Connecting health and wellbeing

Annual Report 2016

Our purpose

To advance, promote and maintain health and healthcare of all descriptions and to prevent, relieve and cure sickness and ill health of any kind all for the public benefit.

A brief history of Nuffield Health

1957

We started as a charitable trust, running a nursing home in the Bournemouth area.

1970

We grew over the years and by the 1970s, we were operating 15 hospitals.

1980s

We changed from a fundraising charity, reliant on donations, to a trading charity in the late 1980s.

2000

We began to invest in combining hospital services with preventative healthcare, and acquired Cannons gyms.

Contents

Today

We now help people across the UK achieve their health and wellbeing goals. We run hospitals and fitness and wellbeing centres, and provide workplace fitness and wellbeing services by partnering with some of the UK's largest employers.

We're guided by our charitable purpose and we're aiming to be one of the UK's most trusted healthcare providers and partners.

Highlights of 2016

210,000
hospital procedures

748,322
physiotherapy sessions

68
months free of MRSA bloodstream infections in hospitals

Outstanding
CQC rating for Cambridge Hospital

26,790
children taught to swim

2,300
employees welcomed to Nuffield Health through acquisitions

380,000
members of our fitness and wellbeing centres

A year of planning and progress

Russell Hardy
Chairman

This past year saw Nuffield Health accelerate its potential to improve the health and wellbeing of people across the United Kingdom. It has been a time of change and investment, undertaken to realise our long-term vision of connected health and to most effectively achieve our charitable purpose.

In the UK, the demand for health and wellbeing care continues to grow. The ageing population, increasingly unhealthy lifestyles and changes in technologies, treatments and consumer demand are placing an unsustainable burden on the NHS.

At the start of 2016, we undertook a comprehensive review of our marketplace and our strategy to ensure it is fit for purpose and sufficiently detailed to provide a clear roadmap of what we need to do to achieve our charitable purpose and fulfil our potential.

With this refocused five-year strategy now in place and with a clear, united vision, I firmly believe that more than ever, Nuffield Health can play a major role in both supporting the healthcare goals of the nation and helping individuals on their personal health and wellbeing journey. Indeed, I am pleased to report that we have reached more than 1 million people through our clinical services and with careful investment we aim to double that number by 2020.

Strong finances for a sustainable future

Our capacity to invest to meet our charitable purpose is dependent upon Nuffield Health being a financially sustainable organisation, operating responsibly and with rigour. I am therefore pleased to report that we met the financial targets we set for ourselves, achieving EBITDA of £89 million, and turnover increased to £840 million. These results include the savings we have made by investing in green technology and smarter working through more efficient supplier management.

These financial results would not have been achieved without the strong and united leadership team we now have in place, and the commitment to patient and customer welfare shown by Nuffield Health's thousands of employees and clinical consultants. I would like to thank them all for the dedication they have shown during a significant time of change for our organisation. There will continue to be changes ahead, as the Executive Management Team determine the appropriate structure to ensure the organisation can become one of the most trusted healthcare partners and providers in the UK, as it supports the health and wellbeing of individuals.

Success is not only measured by financial performance. In a healthcare organisation, quality of care is paramount. So it was particularly satisfying to see the Care Quality Commission's (CQC) Outstanding rating awarded to our Cambridge Hospital. Learnings from such a strong result are being shared across the organisation and I look forward to seeing this lead to improvements across our estate.

In closing, I would like to thank my fellow Trustees for their commitment and dedication. It would also be remiss of me not to thank our Chief Executive Officer Steve Gray, who after only a little more than one year in the role has made a significant and positive impact. His efforts, and those of everyone across our growing business, underpin my confidence that Nuffield Health will be able to realise our long-term vision.

Russell Hardy
Chairman
22 May 2017

Connecting our purpose, values and strategy with the foundations for success

When I joined Nuffield Health at the end of 2015, it was clear that the organisation had all the elements to become a leading healthcare provider, a trusted brand, and expand on its charitable purpose.

Steve Gray
Chief Executive Officer

I am delighted to find that my initial confidence was well founded. This past year we increased the number of people we have been able to help by 22%, bringing the total number to more than 1.1 million.

This number is a measure of the health and wellbeing interventions we made with individuals. It provides a clear indication of the opportunities we have to fulfil our charitable purpose of advancing, promoting and maintaining health for the public benefit.

This success has come as a result of hard work and careful planning by the organisation. Early in the year, we invested time and much consideration to define our 10 year vision for the Charity and refocus our five year strategy.

As a result of this review, we brought together the unique range of health and wellness services and sites into one unified group and we identified the five areas we all need to focus on. On page 16 of the report we explain how these five areas – social impact, quality and outcomes, brand loyalty, connected health, and sustainable financial performance – will guide our success.

Investing for the long term

Our success has also enabled a year of strong investment as we seek to improve our services and sites, as this ultimately helps us to reach more people.

We made a number of strategically important investments in 2016. Our acquisition of 35 Virgin Active gyms moved us into the top three fitness providers in the UK. But more importantly, it enabled us to expand our footprint and put our experts into these centres, ensuring more people could access our clinical services.

Good health and wellbeing is about more than just the physical: emotional wellbeing is equally important and is a significant issue in society. Reflecting this, in 2016 we acquired CBT Services, experts in emotional wellbeing. This has enabled us to offer counselling, and psychological therapies, including cognitive behavioural therapy, making us the only healthcare provider to offer such a broad range of health and wellbeing expertise.

In our hospitals network, we invested £86 million in updating facilities, from replacing equipment through to refurbishing entire operating suites. In addition, the plans for a new hospital in Manchester were finalised, and planning permission has been submitted to establish an independent unit alongside St Bartholomew's Hospital in London. This will provide us with a hospital within the M25.

We also put in place an ambitious efficiency plan, seeking to find £10 million in savings and cost management from our overall spend as we seek to use our funds resourcefully.

1st
independent hospital to receive an Outstanding rating

14,618
employees, including 2,300 who joined through acquisitions

£840m
turnover (9% increase)

Our hospital in Cambridge was rated outstanding by England's Independent Regulator.

"We've invested £86m in updating our facilities, from replacing equipment through to refurbishing operating suites."

These savings and our strong performance with our customers across our hospitals, fitness and wellbeing centres and our corporate wellbeing programmes have all contributed to an increase in our EBITDA, bringing it to £89 million.

As a charity we have a responsibility to maintain focus on our performance, and our long-term sustainability. This is a foundation for success, as it underpins our ability to invest and to expand the number of people we reach. And without shareholders, we can reinvest all our income into the activities and work that help us to enhance the services we provide.

Anticipating customer demand

This past year we have been focusing on further enhancing the services and products we offer. We have identified new approaches that will enable us to meet or exceed customer expectations and further differentiate us from competitors.

We have also made significant enhancements to our ability to respond to these needs. The introduction of online class and appointment bookings and membership payments has provided our customers with the opportunity to deal with us when they wish.

Our expansion of GP services, introducing online GP consultations services, has been made available through our workplace wellbeing programmes and directly available to the public in two pilot areas.

Quality and outcomes

Across our network of hospitals, gyms and clinical services, the quality of the care we provide to our patients and customers is the bedrock on which everything we do is built. We start from a high baseline – but continuous quality improvement is a priority and is driven by our clinical leadership team.

The valuable work this team conducted in 2016 to establish a new Quality Assurance Framework will reinforce this priority and help us to raise quality across the organisation.

I cannot comment on the year without reference to one of our highlights – the Care Quality Commission's rating of Outstanding for our hospital in Cambridge. It is the first independent acute hospital to receive the highest possible rating. This result is a testament to the dedication of Nuffield Health's people, and I would like to thank everyone who has worked so hard throughout the year to deliver high quality care to our patients and customers.

The clinical leadership team are ensuring that the best practice at hospitals such as Cambridge, and the lessons learnt when things do not always go as planned, are shared with others. We rely on the consultants who work with us to ensure we provide every patient with excellent care. We have taken steps this year to work in closer partnership with these experts and foster a supportive culture within our hospital teams.

For more information, see our Trustees' Report section **pages 38–47**

"I would like to thank everyone who has worked so hard throughout the year to deliver high quality care to our patients and customers."

The Nuffield Health Academy provides training to help our people develop their skills and their careers.

Our relentless focus on quality is leading to a number of other good ratings from the reviewer. To date, of the hospital reviews published, 24 out of 26 have received Good or Outstanding ratings. We have set ourselves a high bar and we are not complacent.

Our people

The commitment of our people to our purpose, our values and our customers continues to inspire my faith in Nuffield Health. These elements are fundamental to our ability to grow our services and footprint, and ultimately help even more people across the UK.

This year we welcomed more than 2,300 employees to the Group through acquisitions. We also took steps to address the different legacy employment contracts that had accumulated over the years. In keeping with the principles of one aligned organisation, we introduced a single contract at the beginning of 2017 with a consistent approach for all our employees. This contract brings in a number of improved terms and conditions for many employees.

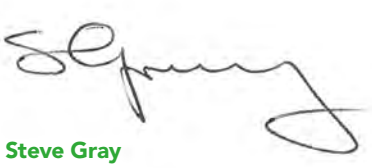
Looking ahead

In 2017, the organisation will almost certainly experience pressures as the political and economic implications of the referendum on membership of the European Union are felt and the NHS continues to struggle with increasing demand.

In this environment, the need for an adaptable, efficient and responsive organisation will be as important as ever. We continue to evolve and ensure we are fit for purpose and ready for the future.

I am confident that our long-term strategy is the right one to guide us through the uncertainty. This confidence is based on the care and dedication shown by everyone across Nuffield Health and their desire to give people across the UK the health and wellbeing outcomes that they want and at the time of their choosing.

I would like to close by expressing my thanks to the Board of Governors for their ongoing support and guidance, and thanks to my colleagues on the Executive Management Team and all Nuffield Health employees for their dedication, passion and energy this year.



Steve Gray
Chief Executive Officer
22 May 2017

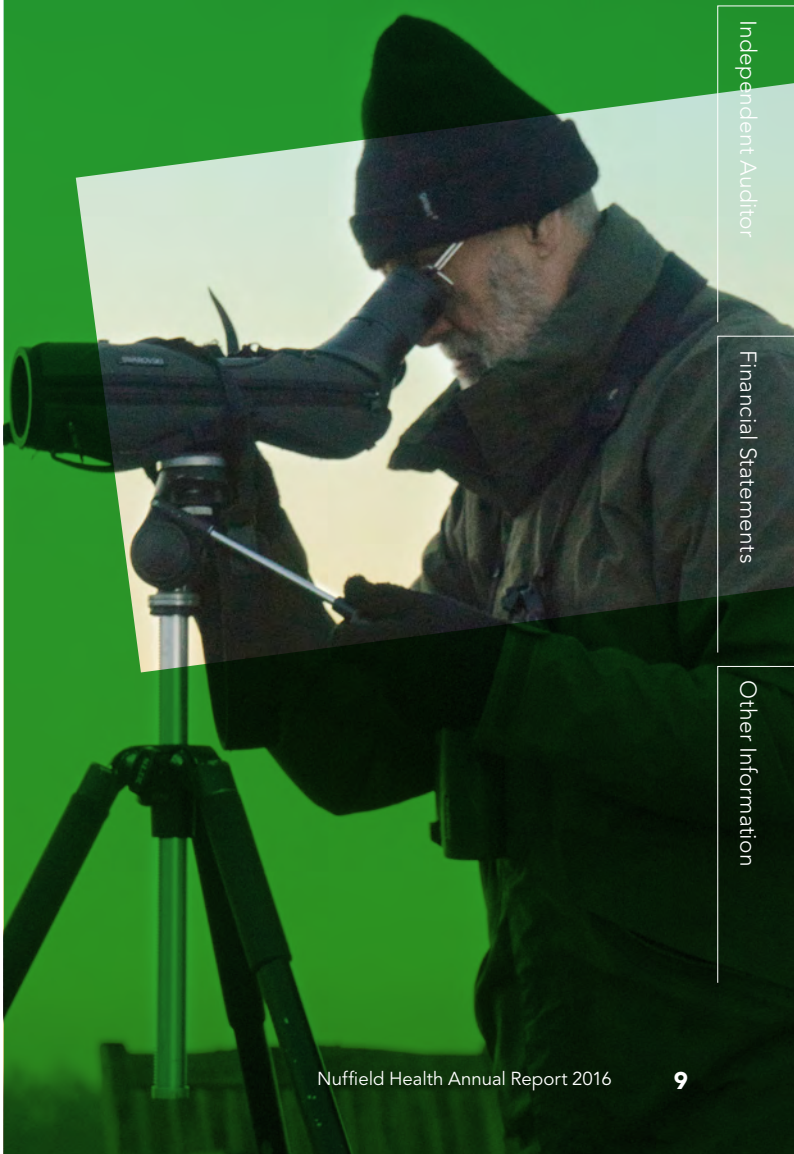
Case study

How a simple procedure helped Bruce regain more than just his vision.

At 81 years old, Bruce Martin has spent half his life watching birds. He shared this passion with Gwen, his wife of 40 years. And it was bird watching that got him through the grief of losing Gwen to cancer in 2013.

Tragically, Bruce's eyesight deteriorated shortly after Gwen's death. One of his lenses had become clouded over – making it difficult to identify birds. But his cataract did not warrant NHS treatment, and he faced a future without his hobby.

Unwilling to wait for his world to blur beyond recognition, Bruce sought treatment with Nuffield Health. With a simple 20 minute procedure, Bruce's sight was restored and he was able to get back to a life following the seasonal habits of the UK's birds.



Nuffield Health has been looking after people for 60 years.

Who we are

We are a trading charity

We are dedicated to helping people live healthily, get better and stay well. Our broad range of expertise covers physical, emotional and nutritional health and wellbeing.

We champion the needs of individuals

By connecting people to our experts, we help individuals achieve, maintain and recover to the level of health and fitness that they aspire to. We do not have investors or shareholders to answer to – our customers and patients come first. Every penny we make is reinvested into our services and facilities, and ultimately the wellbeing of individuals.

Where we are

Our hospitals and fitness and wellbeing centres are in towns and regions around the country. When we add in the on-site centres that we operate through employers, this reach is even broader.

Our customer groupings are:

Private medical insurers
Many of the people who access our clinical services and procedures such as physiotherapy or surgery will come to us through their existing insurance schemes.

NHS
We work with the NHS, providing services to NHS patients. We do this through waiting list initiatives and other projects to improve health outcomes.

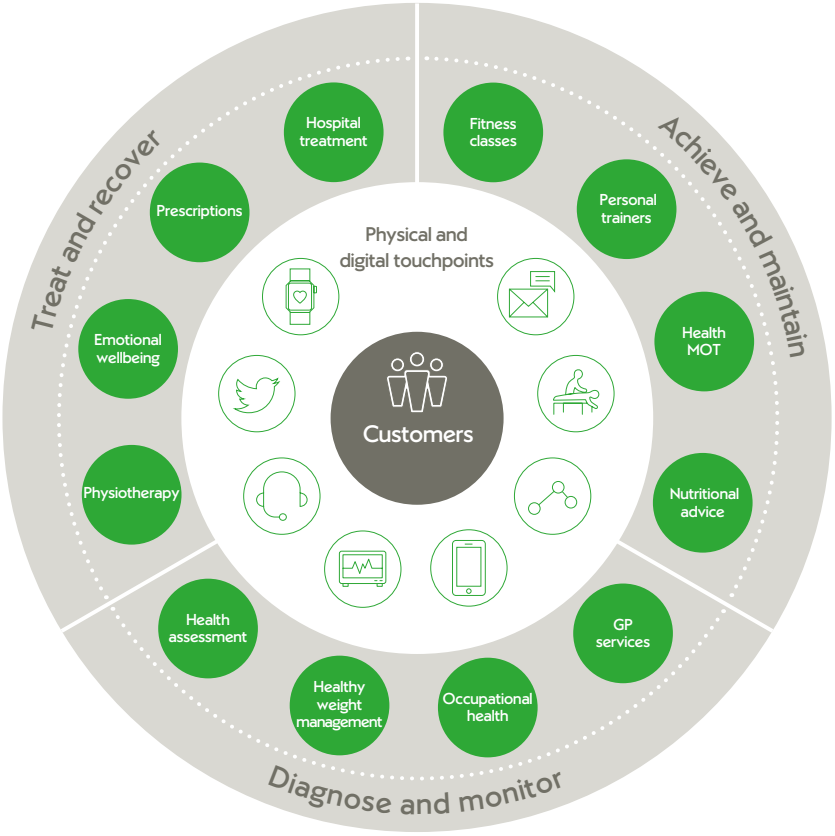
The public
We provide services to people who pay us directly for these, including our fitness and wellbeing gym members and the people who pay us directly for hospital and other clinical services.

Employers and employees
We provide workplace health and wellbeing services to UK employers. Our customers include FTSE listed companies, universities, public bodies and their employees.

What we do

Today, we run a network of hospitals, medical clinics, fitness and wellbeing centres and diagnostic units across the UK. We also support businesses in looking after their employees by operating fitness and wellbeing facilities services.

Through our experts, we link these sites and services up to offer connected healthcare provision, from diagnosis, through to treatment, recovery and maintenance.



Diagnose and monitor

Health assessment
A comprehensive view of a person's state of health, covering key health concerns such as diabetes, heart health, cancer risk and emotional wellbeing.

Healthy weight management
We offer tailored nutritional and exercise programmes to help individuals lose weight and keep the weight off or provide more radical surgical intervention when advised.

Occupational health
Working closely with employers to support their employees with quality health and wellness services.

GP services
We have a full range of direct access GP services similar to those available at an NHS surgery, with the flexibility to fit around busy schedules.

Treat and recover

Hospital treatment
We provide patients with consultant-led, high quality clinical care for a range of conditions.

Prescriptions
Prescriptions can be dispensed in our hospitals or at other pharmacies.

Emotional wellbeing
We can help people to maintain and improve their emotional wellbeing, and the emotional wellbeing of staff, through self-guided, online and face-to-face support.

Physiotherapy
Offering physiotherapy to help heal and prevent injuries that stop people from leading an active life.

Achieve and maintain

Fitness classes
We offer an exciting and varied class timetable in every one of our fitness and wellbeing centres.

Personal trainers
Our qualified personal trainers can provide the motivation and advice to help people become fitter, healthier and reach their personal targets.

Health MOT
A one hour health check carried out by one of our health mentors or wellbeing personal trainers, designed to give a full picture of a person's fitness.

Nutritional advice
Nutritional therapists assess and identify nutritional imbalances to understand how these could contribute to symptoms and health problems.

Healthcare and wellbeing – an ever-growing demand

As a health and wellbeing charity, we have a purpose to improve the health and wellbeing of the nation. The economic and demographic changes affecting the UK present both opportunities and challenges for our business model and our role as a trusted partner and provider.

In the UK, the demand for health and wellbeing care continues to grow, driven by a number of factors, from an ageing population and increasingly unhealthy lifestyles to changes in technologies, treatments and consumer demand.

The healthy minded population

Today we understand more about our health, and the role of a healthy lifestyle in reducing ill health. Increasing numbers of informed people are taking an active role in their health and wellbeing, and looking for new services and technologies.

They understand health interventions start with prevention and are looking for ways to track and monitor their performance and outcomes. As today's consumers are more involved in and taking greater financial responsibility for their health and wellbeing, they will expect services that fit their lifestyles and are seamlessly integrated by technology.

Technology is helping people take control of their wellbeing.

Meeting these expectations requires joined-up thinking, assisted by tools that can empower people and enhance the effectiveness of a provider's offering. Nuffield Health is working to meet both these expectations, and has the expertise to help across the physical, emotional and nutritional aspects of wellness.

The changing population

While a segment of the population is taking increasing responsibility for its own health, large sections are not. As a whole, the population is becoming more sedentary, contributing to increasing levels of obesity and associated costs.

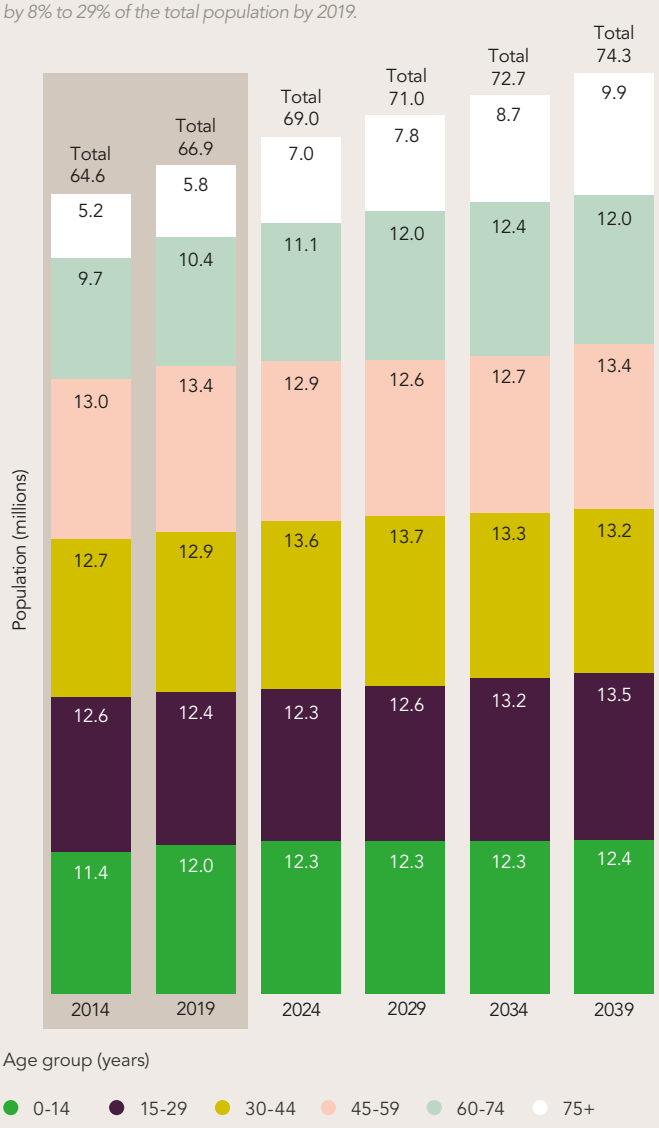
In addition, the UK population is increasingly getting older. In mid-2014, the average age of the UK population exceeded 40 years for the first time ever. Longer term, the proportion of people over the age of 60 is projected to increase, representing 26% of the population in 2024 (see Figure 1).

While the life expectancy is increasing, the quality of life in those years is not (see Figure 2). Chronic conditions and diseases of ageing such as cancer and dementia are becoming more common. Without significant changes to lifestyles, the UK population will experience more years in ill health, creating demand for healthcare services.

Lifestyle change – from increasing levels of activity, to addressing emotional and nutritional challenges – is needed to help to improve the long-term health outcomes of the nation. With its breadth of expertise, Nuffield Health is well placed to support individuals make this type of change.

Figure 1
Our predicted ageing and growing population

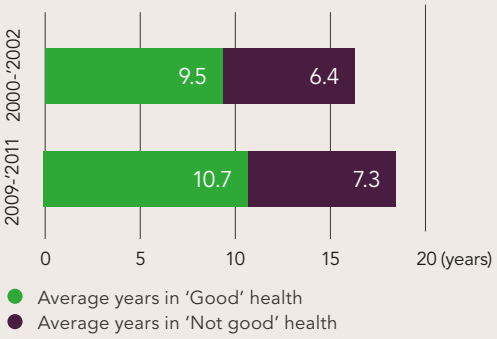
The proportion of those over the age of 60 is set to increase by 8% to 29% of the total population by 2019.



Ref: Future of an Ageing Population, Government Office for Science, 2016

Figure 2
Increases in healthy life expectancy lag behind life expectancy

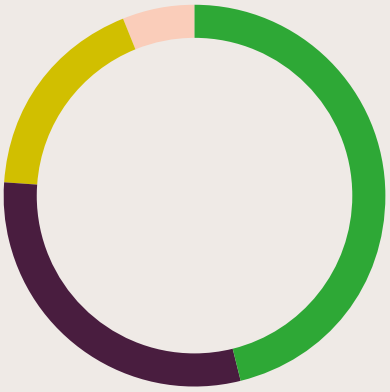
As life expectancy is increasing, we are likely to spend more years in ill health, placing increased demand on care services.



Ref: Future of an Ageing Population, Government Office for Science, 2016. Figures relate to 65-year old men.

