



Building a healthier nation

Annual Report 2018





Our family of
award-winning
hospitals, fitness
and wellbeing clubs,
healthcare clinics
and workplace
wellbeing services
are united in our
purpose to build a
healthier nation.

Contents

Strategic Report

- 4 Nuffield Health at a glance
- 6 Chairman's Statement
- 8 Chief Executive Officer's Statement
- 12 Health and wellness trends
- 14 Our strategic intent
- 16 Our progress and impact
 - 16 Social impact
 - 22 Quality assurance and outcomes
 - 28 Connected health
 - 32 Differentiated brand
 - 36 Financial sustainability
 - 38 Our people
 - 42 Environmental sustainability
- 44 Risk management

Trustees' Report

- 46 Our Board of Trustees
- 48 Our Executive Management Team
- 50 Chairman's introduction to the Board of Trustees' report
- 51 Structure, governance and management
- 56 Trustees' review of our objectives
- 57 Trustees' responsibilities for the financial statements

Independent Auditor

- 58 Independent auditor's report to the members and Trustees

Financial Statements

- 60 Financial statements

Additional Information

- 102 Board of Trustees' quality assurance statement
- 103 Hospital reviews table
- 104 Annual quality report 2018 objectives
- 105 Additional quality assurance information
- 106 Professional advisors

2018 highlights

1.53 million

people reached

£100 million

adjusted EBITDA

211,000

hospital procedures

7 years +

free of MRSA infections

350,000

gym members

788,000

physiotherapy sessions

We are the UK's largest healthcare charity

Our family of award-winning hospitals, fitness and wellbeing clubs, medical centres and workplace wellbeing services are united behind our purpose to build a healthier nation.

For the past 60 years, our team of experts has been working together to make the UK fitter, healthier, happier and stronger, all for the public benefit.

As a trading charity, our income is invested into delivering our purpose, whether that's through outstanding day-to-day services, flagship programmes designed to address areas where healthcare needs are not adequately met, or by collaborating on research and innovation to improve health outcomes.

Our members, customers and patients always come first, in everything we do.

Our network

We provide personalised, connected healthcare, through our UK-wide network.

112

fitness and wellbeing clubs

31

hospitals

165

on-site corporate facilities

5

medical centres

Our services



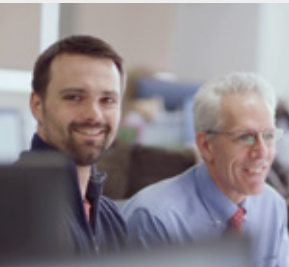
Physiotherapy

Treatments to heal and prevent injuries that stop people leading active lives. As the UK's largest provider, outside the NHS, we combine physiotherapy with fitness and emotional wellbeing for long-term benefits.



Emotional wellbeing

Tailored therapy plans to meet a person's changing emotional and wellbeing needs, including cognitive behavioral therapy (CBT); counselling; guided online therapy; self guided therapy; face-to-face support and stress management.



Workplace wellbeing

Health and wellbeing services in the workplace, delivered in partnership with employers, offering gym facilities, health assessments, emotional wellbeing and GP services.



Health assessments

A comprehensive range of face-to-face and digital assessments covering key health concerns such as diabetes, heart health, cancer risk and emotional wellbeing.



Flagship programmes

Supporting people through different stages of their life, our unique programmes widen our access and expand our ability to reach those who would not normally be able to afford or access our services.



Health MOTs

One-hour health checks carried out by specialist health mentors or skilled wellbeing personal trainers, depending on need, to give a full picture of a person's health and fitness.



Fitness services

From yoga and spin, to body balance and zumba, there's a varied timetable in all our fitness and wellbeing clubs. Services include swimming lessons, nutritional therapy and beauty suites.



Personal training

Motivation and advice to help people reach their fitness goals faster and more effectively, ensuring time is spent on the right type of physical exercise for each individual's needs.



GP services

Access to a range of private GP services, offering people the flexibility to fit appointments around busy schedules, including during the evenings.



