tax charge included within the income statement	**8**	17

(c) Corporation tax liability

An amount of £nil (2022: £nil) is included in creditors on the face of the statement of financial position. In 2023, of the consolidated entities, only the Society and Benenden Wellbeing Limited are subject to corporation tax.

In the year ended 31 December 2023, the tax rate is an effective rate of 23.52% (2022: 19%) – this is due to the change in headline rate from 19% to 25% with effect from 1 April 2023.

23. Deferred taxation	Group	
	2023 £'000	2022 £'000
Analysis of deferred taxation temporary differences		
Total tax credit – short-term timing differences	-	-
Recognised deferred tax liability	**-**	-
Losses and other deductions	**(8)**	(21)
Unrecognised deferred tax asset	**(8)**	(21)
Net deferred tax asset	**(8)**	(21)

The deferred tax liability recognised as at 31 December 2023 has been calculated at 25%, being the rate substantively enacted as at the balance sheet date.

24. Related party disclosures

Related party transactions between the subsidiaries and controlled bodies are disclosed within their individual Financial Statements. Copies can be obtained from the Registered Office by writing to The Secretary, The Benenden Healthcare Society Limited, Holgate Park Drive, York, YO26 4GG.

All of the following transactions between the subsidiaries and The Benenden Healthcare Society Limited were entered into on an arms-length basis:

The Benenden Hospital Trust

The Society made donations to The Benenden Hospital Trust to the value of £30,368k (2022: £26,326k).

Furthermore, properties at Benenden Hospital were leased to the Trust under a 25-year lease at an annual rental of £2,600k (2022: £2,463k).

At 31 December 2023, the total amount due from The Benenden Healthcare Society Limited to The Benenden Hospital Trust was £2,042k (2022: £1,819k). Also at this date, the amount due from The Benenden Hospital Trust to The Benenden Healthcare Society was £67k (2022: £395k).

The Benenden Charitable Trust

In 2023, the Society made donations of £123k (2022: £438k) to The Benenden Charitable Trust; £40k (2022: £369k) was a donation to help fund the issued grants and £83k (2022: £69k) related to resources to cover the running costs of the charity.

At 31 December 2023, the amount due from The Benenden Healthcare Society Limited to The Benenden Charitable Trust was £5k (2022: £nil).

Benenden Wellbeing Limited

At 31 December 2023, the amount due to The Benenden Healthcare Society Limited from Benenden Wellbeing Limited was £158k (2022: £99k).

Trustees of the Benenden Healthcare Pension Plan

The Benenden Healthcare Society Limited paid trustees' insurance for the trustees of the Benenden Healthcare Pension Plan of £8k in the year (2022: £8k).

Members of the Board of Directors, Society Executive and Hospital Executive

Members of the Board of Directors, Society Executive and Hospital Executive are members of The Benenden Healthcare Society Limited if they hold the Society's healthcare product. Some members of the Board of Directors, Society Executive and Hospital Executive have insurance policies through Benenden Wellbeing Limited. These policies are issued under normal business terms and conditions.

Endnotes

1 – Consumer price inflation, UK - Office for National Statistics
2 – Gross Domestic Product (GDP): Key Economic Indicators - House of Commons Library (parliament.uk)
3 – GDP - International Comparisons: Key Economic Indicators - House of Commons Library (parliament.uk)
4 – NHS waiting list hits record high of almost 7.8m – The Independent
5 – LaingBuisson Health Cover UK Market Report 18th Edition
6 – Member Experience Benenden Health Research – 2023
7 – LaingBuisson Health Cover UK Market Report 18th Edition
8 – NHS England – Statistical Press Notice. NHS referral to treatment (RTT) waiting times data Oct23 (england.nhs.uk)
9 – Public Health Scotland – NHS waiting times. November 2023
10 – NHS Wales – Patient pathways waiting to start treatment (gov.wales)
11 – PHIN Private market update: March 2024

Get in touch

Member Services
0800 414 8100

Add friends and family
0800 414 8470

24/7 GP Helpline
0800 414 8247 (select option 1)

24/7 Mental Health Helpline
0800 414 8247 (select option 2)