Figure 3
Patients seen in independent hospitals come from different routes

Patients treated in independent hospitals will come in through a variety of routes, including the NHS.



Key

Private medical insurers	46%
NHS purchases	30%
Self-pay	18%
Other (including overseas patients)	6%

Ref: Data from LaingBuisson, Private Acute Medical Care UK Market Report (4th edition), 2016

Our hospitals treat both patients from the NHS and those who come directly to us.

Pressures on public services

And while the demand for healthcare grows, UK public services are under financial pressures.

The NHS, the primary provider of healthcare in the UK, is struggling to meet the growing demands and investment is not keeping pace. This is reflected in figures from 2016, where NHS providers and commissioners ended 2015/16 with an aggregate deficit of £1.85 billion (unaudited), a threefold increase on the previous year. According to the King's Fund, this is the largest aggregate deficit in NHS history.

Longer term, an ageing population means that the proportion of those in work – who fund public services, including care – will be shrinking. Today waiting lists are growing; the NHS is struggling with capacity issues and is increasingly introducing rationing of care.

Offering alternative routes to receiving treatment, such as self-pay or health insurance, can play an important part in reducing pressure on the NHS, reducing waiting times for treatment and boosting productivity. It can also enable employees to access care and support more quickly than they could through the NHS given the demand pressures it is experiencing.

There is some evidence that the market in independent healthcare provision is beginning to grow. In 2015 the percentage of procedures paid for directly by the patient – self-pay – increased by nearly 9% (total value £898 million). And there is some indication that investment in private medical insurance has increased in the past year, potentially down to the NHS financial constraints.

As a provider of both acute hospital procedures and other health services such as physiotherapy, Nuffield Health can help to provide services both to the NHS through the waiting lists initiatives and directly to patients.

Employment and Brexit

The uncertainty surrounding Britain's vote to leave the European Union will likely affect both consumer spending and business investment decisions. As the largest provider of workplace wellbeing and on-site gyms, we are concerned about the long-term implications of the exit from the European Union.

The uncertainty over the free movement of people will impact those healthcare providers seeking to secure talented and skilled medical professionals.

The Government's commitment in January 2017 to focus on emotional wellbeing in the workplace plays to our strength as a provider of cognitive and behavioural counselling services. We will follow developments in this area.

Partnerships and regulation

Our partnerships and interactions with our regulators are critical to our work. We have positive interactions with the Care Quality Commission in England, Healthcare Improvement Scotland and Healthcare Inspectorate Wales.

In service delivery, we undertake work directly for the NHS by supporting it with waiting list initiatives and through direct referrals from the e-Referral system, including working in partnership at specific hospital locations. We seek to support the NHS's needs, working within the rates set by it.

Within the independent healthcare sector, provision continues to be heavily influenced by the private medical insurers: 46% of all acute procedures at independent hospitals were paid for by private medical insurers in 2015 (see Figure 3). We see value in partnering with these groups to ensure patients around the country have access to our services and expertise.

Conclusion

By understanding and responding effectively to macro-trends, including by deploying technology cost effectively and engaging our patients and customers in self-care, we can make great strides in improving the overall health and wellbeing of individuals.

Our strategy

Strategic vision

We have a clear vision for our organisation...

To help individuals to achieve, maintain and recover to the level of health and wellbeing that they aspire to, by being a trusted provider and partner.

Our strategy

and we'll reach it by following our five-part strategy...

Social impact
To provide activities that contribute to and increase public benefit
Read more page 18

Quality services and outcomes
To deliver consistent high quality care for our customers and patients
Read more page 20

Brand loyalty
To build loyalty in our brand with customers, patients and providers
Read more page 30

Connected health
To provide best in class connected health and wellbeing services for the benefit of customers and patients
Read more page 32

Financial sustainability
To enable investment in support of our charitable purpose
Read more page 34

Market context

which is informed by the issues that affect us...

Health of the economy
Spending on fitness and wellbeing is closely correlated with the state of the economy.

Customer expectations
The demands of customers continue to change and our ability to meet these is a key element of our ability to succeed.

Technological advances
New technology offers the potential to enhance customer experience and improve efficiencies, but rapid change can pose challenges.

Regulatory and policy environment
Changes in the regulatory and policy environment have the potential to impact how we operate and provide services.

Reputation and trust
Our reputation and the trust of our stakeholders are vital to our success and our licence to operate. We strive to operate responsibly and transparently and are guided by our values at all time.

Attracting, developing and retaining the best talent
We are dependent on our people to achieve our aims, foster a culture of care and excellence and contribute to diversity management. Competition to attract and retain top talent staff has the potential to affect our long-term performance.

KPIs

measured via our key performance indicators...

People helped

We measure our impact on people by the number of clinical interventions we have provided. These gives an overview of how many people we are reaching.

1.1 million

2016 (increased by 22% on 2015)

Number of hospitals with Good/Outstanding independent regulator ratings

We are tracking the ratings reports of our hospitals by independent regulators, as this provides an assessment of the quality of care we are providing.

24 out of 26

hospital reviews published to date are rated Good or Outstanding

Customer satisfication

We are tracking customer satisfaction rates as a measure of the loyalty to our brand and trust in our services.

95%

hospitals

76%

consumer wellbeing

Investment and EBITDA

Our investment figure is a measure of our ability to grow and achieve our charitable purpose, and our EBITDA underpins this ability.

£151m

2016 investment

£89m

2016 EBITDA

Delivery and implementation

and supported by key resources and relationships

Our experts

We rely on our clinical experts – such as doctors, physiotherapists and personal trainers – to help us provide the care and advice that our customers and patients value. We work with these experts in different ways, from sole contractors through to employees.

Our people

The people who work for us are vital to our success, sharing our values and belief in our charitable purpose. We aim to create a work environment and employment practices that create a culture of respect, collaboration and caring.

Our partners

We provide services to patients and customers on behalf of a number of partners. These services can include working with the NHS on reducing waiting lists, through to providing procedures for the customers of private medical insurers. We aim to be a trusted partner and provider.

Our physical estate and sites

Our success is in part dependent on how closely we are located to people using our services, and the experience of those people within the centres they visit. We aim for broad coverage around the UK delivered in high quality and well-equipped centres.

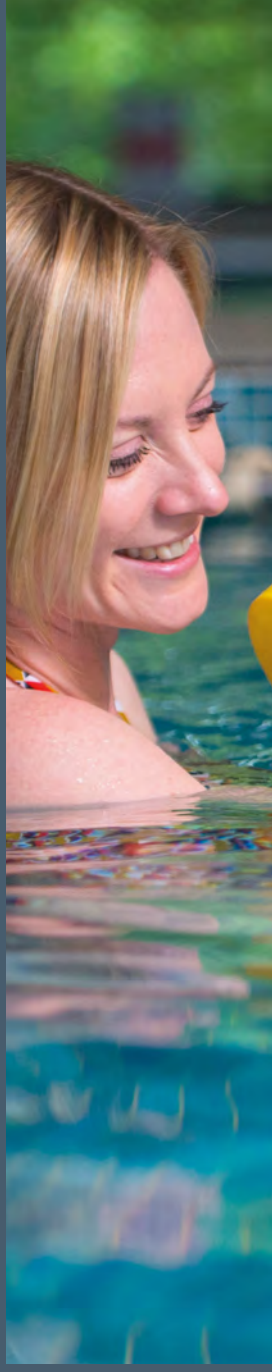
Our digital services and technology

With the growing importance of digital to health and wellbeing, our success in providing truly connected services and a well-connected infrastructure is reliant on efficient and effective IT.

Our financial resources

As a charity, all income we generate is invested back into running and improving the services that we provide. We have a responsibility as a charity to operate efficiently and ensure the long-term sustainability of the organisation.

Social impact



The origins of Nuffield Health the charity began 60 years ago with a small nursing home in the south east and a focus on providing health and healthcare for the public benefit.

That purpose continues to direct our operations and strategy today. Our activities are focused on improving health and wellbeing across the spectrum from prevention through to cure. We believe we have the greatest social impact by providing significant and measurable health and wellbeing benefits to more people.

We measure our health and wellbeing impact through the clinical interventions we make with individuals. In 2016, we reached 1.1 million people, up by 22% from 2015. In the longer term, we are aiming to grow this figure year-on-year with a target of 2 million by 2020.

All our income is invested back into operating and developing our health and wellbeing services and pioneering new models of care and delivery so that more people can benefit.

We harness the promise of digital and social media to make our health and wellbeing resources accessible by anyone at any time, free of charge. This includes providing self-assessment and management tools, basic lifestyle programmes and wellbeing delivery resources for practitioners. People across the UK have been assisted by our online guides and free health and wellbeing videos, with more than 2 million minutes of video streamed.

Through our flagship programmes, we are working in partnership with the NHS, other healthcare providers, research institutes and charities. Our aim is to increase our knowledge and share our insights so we can improve quality of health and make pioneering services available to a wider population at good value for money.

Our flagship programmes focus on:

- Increasing access
- Establishing best practice
- Pioneering new approaches.

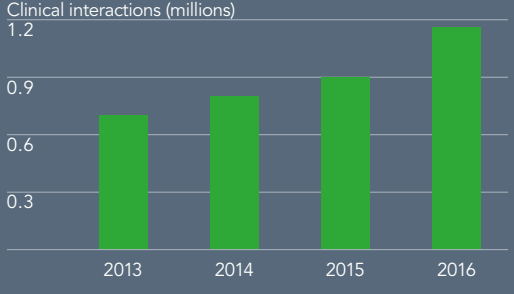
Increasing access to exercise
In 2016, we expanded our highly successful exercise programme for children and teenagers with the lung condition cystic fibrosis (CF) to partner with Leeds Teaching Hospital, Royal Bromptons Hospital, Norfolk and Norwich University Hospital and Royal Berkshire NHS Foundation Trust.

The programme, which began in partnership with Great Ormond Street Hospital, aims to encourage children and teenagers with CF to take part in exercise. There is significant evidence that exercise can help people with CF. Hospitals participating in the scheme can refer children like three year old Edith to one of our fitness and wellbeing centres for exercise and training (see case study 'Seeing exercise as fun').

Both the young patient and their parent/carer are provided with free Nuffield Health memberships and one-to-one training sessions for the patient.

To take part, each fitness and wellbeing centre must follow specialist infection prevention standards as people with CF are more susceptible to a range of lung infections that would not pose a risk to the general public. And personal trainers providing the

Social impact 2013-2016



We calculate our social impact through the number of interactions we have had with individuals throughout our hospitals, clinical services, corporate wellbeing and consumer fitness and wellbeing centres. We anticipate this figure is larger through the number of people we impact indirectly through our free online clinical information, but we are not able to track this accurately at this point.

Case study

Seeing exercise as fun

For some parents and children, the benefits of taking part in our specialist CF exercise programme are more than just the ordinary benefits of exercise.

As Claire O'Grady, mum of three year old Edith, explains: "It's been such a positive influence. Edith now regularly uses the swimming pool. When she is old enough, Edith will also have personal training."

Claire loves that by attending the Nuffield Health gym, her daughter sees positive role models and learns that exercise is the 'norm'.

We've helped more than 100 young CF patients take part in exercise. You can also hear how 16 year old CF patient Beth has taken up boxing as a result of our programme on our website. www.nuffieldhealth.com

one-to-one coaching undergo specialist training, provided by one of our expert CF physiotherapists. To date, we've helped more than 100 young people, and provided training to more than 80 personal trainers. We anticipate that by expanding the programme we will reach a further 750 patients.

Pioneering new approaches

We began a number of research projects in 2016 to further clinical knowledge and develop enhanced programmes based on research data. We are collaborating with academic bodies to share expertise, and are guided by a commitment to make our findings publicly available for the betterment of the health of everyone in the UK. Research projects include:

- **Pre-habilitation in breast cancer patients:** Working with Oxford Univeristy to determine the most appropriate interventions for improving emotional wellbeing and aerobic capacity in patients prior to cancer treatment. The 12 month study will assess the impact of exercise on the level of cancer related fatigue, general well being and quality of life.

- **Examining the value of counselling in schools:** Our innovative Wellbeing in Schools pilot programme, which funds a Head of Wellbeing at Wood Green School in Oxfordshire, is due to complete in 2017. It has been assessing approaches to enhance the physical and emotional wellbeing of both pupils and staff. We will share the findings, with the hope of inspiring other schools to find new, innovative ways to improve wellbeing.

Summary

We recognise our unique opportunity to help people across the UK to access healthcare services when and where they need it. We will continue to develop and extend our flagship programmes, partnering and sharing expertise with other organisations, and helping more people to enjoy healthier, happier lives.

Quality services and outcomes

For more information, see Other information section **pages 84–90**

Across our network of hospitals, gyms and clinical services, high quality care is the bedrock on which everything we do is built, with our patients and customers at the centre.

Our customers and patients expect and require excellent quality. This means that we do no harm, that we make a positive difference to their health and wellbeing and that their experience with us is the best possible.

Because we operate as One Nuffield Health, we expect the same approach to quality in every location and type of service we offer. So, we aim to provide the same high quality to people having hip replacements, health assessments or swimming lessons.

This year, we launched a new Quality Assurance Framework. To be fully implemented in 2017, the framework will support the planning, delivery, monitoring and continuous improvement of the quality of what we do.

Quality care in hospitals under review
Under the new framework, we undertook Quality Assurance Reviews (QARs), that were conducted across all our hospitals network and our operating theatres to identify good practice and areas for improvement.

The reviews were led by our most experienced nurse leaders - our Quality Care Partners (QCPs) and involved close work with hospital Matrons, clinical experts and the broader teams. This is because we believe the best way to look after our patients is by working together.

94%
of all eligible patients were assessed for VTE risks (more **page 86**)

210,000
hospital procedures carried out in 2016

Leadership and culture underpin our Quality Assurance Framework

The three main components of the framework are:

Safety
Meeting the highest possible standards of safety by avoiding harm, upholding professional standards and acting responsibly.

Effectiveness
Providing evidence based health and wellbeing expertise and services that lead to excellent outcomes.

Experience
Being a trusted partner to our patients and customers by giving them a positive, reassuring and personalised experience.

"The Quality Assurance Reviews have enabled us to have very open conversations about our strengths and weaknesses, challenge each other without causing offence, share great ideas and learn lessons from each other all for the good of our patients."

Carol Kefford, Nuffield Health Chief Nurse

We want to know where we get it right for our patients and where we need to do things better. We used nationally recognised best practice to develop an audit toolkit so that we could accurately benchmark our performance in every hospital, including:

- patient safety practices and processes
- patient experience
- infection prevention procedures
- overall hospital environment.

The quality assurance reviews identified a number of key themes, including:

Areas to celebrate

- Patients tell us they are well cared for, feel safe and are treated with dignity and respect
- Our people are capable and passionate advocates for their patients
- Our values and beliefs are embedded in our culture and we aim for excellence.

Areas for improvement

- Variation from some of our expected processes and practice. Some examples of below-expected compliance with mandatory training requirements
- The sharing of lessons learned and passing on great ideas could be improved.

These themes informed the ways of working we needed to replicate and celebrate across our network, and areas of priority where we needed to help our people improve. To put this to work after the QARs, all our hospitals and surgical theatre departments created improvement action plans – which they developed together with input from the central clinical leadership team.

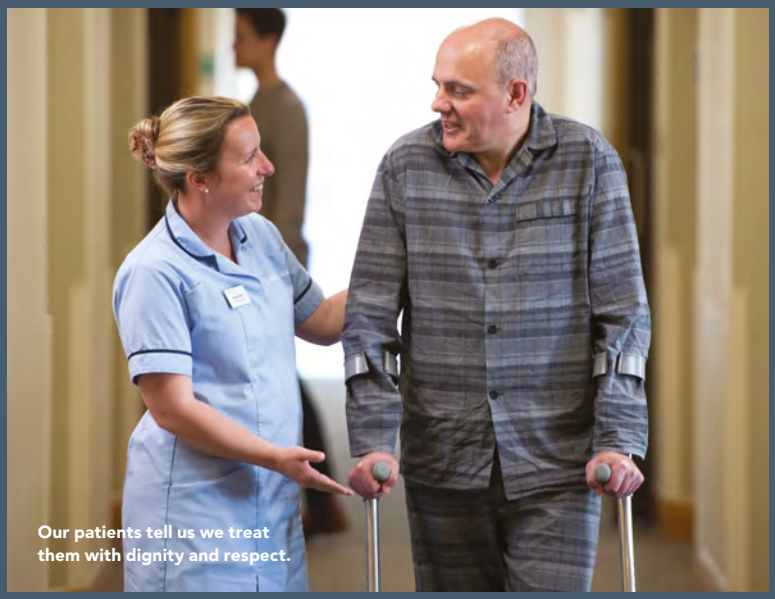
In addition to these activities, we also evolved our processes with:

- Patient records to enhance our assessment and recording tools, including a new National Early Warning Score, focused on advancing our care of patients whose condition is deteriorating. The new care records will be introduced in 2017
- **World Health Organization (WHO) surgical checklist** re-formatted and piloted to simplify and improve its clarity and effectiveness in our theatres

Training to enhance outcomes

It is our aim that everyone who works at Nuffield Health understands their role and is equipped with the skills to give our patients and customers the quality of care they expect and deserve.

This starts with induction. For example, we have enhanced our 'Confident Start' programme for newly qualified nurses and created a learning platform that supports our qualified nurses through the process of revalidation. We also launched a compliant, gold standard Surgical First Assistant training contract with De Montfort University to train 160 assistants over three years.



Our patients tell us we treat them with dignity and respect.

Case study

Striving for excellence

In 2016, the Nuffield Health Cambridge Hospital was rated Outstanding by the hospitals and care regulator the Care Quality Commission (CQC). We were the first independent acute hospital to get an Outstanding status rating – the highest available.

The rating was attributed to the Cambridge team's first class clinical processes, care and leadership – making great patient care our first priority.

Hospital Matron Vicky Pangratiou said: "We used the lead up to the CQC inspection as an opportunity to review our processes. Although we were proud of our work, we knew there was always room for new and innovative ways of doing things.

"We took the opportunity to undertake a gap analysis of our processes against CQC standards, made sure all staff got involved in working out where we could do even better and shared across the hospital some new ideas and processes to help our patients – particularly children and young people."

One idea the team at Cambridge were proud of was introducing a miniature electric Range Rover to convey children to theatre, reducing anxiety and helping make what can be a stressful experience more engaging and fun for young patients.

"After the inspection, which we conducted with the CQC in a real spirit of collaboration, and the 'Outstanding' assessment that all of us were so proud of, we made sure to pass on many of the learnings we gained in the lead up with hospitals across Nuffield Health. We learnt how valuable proactively sharing ideas both across departments and throughout our hospital network can be," said Vicky.

"Systems and processes were in place to ensure patients' individual needs were met. This included the outstanding initiative to support patients following their treatment with a 12 week integrated cancer rehabilitation programme."

Nuffield Health Cambridge Hospital CQC report

We have an established bespoke programme to develop our physiotherapists both personally and professionally, enabling them to meet their professional requirements with the Health and Care Professions Council. Our Nuffield Health Physiotherapy Academy offers a range of mandatory, role essential and professional development courses to help all our physiotherapists provide the best possible care to our customers.

As we work to integrate care across Nuffield Health, every patient's journey with us must connect them with the right health and wellbeing experts who can ensure they can either return to or maintain the level of health they aspire to.

For example, the oncology department at our Nuffield Health Cambridge Hospital set up a post treatment exercise programme with the local Nuffield Health Fitness and Wellbeing Centre. The programme supports cancer patients back into exercise. Clear and continuous communication between the hospital and gym, and close monitoring of patients, ensures each patient receives ongoing exercise plans suited to their needs and abilities.

In 2016, we also continued to embed health promotion in pre-operative assessments to ensure our patients are not only prepared for surgery but also have the opportunity to make long-term health gains – connecting their procedure with healthy lifestyle choices.

Infection prevention

Infection control and cleanliness are fundamental to patient safety and wellbeing. Every year, thousands of patients die unnecessarily in the UK from hospital-acquired infection. Many become infected during simple procedures, such as receiving intravenous drugs and managing wound dressings, owing to poor hand-washing and to poor aseptic technique.

Our dedicated Infection Prevention Team are led by Sue Millward, who has over 30 years' experience in this specialised field. In 2016, Sue was named the Infection Prevention Society Practitioner of the Year.

Sue and the Infection Prevention Team continually look for new techniques and training to improve infection control for the safety of Nuffield Health patients, with Sue drawing on her experience in developing a Director of Prevention of Infection course.

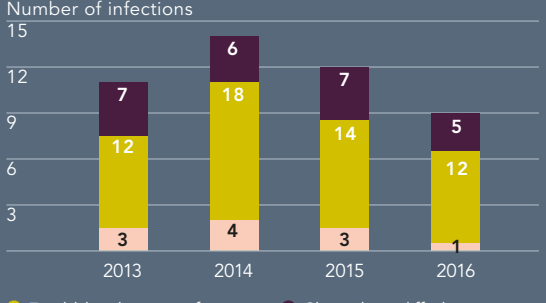
All our hospitals have had accredited, gold standard, Aseptic Non-Touch Technique (ANTT®) training, and assessment. During 2016, the Infection Prevention Team expanded their service to also provide formal training to non-acute services with five members of non-acute services successfully completing the Infection Prevention Co-ordinator's training course.

To ensure we provide the best possible environment for our customers using our fitness and wellbeing centres we introduced a deep cleaning programme across all our sites, in addition to our standard cleaning. Each deep cleaning can take anywhere from two nights to a week depending on the size of the site and the additional facilities such as kitchens and nurseries.

Safe practices

Our people are critical in ensuring we operate safely and identify and reduce risks. To support our employees to achieve this goal, we have mandatory systems and processes across Nuffield Health to protect and care for all of our patients, members and staff.

Avoidable infections 2013-2016



We participate in the Public Health England mandatory surveillance and reporting of healthcare associated infections. This identifies a number of infections that are considered to be avoidable. This year, in hospitals we have seen reductions in MSSA, Clostridium difficile and E coli.

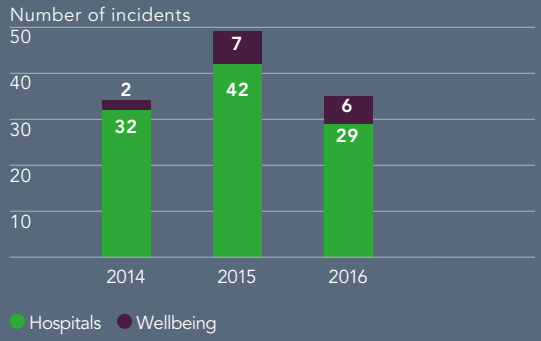
Satisfaction with the Workplace Wellbeing services we provide to our corporate customers has improved.

Every patient's journey with us must connect them with the right health and wellbeing experts.

Every month we report on the Safety, Effectiveness and Experience aspects of quality across our business to our operational Boards and to the Quality Committee. A detailed review of each quarter is then presented to the Board Quality and Safety Committee. These reports help us track successes and areas for further improvement – with results shared across the organisation.

All our hospitals are subject to the same level of scrutiny and review as NHS facilities. In England, the CQC is responsible for monitoring and inspecting the hospitals and our registered medical clinics. In Scotland and Wales these responsibilities are carried out by Health Improvement Scotland and Health Improvement Wales respectively.

Serious incidents requiring investigation 2014-2016



Our goal is zero serious preventable safety incidents. These are incidents that should not occur if preventative measures had been implemented. When incidents occur, we investigate these, share the learnings across the organisation and fulfil our Duty of Candour for those involved.

In 2016, 22 hospitals underwent review and we had received 20 reports at the time of publication. The majority of the hospitals were found to have demonstrated good compliance. Where shortcomings have been identified, we have taken immediate steps to address the findings and are working proactively and constructively with the regulators. A complete list of our hospital facilities and their rating is available on page 85.

Culture

Safe working starts with processes that are fit for purpose. Our Board and senior management are responsible for setting the organisation wide culture that embraces our expected ways of working and adheres to those processes.

We actively encourage our staff to seek ways to improve and constructively challenge when they have observed activities that don't meet our standards. This is part of our culture of respect and care for our colleagues, patients and customers.

Leadership and communication

Effective leadership is at the heart of patient and customer safety. We give our leaders the right training and experience to help them perform to the highest standards.