Diagnostics

State-of-the-art scans, imaging and wellbeing services, giving immediate insight into a person's health, and assisting in the diagnosis of early signs of disease in order to help plan ongoing treatment.



Hospital treatments

Highest standards of clinical care, in state-of-the-art facilities, for a range of conditions. Consultant-led treatment and a team of dedicated and experienced nurses.



HSSU

Seven modern, efficient, purpose-built hospital sterilisation units (HSSU), delivering accredited decontamination and sterilisation services for reusable medical devices. Services include instrument management, logistics, and provision of generic trays.

Our impact

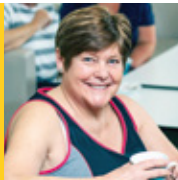
Fun swap sessions have helped Lucy understand more about her wellbeing (page 11)



Jo ensures patients have the safest surgery and best nursing care (page 23)



Our joint pain programme helped Lyn manage her pain and regain her confidence (page 21)



Connected health services make it easier for Paul to improve his fitness (page 31)



Chairman's Statement

Russell Hardy

Q What was your biggest focus in 2018?

A As the UK's largest healthcare charity, our purpose is to build a healthier nation. This means everything we do must provide a direct benefit to the public, whether that is through outstanding day-to-day services or improvements and developments in care, so more people can benefit from our expertise and services.

Whether they work in our hospitals, medical centres, fitness and wellbeing clubs, or our workplace wellbeing sites, our people are committed to making the UK fitter, healthier, happier and stronger.

We are proud that, during 2018, we reached a total of 1.53 million people, an increase of 130,000 over last year. Every area of the organisation contributed to this achievement and I want to thank all our people for their hard work.

Q What were the challenges in 2018?

A During 2018, we faced unprecedented conditions, including Brexit and an uncertain political and economic environment. As a responsible charity, our financial sustainability is a priority, whatever the challenge. Therefore, I am pleased to say that we delivered a strong financial performance, ending the year with adjusted EBITDA of £100 million and turnover ahead of 2017.

Q What stood out for you in 2018?

A It has to be the quality of services delivered and the resilience of our people in facing what has undoubtedly been one of the most challenging years I can remember.

All areas of our organisation performed well. Our hospitals have been recognised as industry leaders in quality by national regulators; our fitness and wellbeing clubs have seen record levels of membership retention; and we provide wellbeing services to more than 1,600 employers. We are connecting our health and wellbeing services; installing state-of-the-art technology in our gyms; and we are the first independent healthcare provider to introduce an electronic health record system.

None of this would have been possible without the energy and enthusiasm of our people. They maintained their focus on quality,

a key differentiator for our members, patients and customers.

Q How prepared are you for Brexit?

A We have been planning and preparing extensively for all possible outcomes. A particular area of focus has been our EU workforce. We took part in the trial of the government's EU Settlement Scheme earlier this year, which gave our employees the chance to seek early confirmation of their future settlement status. Similarly, we will be offering support to colleagues who may need to apply for mutual recognition of professional qualifications, ensuring any gained outside the UK continue to be recognised here. We have also been working with key suppliers on mitigation planning, particularly in respect of availability of medicines.

Our legal team has undertaken significant preparation on post-Brexit privacy and data protection matters; and our finance team stands ready to ensure our financial sustainability in the face of different economic scenarios.

Q Last year, you said you would be strengthening procedures and governance. Has that happened?

A Yes. During the year we embedded the new Quality Assurance Framework, which was launched at the end of 2017. This is ensuring a clearer, more robust 'voice of assurance' at executive level. The Quality and Assurance Team has focused on making sure we have the right processes and procedures in place to encourage effective, accountable and transparent management, and delivery of our strategic plan. Governance is, and always will be, high on our agenda as it is fundamental to ensuring the best outcomes for the people who trust us with their health and wellbeing.

Q What is the role of the Board of Trustees and does it play a part in shaping the culture of Nuffield Health?