Our nursing team is fundamental to our patients' experience. In 2015, we launched our Quality Care Partners (QCPs) – a team of senior nurse leader tasked with championing exceptional patient care.

This year, the team was fully deployed across acute and non-acute care, providing advice and assistance to Matrons and staff across our entire network.

In line with our aim for a consistent quality of care across the organisation, this year we also recruited national leads in pre-operative assessment, theatres, clinical education and complaints management. To improve quality in our musculoskeletal physiotherapy services, we also appointed a professional Head of Physiotherapy. They are all highly experienced professionals who will help foster exceptional practice across our sites.

It is also important that our leaders and their teams do not work in isolation, but share success stories and learn from where we may have fallen short of our prescribed ways of working. To aid this interaction, we established cluster meetings for our Matrons, and our Quality Care Partners attend regional Hospital Director meetings to improve engagement and accountability. We also brought together all our Theatre Managers for a patient safety conference.

68 months
free of MRSA bloodstream infections in hospitals

30%
reduction in the number of serious incidents requiring investigation

37 staff
enrolled in our Surgical First Assistant programme

In 2017, we will use the detailed learning from our activities in 2016 – and particularly our QARs – to embed even greater consistency and rigour in our approach to quality care. We will continue to find better ways to share lessons across Nuffield Health and will always be looking at how we can put our patients' experience first.

Improvement plan for 2017

Key objectives	What we plan to do (Inputs)
• Use national guidelines and recognised best practice to re-design our pre-operative assessment processes	• Standardise our practice and processes in line with best practice and national guidelines • 14 hospitals to be fully compliant by end 2017
• Further enhance our operating theatre safety standards	• Introduce a revised WHO Surgical Safety Checklist across Nuffield Health – bespoke to Nuffield Health
• Further enhance assessment, monitoring and early recognition and management of patients whose conditions are deteriorating	• Introduce enhanced post surgical assessment tools • Enhance patient care records • Align processes across primary and secondary care services
• Align non-acute service areas with a standard approach to first aid and emergency scenarios	• Design, test and roll out a best in class first aid and basic life support training programme to all our fitness and wellbeing consumer and corporate sites
• Develop a One Nuffield Health pathway for ophthalmic surgery	• Explore optimum pathways considering every aspect of the patient journey
• Align our approach to quality governance across Nuffield Health	• Establish, test and refine the clinical indicators we will use for quality assurance and governance of non-acute services

All our people earn above the national minimum wage – regardless of age.

Our people

Nuffield Health will always be a people-centred organisation and it is the expertise of our colleagues and the quality of care that we provide that sets us apart.

Over 90% of our employees would recommend our products and services to friends and family.

Helping people is the reason we exist – so looking after and helping our colleagues to flourish is the right thing to do for them and for the success of our organisation. In practice, this means we strive to give our employees the right training, professional development opportunities and clear guidance on ways of working.

To achieve the goals we have for our people, in 2016 we revisited our values and behaviours. Following this review, we refreshed these to ensure that all our colleagues could be united by a common culture that helps us achieve our vision of enhancing health and wellbeing through connected health.

With our values and behaviours, we want to:

- create a workplace where people flourish
- develop brilliant leaders
- expand our expertise.

These values and behaviours will inform all stages of the journeys our people have when working with us – from induction to senior leadership roles, including training, performance management and reward.

Our Leadership MOT employee survey

	2014	Oct 2015	Sep 2016
Responses	5,648	5,884	7,698
% Response rate	63%	61%	53%
How likely are you to recommend Nuffield Health as a place to work to friends and family? (Net Promoter Score)	+27	+27	+29
How likely are you to recommend Nuffield Health products or services to friends and family? (% 'Extremely Likely' or 'Likely')	93%	91%	91%

* Including 1,006 employees from our newly acquired 35 Virgin Active gyms.

Our Values Framework...

We put patients, customers and colleagues at the heart of everything we do...

because we CARE

C **Connected**
We are connected, working together as pioneers of unique, personalised healthcare

A **Aspirational**
We are aspirational, inspiring individual and collective health and wellbeing

R **Responsive**
We are responsive, listening and communicating in an open, straightforward way

E **Ethical**
We are ethical, balancing customer and patient need with quality outcomes and sustainable results

Developing leaders
Our annual Leadership MOT employee survey helps us better understand how we are performing in supporting our people.

This year, the survey results have identified a number of areas for improvements, including a desire for more information and updates on our strategic plans and progress, greater support of work life balances, and aspects of team and individual objective setting and individual development. To respond to these, we have held a series of meetings with our leaders and our Executive Management Team, reviewed our communication channels and performance excellence process as well as enhancing the support we provide to managers and leaders around managing people. We are also reviewing the support systems we provide to employees, including our Employee Wellbeing programme.

This year, for the first time we benchmarked our results externally using our survey provider. Our results were compared to the results of their client database covering all industries. We compared very positively, sitting within the top quartile on all the statements benchmarked, with our top scoring statement being "I am encouraged to focus on customer needs". With our Net Promoter Score up from +27 to +29, we also showed good improvement on 2015.

Fair remuneration and aligned benefits
As one of the UK's leading not-for-profit healthcare organisations, we employ over 14,600 people in a range of roles across our hospitals, fitness and wellbeing gyms, central support functions areas, medical centres, hospital sterilisation units and corporate client premises. We are committed to being an employer of choice to help us attract and retain the skilled people we need to succeed as an organisation.

To this end, our pay practices are fair and equitable and are linked to both the performance of the organisation as a whole and that of the individual.

In 2016, the Government introduced the new mandatory National Living Wage for workers aged 25 and above. To ensure we met our obligations under the National Living Wage, on 1 April 2016 we introduced the Nuffield Health Minimum Wage, with over 2,200 colleagues receiving an increase to their pay. All our people earn above the national minimum wage and at least the National Living Wage – regardless of age.

After significant growth and mergers, we had several different legacy employment contracts across the organisation. We wanted everyone to enjoy an aligned set of benefits. In early 2017 we introduced a single contract of employment for all employees, including a number of improved terms and conditions for many current employees. All our employees enjoy the same Group wide benefits package designed to support and enhance personal wellbeing.

With the same benefits offered to all employees and little variation in basic conditions, we allow smoother movement across roles, departments and business areas – making it easier for people to progress their career with us. And with a more connected and integrated organisation, we can provide an even better service across the UK.

In March 2016, we took steps to provide the Nuffield Health Pension and Life Assurance Scheme with security against future insolvency. The Charity entered into an asset backed funding arrangement, transferring the freehold of the Nuffield Health Oxford Hospital (The Manor) to Nuffield Health Scottish Limited Partnership. More details on transaction can be found in the Financial statements section on page 65.

Skills for success
From induction to life-long learning and continuing professional development, we work hard to nurture our people's skills and talent to achieve their personal ambitions and deliver the best possible care and support to our patients and customers.

We have a wide range of bespoke courses and mandatory training to ensure all our people can progress their career with us and deliver exceptional care. With our dedicated training and professional development department, the Nuffield Health Academy, we offer a range of accredited training modules in professional skills and management in addition to our induction programmes, workplace toolkits and mandatory training portfolio.

Our employees benefit from Academy training and programmes and with our Academy Online, modules are accessible to staff at a time of their choosing.

Our Surgical First Assistant programme offers theatre nurses an advanced practice qualification.

15
nurses enrolled on the Preceptorship programme

80%
of our healthcare assistant apprentices transitioned into permanent roles

Giving our nurses a great start
Securing and retaining nursing staff is a particular challenge across the UK health sector. Because they are so fundamental to helping us deliver excellent care to our patients, we want to make Nuffield Health a very attractive place to work.

One way we are doing this is our Preceptorship programme for newly qualified nurses. Now in its second year, it aims to provide new nurses with the tools they need to gain confidence and play a role in shaping the future of healthcare.

Structured over nine months, the programme provides new nurses with the opportunity to take part in peer-to-peer coaching and face-to-face workshops, shadow an assigned mentor and attend masterclasses.

We enhanced the programme this year, increasing the focus on emotional wellbeing and the development of coping strategies, along with the inclusion of a professional development day supported and delivered by the Royal College of Nursing.

To help our nurses deliver the best possible care to our patients and progress their own careers with us, we also support their ongoing professional development. For example, in 2016, we created a learning platform that supports them through the process of nurse revalidation, complementing our existing mandatory training and e-learning. We also launched Nuffield Health's Surgical First Assistant (SFA) programme which, in conjunction with De Montfort University, offers our theatre nurses the opportunity to gain an advanced practice qualification.

Creating opportunities
One of the rewarding aspects of a charity of our scale is the chance to provide opportunities for entry level employees, from a wide range of backgrounds and skills. We offer apprenticeships across Nuffield Health and this year 140 employees were enrolled in an apprenticeship qualification.

Of our 140 apprentices 25 were recruited under our award-winning Healthy Start programme. Involving medium to long-term work placements as well as

some opportunities for formal qualifications, it enables young people with various underlying health issues to increase their chances of gaining sustainable employment while improving their wellbeing.

The apprentices recruited under the programme were enrolled onto either a Healthcare Assistant (HCA) apprenticeship or a Personal Training apprenticeship. Importantly, for many of these apprentices, their work with us extended beyond the conclusion of their apprenticeship programme – in 2016 80% of our HCAs transitioned into permanent roles in their hospital.

But statistics only tell some of the story. It is the journey of people such as David Robertson which captures what this programme can mean. David, who requires a wheelchair because of the condition spina bifida, joined our Croydon fitness and wellbeing centre last year on a permanent basis after completing his level 3 Personal Trainer qualification under the Healthy Start programme (see right).

2,300 new employees – ready for work
In 2016, Nuffield Health made two milestone acquisitions, on our journey to provide connected health and wellbeing services across the UK. We acquired 35 gyms from Virgin Active and also acquired CBT Services, which provides emotional counselling services. Combined, the businesses had over 2,300 employees, with the large majority at Virgin Active.

We worked hard to ensure the employees of both businesses were quickly and warmly welcomed into the Nuffield Health ways of working and our values – as well as ensuring we met all our legal obligation under the TUPE regulations, which apply to employees in an acquired business.

To smoothly bring on board these many new employees, our work included an engagement day for general managers from Virgin Active to provide detailed insight into how we operate. We also held 'immersion' events at all the new clubs to integrate our new colleagues into the Nuffield Health way of working, with everyone ready to open the 35 new Nuffield Health gyms on 1 August 2016.

Summary
In 2017, our performance excellence programme will incorporate our new behaviours. We will also embed our refreshed values through a series of leadership-led workshops to empower our people to put customers and patients at the heart of everything we do. Our focus will be delivering a workplace that ensures people are involved, inspired and valued – proactively exploring new ways of working and pioneering new services.

Case study

An inspiration for customers

Personal trainer David Robertson came through our Healthy Start programme, designed to support young people with health challenges into work. David was born with the condition spina bifida and relies on a wheelchair to get around.

"While I am in a wheelchair and cannot move my legs, I am pretty physically able and have learnt to adapt. I actually studied sport at college and university, play wheelchair basketball and have always been interested in health and fitness. But when I left university I found the opportunities very limited, until Nuffield Health and Aspire stepped in," said David.

With the backing of Aspire, a charity which provides practical help to people with spinal cord damage, and Nuffield Health's programme, David enrolled on a personal trainer course and gained his level 3 qualification. Through the programme, David gained work experience at our Croydon Fitness & Wellbeing Centre and he subsequently joined its staff.

Brand loyalty

Our goal is to be a trusted provider and partner to both our customers and the experts we partner with. We work hard to ensure these relationships benefit the people we care for.

Through our One Nuffield Health strategy, we are bringing together our products and services more effectively to support people in improving their health and wellbeing.

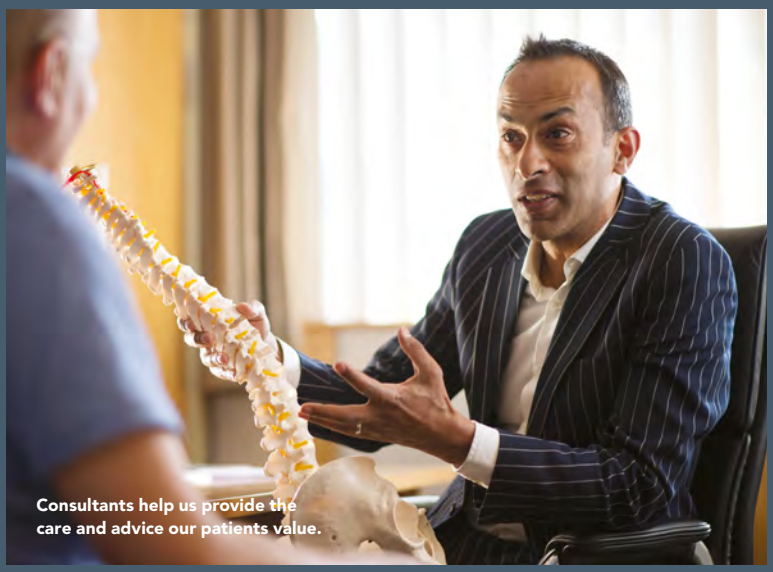
To provide the best possible care to our patients, we work with an extensive network of GPs and medical consultants who see and treat patients.

Being a trusted partner
We endeavour to create an environment where these professionals can perform at their best; this includes facilitating peer support, clinical education opportunities, and a range of engagement opportunities to encourage mutual understanding and clear communication.

We concentrated on improving our communication process with these professionals in 2016. This included increasing interactions between our hospital Medical Directors, Matrons and the Medical Advisory Committees with the consultants practising at our hospitals and continuing to hold our annual medical society meetings.

Our educational grants system provided 24 consultants with funding for work that aims to improve quality of care and patient safety in Nuffield Health hospitals. These grants help support consultants in their practice, as part of our wider Nuffield Health engagement strategy.

Supporting the NHS
We have continued to work closely with NHS trusts and clinical commissioning groups as part of the waiting list initiative. This programme aims to reduce waiting lists by referring NHS patients to independent providers for procedures, at rates set by the NHS. However, with increasing financial pressure on the NHS, trusts are missing their performance targets and the penalties that were previously in place for missing these were removed in 2015. As a result, the transfer of work from trusts has declined.



Consultants help us provide the care and advice our patients value.

We continue to identify new areas where we can assist the NHS. This year, we entered a new partnership with Telford Musculoskeletal Triage Service (TEMS), in Shrewsbury, to provide outpatient support for triage of patients with musculoskeletal conditions.

Working with private medical insurers
In 2016, we fundamentally changed the way we work with one of our largest customers – the private medical insurers. We created a single point of contact within Nuffield Health for each insurer, regardless of the types of services we are offering. This allowed us to have a complete view of all activities with insurers and is making it easier for each insurer to work with us.

In 2016, we enhanced our services to insurers by adding a new specialist shoulder physiotherapy portal, a face-to-face primary care GP service in London and a direct bookings portal for onward referrals from a virtual GP service – making accessing our services easier.

Addressing customer expectations
We continuously track the satisfaction levels of our customers and patients, to evaluate how we are performing and where there is room for improvement.

In hospitals, we have continued to see exceptional patient satisfaction levels. The elements that delight patients are the care and professional treatment they receive and the friendly and supportive staff.

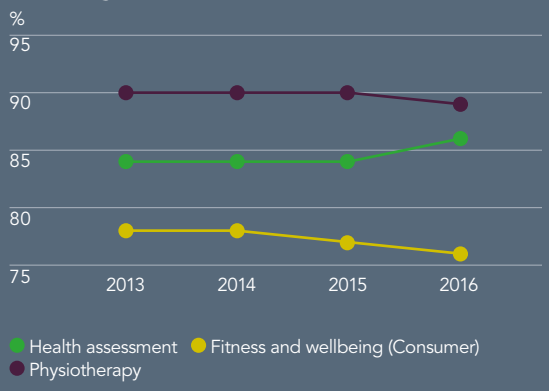
Satisfaction levels across our fitness and wellbeing centres offer a more varied picture, mainly as a result of feedback from the newly acquired Virgin Active gyms. These were lower than our overall scores and as a result we tracked and measured our new and existing centres separately for the year when they joined our network. We have set up action plans and additional training for all sites with negative scores and prioritised deep cleaning schedules to address specific customer issues.

Satisfaction with the Workplace Wellbeing services we provide to our corporate customers has improved. We have received positive comments from our corporate customers on the quality of our fitness teams. In these sites, we are committed to enhancing our corporate services, refreshing our class programmes and replacing equipment when an issue is identified.

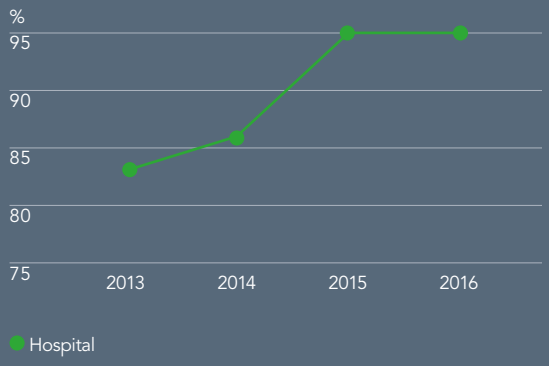
Handling complaints
If a patient has a concern or complaint they are encouraged to speak up informally or are guided through the formal complaints process, where this is required. Complaints are investigated openly and transparently, and lessons are shared to improve the quality of care.

Where we are found not to have met our own expected ways of working we aim to respond quickly and effectively. Although we compare favourably when benchmarked externally, we are not satisfied with our complaints handling and aspire to be the very best we can be in our response to concerns and complaints at every level. This is a focus for 2017.

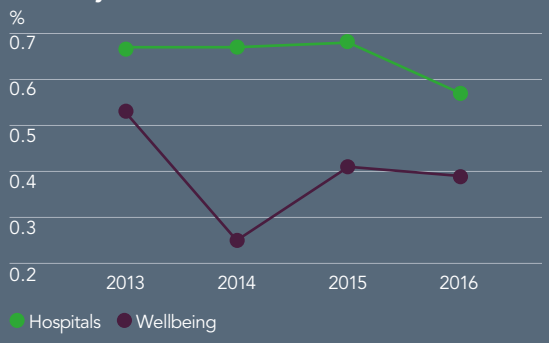
Wellbeing satisfaction (%) 2013-2016



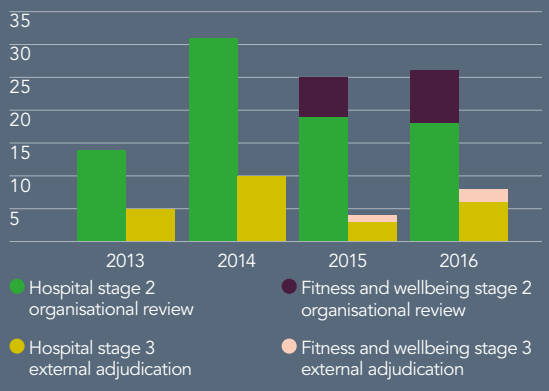
Hospital satisfaction (%) 2013-2016



Customer complaints as a percentage of activity 2013-2016



Customer complaints escalated



Connected health

We are evolving our connected health offering to our patients, customers and consultants by creating a network of physical sites and integrated technology.

We aspire to offer everyone a joined-up healthcare service, wherever they are in the UK – able to access our expertise in their local area through a tightly connected network of hospitals, fitness and wellbeing centres and integrated onlinecare. In 2016, we took several significant steps to achieve this ambition.

Connecting patient care
Our work to introduce a full Electronic Health Record (EHR) across all 31 Nuffield Health hospitals is the largest transformation project Nuffield Health has ever undertaken. This long-term project is intended to replace the existing patient administration system and our existing paper based records with a new digital record system that allows us to capture clinical and treatment information at point of care.

The new EHR will also integrate with existing clinical IT systems to ensure we connect the treatment journey for our patients. For patients, this should lead to improved services and quality and safety of care. For Nuffield Health, it will integrate health records across care settings, enabling our clinicians and employees to work more effectively and efficiently, and provide a seamless transfer of accurate patient information from initial referral, to treatment and recovery.

Importantly, the ability to transfer patient information electronically will result in improvements in the safety and timeliness of information shared at transfers of care. Where appropriate, information can be obtained from and provided to the NHS and other providers involved in a patient's care.

This year, we reached an agreement with software provider InterSystems to implement TrakCare – a fully integrated EHR solution. In 2016, the project team configured and tested TrakCare to optimise it for Nuffield Health, which has enabled us to progress towards a full pilot in The Chesterfield Hospital, Bristol in 2017.

Connected customers
This year we enhanced our digital offering to help our customers interact more effectively with us and our services. We rolled out a number of significant service improvements.

In April, our online joining programme went live, marking the start of a programme to fully digitise our customer interactions. With this advance, the customer's digital journey can be completed, and we have signed up more than 3,000 new members through this route.

Following the success of online joining, we brought in a new system to underpin our 'Nuffield Health Online Account' at fitness and wellbeing centres. The Online Account provides members with an opportunity to plan their interactions with us at any time of day – not just when the centre is open. Currently members can book classes and Health MOTs through their account, and our plan is to roll this out further to enable personal training sessions and other appointments to be booked. Members have welcomed this development and we are seeing an increasing number of bookings online/accounts created.

We are also investing in our ability to make best use of our data, combining disparate sources of information from customers (consumers, corporates, insurers, partners and patients) to form a consistent, single customer view. This will enable us to better understand our customers and to continuously improve the quality of their treatment and our relationship with them.

£1.6m
invested in York Hospital diagnostic equipment

3,180
new members joined online

We are building a network of connected facilities across the UK – so wherever people are located they can take control of their health and wellbeing.

We opened physiotherapy clinics in every one of the 35 centres we acquired last year.

A milestone acquisition
Across our physical estates in the year, we bolstered our footprint by acquiring 35 gyms from Virgin Active and made great progress in our new hospital developments, including new facilities in Manchester and London.

Since the acquisition, we have been enhancing the facilities with the addition of medical clinics featuring services such as physiotherapy, in-depth health assessments, nutritional therapy and private GP appointments. In the six months that followed the transaction completion, new clinical centres were in development or established at all 35 sites.

Investing in our centres
To deliver our vision of connected healthcare across the UK, in 2016 we opened a number of new and reconfigured centres.

In York, we opened a new £1.6 million diagnostics suite, which houses an ultra-advanced MRI scanner, offering an improved patient experience while gaining excellent image quality, along with a full suite of diagnostic equipment, including, and exclusively in the York area, bone densitometry. In Manchester, our state-of-the-art diagnostic suite at CityLabs was also opened.

We continued to enhance our diagnostic capability across numerous clinics and facilities, with MRIs and CT scanners installed at numerous additional locations. We also installed a new chemotherapy unit in Guildford.

In 2015, we embarked on a five year energy strategy, aiming to reduce our greenhouse gas emissions, and targeting a reduction in energy consumption of 25% by 2020. Throughout 2016, Nuffield Health has continued to invest in energy efficient and low carbon technology. These investments include efficient LED lighting across our estate, numerous combined heat and power units, pool covers and intelligent building controls. Energy champions and operational leads continue to challenge sites and focus on energy initiatives, as well as drive recycling and water efficiencies.

Expanding our coverage
To meet our goal of offering connected healthcare across the country, we are progressing several new initiatives.

In Manchester, our plans for a brand new, state-of-the-art hospital were revised and submitted and additionally we are in discussions to establish St Bartholomew's Hospital, providing Nuffield Health with a London based hospital.

In 2017, we will continue to roll out these transformative projects, and implement the modernisation of our network and the replacement of legacy infrastructure and systems.

Financial sustainability

Despite uncertain trading conditions, Nuffield Health has continued to perform well as we respond to changing customer expectations and help more people on their health and wellbeing journeys.

The key financial indicators are:

	2016	2015
Turnover	**£840m**	£768m
EBITDA*	**£89m**	£86m
EBITDA* as percentage of Group turnover	**10.6%**	11.2%
Total operating surplus excluding exceptional items	**£21m**	£24m
Return on capital employed (ROCE)**	**14.4%**	16.1%
Capital expenditure***	**£151m**	£99m
Leverage (total debt divided by EBITDA excluding exceptionals)****	**4.1**	3.2

* EBITDA is Group operating surplus with normal depreciation, amortisation and exceptional items added back
** ROCE is adjusted EBITDA as a percentage of net book value of fixed assets
*** Capital expenditure is additions and acquisitions to tangible and intangible assets
**** Earnings unadjusted for the full year impact of the 35 sites acquired

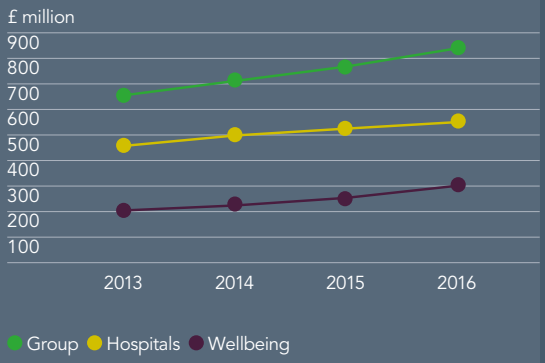
2016 financial highlights

- Turnover at £840 million, up £72 million from 2015 (9%)
- Expanded our geographical footprint, acquiring 35 gyms to expand our fitness and wellbeing estate
- Added emotional wellbeing to our range of services through purchase of CBT Services
- EBITDA increase of £3 million (3%)

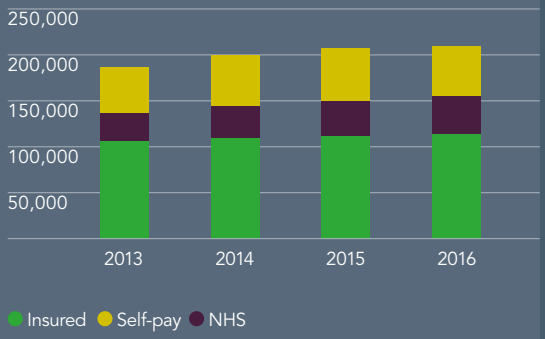
£151m investment
in acquisitions and capital assets

Going concern
The Board's aim is to ensure the Charity continues to deliver its charitable services. This is only possible if the Group has sufficient cash and loan facilities to continue in operational existence. Cash flow forecasts are prepared regularly and following their reviews the Trustees have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after taking into consideration the risks contained within the forecasts and for this reason continue to adopt the going concern basis in preparing the financial statements.

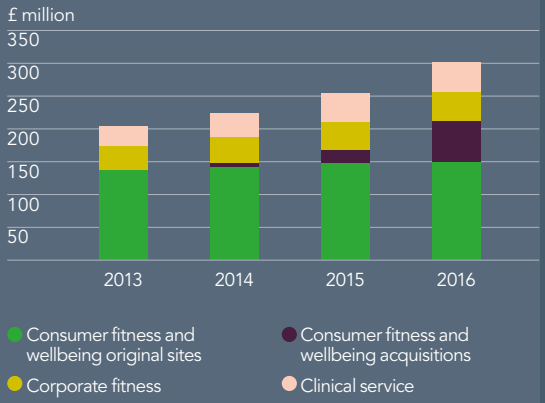
Turnover 2013-2016



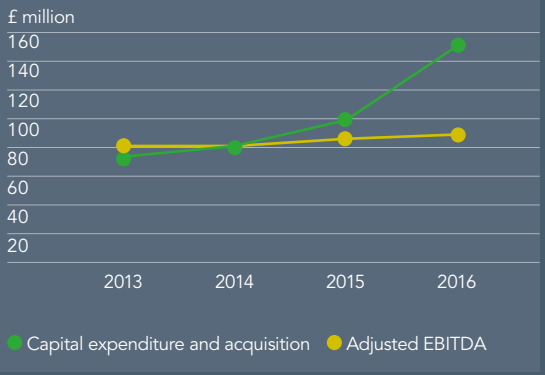
Hospital procedures 2013-2016



Wellbeing turnover 2013-2016



Capital expenditure and acquisitions 2013-2016



Trading
It was an encouraging year for trading. Revenue grew by £72 million, and EBITDA by £3 million. This performance enables us to invest in our services and increase the number of people we are able to support on their fitness and wellbeing journeys. This is a strong performance against a competitive market landscape, with ever-tightening margins, increasing capacity and lower consumer confidence.

Hospitals
In 2016, our hospital division increased its turnover by £26 million (5%) compared with the previous year. Revenue growth has been characterised by continuing strong growth in self-pay (14%) revenue and this is a market that we expect to continue to grow in the short term.

The number of NHS procedures continues to decline following the removal of fines and penalties on trusts in relation to meeting waiting list targets. This led to a drop in waiting list activity referred to our facilities. We continue to offer NHS services across our estate. Insured procedures increased by 2% in the year.

Wellbeing
Total turnover from our wellbeing businesses was £48 million (19%) up in the year, reflecting increases in all areas. This was significantly boosted by the acquisition of 35 gyms in the second half of 2016, which contributed £38 million of additional revenues overall. As a result, our consumer fitness and wellbeing turnover also increased, to £44 million.

In the corporate fitness and wellbeing market, we had turnover growth of 3% as we built new and strengthened existing client relationships and provided additional services. Clinical services turnover, which includes physiotherapy and health assessments, increased by 5%.

Investment in the future
Nuffield Health uses the funds we generate from trading, along with loan finance, to maintain our existing assets and invest in improving the sites and services we provide to patients and customers. Increased revenue allows us to make our expertise more widely available through expanding our regional coverage and the services we offer, making it simpler to deal with us, and by modernising our equipment and facilities. The Capital expenditure and acquisitions chart shows the close relationship between the investments and adjusted EBITDA.

We anticipate the investments made in 2016, including in acquisitions, will contribute to continuing growth in 2017.

Risk management

By closely monitoring and assessing the current and emerging risks that have the potential to impact our activities, we can make the best decisions for our customers, our people and our long-term sustainability.

Overall approach

Nuffield Health takes a continual systematic approach to all risk assessments using an integrated risk management framework. This framework identifies, assesses and prioritises risks, develops effective controls and counter measures, monitors risks, provides assurance mechanisms, creates risk registers and undertakes training needs analysis.

The Board of Trustees as a whole considers strategic risks on a regular basis and two Committees of the Board have been established specifically to cover clinical and health and safety risks (the Board Quality and Safety Committee) and commercial risk and financial controls (the Audit Committee).

Risks are identified centrally, within service lines, at functional and individual facility level with risk assessments created by individuals, groups, questionnaires, inspections, near miss reporting and incident reporting. Risks are identified and prioritised based on the likelihood of an event occurring and the impact of that event should it happen. All risks identified are then recorded on relevant risk registers at either central, service line, functional or local level and these are formally reviewed on a continuous basis, and a full review across all risks registers is carried out centrally at least twice a year.

Controls and counter measures are also identified for each risk to either reduce the impact or likelihood of the risk, accept the risk and monitor changes in impact or likelihood, accept the risk and implement a contingency plan, transfer the risk to a third party or eliminate the risk by stopping the activity.

Strategic risks

The current Trustee risk register contains a number of risks which all have high gross risk ratings, defined as the combined risk score before any mitigating actions or controls have been put in place. The key risks identified with the highest net risk scores after mitigating actions and controls have been put in place and can be summarised as follows:

1. The risk that the economic climate declines significantly. This is mitigated by ongoing monthly business reviews, clear capital rationing and other cost containment measures as required. To monitor and mitigate this risk, the company reviews key performance indicators constantly, and has prepared a programme of reactive measures to minimise the impact on the Group's results.

2. The risk that NHS policy changes exclude independent providers. This is mitigated by the implementation of the Group's five year plan, increased overall hospital efficiency and ensuring there is not too great a reliance on NHS work at any one site. Monitoring of NHS activity levels ensures early detection of any change would be swift, allowing remedial action to be implemented in a timely manner.

3. The risk that a leading consumer or healthcare brand leverages into the wellbeing and self-pay space. This is mitigated by ongoing investment in the Nuffield Health brand, by ensuring a national network of physical assets and by investment in internal leadership programmes. The ongoing effort to provide joined-up services will help to minimise the likelihood of this in future.

1. Economic decline
   Compared with a year ago, it is felt the likelihood of this risk has increased following the vote to leave the European Union.

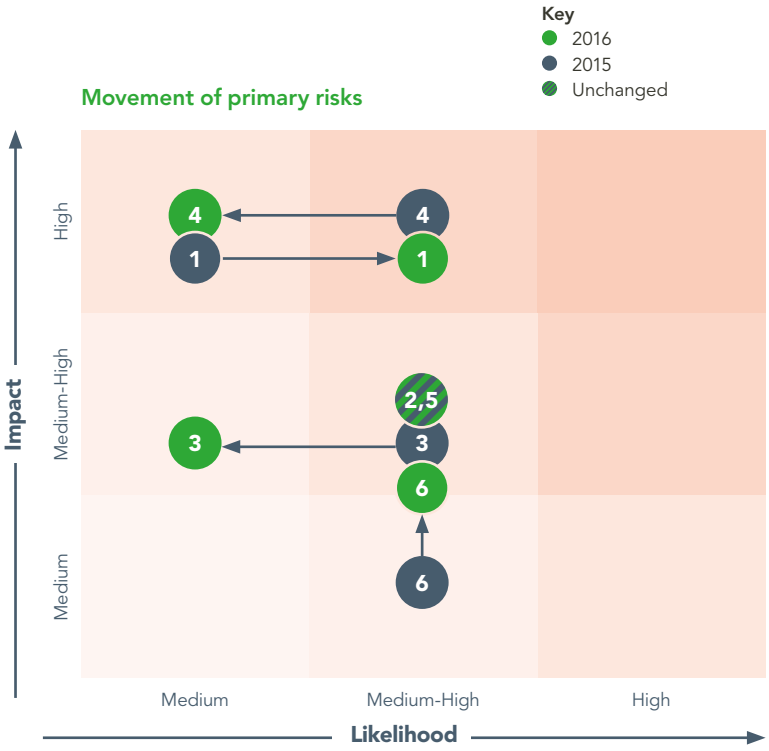
2. NHS policy change
   There has not been any significant change in this risk over the past 12 months.

3. New branded market entrant
   It is felt that the ongoing investment in our brand and activities has reduced the likely impact of this risk.

4. Digital products
   We have taken an increasingly customer focused approach with our digital provision, which has reduced the likelihood since last year. However, this remains a key risk for the future development of the company.

5. Corporate market limitation
   This risk is felt to have increased slightly following the vote to leave the European Union, although no significant deterioration has been noted so far.

6. Cyber security
   The increasing extent of breaches in other companies has caused the increase in the potential impact on Nuffield Health, as recognised in the risk register.



4 The risk that Nuffield Health does not have the service offering of products to make a sufficient impact in the key new marketplace of digital health. Nuffield Health has a programme of improvements under way in respect of its digital platforms driven by market intelligence and customer feedback.

5 The risk that growth in corporate clients is held back by the lack of an appropriate offering outside corporate headquarters. National platform development is under way and will be supported by appropriate training.

6 The risk of a cyber security incident and/or serious data protection breach, which could result in legal, contractual and/or regulatory consequences, as well as reputational damage. Technical IT security controls are in place and are in line with appropriate standards. In addition, policies and training over information governance and security are certified to ISO 27001 standards. Information risk audits are undertaken and reported on quarterly.

Serious untoward incidents, particularly those of a clinical nature, are a key area of focus from a risk perspective.

This Strategic Report was approved by the Board of Trustees on 22 May 2017
Russell Hardy Chairman

Our Board of Trustees

The Board is responsible for ensuring the Charity is carrying out its purpose, setting the strategic direction, overseeing risk management and governance and supporting the Chief Executive Officer, who leads the Executive Management Team, towards achieving the Charity's vision and purpose.

At the date when the Annual Report and Financial Statements were approved, the following Trustees were in place:

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Areas of responsibility of the Board of Trustees:
Ⓐ Member of the Audit Committee
Ⓠ Member of the Board Quality and Safety Committee
Ⓝ Member of the Nominations Committee
Ⓕ Member of the Finance and Investment Committee
Ⓡ Member of the Executive Remuneration and Succession Committee
● Chairman of the Committee

1. Russell Hardy Ⓐ● Ⓕ Ⓡ
Chairman

Russell was appointed Chairman of the Board of Governors in 2012. An economist and accountant by training, Russell has extensive experience in retail and management, having held a number of senior and board level roles in different groups, including Kingfisher, Safeway and Dollond & Aitchison opticians. Following those roles he joined Blacks Leisure Group as CEO, leading it for three years.

He has spent the past 10 years of his career in the healthcare market working with NHS, private equity and commercial providers. He is currently Executive Chairman of Fosse Healthcare and Chairman of the South Warwickshire NHS Foundation Trust and the Wye Valley NHS Trust.

2. Joanne Shaw Ⓠ● Ⓝ
Deputy Chair

Joanne joined the Nuffield Health Board in 2011 and chairs the Board Quality and Safety Committee. She is currently a Non-Executive Director and Chair of Audit & Risk at NHS England, and she chairs the British Equestrian Federation. As past Chair of NHS Direct, Joanne has a strong interest in the use of mobile and digital channels for health and medicines. In her professional roles and in her writing for health publications, she is known for advocating partnership between patients and health professionals and supporting people to make better-informed choices about their health.

3. Martin Bryant Ⓐ Ⓕ●
Martin joined the Nuffield Health Board in 2013 and is currently Chair of the Finance and Investment Committee. He has extensive experience of strategy and marketing, together with a strong understanding of how to position an organisation. During his career, he has worked at the Home Office and FTSE 250 companies, including Boots the Chemist. Martin also holds non-executive positions with the Government Procurement Service, the Scout Association, Wesleyan Bank and Wesleyan Assurance Society. He is also a Trustee of Vision Aid Overseas and is a guest lecturer on Nottingham University's MBA programme.

4. Fiona Driscoll Ⓐ● Ⓕ
Fiona joined the Nuffield Health Board in 2010. She is Chair of the Audit Committee and a member of the Finance and Investment Committee and the Remuneration Committee. Fiona is Chair of Wessex Academic Health Science Network, a lay member of Council of the University of Bradford and a Non-Executive Director of BotOptions (UK) plc. She is a member of the Major Projects Review Group for HM Treasury.

5. Dame Denise Holt Ⓠ Ⓡ
Dame Denise joined the Nuffield Health Board in 2013, having previously acted as British Ambassador to Mexico and Spain. She is a member of the Board of the Integrated Governance Committee. After leaving the Foreign & Commonwealth Office, where she was Global Human Resources Director, Dame Denise developed a non-executive portfolio in the private and public sector, and with not-for-profit organisations. She also has experience of working with a number of healthcare organisations.

6. David Lister Ⓠ
David joined the Board of Nuffield Health in 2014, bringing with him over 35 years of experience working in IT and operations across multiple industries for large, international businesses such as Diageo, GlaxoSmithKline, Boots, Reuters, RBS and National Grid. David is also a Non-Executive Director of HSBC Bank plc, FDM Group plc, Co-operative Insurance and Weatherbys Ltd, is on the Board of the Department for Work and Pensions and is a Trustee of the Tech Partnership where he focuses on the skills and diversity challenges of the UK technology sector.

7. Guy McCracken LVO Ⓡ● Ⓕ
Guy became a Trustee of Nuffield Health in 2010, bringing extensive experience in retail and management. He was with Marks and Spencer Group plc for 25 years, where he served as a plc Board Director and Joint Managing Director. After M&S he was Chairman of Duchy Originals Ltd and was awarded an LVO in 2004 for services to charity. He was Chief Executive of Food Retail for The Co-operative Group from 2005 to 2008. He has been Chairman of Branston Holdings Ltd, a private food business, since 2010.

8. Dr Natalie-Jane Macdonald
Natalie-Jane joined the Nuffield Health Board in January 2017. Her career has been in healthcare, beginning as a physician and clinical lecturer, then joining the British Medical Association as Head of Medical Ethics and International Affairs. She held a variety of roles at Bupa, including as Managing Director of Bupa's UK insurance and wellbeing division. She subsequently became CEO of Acorn Care and Education. She is a Non-Executive Director of the Private Healthcare Information Network (PHIN) and an associate Non-Executive Director at the Royal National Orthopaedic Hospital.

Our Executive Management Team

Our Chief Executive Officer, with the assistance of the Executive Management Team, is responsible for the management of the organisation, for developing the strategic direction for approval by the Board, and for implementing the agreed strategy.

At the date when the Annual Report and Financial Statements were approved, the following senior staff were in place:


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1. Steve Gray
Chief Executive Officer
Steve took over the role of Nuffield Health Chief Executive Officer on 1 December 2015. He previously led the development of the health and wellbeing services at both Lloyds Pharmacy and subsequently at AS Watson, where he was Healthcare Director. Steve has over 40 years' experience, with the past 25 years working primarily within the healthcare sector, holding a number of leadership, commercial and operational positions.

2. Dr Andrew Jones
Chief Operating Officer
As Chief Operating Officer, Andy is responsible for the delivery of services and standards across the whole organisation. He joined Nuffield Health in 2007 as the organisation's first Medical Director, after completing surgical training in Leeds and working as a GP in Lincolnshire. Andy has held senior management positions across the organisation, including Managing Director of Corporate Wellbeing and Managing Director of Wellbeing.

3. Greg Hyatt
Chief Financial Officer
Greg oversees the financial operations of the business, including relationships with banks and financial institutions, as well as supporting our property and procurement activity. He joined Nuffield Health in 2008, bringing with him extensive experience within finance in both the leisure and healthcare sectors. Prior to joining Nuffield Health, Greg was Finance Director within a privately backed care home business.

4. Chris Blackwell-Frost
Chief Customer Officer
As Chief Customer Officer, Chris is responsible for the marketing, sales and customer propositions of Nuffield Health. He joined the organisation in April 2016, bringing over 25 years of experience across the healthcare and pharmaceutical sectors. Originally a pharmacist by training, Chris brings with him experience in sales, clinical services development, strategic marketing, acquisitions and brand development. Previously, he has worked at Lloyds Pharmacy, AAH Pharmaceuticals and Celesio UK.

5. Debbie Mansfield
HR Director
Debbie first began working for Nuffield Health in 2006 and has held a number of different roles in that time, including Senior HR Manager, Head of HR Corporate Wellbeing & Central Office and HR Director of Wellbeing. As HR Director, Debbie is responsible for Nuffield Health's HR activities, leading on transformation, recruitment and people development. She is a Chartered Practitioner at the Chartered Institute of Personnel and Development, and has had extensive experience leading organisational transformations.

6. David Liverseidge
Chief Information Officer
David took up the position of Chief Information Officer in January 2017. Prior to this he had been leading the organisation's business technology agenda for hospitals. He is passionate about the application of technology to improve customer experience, transform the way the business operates and improve lives. David previously held technology related leadership roles in UK and international organisations, including AstraZeneca and Sony Corporation.

Executive Board changes in 2016/17

Alan Payne, Chief Digital and Information Officer
Served on the team until August 2016

Caroline Smith, Business Development Director
Served on the team until December 2016 (remaining with Nuffield Health in advisory capacity)

David Liverseidge, Chief Information Officer
Joined the team in January 2017

Luke Talbutt, General Counsel and Company Secretary
Served on the team until February 2017

Dr Davina Deniszczyc, Medical Executive Director
Served on the team until February 2017 (remaining with Nuffield Health as Charity and Market Development Director)

Chairman's introduction to the Board of Trustees' report

Welcome to our Trustees' Report. It has been a busy year for the Board of Trustees, as we have continued to review how the organisation is equipped to fulfil it charitable purpose and meet the obligations we have to our patients, our customers, our people and wider society.

Russell Hardy
Chairman

As we enter 2017, our 60th year since we were established, it is important that Nuffield Health continues to evolve to most effectively meet the ever-changing and growing health and wellbeing demands of the UK and its people.

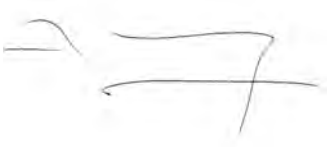
Our Board and governance play a central role in meeting this goal by ensuring our organisation is both well run and fit for its purpose. To most effectively ensure good governance, the Board operates in an open and transparent manner, and encourages constructive challenge in a respectful and professional environment. It also seeks to embed these behaviours throughout Nuffield Health.

Regular, well-run and effective meetings are central to the Board's governance function. The quality of discussion at the Board meetings this year continues to demonstrate the value of the diversity and experience the individual Board members bring to their role as Trustees.

The constituency of the Board was stable for the year. However, at the beginning of 2017 we welcomed Natalie-Jane Macdonald as a new Trustee. Natalie-Jane will bring to Nuffield tremendous experience both as a practising physician and as someone who has held leadership roles within the British Medical Association and the private medical insurance industry, enabling her to make a significant contribution to the organisation.

It has been a busy, rewarding year for Nuffield Health as we accelerate our strategic vision to deliver a truly connected health and wellbeing offering for people across the UK. I would like to thank my fellow Trustees for the dedication they have shown to ensuring the organisation can best deliver on its charitable purpose by helping individuals achieve, maintain and recover to the level of health and wellbeing that they aspire to, by being a trusted provider and partner.

The Report of the Board of Trustees for Members, is set out on pages 38 to 48, as approved by the Board of Trustees.



Russell Hardy
Chairman
22 May 2017

Structure, governance and management

Structure and management

Nuffield Health is a registered charity incorporated under the Companies Acts 1948-2006, being a company limited by guarantee without share capital. The Charity's governing document is the Articles of Association. It is governed by a Board of Trustees.

The Trustees of the Charity are also Directors of the company and collectively constitute the Board.

The Board is responsible for setting strategy, ensuring that there are the necessary financial, human and physical assets to meet the Charity's strategic aims; monitoring the performance of the Charity; overseeing risk management; and setting the Charity's values.

Trustees

The Trustees and Chairman are appointed for a period of three years and are eligible to stand for re-election, but limited to serving a total aggregate of nine years. For more information about our Trustees and their areas of responsibility, see pages 44 to 46.

Members

Nuffield Health is a registered not-for-profit organisation, and also a company limited by guarantee without share capital. As such, it has no shareholders. Instead, it is required by company law to have members who are, literally, the company. Members act as nominal guarantors in the event that the company should ever be wound up, with liability limited to £1.

Members have a constitutional role at the heart of Nuffield Health's governance and accountability.

Membership is an unpaid position and Nuffield Health may not distribute any profits or assets to its members.

Members are entitled to vote at our Annual General Meeting, where accounts are approved and Trustees are elected. They are kept informed about our progress throughout the year. Our current membership includes former staff, former Trustees, consultants, and people who were involved in raising the funds which founded some of our hospitals.

Committees

All Trustees serve on one or more of the Board Committees. Any Trustee may attend any Board Committee meeting. The Committees are delegated specific responsibilities by the Board as outlined below. They provide counsel, expertise and support to the Executive Board.

Details of membership of Committees are shown in the table on page 44.

Board Committees undertake an evaluation of performance annually and use the results to support improvements in the governance of the Charity.

Board of Trustees

The Board of Trustees met 15 times in 2016 with a full and comprehensive schedule of work. The Board's agenda has been focused on four main areas: the long-term strategy of Nuffield Health; defining an approach to accelerate the Charity's ability to improve the health and wellbeing of individuals and the public; continuous improvements in quality and outcomes; and enhancing the governance and assurance of the Charity.

At the start of the year, the organisation undertook a comprehensive review of the markets and environment in which Nuffield Health operates and the organisation's own operations. The outcome of the review was the One Nuffield Health 10 year strategy, to align and connect the services it operates. The Board is confident the strategy provides a clear direction and the right foundations to ensure the Charity can continue to deliver on its charitable purpose.

A key part of the strategy review addressed the desire of the Board to expand the impact of the Charity. The Board endorsed the creation of flagship programmes that will harness the unique breadth of services and expertise for wider public benefit. Projects around our areas of expertise will be established to seek improvements in the quality of care we provide and to make pioneering services available to a wider population at good value for money.