A In simple terms, our primary role is to oversee the governance and risk management of the Charity, ensuring that we deliver our purpose. However, this can only happen if we have good leadership; can attract, motivate and retain the right people; and create an inclusive and transparent culture. The Board of Trustees has an important role to play in working with the Executive Management Team to shape the culture of the business.

Q Does the Board have the skills and experience to take the organisation forward?

A Our Trustees have a wealth of experience, gained at major companies many of which are household names. Industry experience includes retail, pharmaceutical, government, finance, health and academia. During the year we welcomed two new trustees, Patrick Figgis and Neil Sachdev, who will bring new perspectives to the Board.

All our Trustees are passionate about Nuffield Health and the difference we make to people's lives. In my view, they have the right mix of skills, experience and behaviours, and we are very fortunate to have such a talented group of people on our Board.

Q What do you see as the main challenges ahead?

A The markets are still uncertain and, at the time of writing, there is still no clarity around Brexit and what effect this will have on our operating environment. However, our strong performance together with the work we have done this year to develop our long-term strategy means we can look forward with optimism that we will be in a good place to weather any storms.

I would like to extend my sincere thanks to the Board of Trustees, to our CEO Steve Gray, and to the Executive Management Team for their dedication and hard work on behalf of the Charity.



Russell Hardy
CHAIRMAN

Q & A



Chief Executive Officer's Statement

Steve Gray

2018 was undoubtedly a challenging year across the healthcare sector. So it's a great credit to our 16,000 people that we maintained our focus on our purpose to build a healthier nation, and outperformed the market in a number of areas. This strong performance is down to our clarity of purpose, robust strategy and relentless drive to meet our patient and customer expectations.

As a trading charity, all our income is invested back into delivering our purpose, so we can help more people through the different stages of their lives, and expand our ability to reach those who wouldn't normally be able to afford or access our services. I'm immensely proud that, during 2018, we reached a total of 1.53 million people, an increase of 130,000 over 2017.

Last year, we spent considerable time further defining how we evidence and measure our public benefit. We identified a framework, Social Return on Investment (SROI), to measure the social, environmental and economic impacts that are delivered over and above the market value of the services we provide. You can read more about our SROI results on page 20. Next year, our ambition is to use SROI to measure the impact of our activities and ensure all decision making is aligned to our purpose.

This Annual Report highlights our progress and sets out just some of our excellent achievements delivered in the challenging environment of Brexit uncertainty, changing NHS policies and economic headwinds.

Flagship programmes

At the heart of our purpose sit our flagship programmes. Unique in the market, they address areas where society's healthcare needs are not adequately met, and help us reach a more diverse demographic. Whether it's improving the health and wellbeing of children through our school wellbeing activity programme (**swap**), helping those living with cancer, or focusing on debilitating conditions that make it difficult for older people to maintain an independent lifestyle, Nuffield Health supports people to achieve a healthy start, healthy life and healthy ageing.

During 2018, we more than doubled the number of people helped by our cystic fibrosis exercise programme, which offers free personal training and coaching to children and young people. We offered more than 3,500 sessions and are on track to be supporting 10 per cent of all under-18s living with the condition by 2020.

We recognise that today's young people are growing up in a time of massive change and it's a concern that they aren't always equipped with the skills or behaviours to help them navigate the challenges and manage their wellbeing. A free programme, **swap**, is aimed at children in years 6-9 and addresses four key areas of wellbeing: how I move, eat, sleep and feel. The sessions, delivered by Nuffield Health experts, are practical, interactive and fun, and the response from schools has been overwhelmingly positive. We believe that, by providing children and their teachers with the tools to help them improve their wellbeing, we'll make a tangible difference to the nation's health in the long term. Our aim is for all of our sites to partner with a local school.

Our joint pain pilot, launched in October, is enabling those living with osteoarthritis to manage their pain, through education and exercise, with many participants also reporting improvements in their emotional wellbeing. Following excellent feedback from people on the pilot, the programme is being rolled out in 2019.



1.53m

people reached

+9% on 2017

£946m

turnover

+4% on 2017

£100m

adjusted EBITDA

+6% on 2017

“We’re proud to be market leaders in clinical quality and patient safety within the independent sector.”