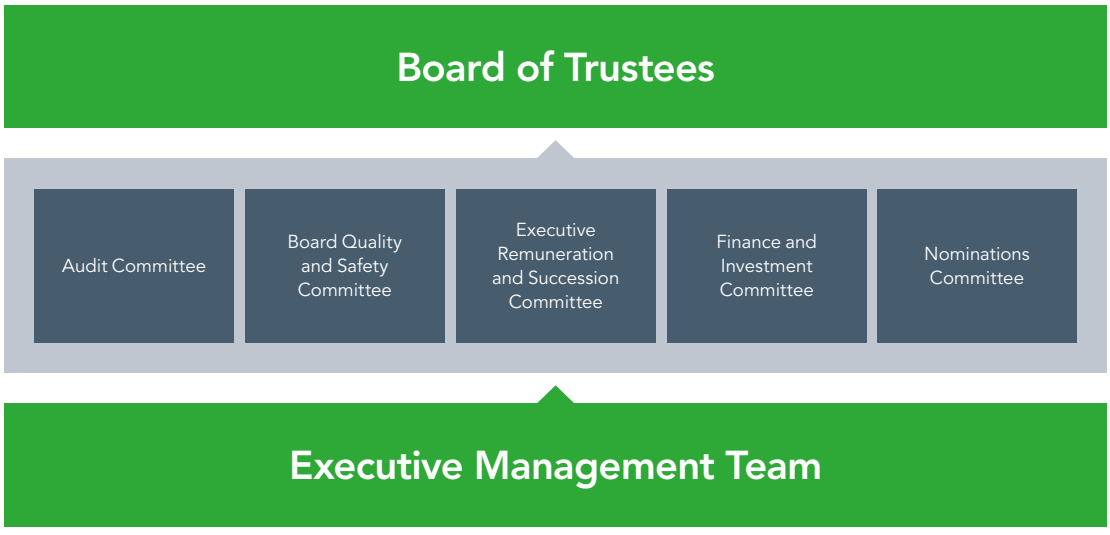
As a healthcare provider, we must constantly strive to provide high quality care and outcomes. To ensure this remains a priority, the Board, supported by the Board Quality and Safety Committee, scrutinised the organisation's quality processes, management and culture. It endorsed the revised Quality Assurance Framework and quality improvement plans proposed by the Executive Management Team.

Finally, Trustees' responsibility for good governance has been a theme of the Charity Commission this year, and much helpful guidance has been released. The Board remains mindful of its responsibilities. This year, significant steps were taken to further strengthen the governance and assurance processes around both financial sustainability and the clinical aspects of the Charity's work and respond to new legislation.

Board attendance 2016

Trustee	Board of Trustees	Audit Committee	Board Quality and Safety Committee	Executive Remuneration and Succession Committee	Finance and Investment Committee
Number of meetings in 2016	15	3	4	2	6
Numbers attended					
Russell Hardy **Chairman**	14	3	–	2	5
Joanne Shaw	15	–	4	–	–
Martin Bryant	15	3	–	–	5
Fiona Driscoll	13	3	–	2	2
Dame Denise Holt	12	–	4	2	–
David Lister	13	–	4	–	–
Guy McCracken LVO	13	–	–	2	5
Dr Natalie-Jane Macdonald (joined in 2017)	–	–	–	–	–

Board Committees
Nuffield Health Board of Trustees and Committees



Audit Committee

The Audit Committee assists the Board by providing independent and authoritative advice on the accuracy of financial reporting and the effectiveness of financial controls and systems. The Committee also oversees the effectiveness of the Group's risk management systems in co-operation with the Board Quality and Safety Committee, and recommends the appointment of the external and internal auditors.

The Audit Committee met three times in 2016. Representatives of the external and internal auditors attended the meetings, as did the Chief Executive Officer and Chief Financial Officer.

During 2016, the Committee scrutinised the existing risk assurance process, and the internal and external audit processes to improve the approach to overall risk management. The organisation devised an enhanced mechanism to report and assess risks, for adoption in 2017. This new framework will build upon the foundations of previous years, and will be overseen by the Committees responsible for clinical and non-clinical risks.

Nuffield Health tendered the external audit contract during 2016. After a rigorous review of potential provider proposals, the company's preferred choice of Deloitte LLP (Deloitte) was accepted as the new external auditor.

Our current external auditor, Grant Thornton, will continue in office until the 2017 Annual General Meeting, at which point they will retire. We wish to thank Grant Thornton for their professionalism and commitment during their period of tenure.

To remove any potential conflict of interest, Nuffield Health will engage in a competitive tender process for its internal audit function, which is currently carried out by Deloitte.

Board Quality and Safety Committee

The Board Quality and Safety Committee meets at least four times each year. It is responsible for monitoring the effective operation of clinical governance throughout the Group and considers clinical risk and health and safety matters. The Medical Director, Chief Nurse, HR Director, Chief Operating Officer, Health, Safety and Environmental Director and the General Counsel and Company Secretary attend the Committee's meetings.

The Committee welcomed Roger Taylor as an independent member. Roger brings with him significant experience leading practice in the fields of transparency, regulation and quality measurement in health and education. He has provided advice at ministerial level within government and has worked at editor level with national and international media.

The Committee met four times in 2016. It oversaw a renewed focus on quality within hospitals and operating theatres, and on the development of our quality improvement processes and framework to ensure the same rigour is applied to non-acute services as to those based in hospitals. The Committee spent significant time on the results of an intensive peer review programme across our hospitals and it worked with the leadership team to streamline quality oversight and reporting in order to sharpen the focus, identify themes and trends and target quality improvement activities.

The progress of the organisation in the area of quality is summarised in our annual Quality Assurance Report. This discusses outcomes of the various elements of safety and quality programmes across all services provided by Nuffield Health. The Quality Assurance report 2016 is incorporated within the 2016 Annual Report.

Executive Remuneration and Succession Committee

The Executive Remuneration and Succession Committee is responsible for ensuring that the Chief Executive Officer and the senior executives are remunerated appropriately. The Committee also periodically considers and makes recommendations to the Board of Trustees on succession planning proposals in respect of the Chief Executive Officer and the senior executives.

It is our policy that total remuneration packages, comprising base salary, pension contributions, performance based annual bonus and Group wide employee benefits, should be competitive while also reflecting the organisation's charitable status.

To this end, the Committee conducts an annual independent review of executive remuneration, focusing largely on the general commercial sector from which most executive talent is recruited. In addition to the survey of commercial organisations of a similar scale to Nuffield Health, the Committee also reviews available information from the health and wellbeing and the not-for-profit sectors, and then seeks to set total compensation in line with the market median, discounted to reflect charitable status.

Finance and Investment Committee

The Finance and Investment Committee meets at least four times each year. The Committee is responsible for reviewing significant financial investments or proposals on behalf of the Board of Governors. The Chief Executive Officer and Chief Financial Officer attend the Committee's meetings. It met six times in 2016.

Trustees' Nominations Committee

The names of prospective Trustees are referred to the Nominations Committee. This Committee also considers recommendations for appointment for Membership of the Charity. No person may be appointed as a Trustee unless he or she is a Member. During 2016, the members of the Committee were Russell Hardy, Joanne Shaw and Guy McCracken.

Three of the existing Board are due to retire by 2019, the remainder retiring in the period 2020 to 2023. It was therefore anticipated that new Governors would need to be recruited in the next 12-18 months to ensure appropriate numbers are in place prior to the start of 2019. The Committee did not meet in 2016, but met in early 2017 to consider Trustee recruitment. Dr Natalie-Jane Macdonald was approved by the Committee and joined the Board in January 2017.

Trustees' Remuneration Committee

The Trustees' Remuneration Committee was established in 2000, following the approval of the Charity Commission to permit the remuneration of the Trustees. The Committee is responsible for making recommendations regarding remuneration. During 2016, the members of the Committee were Douglas Gardner (Chair), Michael Smith and George Fergusson.

The Committee did not meet in 2016, but met in early 2017. The Committee discussed the review of the Trustees' remuneration, the recruitment of new Trustees and external appraisal of Trustee performance.

Board review of the Modern Slavery Act 2015

In accordance with Nuffield Health's values and overarching commitment to acting ethically and with integrity in all our relationships, the prevention, detection and reporting of modern slavery and human trafficking is the responsibility of all those working for the Charity and any associated organisations.

Nuffield Health supports and complies with the provisions of the Modern Slavery Act 2015 (The Act). Relevant organisational policies have incorporated an obligation for compliance and this has been reflected in the Charity's employee induction and training materials. We are undertaking a review of our current suppliers for compliance, informing them of our expectations of compliance and, where higher risks have been identified, undertake an audit as appropriate. The obligation for compliance with The Act will also be incorporated into all new supplier relationships.

Reserve policy

The Trustees do not have a reserve target as the financial sustainability of the Group is assessed through the reviews of cash forecasts.

The Group has used and will use most of its surplus cash to invest in operational fixed assets that improve or increase the Charity's activities. Therefore there are no freely available reserves and negative free reserves are expected for the foreseeable future.

Trustees' review of our objectives

Each year, the Trustees review the Charity's objectives, its activities and the degree to which the services it provides are made accessible to the public.

This review examines the Charity's achievements and the outcomes of its activities in the previous 12 months, together with the benefits delivered to users of the Charity's services. Crucially, the Trustees' review also ensures that the Charity remains focused on providing public benefit.

The Trustees continue to give careful consideration to the Charity Commission guidance on public benefit and in particular to its guidance for fee charging charities. The Trustees have also considered the level of access and affordability of all its services to each section of the population, in particular to those on a low income.

Nuffield Health has policies to clarify – both to those inside the organisation and those outside – how it should deliver benefits to the public, fulfilling its charitable objectives.

These include:

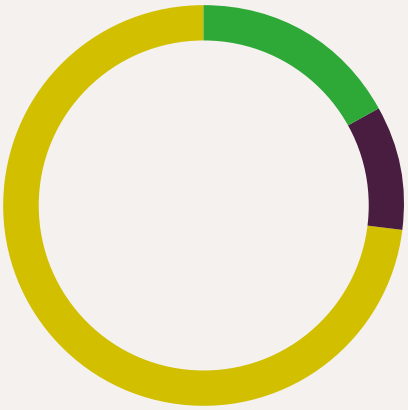
- a limit of 10% on activities that are ancillary to the objectives of the Charity. This is to ensure nothing excludes or causes detriment to our core purpose
- the establishment of guidelines by which any ancillary or fundraising activities can be judged, ensuring that they are directly related to and necessary for carrying out the Charity's purposes
- a requirement that no activities are detrimental or harmful
- a requirement that at least 5% of the Charity revenue comes from products and services available at a low fee
- the requirement that products worth at least 5% of total revenues – if valued at the market rate – are available free at the point of delivery.

The Trustees have concluded that the objectives of the Charity remain entirely for the public benefit. The Trustees are also satisfied that the activities of the Charity are overwhelmingly carried out to fulfil its charitable objectives; that there are no activities that are inconsistent with its objectives; and that the Charity meets the requirements of the policies described above.

In addition, the Trustees are confident that plans are in place for 2017 that will further enhance the accessibility of the Charity's activities, particularly in relation to services available for young people at low cost or free at the point of delivery.

Share of turnover

In 2016, 27% of our revenues came from low cost or free at the point of delivery products and services. With 10% from products and services costing customers less than £1 per day, 17% of our revenues at market rates were from products and services free at the point of delivery to the patient or customer that were purchased by the NHS.



Key

Free to beneficiary	17%
Less than £1 per day	10%
Over £1 per day	73%

Trustees' responsibilities for the financial statements

The Trustees, who are also Directors of Nuffield Health for the purposes of company law, are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and the Group for that period.

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP (FRS 102)
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provision of the trust deed. The Trustees are also responsible for safeguarding the assets of the charitable company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that:

- so far as each Trustee is aware there is no relevant audit information of which the charitable company's auditors is unaware; and
- the Trustees have taken all steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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

Relationship with subsidiaries

All the subsidiaries are wholly owned by the Charity and the directors are members of the executive management.

Those activities carried out by subsidiaries are non-charitable activities, activities coming with acquisitions that have not been transferred to the Charity or businesses that are being developed with the aim of selling or entering into a partnership with another organisation.

The aim is for the subsidiaries to make a return to the Charity. Inter-company loans and trading are covered by written agreements.

Independent auditor's report to the Members and Trustees of Nuffield Health

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

This report is made solely to the charitable company's Members and Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's Members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its Members and Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 48, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent charitable company's affairs as at 31 December 2016 and of the Group's and parent charitable company's incoming resources and application of resources, including the Group's and the parent income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In light of the knowledge and understanding of the Group and parent charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Trustees' Annual Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

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

Carol Rudge
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants London.
22 May 2017

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act

Consolidated income statement
for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Turnover	2	**839.5**	767.5
Cost of services			
Before exceptional items		**(785.5)**	(722.2)
Exceptional items	5	**–**	(8.4)
Gross surplus		**54.0**	36.9
Support and governance costs			
Before exceptional items	3	**(33.3)**	(21.4)
Exceptional items	5	**(1.0)**	(3.0)
Total operating surplus analysed as:			
Operating surplus before exceptional items		**20.7**	23.9
Exceptional items		**(1.0)**	(11.4)
Total operating surplus and surplus before interest and tax	6	**19.7**	12.5
Net interest payable and similar income	7	**(17.1)**	(16.4)
Surplus/(deficit) on ordinary activities before taxation		**2.6**	(3.9)
Tax on (deficit)/surplus on ordinary activities	12	**–**	–
Surplus/(deficit) after tax for the financial year		**2.6**	(3.9)

All amounts derive from continuing activities.

The Consolidated Income Statement includes all gains and losses other than those arising from actuarial gains or losses on defined benefit retirement schemes and other post retirement benefits and changes in the market value of the fixed asset investments.

The accounting policies and notes on pages 54 to 83 form part of these financial statements.

Consolidated and Charity statement of financial activities
for the year ended 31 December 2016

	Notes	Group Total funds* 2016 Total £m	Group Total funds* 2015 Total £m	Charity Total funds* 2016 Total £m	Charity Total funds* 2015 Total £m
Income and endowments from					
Donations and legacies	2	**0.1**	0.1	**0.1**	0.1
Charitable activities	2	**836.7**	765.1	**836.7**	763.9
Other trading activities	2	**2.7**	2.3	**–**	–
Investments	2 and 7	**0.1**	0.1	**1.8**	0.2
Total income and endowments	2	**839.6**	767.6	**838.6**	764.2
Expenditure on charitable activities					
Before exceptional items	3	**(816.1)**	(741.4)	**(814.6)**	(741.6)
Exceptional items	5	**(1.0)**	(11.4)	**(1.0)**	(15.2)
Other expenditure					
Other trading activities		**(2.7)**	(2.2)	**–**	–
Interest payable	7	**(17.2)**	(16.5)	**(20.9)**	(16.8)
Taxation	12	**–**	–	**–**	–
Total expenditure		**(837.0)**	(771.5)	**(836.5)**	(773.6)
Net income/(expenditure) analysed as:					
Net income before exceptional items		**3.6**	7.5	**3.1**	5.8
Exceptional items		**(1.0)**	(11.4)	**(1.0)**	(15.2)
Net income/(expenditure)		**2.6**	(3.9)	**2.1**	(9.4)
Other recognised gains and losses					
Actuarial (losses)/gains on defined benefit retirement scheme	8	**(42.5)**	25.6	**(42.5)**	25.6
Net movement in funds		**(39.9)**	21.7	**(40.4)**	16.2
Fund balances at 1 January		**101.9**	80.2	**101.1**	84.9
Fund balances at 31 December	1	**62.0**	101.9	**60.7**	101.1

* Total funds for the Group and Charity include restricted funds of £0.8 million (2015-£0.8 million) and permanent endowments of £0.1 million (2015-£0.1 million)

All amounts derive from continuing activities.

The consolidated and charity statement of financial activities includes all gains and losses recognised in the year.

The accounting policies and notes on pages 54 to 83 form part of these financial statements.

Balance sheets
at 31 December 2016

	Notes	Group 2016 £m	Group 2015 £m	Charity 2016 £m	Charity 2015 £m
Fixed assets					
Intangible assets	13	**88.2**	53.2	**89.0**	53.9
Tangible assets	14	**529.5**	483.2	**525.6**	479.3
Investments	16	**0.2**	0.2	**21.0**	21.1
		617.9	536.6	**635.6**	554.3
Current assets					
Stocks	17	**8.7**	8.1	**8.7**	8.1
Debtors	18	**96.5**	72.9	**98.0**	74.1
Cash at bank and in hand	33	**2.9**	3.3	**2.9**	3.2
		108.1	84.3	**109.6**	85.4
Creditors: amounts falling due within one year	19	**(160.8)**	(152.7)	**(182.1)**	(172.4)
Net current liabilities		**(52.7)**	(68.4)	**(72.5)**	(87.0)
Total assets less current liabilities		**565.2**	468.2	**563.1**	467.3
Creditors: amounts falling due after more than one year	20	**(369.5)**	(273.7)	**(445.4)**	(273.7)
Provisions for liabilities	23	**(12.4)**	(12.3)	**(12.4)**	(12.2)
Net assets excluding post retirement liabilities		**183.3**	182.2	**105.3**	181.4
Post retirement defined benefit liabilities	8	**(121.3)**	(80.3)	**(44.6)**	(80.3)
Net assets		**62.0**	101.9	**60.7**	101.1
Income funds					
Restricted funds	1	**0.8**	0.8	**0.8**	0.8
Unrestricted funds:					
General fund		**182.4**	181.3	**104.4**	180.5
Post retirement reserve		**(121.3)**	(80.3)	**(44.6)**	(80.3)
Total unrestricted funds	1	**61.1**	101.0	**59.8**	100.2
Total income funds		**61.9**	101.8	**60.6**	101.0
Permanent endowment	1 and 24	**0.1**	0.1	**0.1**	0.1
Group funds		**62.0**	101.9	**60.7**	101.1

The accounting policies and notes on pages 54 to 83 form part of these financial statements. Approved and issued by the Board of Trustees on 22 May 2017

Russell Hardy
Chairman

Steve Gray
Chief Executive Officer

Company number 00576970. Charity number England and Wales 205533. Charity number in Scotland SCO41793.

Consolidated cash flow statement
for the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Cash generated from operating activities			
Before exceptional items	27	**83.6**	80.2
Exceptional items	27	**(3.5)**	(1.9)
		80.1	78.3
Cash flows from investing activities	28	**(154.2)**	(91.0)
Cash flows from financing activities	31	**78.7**	(2.8)
Net increase/(decrease) in cash and cash equivalents		**4.6**	(15.5)
Cash and cash equivalents at 1 January		**(1.7)**	13.8
Cash and cash equivalents at 31 December	33	**2.9**	(1.7)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash and cash equivalents for the financial year		**4.6**	(15.5)
Cash (outflow) from changes in debt and lease finance		**(92.4)**	(10.4)
Change in net debt resulting from cash flows	32	**(87.8)**	(25.9)
New finance leases	32	**(3.6)**	(0.2)
Movement in net debt in the financial year		**(91.4)**	(26.1)
Net debt at 1 January	32	**(274.6)**	(248.5)
Net debt at 31 December	32	**(366.0)**	(274.6)

The accounting policies and notes on pages 54 to 83 form part of these financial statements.

Accounting policies
for the year ended 31 December 2016

a) Company information
Nuffield Health is a company limited by guarantee without share capital incorporated in England. The registered office is Epsom Gateway, Ashley Avenue, Epsom, Surrey, KT18 5AL. In the event of the Charity being wound up the liability in respect of the guarantee is limited to £1 per Charity Member. There were 67 Members on 31 December 2016.

b) Basis of preparation
The financial statements have been prepared in accordance with UK accounting standards, including FRS 102 and the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except as modified to include the fair value basis for certain fixed asset investments, certain financial instruments and post retirement defined benefits.

Nuffield Health is a public benefit entity as defined by FRS 102.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest hundred thousand.

The Charity has taken advantage of the reduced disclosure provisions of FRS 102 The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102) and not disclosed its statement of cash flows.

c) Going concern
After reviewing the Group's forecasts and their accompanying risks the Trustees have a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for the foreseeable future and as a result they continue to adopt the going concern basis in preparing the Annual Report and accounts.

d) Basis of consolidation
The Group financial statements consolidate the financial statements of the Charity and all its subsidiary undertakings drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date the Group obtains control, and continue to be consolidated until the date control ceases. Control is achieved where Group has the power to govern the undertaking's financial and operating policies so as to benefit from its activities.

Acquisitions of subsidiaries and businesses are consolidated using the purchase method. On acquisition of an undertaking, the undertaking's identifiable assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill.

All intra-Group transactions, balances, incomes and expenses are eliminated on consolidation.

Shares of subsidiary undertakings owned by non-Group companies are included within minority interest, except so far as there are obligations to the third parties that are likely to result in the purchase of those shares, in which case the discounted value of the expected purchase price is reported as a liability.

e) Significant judgements and estimates
The preparation of the financial statements requires the Trustees to make judgements and estimates and to select suitable accounting policies. The nature of the estimation means the actual outcomes could differ from those estimates. The following are items in the financial statements where the significant judgements and estimates have been made.

Defined benefit pensions and other post retirement benefits
In order to calculate the obligation under the defined benefit pension plans and post retirement medical benefits, estimates are made of the future costs using actuarial valuations. Due to the complexity of the valuation and the long term nature of these plans such estimates are subject to uncertainty. The most significant assumptions are the rate used to discount the obligations (based on the AA corporate bond yield curve that reflects the duration of the liabilities) and mortality rates, which are set out in note 8.

During the year, the Charity has entered into an asset backed funding arrangement with the Nuffield Health Pension and Life Assurance Scheme (the Scheme). It has been concluded that the Scheme is a separate reporting entity to the Charity and therefore the Charity's post retirement defined benefit liabilities are less than the Group's by £76.7 million (2015 – £nil) and the Charity has a pension liability for asset backed funding of the same amount. These are measured at their fair value using a valuation method with the payments and risk free discount rate being the major assumptions. Given these assumptions are subject to variation over time, it is possible that the fair value of the liability recognised by the Charity and the asset recognised by the Scheme could vary significantly in the future.

Estimation of useful lives and residual values of fixed assets
Intangible and tangible fixed assets are amortised or depreciated over their useful lives after taking into consideration their expected residual value. The useful lives and residual values are set at the time the assets are acquired and reviewed annually for appropriateness. The lives are based on historical evidence of similar assets as well as anticipating the impact of future events that may affect their lives.

The estimated useful lives of the intangible fixed assets are set out in accounting policy m) and those for tangible fixed assets in accounting policy n). Historically the surpluses or losses on disposal of fixed assets have been small.

Impairments of tangible fixed assets and computer software
Tangible fixed assets and computer software are reviewed if events or changes of circumstances indicate that the carrying amount may not be recoverable. All the consumer fitness and wellbeing gyms are considered to be one income generating unit, while in the hospital division the income generating units are the hospitals located in the same town or city.

The impairment tests are based on the fair value arising from property valuations provided by a third party or value in use. The value in use calculations use cash flow models derived from the budget and exclude significant future investments that will enhance the income generating unit's performance. The value in use method is subject to assumptions on the rate used to discount expected future cash flows and the growth rates used in the calculation.

Goodwill
The amount of goodwill initially recognised as a result of the purchase of a subsidiary or business is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determinations of the fair values are based to a considerable extent on the Trustees' judgement. In general the useful life of goodwill is less than those of the revalued tangible fixed assets.

Provisions
Provisions are liabilities where the amount and/or the timing of the settlement are uncertain.

- The onerous lease provision is the single largest provision; its value is significantly impacted by the estimate of the future increases in market value.

- The self insured provision for medical negligence and product liability claims is affected by the estimate of future claims and the Trustees take advice from a third party actuary in determining the amount to be provided.

Details for these and other provisions are set out in note 23.

f) Funds
Unrestricted general funds are expendable at the discretion of the Trustees in furtherance of the objects of the Charity. The liability for post retirement defined benefits is reported separately in the post retirement reserve.

Restricted funds are subject to specific conditions imposed by the donors, and are within the objects of the Charity. These funds are transferred to unrestricted when the specific requirements of the donation are satisfied.

Permanent endowments are capital funds where the Trustees have no power to convert the capital into income. Only the income may be expended.

g) Income and turnover
Income from charitable activities comprises the value of services and goods supplied by the Group after deducting discounts and excluding value added tax. These are:

i) income from the hospital and wellbeing's clinical activities that are recognised when the treatment or good is provided
ii) wellbeing membership income that is recognised evenly over the membership period. Joining fees, which are non-refundable, are recognised when received. Secondary income, including those from food and beverages and personal training, are recognised when delivered
iii) income from management contracts for wellbeing services to employees, which are accounted on an accruals basis over the period that the service and price are agreed.

Turnover is income from charitable and other trading activities plus donations and legacies.

Donations are accounted for when the receipt is probable, there is evidence of entitlement and can be measured reliably.

Legacies are included in the financial statements when it is probable that the legacy will be received and the value can be reliably estimated.

Interest income is recognised on a time basis taking into consideration the principal outstanding and contractual interest rates.

h) Expenditure

Expenditure is classified using the headings in Charities SORP (FRS 102). The direct costs of providing services to patients and others are categorised as charitable activities. Support costs are the Group's central office costs and as such are indirect costs incurred in supporting the charitable activities. Governance costs comprise the expenditure associated with the strategic management of the Group and compliance with constitutional and statutory requirements. Where departments undertake support and governance activities the costs are apportioned using an estimate of the time spent on each activity.

Interest payable, other than retirement benefit finance costs, is accrued using the effective interest method.

i) Exceptional items

Exceptional items are material events or transactions arising as part of the Group's ordinary activities. They are disclosed when individually, or in aggregate if of a similar type, they are relevant to understanding the Group's financial performance.

j) Termination benefits

Payments or other benefits arising from the termination of a person's employment is recognised as a liability and expensed when there is a detailed formal plan for the termination and there is no realistic possibility of the plan being withdrawn.

k) Financial derivatives

The Group enters into financial derivatives to manage its exposure to fluctuating interest rates but does not enter into speculative derivative contracts. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest payable over the period of the contracts.

Derivative contracts are initially measured at fair value on the date the contract is entered into and are subsequently measured at fair value through the consolidated income statement and the consolidated statement of financial activities. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The movement in the fair value of the interest rate derivatives is charged or credited to interest payable within the consolidated statement of financial activities and the consolidated income statement.

The fair value of the interest rate swaps is calculated using a valuation technique that takes into consideration observable interest rates for the period of the contracts.

l) Foreign currency

Group entities

Group entities and branches that have a different functional currency from the presentational currency are translated on consolidation into sterling as follows:

- assets and liabilities at the closing rate
- income and expenditure at the average exchange rate.

The exchange differences are recognised in the other recognised gains and losses section of the consolidated statement of financial activities and in other comprehensive income in the consolidated income statement.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from translation at the closing rate of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement and the consolidated statement of financial activities.

m) Intangible fixed assets

Goodwill

Goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses.

Positive goodwill is written off on a straight line basis over its expected useful life, of between 5 and 20 years. If there is an indication that there is a significant change in amortisation rate the amortisation is revised prospectively to reflect the new expectations.

A change in the value of contingent purchase consideration is recognised immediately as an adjustment to goodwill and written off on a straight line basis over its expected useful life from the date of the original purchase.

The Charity's goodwill includes the value of investments in certain subsidiaries in which the trade and assets have been transferred to the Charity.

Computer software

Computer software that is not an integral part of its related hardware is treated as an intangible fixed asset and is recognised only when it is probable that future benefits will flow to the Group and the cost can be measured reliably.

It is measured at cost less accumulated amortisation and any impairment losses. Cost includes internal project development costs.

Software development costs are recognised as an intangible asset when all the following conditions are met:

i) it is technically and financially feasible to complete the development
ii) the intention is to complete the development and use the software
iii) it can be used when completed
iv) the costs can be measured reliably
v) it is probable there will be future economic benefits to the Group.

Computer software is amortised over five years.

n) Tangible fixed assets and depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes that of dismantling and removing the item and restoring the site on which it is located provided there is an obligation at the year end, it is probable that there is an obligation and it can be measured reliably.

The cost of new buildings, major extensions and refurbishments includes internal project development costs and interest incurred on borrowings to finance the development. All other development costs are written off in the year of expenditure.

Capitalised interest is calculated by applying a weighted average interest rate to the cost of new hospitals, major extensions and refurbishments in progress during the year.

Tangible fixed assets are transferred from assets in the course of construction at practical completion of the project.

No depreciation is charged while assets are in the course of construction; depreciation on assets in the course of construction commences at practical completion.

Depreciation on the other tangible fixed assets, other than freehold land which is not depreciated, is calculated on a straight line basis to write down the cost over their expected useful economic lives. The applicable periods are:

Freehold buildings	Between 50 and 60 years or the remaining useful life if less than 50 years
Leasehold properties	Over the period of the lease or remaining useful life
Furniture and equipment	Between 3 and 15 years
Motor vehicles	Between 4 and 5 years

o) Impairment of intangible and tangible fixed assets

At each reporting date intangible and tangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of a possible impairment the recoverable amount of the affected income generating unit or asset is estimated and compared with its carrying amount. An impairment loss is expensed immediately.

Impairments of tangible fixed assets and intangible fixed assets other than goodwill are reversed when a change in economic conditions or the expected use of an asset increases the recoverable amount of an impaired asset above its impaired carrying value. Impairment reversals are recognised in the consolidated income statement and consolidated statement of financial activities to the extent that they increase the carrying amount of the asset up to the amount that it would have been had the original impairment not occurred.

p) Purchase and disposal of properties

The purchase or disposal of a property is accounted for in the year in which an unconditional and irrevocable contract is exchanged.

q) Investments

Investments in subsidiaries are stated at cost, less provision for impairment within the Charity's financial statements.

Other investments are stated at market value at the balance sheet date. Changes in market values are accounted for as net gains/(losses) on investments within the consolidated statement of financial activities and as other comprehensive income in the consolidated income statement.

Most of the trade and assets of Health Club Investments Group Limited, Nuffield Proactive Health Group Limited and their subsidiaries were transferred to the Charity in prior years. As a result of the hive-up the carrying values of the investments in the subsidiaries were not supported by their net assets. However, the Charity did not suffer a loss in respect of these transactions. Accordingly, the investment not represented by the subsidiary's underlying assets has been treated as goodwill and will be amortised over their estimated useful lives of between 6 and 20 years.

r) Stocks

Stocks are stated at the lower of net realisable value and cost, where cost is weighted average cost.

Consignment stock is not included in the balance sheet when the supplier retains the risk and reward of ownership. The risk and reward transfers to the Group when the asset is used or as the result of a contractual agreement.

s) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are measured at the Trustees' best estimate of the expenditure required to settle the obligation at the balance sheet date. If such an obligation is not capable of being estimated reliably, no provision is recognised and the item is disclosed as a contingent liability where material.

Where the effect is material, the provision is determined by discounting the expected future cash flows and the unwinding of the discount is recognised as an interest cost in the consolidated income statement and consolidated statement of financial activities.

t) Defined benefit pension schemes and other post retirement benefits

Scheme assets are measured at fair values. Scheme liabilities are measured annually on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates of equivalent currency and term of the scheme liabilities. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating surplus.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate as determined at the start of the reporting period and taking account of any changes in the net defined benefit liability during the period as a result of contributions and benefit payment. The discount rate is based on the yield curve of high quality corporate bonds.

Actuarial gains and losses and returns on plan assets, excluding amounts included in net interest on the net defined benefit liability, are reported as recognised gains and losses in the consolidated statement of financial activities.

u) Defined contribution pension schemes

Contributions to defined contribution schemes are charged to the consolidated income statement and consolidated statement of financial activities in the period in which they become payable.

v) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases and hire purchase contracts are recognised initially at the lower of the fair value of the asset or the present value of the minimum payments at the inception of the contract. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the reduction in lease obligation and interest using the effective interest method so as to achieve a constant rate of interest on the remaining portion of the lease obligation. The assets held under finance leases and hire purchase agreements are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals paid under operating leases are charged to the consolidated income statement and the consolidated statement of financial activities on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation or adjusted to the open market value, in which case the Group rent expense equals the amounts owed to the lessor.

The benefits of lease incentives are recognised as a reduction to the rental expense over the lease term on a straight line basis.

Rentals receivable from operating leases are accounted for on a straight line basis over the lease term.

w) Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for evidence of impairment. An impairment loss is recognised in the consolidated income statement and consolidated statement of financial activities.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

The financial liability arising from the asset backed funding agreement with the pension fund is stated at its fair value. A valuation technique is used as there is no readily ascertainable market price. The valuation method incorporates a risk free discount rate to reflect the timing of the payments, an option pricing element to value the contingent payments and solvency likelihood to take into consideration the different payment scenarios. Any gains or losses arising on remeasurement are recognised in the Charity's income statement and the Charity's statement of financial activities.

Notes to the financial statements
for the year ended 31 December 2016

1. Fund analysis

Group	Permanent £m	Restricted £m	Unrestricted £m	2016 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2015 Total £m
Incoming resources from generated funds								
Donations, gifts and legacies	–	–	**0.1**	**0.1**	–	–	0.1	0.1
Other sources of income	–	–	**839.5**	**839.5**	–	–	767.5	767.5
Total incoming resources	–	–	**839.6**	**839.6**	–	–	767.6	767.6
Total resources expended	–	–	**(837.0)**	**(837.0)**	–	–	(771.5)	(771.5)
Net income/ (expenditure)	–	–	**2.6**	**2.6**	–	–	(3.9)	(3.9)
Other recognised gains and losses	–	–	**(42.5)**	**(42.5)**	–	–	25.6	25.6
Net movement in funds	–	–	**(39.9)**	**(39.9)**	–	–	21.7	21.7
Fund balance at 1 January	**0.1**	**0.8**	**101.0**	**101.9**	0.1	0.8	79.3	80.2
Fund balance at 31 December	**0.1**	**0.8**	**61.1**	**62.0**	0.1	0.8	101.0	101.9

Charity	Permanent £m	Restricted £m	Unrestricted £m	2016 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2015 Total £m
Incoming resources from generated funds								
Donations, gifts and legacies	–	–	**0.1**	**0.1**	–	–	0.1	0.1
Other sources of income	–	–	**838.5**	**838.5**	–	–	764.1	764.1
Total incoming resources	–	–	**838.6**	**838.6**	–	–	764.2	764.2
Total resources expended	–	–	**(836.5)**	**(836.5)**	–	–	(773.6)	(773.6)
Net income/ (expenditure)	–	–	**2.1**	**2.1**	–	–	(9.4)	(9.4)
Other recognised gains and losses	–	–	**(42.5)**	**(42.5)**	–	–	25.6	25.6
Net movement in funds	–	–	**(40.4)**	**(40.4)**	–	–	16.2	16.2
Fund balance at 1 January	**0.1**	**0.8**	**100.2**	**101.1**	0.1	0.8	84.0	84.9
Fund balance at 31 December	**0.1**	**0.8**	**59.8**	**60.7**	0.1	0.8	100.2	101.1

2. Turnover and income analysis

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Income from charitable activities				
Hospital services	**550.2**	524.7	**550.2**	524.7
Wellbeing services	**298.6**	251.4	**298.6**	250.2
Other services	**0.1**	0.1	**0.1**	0.1
Income from charitable activities before inter-company sales	**848.9**	776.2	**848.9**	775.0
Inter-company sales	**(12.2)**	(11.1)	**(12.2)**	(11.1)
Net income from charitable activities	**836.7**	765.1	**836.7**	763.9
Donations	**0.1**	0.1	**0.1**	0.1
Other trading income	**2.7**	2.3	**–**	–
Turnover	**839.5**	767.5	**836.8**	764.0
Income from investments	**0.1**	0.1	**1.8**	0.2
Total income	**839.6**	767.6	**838.6**	764.2

Other trading income comprises beauty sales and other non-charitable activities provided by Wellbeing.

3. Expenditure on charitable activities

	Direct activities		Support and governance costs		Total	
Group	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Continuing activities						
Normal						
Staff and related costs	**272.5**	241.9	**44.6**	41.0	**317.1**	282.9
Third party fees	**126.6**	129.0	**–**	–	**126.6**	129.0
Supply costs	**119.9**	113.3	**–**	–	**119.9**	113.3
Depreciation and amortisation	**58.0**	51.8	**10.5**	10.6	**68.5**	62.4
Other costs	**145.9**	120.1	**38.1**	33.7	**184.0**	153.8
	722.9	656.1	**93.2**	85.3	**816.1**	741.4
Support costs transferred to direct activities	**59.9**	63.9	**(59.9)**	(63.9)	**–**	–
After recharge	**782.8**	720.0	**33.3**	21.4	**816.1**	741.4
Exceptional						
Staff and related costs	**–**	1.1	**1.0**	3.0	**1.0**	4.1
Depreciation and amortisation	**–**	7.3	**–**	–	**–**	7.3
Total exceptional	**–**	8.4	**1.0**	3.0	**1.0**	11.4
Expenditure on charitable activities	**782.8**	728.4	**34.3**	24.4	**817.1**	752.8

The support costs transferred to direct activities are divisional office and central service costs that are incurred in delivering or managing the delivery of services.

3. Expenditure on charitable activities – continued

Charity	Direct activities 2016 £m	Direct activities 2015 £m	Support and governance costs 2016 £m	Support and governance costs 2015 £m	Total 2016 £m	Total 2015 £m
Continuing activities						
Normal						
Staff and related costs	**271.3**	242.8	**44.6**	41.0	**315.9**	283.8
Third party fees	**126.6**	129.0	**–**	–	**126.6**	129.0
Supply costs	**119.6**	113.7	**–**	–	**119.6**	113.7
Depreciation and amortisation	**58.0**	50.2	**10.6**	10.6	**68.6**	60.8
Other costs	**145.8**	120.6	**38.1**	33.7	**183.9**	154.3
	721.3	656.3	**93.3**	85.3	**814.6**	741.6
Support costs transferred to direct activities	**59.9**	63.9	**(59.9)**	(63.9)	**–**	–
After recharge	**781.2**	720.2	**33.4**	21.4	**814.6**	741.6
Exceptional						
Staff and related costs	**–**	1.1	**1.0**	3.0	**1.0**	4.1
Depreciation and amortisation	**–**	0.5	**–**	–	**–**	0.5
Other costs	**–**	–	**–**	10.6	**–**	10.6
Total exceptional	**–**	1.6	**1.0**	13.6	**1.0**	15.2
Expenditure on charitable activities	**781.2**	721.8	**34.4**	35.0	**815.6**	756.8

4. Governance costs

	2016 £m	2015 £m
Staff and related costs	**1.7**	1.5
Other costs	**1.3**	1.2
	3.0	2.7

5. Exceptional items

Pension scheme restructuring

The Pension scheme restructuring costs in 2016 relate to legal fees incurred during the transfer of the freehold of the Nuffield Health Oxford Hospital (The Manor) to the Nuffield Health Pension Scheme. There is no impact in the group accounts, however the transfer reduces the pension deficit in the Charity accounts and provides security to the Pension Scheme in the unlikely event of any default in the future funding requirements. Further detail is provided in note 8.

Reorganisation costs

The reorganisation costs in 2015 arise from the change in the management teams as part of the development of the One Nuffield Health strategy. The total cost is £4.1 million comprising of termination payments of £3.9 million and £0.2 million national insurance.

Impairment of intangible assets

The HealthScore™ assets were fully impaired in 2015 as there are no expected future income streams from the service and they will not in the future be used to support other services.

Provisions against subsidiaries

Provisions against subsidiaries are required when the value of the investments in or loans to a subsidiary are unlikely to be recoverable in the foreseeable future. The exceptional items are the movements in this provision.

The exceptional costs are:

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Cost of services				
Reorganisation costs	**–**	1.1	**–**	1.1
Impairment of intangible fixed assets	**–**	7.3	**–**	0.5
	–	8.4	**–**	1.6
Support and governance costs				
Pension scheme restructuring	**1.0**	–	**1.0**	–
Reorganisation costs	**–**	3.0	**–**	3.0
Provisions against subsidiaries	**–**	–	**–**	10.6
	1.0	3.0	**1.0**	13.6
Total exceptional items	**1.0**	11.4	**1.0**	15.2

6. Operating surplus

	2016 £m	2015 £m
This is stated after charging or crediting (including VAT):		
Fees payable by the Charity for the audit of the Charity's annual accounts	**0.3**	0.4
Fees payable to the company's auditor and its associates for other services	**–**	–
Total fees to the company's auditor	**0.3**	0.4

Fees payable by the Charity for the audit of the Charity's annual accounts in 2016 amounted to £324,000. Fees payable for other services amounted to £11,000. Fees paid to Grant Thornton UK LLP for non-audit services to the charitable company itself are not disclosed in the individual accounts of Nuffield Health because the charitable company's consolidated accounts are required to disclose such fees on a consolidated basis.

6. Operating surplus – continued

	2016 £m	2015 £m
Depreciation on tangible fixed assets:		
On owned assets	**52.9**	50.5
On assets held under finance leases and hire purchase contracts for equipment and motor vehicles	**1.8**	1.3
Depreciation charge (note 14)	**54.7**	51.8
Loss on disposal of tangible fixed assets	**0.6**	0.6
Normal depreciation	**55.3**	52.4
Amortisation of intangible fixed assets:		
Amortisation charge	**13.1**	9.6
Loss on disposal of intangible fixed assets	**–**	0.4
Normal amortisation	**13.1**	10.0
Exceptional impairment of intangible fixed assets	**–**	7.3
Total amortisation (note 13)	**13.1**	17.3
Operating surplus stated after charging or crediting:		
Hire of plant and machinery (including operating lease charges)	**5.0**	5.0
Property operating lease rentals	**45.7**	36.6
Rental income from operating leases	**0.7**	0.8
Third party indemnity insurance	**1.1**	1.2

Indemnity insurance for the Trustees and officers amounted to £30,000 (2015 – £29,000).

7. Net interest payable and similar income

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Interest receivable	**0.1**	0.1	**0.7**	0.2
Interest payable				
Bank loans and overdraft	**(5.3)**	(4.6)	**(5.4)**	(4.6)
Senior secured loan notes	**(5.4)**	(5.4)	**(5.4)**	(5.4)
Stakeholder bond	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Finance charges in respect of finance leases	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Finance charges in respect of pension liability for asset backed funding	**–**	–	**(2.1)**	–
Interest payable to subsidiaries	**–**	–	**–**	(0.3)
Total interest payable	**(12.0)**	(11.4)	**(14.2)**	(11.7)
Costs in connection with loan facilities	**(1.3)**	(1.2)	**(1.3)**	(1.2)
Costs in connection with the stakeholder bond	**(0.2)**	(0.2)	**(0.2)**	(0.2)
	(13.5)	(12.8)	**(15.7)**	(13.1)
Retirement benefit finance costs	**(3.0)**	(3.8)	**(3.4)**	(3.8)
	(16.5)	(16.6)	**(19.1)**	(16.9)
Movement in fair value of derivatives				
Opening fair value of interest rate derivative	**1.0**	1.1	**1.0**	1.1
Closing fair value of interest rate derivative	**(1.7)**	(1.0)	**(1.7)**	(1.0)
	(0.7)	0.1	**(0.7)**	0.1
Interest payable and movement in fair values	**(17.2)**	(16.5)	**(19.8)**	(16.8)
Net interest payable and similar income	**(17.1)**	(16.4)	**(19.1)**	(16.6)

8. Defined benefit pensions and other post retirement benefits

The Group's funded defined pension scheme is closed to future contributions. During the year the Group operated one unfunded defined benefit pension scheme. The assets of the funded scheme are administered by trustees in funds independent from the assets of the Group. The Group also provides post retirement healthcare benefits to some of its employees. These benefit schemes are also closed to new entrants.

Nuffield Health is the sponsoring employer of the defined benefit pension schemes and the post retirement healthcare benefits and has legal responsibility for the plans. There is no contractual arrangement or policy for charging the net defined benefit costs to individual Group entities and therefore the Charity has recognised the entire net benefit cost and the relevant net defined benefit liability in its individual financial statements.

The most recent formal actuarial valuation of the Nuffield Health Pension and Life Assurance Scheme (the Scheme), a defined benefit pension scheme, was carried out as at 31 March 2015. This valuation was carried out by the Scheme Actuary, Adam Stanley of Punter Southall Limited. The principal assumptions made by the actuary are set out in the Scheme's statement of funding principles, which was agreed by the Trustees of the Scheme and Nuffield Health as part of the 31 March 2015 valuation.

8. Defined benefit pensions and other post retirement benefits – continued

At the date of the above full valuation the value of the Scheme's assets was sufficient to cover 71 per cent of the actuarial value of the benefits that had accrued to the members after allowing for assumed future increases to deferred pensions and pensions currently in payment.

The level of employer contributions in the year totalled £5.3 million (2015 – £8.0 million).

The employer and the Trustees of the Scheme entered into an asset backed funding arrangement in March 2016 by which the freehold of the Nuffield Health Oxford Hospital (The Manor) was transferred to a Scottish Limited Partnership, with both parties being limited partners. This gives the Scheme a secured asset should the Charity become insolvent. As a part of this arrangement it is agreed the employer's contribution from 1 April 2016 for the next six years will be £2.0 million per year and £4.0 million thereafter plus administration costs that are estimated to be £0.7 million. It was projected at the time of the full valuation to recover the deficit over 17 years. The pension deficit has increased since that date, largely due to reductions in the discount rate, which may lengthen the recovery period.

The projected unit credit method is used to value the liabilities of the defined benefit pension scheme. Scheme assets are stated at their market values at the respective balance sheet dates.

The main assumptions are:

	2016 % pa	2015 % pa
Rate of increase in medical inflation	**4.3**	4.1
Rate of increase for pensions in payment pre 1 August 2005 service	**3.5**	3.4
Rate of increase for pensions in payment post 31 July 2005 service	**2.3**	2.2
Rate of increase for deferred pensions	**2.3**	2.1
Discount rate (yield curve basis)	**2.7**	3.9
Inflation rate (CPI)	**2.3**	2.1

The post retirement mortality assumptions used to value the benefit obligation mortality tables are based on S2PA at 31 December 2016 and 31 December 2015. Assumed life expectancies on retirement age at 65 are:

		2016 Years	2015 Years
Retiring today	Males	**22.8**	22.7
	Females	**24.7**	24.6
Retiring in 20 years' time	Males	**24.9**	24.8
	Females	**26.6**	26.5

The returns on the plan assets are:

	2016 % pa	2015 % pa
Growth assets	**13.9%**	0.6%
Matching assets including liability hedge	**43.0%**	(1.0%)

8. Defined benefit pensions and other post retirement benefits – continued

The amounts charged to the consolidated income statement and Group statement of financial activities were:

	Defined benefit pension funds		Retirement healthcare		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Operating surplus						
Service cost						
Administrative costs	**1.0**	0.7	**–**	–	**1.0**	0.7
Current service and settlement costs	**–**	0.1	**–**	–	**–**	0.1
	1.0	0.8	**–**	–	**1.0**	0.8
Net interest payable/(receivable):						
Interest on schemes' assets	**(12.1)**	(11.6)	**–**	–	**(12.1)**	(11.6)
Interest on schemes' liabilities	**14.9**	15.2	**0.2**	0.2	**15.1**	15.4
Total charged to finance expenses	**2.8**	3.6	**0.2**	0.2	**3.0**	3.8
Total in net income	**3.8**	4.4	**0.2**	0.2	**4.0**	4.6

The total Group actuarial (losses)/gains on defined benefit retirement schemes and retirement healthcare are as follows:

	2016 £m	2015 £m
Actual return on schemes' assets	**69.4**	3.5
Less interest on schemes' assets	**(12.1)**	(11.6)
	57.3	(8.1)
On obligations – interest costs	**(99.8)**	33.7
Net actuarial (losses)/gains on defined benefit retirement schemes	**(42.5)**	25.6

The amounts recognised in the Group balance sheet are as follows:

	Defined benefit pension funds		Retirement healthcare		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Fair value of scheme's assets						
Growth assets	**256.2**	216.1	**–**	–	**256.2**	216.1
Matching assets including liability hedge	**116.2**	96.4	**–**	–	**116.2**	96.4
Other assets	**4.7**	4.8	**–**	–	**4.7**	4.8
	377.1	317.3	**–**	–	**377.1**	317.3
Present value of funded obligations	**(491.2)**	(390.8)	**–**	–	**(491.2)**	(390.8)
	(114.1)	(73.5)	**–**	–	**(114.1)**	(73.5)
Present value of unfunded obligations	**(2.9)**	(2.4)	**(4.3)**	(4.4)	**(7.2)**	(6.8)
Net liabilities	**(117.0)**	(75.9)	**(4.3)**	(4.4)	**(121.3)**	(80.3)

8. Defined benefit pensions and other post retirement benefits – continued

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension funds		Retirement healthcare		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Opening defined benefit obligations	**(393.2)**	(424.4)	**(4.4)**	(4.8)	**(397.6)**	(429.2)
Current service and settlement costs	**–**	(0.1)	**–**	–	**–**	(0.1)
Benefits paid	**13.9**	13.2	**0.2**	0.2	**14.1**	13.4
Interest cost	**(14.9)**	(15.2)	**(0.2)**	(0.2)	**(15.1)**	(15.4)
Actuarial (losses)/gains	**(99.9)**	33.3	**0.1**	0.4	**(99.8)**	33.7
Closing defined benefit obligations	**(494.1)**	(393.2)	**(4.3)**	(4.4)	**(498.4)**	(397.6)

The cumulative actuarial losses recognised in the statement of financial activities at 31 December 2016 were £160.1 million (2015 – £118.1 million).