Quality and safety

Nuffield Health has a long-standing culture of continuous improvement and we believe transparency, regulation and open communication are vital components in the delivery of exceptional patient safety and outcomes. Establishing a Quality and Assurance function in 2018 has given us a clear line of sight across the Charity, ensuring we continue to have the highest levels of quality and compliance.

Over the year, as the sector faced increased scrutiny around patient safety, we actively contributed to the debate and, going forward, we will continue to work with our trade body (Independent Healthcare Providers Network) to strengthen governance and patient safety across the sector.

We’re proud to be market leaders in the independent sector, with 29 of our 31 hospitals rated good or outstanding by national regulators. A further 31 regulatory inspections were carried out at our fitness and wellbeing clubs that offer primary care, health screening and diagnostic services. Only one significant concern was raised and this has now been addressed.

Our success is down to the hard work and commitment of everyone who works in our hospitals, and I was pleased to see their achievements recognised when we were presented with Private Hospital Group of the Year awards from both HealthInvestor and LaingBuisson. In addition, nine of our hospitals were awarded the National Joint Registry’s (NJR) Data Quality Award, which acknowledges best practice in meeting patient safety standards and compliance.



Connected health

Work to connect health and wellbeing services across the Charity’s hospitals, fitness and wellbeing clubs, and medical centres has continued this year. The aim is to create seamless, personalised care for our patients, members and customers, and we’re encouraged that, in 2018, more than 10 per cent used two or more of our services.

Nuffield Health is the first UK independent healthcare organisation to implement an electronic health record system, spanning clinical and administrative processes. Following a successful pilot in our Bristol hospital in 2017, we went live this year at three more hospitals. The transformational system allows patients’ records to be shared across different healthcare settings, and we will increase the pace of the roll out in 2019.

We’re always looking to improve the customer experience, and our collaboration with Technogym is providing members with state-of-the-art equipment to personalise their sessions at our fitness and wellbeing clubs. The equipment synchronises with health tracking devices, allowing us to offer a truly connected health, fitness and wellbeing experience. By the end of 2018, Technogym equipment was operating in 23 sites, with further installations scheduled for 2019.

After much planning, we’re delighted that work is underway to renovate the former pathology and residential staff quarters building at St Bartholomew’s Hospital. Our £60 million investment will transform London’s oldest hospital and includes provision of four advanced digital operating theatres, 48 inpatient beds, day and outpatient services, intensive care, and 28 consulting rooms. When the hospital opens in 2021 it will play a critical role in joining up Nuffield Health’s existing facilities in London to deliver quality, connected health services.

Stakeholders

Our patients, customers, members and partners, including the NHS, are all key stakeholders in our Charity. It’s crucial that we engage with them, listen to their feedback, and understand what we’re doing well and what could be improved, so we were delighted that we ended 2018 with trust in our brand at an all-time high.

Nuffield Health’s most crucial stakeholders are arguably our people because it’s only through them that we can deliver on our purpose to build a healthier nation. During 2018, we launched our People Vision,

designed to build an emotional connection between our people and our purpose and values. It’s important that everyone understands the wider impact of the work we do, and the critical role they play in our continued success.

Our aim is to build a culture of inclusivity across all areas of the organisation and 2019 will see us build on the steps we’ve taken to create an environment where everyone can thrive. I passionately believe that by embedding equality, diversity and inclusion in everything we do, Nuffield Health will stand apart as an employer and provider of choice, and I will personally lead our inclusivity work.

Financial performance

I am delighted to report an increase in adjusted EBITDA of 6 per cent, on last year, to £100 million and growth in turnover of 4 per cent; a particularly strong performance in light of the challenging year across the sector.

Looking ahead

In such turbulent times it’s difficult, perhaps almost impossible, to predict the economic and political climate for 2019. However, I believe our strong performance, and the work we’ve done to strengthen governance and map out our strategic plan, places us in a good position to meet our objectives and help more people access our services. We now have a clear roadmap to take us to 2025, and our successes this year have laid the foundations for future growth.