Changes in the fair value of the post retirement funds' assets are as follows:

	Defined benefit pension funds		Retirement healthcare		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Opening fair value of plan assets	**317.3**	319.7	**–**	–	**317.3**	319.7
Interest income	**12.1**	11.6	**–**	–	**12.1**	11.6
Actuarial gains	**57.3**	(8.1)	**–**	–	**57.3**	(8.1)
Contributions paid	**5.3**	8.0	**0.2**	0.2	**5.5**	8.2
Scheme administrative costs	**(1.0)**	(0.7)	**–**	–	**(1.0)**	(0.7)
Benefits paid	**(13.9)**	(13.2)	**(0.2)**	(0.2)	**(14.1)**	(13.4)
Closing fair value of plan assets	**377.1**	317.3	**–**	–	**377.1**	317.3

Charity

The Charity and Nuffield Health Pension and Life Assurance Scheme (the Scheme) entered into an asset backed funding arrangement in 2016 by which the Nuffield Health Oxford Hospital (The Manor) was sold to and leased back from Nuffield Health Scottish Limited Partnership.

The arrangement results in the Charity having irrevocable cashflow obligations to the Scheme and the Scheme's assets increasing by the same amount. The cashflows are recorded at their fair value, which at the end of the financial year is £76.7 million (2015 – nil). As these obligations are due to other members of the Group, no liability has been recognised within the consolidated financial statements.

At the end of 2016 the Charity's net post-retirement defined benefit liability is £44.6 million (2015 – £80.3 million) and the pension liability for asset backed funding due within one year is £0.8 million (2015 – nil) and due after one year is £75.9 million (2015 – nil).

9. Defined contribution pension schemes

	2016 £m	2015 £m
The amounts charged to the income and expenditure account and statement of financial activities	**10.2**	9.8
Contributions owing to the pension schemes at 31 December	**1.8**	1.7

10. Trustees

The Trustees are the same as Directors under company law.

	2016 £m	2015 £m
Fees paid to the Trustees and money purchase pension contributions:		
Mr R S M Hardy	**57,000**	52,750
Mr M W Bryant	**35,000**	35,000
Mr P G McCracken	**35,000**	35,000
Ms F E Driscoll	**35,000**	34,650
Mrs J M Shaw	**37,000**	32,900
Dame D Holt	**28,000**	28,000
Mr D W Lister	**29,000**	28,000
	256,000	246,300

The total value of money purchase pension contributions is £5,518 (2015 – £5,425). Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £26,328 (2015 – £14,518) in the year.

11. Employees

	2016		2015	
	Number	**WTE**	Number	WTE
Average number of employees:				
Hospital	**6,688**	**4,838**	6,322	4,528
Wellbeing	**6,857**	**3,882**	5,890	3,334
Support and governance	**127**	**121**	127	122
Total	**13,672**	**8,841**	12,339	7,984

The increase in wellbeing headcount is due to the acquisition of 35 gyms from Virgin Active Ltd (see note 30).

11. Employees – continued

The employees are classified into the categories where the related costs are finally charged.

	2016	2015
Number of employees in defined contribution pension schemes at year end	**10,690**	8,556

	2016 £m	2015 £m
Staff costs during the year:		
Wages and salaries	**261.1**	228.5
Social security costs	**23.0**	19.1
Other pension costs		
Defined benefit scheme administrative costs (note 8)	**1.0**	0.7
Defined benefit current service and settlement costs (note 8)	**–**	0.1
Defined contribution (note 9)	**10.2**	9.8
Agency costs	**16.5**	16.2
	311.8	274.4

Termination benefits

	Charged to consolidated statement of financial activities		Accrued at year end	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Individual redundancy and terminations	**0.4**	0.9	**–**	–
Exceptional reorganisations, redundancy and terminations	**–**	3.9	**–**	2.3
	0.4	4.8	**–**	2.3

11. Employees – continued

The emoluments of the higher paid employees fell within the ranges indicated below. These emoluments include any bonuses payable, redundancy payments and settlement agreement payments but exclude pension contributions.

	2016 Number	2015 Number
£60,000 to £69,999	**110**	98
£70,000 to £79,999	**52**	57
£80,000 to £89,999	**34**	20
£90,000 to £99,999	**22**	28
£100,000 to £109,999	**14**	19
£110,000 to £119,999	**12**	10
£120,000 to £129,999	**17**	11
£130,000 to £139,999	**9**	6
£140,000 to £149,999	**7**	3
£150,000 to £159,999	**6**	2
£160,000 to £169,999	**6**	5
£170,000 to £179,999	**5**	2
£180,000 to £189,999	**3**	–
£190,000 to £199,999	**2**	2
£200,000 to £209,999	**3**	1
£210,000 to £219,999	**4**	–
£220,000 to £229,999	**1**	1
£230,000 to £239,999	**–**	2
£240,000 to £249,999	**1**	1
£250,000 to £259,999	**3**	1
£270,000 to £279,999	**–**	1
£280,000 to £289,999	**1**	–
£290,000 to £299,999	**1**	–
£300,000 to £309,999	**1**	1
£310,000 to £319,999	**–**	1
£330,000 to £339,000	**1**	–
£350,000 to £359,999	**–**	1
£450,000 to £459,999	**1**	–
£480,000 to £489,999	**1**	–
£760,000 to £769,999	**1**	–
£770,000 to £779,999	**–**	1
£1,250,000 to £1,259,999	**–**	1

	£m	£m
Employer contributions towards defined contribution pension schemes for higher paid employees	**2.7**	2.3

	Number	Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	**350**	268

The total emoluments and employee benefits for the Executive Managers, who are the key management personnel, in the year is £2.9 million (2015 – £4.3 million). The highest paid individual in 2016 was the Chief Executive Officer, Steve Gray.

12. Tax on surplus/(deficit) on ordinary activities

The parent company is a charity and is not subject to tax because its charitable activities are exempt from tax.

The subsidiary companies have tax losses available to carry forward against future taxable profits or sufficient shareholder funds to gift aid taxable profits to the Charity. No deferred taxation asset has been recognised within the financial statements at 31 December 2016 in respect of these losses because they are unlikely to be recovered.

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Current tax				
United Kingdom corporation tax at 20% (2015 – 20.25%) by subsidiaries	**–**	–	**–**	–

13. Intangible fixed assets

	Group				Charity			
	Goodwill £m	Assets in course of construction £m	Computer software £m	**Total £m**	Goodwill £m	Assets in course of construction £m	Computer software £m	**Total £m**
Cost								
At 1 January 2016	56.3	–	83.4	**139.7**	57.5	–	73.5	**131.0**
Acquisitions (note 30)	39.5	–	–	**39.5**	39.5	–	–	**39.5**
Additions	–	3.5	4.5	**8.0**	–	3.5	4.8	**8.3**
Disposals	–	–	(10.0)	**(10.0)**	–	–	(0.4)	**(0.4)**
Transfers	–	–	0.8	**0.8**	–	–	0.8	**0.8**
At 31 December 2016	95.8	3.5	78.7	**178.0**	97.0	3.5	78.7	**179.2**
Amortisation								
At 1 January 2016	38.6	–	47.9	**86.5**	39.0	–	38.1	**77.1**
Charge for year	2.9	–	10.2	**13.1**	2.9	–	10.5	**13.4**
Disposals	–	–	(9.8)	**(9.8)**	–	–	(0.3)	**(0.3)**
At 31 December 2016	41.5	–	48.3	**89.8**	41.9	–	48.3	**90.2**
Net book value at 31 December 2016	54.3	3.5	30.4	**88.2**	55.1	3.5	30.4	**89.0**
Net book value at 31 December 2015	17.7	–	35.5	**53.2**	18.5	–	35.4	**53.9**

Goodwill is the difference between the cost of purchase and the fair value of the assets and liabilities attributed to the purchase.

Goodwill is amortised in accordance with accounting policy. Impairment reviews are carried out in relation to the income generating units and are described in detail in note 15.

Additions to computer software during the year included capitalised internal project development costs of £2.2 million (2015 – £1.1 million). The internal project development costs capitalised to date are £9.5 million (2015 – £6.9 million).

14. Tangible fixed assets

Group	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
Cost						
At 1 January 2016	25.2	263.0	54.3	134.4	464.8	941.7
Additions at cost	26.2	0.1	0.7	3.8	46.9	77.7
Acquisitions (note 30)	–	–	–	14.8	10.2	25.0
Disposals	–	–	–	–	(14.2)	(14.2)
Transfers	(31.0)	7.4	–	–	22.8	(0.8)
At 31 December 2016	20.4	270.5	55.0	153.0	530.5	1,029.4
Depreciation						
At 1 January 2016	–	88.2	11.3	42.4	316.6	458.5
Charge for year	–	5.2	2.0	7.6	39.9	54.7
Disposals	–	–	–	–	(13.3)	(13.3)
At 31 December 2016	–	93.4	13.3	50.0	343.2	499.9
Net book value at 31 December 2016	20.4	177.1	41.7	103.0	187.3	529.5
Net book value at 31 December 2015	25.2	174.8	43.0	92.0	148.2	483.2

The gross amount on which depreciation on freehold buildings is being provided is £247.9 million (2015 – £240.4 million).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £7.8 million (2015 – £3.8 million).

Charity	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
Cost						
At 1 January 2016	25.2	251.6	54.3	140.7	463.4	935.2
Additions at cost	26.2	0.1	0.7	3.8	46.9	77.7
Acquisitions (note 30)	–	–	–	14.8	10.2	25.0
Disposals	–	–	–	–	(13.6)	(13.6)
Transfers	(31.0)	7.4	–	–	22.8	(0.8)
At 31 December 2016	20.4	259.1	55.0	159.3	529.7	1,023.5
Depreciation						
At 1 January 2016	–	85.0	11.3	44.1	315.5	455.9
Charge for year	–	5.0	2.0	7.6	40.1	54.7
Disposals	–	–	–	–	(12.7)	(12.7)
At 31 December 2016	–	90.0	13.3	51.7	342.9	497.9
Net book value at 31 December 2016	20.4	169.1	41.7	107.6	186.8	525.6
Net book value at 31 December 2015	25.2	166.6	43.0	96.6	147.9	479.3

14. Tangible fixed assets – continued

Group and Charity

Additions during the year included capitalised internal project development costs of £0.4 million (2015 – £0.3 million). The interest charges and internal project development costs capitalised to date are £10.5 million (2015 – £10.5 million) and £7.2 million (2015 – £6.6 million) respectively.

A valuation of the hospitals for loan security purposes at 31 October 2014 was undertaken by GVA Grimley LLP in accordance with the Royal Institute of Chartered Surveyors' Guidance Notes on the Valuation of Assets. The valuation of the hospitals is £940 million, giving a surplus of £620 million over the net book value at the date of valuation. Another valuation exercise will be completed during 2017.

15. Impairment

Goodwill and tangible fixed assets

There are no indications in the year that an asset or income generating unit may be impaired as there was no change in the economic or competitive environment in which the income generating units operate.

16. Fixed asset investments

Group	UK Listed investment £m	Unlisted investment £m	Total £m
Market value			
At 1 January and 31 December 2016	0.1	0.1	0.2

The Group's investments are held primarily to provide an investment return for the Charity.

The shares of a UK listed investment are valued at their market value at the balance sheet date. The unlisted investments are valued at the lower of cost or management's estimate of market value.

Charity	Subsidiary undertaking £m	UK Listed investment £m	Unlisted investment £m	Total £m
Cost or market value				
At 1 January	39.7	0.1	0.1	39.9
Acquisition	–	–	–	–
At 31 December 2016	39.7	0.1	0.1	39.9
Provision for impairment				
At 1 January 2016	18.8	–	–	18.8
Charge	0.1	–	–	0.1
At 31 December 2016	18.9	–	–	18.9
Net book value at 31 December 2016	20.8	0.1	0.1	21.0
Net book value at 31 December 2015	20.9	0.1	0.1	21.1

16. Fixed asset investments – continued

Subsidiary undertakings

The subsidiary undertakings in the Group at 31 December 2016 are shown below.

Company name	Class of share capital held	Portion held by the parent company	Portion held by the other group companies	Nature of business
Registered in England and Wales				
Archer Leisure Ltd	Ordinary	–	100%	Dormant
Ark Leisure Management Ltd	Ordinary	–	100%	Dormant
Bladerunner Ltd	Ordinary	100%	–	Dormant
Body and Mind Ltd	Ordinary	–	100%	Dormant
Cannons Adventures Ltd	Ordinary	–	100%	Dormant
Cannons Covent Garden Ltd	Ordinary	100%	–	Dormant
Cannons Group Ltd	Ordinary	–	100%	Subsidiary holding company
Cannons Health Clubs Ltd	Ordinary	–	100%	Dormant
Cannons Sports Clubs (UK) Ltd	Ordinary	100%	–	Dormant
Centre Court Tennis Ltd	Ordinary	–	100%	Dormant
Chichester Independent Hospital Ltd	Ordinary	100%	–	Dormant
Chichester (Leasing) Company Ltd	Ordinary	–	100%	Dormant
Corby Tennis Ltd	Ordinary	–	100%	Dormant
Greens Health & Fitness Ltd	Ordinary	100%	–	Dormant
Health Club Investments Group Ltd	Ordinary	100%	–	Subsidiary holding company
Health Club Investments Ltd	Ordinary	–	100%	Dormant
Health Club Acquisitions Ltd	Ordinary	–	100%	Subsidiary holding company
Healthscore Ltd	Ordinary	100%	–	Software developer
ISC Estates Ltd	Ordinary	–	100%	Dormant
ISC Leasing (Ipswich) Ltd	Ordinary	–	100%	Dormant
ISC Projects Ltd	Ordinary	–	100%	Property company
Independent Surgery Centres Ltd	Ordinary	100%	–	Subsidiary holding company
Jonathan Webb Ltd	Ordinary	100%	–	Non trading company
MSCP Holdings Ltd	Ordinary	100%	–	Subsidiary holding company
MSCP Wellbeing Ltd	Ordinary	–	100%	Dormant
Mythbreaker Ltd	Ordinary	100%	–	Subsidiary holding company
Nuffield Cosmetics Surgery Ltd	Ordinary	100%	–	Dormant
Nuffield Health Care Ltd	Ordinary	100%	–	Dormant
Nuffield Health Day Nurseries Ltd	Ordinary	100%	–	Dormant
Nuffield Health Pension Trustees Ltd	Ordinary	100%	–	Pension Trustee Company
Nuffield Health Wellbeing Ltd	Ordinary	–	100%	Consumer fitness centres

16. Fixed asset investments – continued

Company name	Class of share capital held	Portion held by the parent company	Portion held by the other group companies	Nature of business
Nuffield Nursing Homes Trust	Ordinary	100%	–	Dormant
Nuffield Proactive Health Ltd	Ordinary	–	100%	Subsidiary holding company
Nuffield Proactive Health Group Ltd	Ordinary	100%	–	Dormant
Nuffield Proactive Health Medical Ltd	Ordinary	–	100%	Dormant
Pinnacle Leisure Group Ltd	Ordinary	–	100%	Dormant
Precis (1748) Ltd	Ordinary	–	100%	Dormant
Sherburne (Leasing) Company Ltd	Ordinary	–	100%	Dormant
The Food Calculator Ltd	Ordinary	–	100%	Dormant
Twickenham Leisure Ltd	Ordinary	100%	–	Dormant
Vale Health Partners Ltd	Ordinary	100%	–	Subsidiary holding company
Vale Healthcare Ltd	Ordinary	22%	78%	Dormant
Vardon Ltd	Ordinary	–	100%	Dormant
Wandsworth Leisure Ltd	Ordinary	100%	–	Dormant
Registered in Scotland				
Nuffield Health (General Partner) Ltd	Ordinary	100%	–	Managing Partner of NHSLP
Nuffield Health Scottish Ltd Partnership	Ordinary	15%	85%	Property Company

The freehold for Nuffield Health Oxford Hospital (the Manor) was sold to Nuffield Health Scottish Limited Partnership in March 2016 for £91.2 million, refer to note 8 for further information. None of the other subsidiaries have a material impact on the Group's assets, liabilities and funds at the end of the year or on the Group statement of financial activities.

17. Stock

	Group and Charity	
	2016 £m	2015 £m
Raw materials and consumables	**8.7**	8.1
Consignment stock not included in the balance sheet	**15.4**	15.0

There were no significant differences between the replacement cost and the values disclosed above.

Consignment stock not included in the balance sheet is stock owned by a supplier that is stored in our premises, which will be charged to the Group if drawn on or when the Group takes contractual liability for the stock.

The value of stock recognised as an expense during the year was £116.4 million (2015 – £108.6 million).

18. Debtors falling due within one year

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Trade debtors	**57.1**	50.4	**57.1**	50.1
Amount owed by Group undertakings	**–**	–	**1.9**	1.5
Other debtors	**3.1**	0.8	**3.1**	0.8
Prepayments and accrued income	**36.3**	21.7	**35.9**	21.7
	96.5	72.9	**98.0**	74.1

Interest is charged on loans to Group undertakings at various rates of interest between 2.0 per cent and 2.5 per cent above the base rate. The loans are repayable on demand and are unsecured.

19. Creditors: amounts falling due within one year

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Bank overdraft	**–**	5.0	**–**	5.0
Obligations under finance leases	**1.9**	1.9	**1.9**	1.9
Trade creditors	**45.1**	27.5	**44.4**	27.3
Amounts owed to Group undertakings	**–**	–	**21.1**	20.1
Social security and other taxes	**8.4**	7.4	**8.4**	7.3
Other creditors	**26.5**	34.6	**25.5**	34.6
Pension contributions	**1.8**	1.7	**1.8**	1.7
Pension liability for asset backed funding (note 8)	**–**	–	**0.8**	–
Accruals and deferred income	**77.1**	74.6	**78.2**	74.5
	160.8	152.7	**182.1**	172.4

20. Creditors: amounts falling due after more than one year

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Bank loans	**244.0**	151.0	**244.0**	151.0
Deferred expenses in connection with bank loans	**(2.8)**	(2.5)	**(2.8)**	(2.5)
Fair value of interest rate derivatives	**1.8**	1.0	**1.8**	1.0
	243.0	149.5	**243.0**	149.5
Stakeholder bond	**18.7**	18.7	**18.7**	18.7
Deferred expenses in connection with bond	**(0.2)**	(0.4)	**(0.2)**	(0.4)
	18.5	18.3	**18.5**	18.3
Secured loan notes	**100.0**	100.0	**100.0**	100.0
Obligations under finance leases	**4.3**	1.3	**4.3**	1.3
Pension liability for asset backed funding (note 8)	**–**	–	**75.9**	–
Deferred/contingent consideration	**–**	1.0	**–**	1.0
Other creditors	**3.7**	3.6	**3.7**	3.6
	369.5	273.7	**445.4**	273.7

20. Creditors: amounts falling due after more than one year – continued

Pension liability for asset backed funding

	Charity		
	2016 Risk free discount rate %	**2016 Forecast payments £m**	**2016 Fair value of liability £m**
Amounts falling due within one year	**0.6%**	**2.0**	**0.8**
Amounts falling due after one year	**0.6% to 1.5%**	**102.0**	**75.9**
		104.0	**76.7**
(Loss) on change in fair value assumptions			**(0.4)**

21. Borrowings

	Group and Charity	
	2016 £m	2015 £m
Borrowings are repayable as follows:		
One year or less:		
Finance leases	**1.9**	1.9
Bank overdraft	**–**	5.0
In more than one but not more than two years:		
Finance leases	**1.1**	0.7
In more than two but not more than five years:		
Finance leases	**3.2**	0.6
Stakeholder bond	**18.7**	18.7
Bank loans	**244.0**	–
In more than five years:		
Bank loans	**–**	151.0
Secured loan notes	**100.0**	100.0
	368.9	277.9

The bank loans, overdraft and secured loan notes are secured by a fixed charge on some of the freehold properties of the Group and a floating charge on all the assets of the Charity. The terms of the bank loans, secured loan notes and stakeholder bond are shown below:

Description	Security	Interest rate	Repayment date
Bank loans and overdraft	Secured	Variable 2.15% + LIBOR	4 October 2021
Secured loan note £55 million	Secured	Fixed 5.15%	4 October 2024
Secured loan note £45 million	Secured	Fixed 5.55%	4 October 2026
Stakeholder bond	Unsecured	Fixed 6.00%	2 July 2018

The finance leases are secured on the related assets. The other loans are unsecured and the rates of interest are based on LIBOR.

22. Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
In Charity and Group			
At 1 January 2016			
Interest rate swap into a fixed rate	2017	1.4%	50.0
Interest rate swap into a fixed rate	2021	2.4%	25.0
At 31 December 2016			
Interest rate swap into a fixed rate	2017	1.4%	50.0
Interest rate swap into a fixed rate	2021	2.4%	25.0
Interest rate swap into a fixed rate	2021	0.6%	50.0

The Charity uses financial derivatives to manage the interest rate exposure on its current and expected future debt. The fair value of the derivatives at 31 December 2016 is a liability of £1.8 million (2015 – £1.0 million). The derivatives are recognised in the balance sheet at their fair value as part of bank loans within creditors. The movement in the fair values is included in interest payable within the consolidated statement of financial activities and the consolidated income statement.

23. Provisions for liabilities

	Property related £m	Self insured £m	Other £m	Total £m
Group				
At 1 January 2016	9.1	1.9	1.3	12.3
Utilised in year	(0.9)	(0.4)	(0.4)	(1.7)
Charged/(released) in year	0.5	0.6	0.7	1.8
At 31 December 2016	8.7	2.1	1.6	12.4
Charity				
At 1 January 2016	9.0	1.9	1.3	12.2
Utilised in year	(0.9)	(0.4)	(0.4)	(1.7)
Charged in year	0.5	0.6	0.8	1.9
At 31 December 2016	8.6	2.1	1.7	12.4

The property related provisions are estimated costs to be incurred on premises that are vacant, where the leases are onerous, dilapidations and business rates. The costs of the vacant properties are certain. However their income from sub-lets and the timing of bringing the properties into use or of their disposal are uncertain. The provisions are discounted.

The provision for onerous leases is the difference between the rent due and the market rent of properties whose tangible fixed assets are fully written down. The provision is determined on a site by site basis and is for between 4 and 25 years. The provisions are discounted.

The provisions for dilapidations are recognised at the time of entering property leases when it is probable that there is an obligation and it can be measured reliably or at the first date the conditions are met.

The self insured provision covers the estimated exposure to medical negligence and product liability claims. The maximum exposure is limited as insurance provided by a third party will cover any claims once the cumulative claim value exceeds £5.0 million (2015 – £4.4 million).

23. Provisions for liabilities – continued

Other provisions comprise those for contractual disputes and the self pay promise where there are no time limits on the aftercare of eligible patients.

Contractual disputes are those identified by the Group, including instances where legal claims have been instigated and are being defended by the Group. Claims are considered by the Board of Trustees and are defended robustly where the Board concludes that the Group is not liable. Provision is made for the most likely outcome of each individual case, based upon the information available to the Board. The Group has provided £0.3 million for contractual disputes in 2016 (2015 £nil).

24. Permanent endowments

The permanent endowment is held for the benefit of Nuffield Health Manor Hospital in Oxford.

	Group and Charity	
	2016 £m	2015 £m
At 1 January and 31 December	**0.1**	0.1

25. Financial instruments

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Financial assets				
Measured at fair value through the income statement and statement of financial activities	**0.1**	0.1	**0.1**	0.1
That are equity instruments measured at cost less impairment	**0.1**	0.1	**20.9**	21.0
That are debt instruments measured at amortised cost	**63.1**	54.4	**65.0**	55.6
Financial liabilities				
Measured at fair value through the income statement and statement of financial activities	**1.8**	1.0	**78.5**	1.0
Measured at amortised cost	**440.4**	340.0	**459.9**	359.8

Credit, liquidity and interest rate risk

Credit risk

Credit risk arises from deposits and derivative financial instruments with banks and trade debtors. The credit risk relating to banks is managed centrally within the parameters set by the Board of Trustees which restricts the counterparty banks and the exposure to each bank. The risk from trade debtors is considered low, with the values in the balance sheet being presented after an allowance for doubtful debts.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities. The Group subjects its cash flow forecasts to stress tests to assess the risk of a major cash shortfall or breaches of covenants. Whilst current forecasts do not indicate any significant reduction in the amount of cash generated by the Group, any severe shortfall would be addressed by tight control over capital spending and operating costs. At the end of 2016 there were £46 million of unutilised bank loan facilities (2015 – £69 million) and a further £10 million of unused overdraft facility (2015 – £5 million). The repayment dates of debt are set out in note 21.

Interest rate risk

The Group is exposed to fluctuations in the interest rate. The interest rate management policy is to optimise the balance between the fixed and floating interest rates, in order to minimise the annual interest rate costs and reduce volatility. This is achieved by an element of fixed rate borrowing and modifying the interest rate exposure through the use of interest rate swaps, details of the latter are set out in note 22.

26. Analysis of net assets between funds

The Group and Charity's assets and liabilities are all unrestricted except for £0.1 million (2015 – £0.1 million) of investments that are a permanent endowment and there are restricted funds comprising cash of £0.8 million (2015 – £0.8 million). The Group's unrestricted funds amount to £61.1 million (2015 – £101.0 million) and £59.8 million (2015 – £100.2 million) for the Charity.

The restricted funds represent a number of donations where the monies received have not yet been used for the purpose defined by the donor. Most of the restricted donations are those given to specific sites that have not yet been used to purchase tangible fixed assets at those locations.

Funds are transferred from restricted to unrestricted when the performance condition connected with that donation has been met or has been used to purchase an asset for general purpose use.

27. Reconciliation of operating surplus to cash flow from operating activities

	Group	
	2016 £m	2015 £m
Total operating surplus	**19.8**	12.5
Exceptional items in operating surplus (note 5)	**1.0**	11.4
Depreciation and amortisation	**68.2**	62.4
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	**89.0**	86.3
Increase in stocks	**(0.6)**	(0.6)
Increase in debtors	**(23.6)**	(2.5)
Increase in creditors	**20.7**	7.1
Increase/(decrease) in provisions	**2.6**	(2.6)
Total cash flow from operations	**88.1**	87.7
Post retirement benefits – additional cash payments	**(4.5)**	(7.5)
Cash generated from operating activities before exceptional items	**83.6**	80.2
Exceptional cash outflow from operations		
Exceptional items in operating surplus (note 5)	**(1.0)**	(11.4)
Depreciation and amortisation	**–**	7.3
(Decrease)/increase in creditors	**(2.5)**	2.2
Total cash outflow from exceptional activities	**(3.5)**	(1.9)
Total cash inflow from operating activities	**80.1**	78.3

28. Cash flows from investing activities

	Group	
	2016 £m	2015 £m
Receipts from sale of tangible fixed assets and computer software	**0.5**	0.4
Receipt from sale of subsidiary (note 29)	**–**	2.8
Purchase of tangible fixed assets and computer software	**(90.5)**	(86.2)
Payment to acquire businesses and subsidiary undertakings (note 30)	**(64.2)**	(8.0)
	(154.2)	(91.0)

29. Receipt from sale of subsidiary

2016 – £nil. In 2015 Vanguard Healthcare Limited repaid the remaining loan notes it had issued to Nuffield Health during the year resulting in a cash inflow of £2.8 million. The loan notes were issued as part of the consideration for the sale that happened in 2009.

30. Payments to acquire businesses and subsidiary undertakings

The cash outflow in the year comprises:

	Group £m
Purchase of 35 fitness and wellbeing centers from Virgin Fitness gyms	64.0
Purchase of CBT, wellbeing services	1.4
	65.4

Virgin Active Limited

The group purchased 35 fitness gyms from Virgin Active Ltd on 31 July 2016.

The net assets and provisional fair value of the assets and liabilities arising from the acquisition from Virgin Active Ltd are:

	Fair value to the Group £m
Tangible fixed assets	25.0
Debtors	0.9
Net assets purchased	25.9
Consideration	
Cash	64.0
Goodwill on acquisition of 35 Fitness Gyms from Virgin Active Ltd	38.1

The useful life of the goodwill is ten years. This is supported by the length of lease left to run on the acquired sites offset by the length of an average memebership.

CBT Wellbeing

The group purchased the business of CBT Services Ltd on 30 September 2016.

The net assets and provisional fair value of the assets and liabilities arising from the acquisition from CBT Wellbeing are:

	Fair value to the Group £m
Consideration	
Cash	1.4
Goodwill on acquisition of CBT Wellbeing	1.4

The useful life of the goodwill is five years.

31. Cash flows from financing activities

	Group	
	2016 £m	2015 £m
Interest paid	**(12.4)**	(12.9)
Interest element of finance leases and hire purchase agreements	**(0.3)**	(0.3)
Receipt from new bank loans	**88.0**	14.0
Repayment of other loans	**(0.2)**	(0.8)
Finance leases and hire purchase agreements	**3.6**	(2.8)
	78.7	(2.8)

32. Analysis of debt

	Group			
	At 1 Jan £m	Cash flow £m	Non-cash changes £m	At 31 Dec £m
Cash at bank and in hand (note 33)	3.3	(0.4)	–	2.9
Bank overdraft (note 19)	(5.0)	5.0	–	–
Bank loans due after more than one year (note 20)	(151.0)	(93.0)	–	(244.0)
Secured loan notes due after more than one year (note 20)	(100.0)	–	–	(100.0)
Stakeholder bond due after more than one year (note 20)	(18.7)	–	–	(18.7)
Finance leases due within one year (note 19)	(1.9)	(0.6)	0.6	(1.9)
Finance leases due after more than one year (note 20)	(1.3)	(3.0)	–	(4.3)
	(274.6)	(92.0)	0.6	(366.0)

The non-cash changes include finance lease arrangements entered into by the Group in respect of assets with a capital value at the inception of the lease of £3.6 million.

33. Cash and cash equivalents

	Group	
	2016 £m	2015 £m
Cash at bank and in hand	**2.9**	3.3
Overdraft	**–**	(5.0)
	2.9	(1.7)

34. Capital commitments

	Group and Charity	
	2016 £m	2015 £m
Contracted for but not provided in these financial statements	**5.4**	7.8

35. Obligations under leases and hire purchase contracts

	Group		Charity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Future minimum rentals under non-cancellable operating leases:				
Land and buildings				
Less than 1 year	**47.8**	35.2	**48.0**	35.4
Between 1 and 5 years	**188.8**	139.5	**188.0**	140.4
After 5 years	**504.3**	438.3	**504.3**	439.5
	740.9	613.0	**740.3**	615.3
Other				
Less than 1 year	**0.5**	0.5	**0.5**	0.5
Between 1 and 5 years	**1.5**	0.2	**1.5**	0.2
	2.0	0.7	**2.0**	0.7
Future minimum payments due under finance leases and hire purchase agreements:				
Less than 1 year	**1.6**	2.0	**1.6**	2.0
Between 1 and 5 years	**3.1**	1.4	**3.1**	1.4
	4.7	3.4	**4.7**	3.4

36. Related party transactions

Trustees and executive managers are considered to be key management personnel. Total remuneration of these individuals was £3.1 million (2015 – £4.5 million).

The Charity has no other related party transactions in 2016, other than with wholly owned undertakings, and is using the exemption allowed by FRS 102 not to disclose transactions with wholly owned undertakings.

37. Post balance sheet event

There are no significant post balance sheet events.

Board of Trustees' Quality Assurance Statement

The Board Quality and Safety Committee (BQSC) is the quality and safety focused committee that supports the Board in its oversight for the products and services we provide to patients and members.

The BQSC seeks assurance that the systems and processes in relation to quality and safety are robust and well-embedded so that priority is given at the appropriate level within the organisation to identify and manage risks for quality and safety.

The BQSC provides the scrutiny to ensure that the accountable Directors are:

- setting standards – Setting the required quality standards against the up-to-date evidence base
- achieving – Ensuring required standards are achieved, including through audit and measuring customer feedback
- taking action – Investigating and taking action on sub-standard quality and safety performance and monitoring reports on preventive and corrective actions
- driving quality – Planning and driving continual quality improvement to meet and exceed customer expectations and meet the requirements of interested parties such as the Care Quality Commission, Healthcare Improvement Scotland and Healthcare Inspectorate Wales
- embedding best practice – Identifying, sharing and ensuring delivery of best practice including improvements to quality management systems and processes
- managing risk – Identifying and managing risks to quality of care including approving resources to meet improvement plans.

The BQSC has delegated authority from the Board to provide assurance regarding the content of the Annual Quality Report, which is now incorporated in this 2016 Annual Report along with the NHS Quality Account. As Chair of the BQSC, I am assured that the Committee has reviewed reliable sources of information, that have been triangulated with internal and external (including regulatory) assessment and/or inspection, and I am satisfied with the course of action followed.

The Committee would like to acknowledge the work of staff at all levels and in all parts of Nuffield Health, who remain dedicated to providing safe, effective and caring services to our members and patients. We would also like to thank the team that supports our work and to commend their consistent openness and relentless quest for improvement.

Joanne Shaw
Governor and Chair of the Board Quality and Safety Committee

Note: Pages 84 onwards have not been audited by the Group's external auditors as they fall outside the scope required of an audit of financial statements.

Reviews of Nuffield Health hospitals by independent regulators

All our hospitals are inspected by independent healthcare regulators to ensure they meet the fundamental standard of quality and safety as determined by the regulating body of each country. The table below details the rating of our hospitals according to the findings of the Care Quality Commission, HIS and HIW.
Full reports of the inspections are available on the regulators' websites.

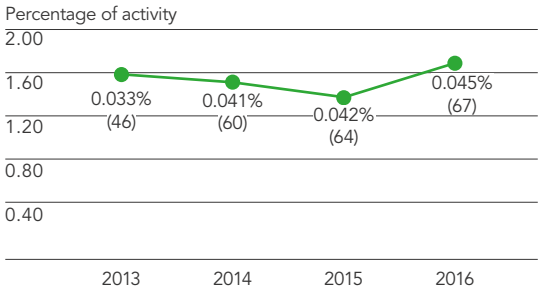
Hospital	Date of review	Regulator's overall rating (published)
Bournemouth	May 2016	Requires Improvement
Brentwood	Feb 2017	Awaiting report
Brighton	Jul 2016	Good
Bristol	Mar 2015	Good
Cambridge	Jul 2016	Outstanding
Cardiff & Vale	Apr 2014	Reviewed; no breaches identified.**
Cheltenham	Mar 2016	Good
Chichester	Jul 2016	Good
Derby	Oct 2015	Good
Exeter	May 2016	Good
Glasgow	Dec 2016	Very Good (HIS*)
Grosvenor	Jul 2016	Good
Guildford	Nov 2016	Awaiting report
Haywards Heath	Nov 2016	Good
Hereford	Nov 2016	Good
Ipswich	Aug 2016	Good
Leeds	Feb 2017	Awaiting report
Leicester	Sep 2016	Good
Newcastle	May 2016	Good
North Staffordshire	Feb 2016	Good
Oxford	Jun 2016	Good
Plymouth	Jun 2015	Requires Improvement
Shrewsbury	Sep 2016	Awaiting report
Taunton	Jul 2016	Good
Tees	Feb 2017	Awaiting report
Tunbridge Wells	Feb 2017	Awaiting report
Warwickshire	Dec 2016	Good
Wessex	Dec 2015	Good
Woking	Nov 2016	Good
Wolverhampton	Sep 2016	Good
York	Sep 2016	Good

* HIS grade 5 areas using a six point scale and we have aggregated these into an overall score.
** HIW conducts a review and provides a letter of findings, but not a rating. No breaches were identified in its inspection.

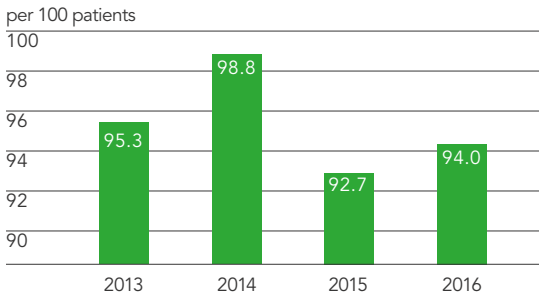
Additional quality and safety tracking

In 2016 we continued to strive for the highest standards of safety across all our activity. We follow closely some key indicators of safety to identify areas of good practice and those for improvement. As we increase our scrutiny in these areas, we would anticipate identifying additional cases that help us to implement steps that ultimately improve our performance.

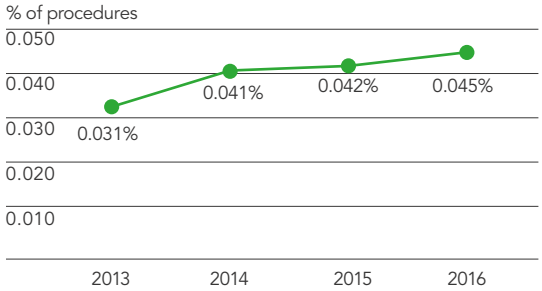
Patient safety events (hospitals) 2013-2016



Venous thromboembolism (VTE) risk assessments 2013-2016



Venous thromboembolism (VTE) incidence per 100 procedures 2013-2016



Hospitals' patient safety events

Patient safety events are events which have caused or have the potential to cause harm to patients. The majority (97%) cause no harm at all or very low harm. Nuffield Health reports all patient adverse events, including 'near misses', in order to identify trends and themes and learn from the investigations undertaken.

VTE

Venous thromboembolisms (VTEs) are a significant patient safety issue in hospitals and prevention is key to reducing harm. Our aim is that 100% of eligible patients will be assessed to reduce the risks of developing VTE.

In 2016, we increased the number of assessments we performed, but did not meet our target. This is disappointing and it remains a core focus to ensure patient safety.

Core NHS quality account indicators

The Nuffield Health Annual Report provides the statements on quality improvement, accuracy and assurance that apply to all our products and services and shows data and information over a four-year reporting period (where available).

The NHS core quality account indicators as it relates to Nuffield Health activities is provided on our website in the format prescribed by NHS England for 2016/17 for the indicators that are most relevant to the services provided by Nuffield Health hospitals.

Annual Quality Report 2016 objectives

Our 2016 objectives: Safe

Safe	Our progress
Further develop our childrens' and young people quality improvement framework	• Hospital policy for services to children and young people and the safeguarding policy underwent a detailed and radical review.
Enhance our safety culture by standardising processes in our surgical procedures	• Commenced standardisation of the pre-operative assessment process through the appointment of a national lead. • Piloted a revised WHO checklist. • Using the Association of PeriOperative Practitioners Standards framework, quality reviews of perioperative standards and practice undertaken in theatres to inform improvement plans for 2017. • Surgical First Assistant training places commissioned from De Montford University to ensure standards of training, practice and competence are aligned and available across each theatre site. • Commenced a project to develop a standard operating model for our operating theatres. NatsSIPS and LocSSIPS development commenced.
Enhance patient safety by investing in a full electronic patient record	• Commenced a project to implement TrakCare, a full electronic health record.
Develop our internal mechanisms for Quality Assurance	• Two rounds of Quality Assurance Reviews (QAR's) were undertaken to ascertain areas of best practice and to identify themes from which we could develop and prioritise our quality improvement plans – the first a generic baseline, the second a targeted theatre services review.

Our 2016 objectives: Effective

Effective	Our progress
Develop a new clinical care pathway for women undergoing breast cancer treatment	• The oncology department at Nuffield Health Cambridge Hospital initiated a post treatment exercise programme based at Nuffield Health Cambridge Fitness and Wellbeing Centre, supporting oncology patients back to exercise.
Embed a supportive joining pathway into our fitness experts for people with known chronic disease or health concerns	• Health promotion continued to be embedded in the pre-operative assessment pathway to ensure our patients are both prepared for surgery and given the opportunity to make long-term health gains. • Working with Great Ormond Street Hospital, expanded our services to provide supportive exercise for children with cystic fibrosis.
Offer educational grants to all consultants with practising privileges at Nuffield Health with a specific focus on enhancing patient care or service quality	• Educational grants provided to 24 consultants.
Continue to improve our occupational health offering through the use of fitness, nutrition and emotional health experts to encourage and support return to work	• Embedded the exercise referral pathway to support those with mild to moderate anxiety and depression. • Occupational health worked closely with our new mental health services to develop smooth referral pathways between occupational health and cognitive behavioural therapy services to include processes for emergency situations. • Extended our work with physiologists to help support our growing health surveillance business. Training for another six physiologists planned for early 2017.
Recruit an expert to enhance data analysis to improve quality and clinical outcome measures	• Role recruited. Currently developing standardised dashboard and measurement framework.

Our 2016 objectives: Caring

Caring	Our progress
Roll out our Club within a Club initiative, to support specific member groups and communities within our gym locations, for example new parents and helping to reduce social isolation	• Every club has a bespoke Club within a Club plan – themed around sports, social, health and local community.
Roll out of the 'Great Conversations' customer service training programme, with a focus on our hospitals	• Hospital Matrons were introduced to the concept of 'Always Events' to bring the voice of our patients and their families to life.
Aim to extend the patient forum concept to create additional opportunities to capture insights from our members	• Created online forum to collect feedback and insights from customers and members.

Our 2016 objectives: Responsive

Responsive	Our progress
Enhancing and increasing the content of our website to provide expert health and wellbeing advice to patients, members and the public	• Enhanced content on Nuffield Health website and social media channels.
Support all our nurse population through the new professional body requirement for revalidation	• Nuffield Health Toolkit launched – a comprehensive guide and supporting template to ensure staff understand the requirements. • Extranet site set up with all toolkit items and Q&A section available to staff. • Nuffield Health champion trained in each hospital to work with staff to complete revalidation. • User guides issued for staff who are undertaking the reflective discussion and confirmer roles. • Electronic version of toolkit trialled and piloted at two sites.
Provide the ability to join our gym locations, book fitness classes and physiotherapy online	• Online joining, class bookings and Health MOT bookings launched in all consumer sites.

Our 2016 objectives: People and leadership

People and leadership	Our progress
Embed an open, fair and transparent culture by continuing to run our Leadership MOT survey and asking our people for their feedback, listening and taking action and particularly focusing on areas where concerns have been highlighted	• Completed the Leadership survey in 2016 and benchmarked results against other organisations. • Incorporated feedback into 2017 planning. • Consulted on new employment terms and conditions for all employees following feedback requesting greater consistency. (New contracts introduced in early 2017.) • Supported the organisation/leaders in addressing concerns expressed by the teams. For example, the IT leadership at the Epsom Support Centre focused on a number of key areas raised by their teams. This led to an increase of 8 points in their leadership MOT score to 42 in six months.
Support our people with new approaches to diversity and inclusion, including further investment in our Healthy Start programme aimed at supporting people with health-related challenges to gain practical work experience	• Recruited 25 apprentices under our Healthy Start programme. • Delivered two traineeship programmes (14 participants) that helped people with long-term health impairments gain a Personal Training qualification. Nearly all participants are actively working in the industry in some capacity. • Inclusion and diversity awareness workshops delivered to mentors of Healthy Start programmes by trainers with long-term health impairments.
Continue our investment in our leadership programmes ensuring our beliefs and behaviours reflect the One Nuffield Health strategy	• Over 600 Nuffield Health colleagues engaged in the process of refreshing our values and behaviours. Created a series of workshops and materials to launch these throughout the organisation. • 458 leaders participated in Nuffield Academy leadership courses. • All Senior General Managers immersed in a six month programme to support their development into this new role.
Provide professional development programmes for our clinicians. We will focus on developing and launching a CPD programme for our nurses aligned to the requirements of nurse revalidation. We will also continue to invest in the CPD programme for our physiotherapists, creating an industry leading learning curriculum	• Created a learning platform to support nursing staff through the process of nurse revalidation. • Undertook a training needs analysis of workforce education and devised a three year clinical education strategy to be implemented in 2017. • Launched Nuffield Health's Surgical First Assistant Programme in conjunction with De Montfort University, offering our theatre nurses and operating department practitioners the opportunity to gain an advanced practice qualification. • Infection Prevention Team expanded their service to provide formal training to non-acute services. • Continued a bespoke programme for physiotherapists to support them in meeting the requirements of the Health and Care Professions Council.

Appendix 1

Internal and external audit

Nuffield Health assures the quality of services provided by undertaking, and being subject to, continual internal and external audit programmes. The following Expert Advisory Groups (EAGs) are in place and further assurance reviews are undertaken at the Quality Committee and the Board Quality and Safety Committee.

Infection Prevention EAG
Radiology EAG
Pathology EAG
Medicines Management EAG
Information and Risk EAG
Children's Services and Safeguarding EAG
Decontamination EAG
Annual Radiation Protection EAG
Primary Care Nursing EAG
Health Assessment and Primary Care Doctor EAG
Physiotherapy EAG
Occupational Health EAG
Fitness and Nutrition EAG
Physiology and Clinical Wellbeing EAG
Health & and Safety EAG

External advisors

Nuffield Health is grateful for the support and expertise provided to us by a range of subject matter experts. A list of these is available on our website.

Appendix 2

Regulatory frameworks

Regulators of health and care professionals, products and services:

- Professional Standards Authority – oversight of regulators of health and social care professionals in the UK
- Health and Safety Executive (HSE) – Regulator to reduce work-related death and serious injury in Great Britain
- Local Authority/Food Standards Agency – Environmental Health Officers' inspection of food quality and hygiene
- Care Quality Commission (CQC) – Inspection of health and care services in England
- Healthcare Improvement Scotland (HIS) – Inspection of healthcare in Scotland
- Healthcare Inspectorate Wales (HIW) – Inspection of healthcare in Wales
- Medicines and Healthcare Products Regulatory Agency (MHRA) – Registration of medical devices
- Human Fertilisation and Embryology Authority (HFEA) – Licensing and monitoring of UK fertility clinics
- General Pharmaceutical Council (GPhC) – Regulator for pharmacy premises in Great Britain
- Office for Standards in Education, Children's Services and Skills (Ofsted) – Regulator of care/education (e.g. Nuffield Health crèche facilities)

Additional information on quality assurance not already included in this report:

- The Radiological Protection Centre (RPC) continues to independently assure that Nuffield Health uses ionising and non-ionising radiation safely in order to protect the wellbeing and safety of patients and staff.
- All Nuffield Health pathology facilities are accredited by Clinical Pathology Accreditation (CPA) and are also all compliant with Blood Safety Quality Regulations (BSQR).
- All six Hospital Sterile Services Units remain registered with the UK Competent Authority (MHRA) and continue to be audited by the Notified Body SGS Ltd. This registration provides evidence of compliance with Medical Devices Directive 93/42/EEC (and its amendment 2007/47/EC) as well as a robust quality management system based on ISO 9001:2008 and ISO 13485:2012.

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Glossary of terms

BQSC	Board Quality & Safety Committee
CPD	Continuing professional development
CPI	Consumer Prices Index
CPR	Cardiopulmonary resuscitation
CQC	Care Quality Commission
CSP	Chartered Society of Physiotherapy
CT	Computerised tomography
CTP	Career Transition Partnership
DXA	Dual-energy X-ray absorptiometry
EAG	Expert advisory group
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EQ-5D	EuroQol five-dimensions questionnaire, used to measure generic health status
HCA	Healthcare Assistant
HCPC	Health & Care Professions Council
Hive-up	Where a business or assets are transferred to the parent company
ISO 9001	Certified quality management system for businesses that wish to prove their ability to provide goods and services that meet customers' and stakeholders' needs
LIBOR	London Inter-bank Offered Rate
MRI	Magnetic resonance imaging
Net Promoter Score	An index that measures customers' willingness to recommend a company's products or services to others
NICE	National Institute for Health and Care Excellence
PROM	Patient Reported Outcome Measure
QAR	Quality Assurance Review
QCP	Quality Care Partner
SORP	Statement of Recommended Practice
VTE	Venous thromboembolism
WHO	World Health Organization
WTE	Whole-time equivalent

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All our hospitals in England, and those clinics delivering regulated activities, are registered with the Care Quality Commission. Our hospital in Glasgow is registered with Healthcare Improvement Scotland (HIS) and our hospital and clinic in Cardiff are registered with Healthcare Inspectorate Wales.