Our focus will be on embedding our transformation programmes as we continue to provide the highest quality care and services, as well as supporting our EU colleagues in whatever way we can during the uncertainty of Brexit.

At the same time, we’ll concentrate on our purpose to reach more people and demonstrate our impact on society. To do this, I know we can count on the support of the 16,000 amazing people who work for Nuffield Health and are united in helping us build a healthier nation.

My thanks go to our Trustees, partners, patients, customers and, of course, our people, for their hard work and support during a tough year. The achievements set out in this Annual Report are testament to the enthusiasm, energy and hard work of everyone, in all areas of the Charity, during this extremely challenging year and I believe we can look forward with confidence to 2019.

Steve Gray
CHIEF EXECUTIVE OFFICER



CASE STUDY

“It was fun when we juggled with stress balls.”

Willowbrook Primary School in Essex encourages a ‘growth mindset’, making children open to new challenges and developing resilience and perseverance, which will stand them in good stead for the future. So, they didn’t hesitate when asked if they wanted to run a **swap** programme, delivered by Nuffield Health experts.

“Society influences our children’s ideas, emotions and behaviours, and we were already planning sessions around mental health,” says Jo Cox, Early Years Foundation Programme teacher. “**swap** was a fantastic opportunity to develop this further, with specialists coming into school to develop our children’s understanding of their health and wellbeing.”

The sessions, which address four areas of wellbeing – how I move, eat, sleep and feel – included using balls in a creative way to allow children to talk more freely about their feelings. Year 6 pupil Lucy says: “It was fun when we juggled with stress balls to help us understand how to manage difficult situations.”

Lucy is preparing to go to secondary school and says **swap** has made her think more about what she’s eating, her sugar intake, and how to deal with situations that might make her feel angry. “This is for my mind and body. I now know how to be healthy and am aware of things that could be bad for me.”

Jo says the school will continue to teach the principles of **swap**: “It’s so important to support children’s health and wellbeing.”

Healthcare in 2018

The UK healthcare market saw increased demand in a challenging environment. With an ageing population, this trend is likely to continue.

4.1m

patients (RTT) waiting to start NHS treatment

+6% on 2017

9.9m

fitness gym members

+2% on 2017

The UK population is getting older, with 18 per cent aged 65 and over, and 2.4 per cent aged 85 and over. By 2030, the number of people over 65 is expected to grow by more than a third, and those aged over 85 is expected to double*. Add to this the steady growth of obesity in adults and children seen over recent decades, coupled with the rise in cases of mental illness, and there can be no doubt that the role of independent healthcare providers will become even more critical as we go forward.

During 2018, increased demand continued to put pressure on the NHS, whether in accident and emergency departments, cancer treatments, or planned operations and care, such as knee and hip replacements. In September 2018, NHS England data showed that the number of 'referral to treatment' (RTT) patients waiting to start treatment was 4.1 million, the highest since 2007 and an increase of six per cent compared with 12 months earlier. Of these, 3,156 patients were waiting more than 52 weeks.

All independent hospital groups saw growth across the self-pay market**, in line with market expectations. A reduction in private medical insurance cases correlates with this increase.

During 2018, we saw a rise in the number of employers promoting fitness in the workplace through in-house gyms and medical centres. More people than ever are joining gyms and using tracking devices to monitor their own health and wellbeing.

The rising number of vacancies and growing nursing shortages in the NHS is putting pressure on the workforce, with experts warning of the risk of a national emergency. At Nuffield Health, we're using apprenticeships to develop our existing healthcare team, and we're recruiting new healthcare assistants to our hospitals.

In November, the government published its 'Prevention is better than cure' policy paper setting out a vision for 'stopping health problems from arising in the first place and supporting people to manage their health problems when they do arise'. This vision aligns with our purpose, and we plan to contribute to the government's green paper in 2019.

Mental health and emotional wellbeing

Over the year, the rise of mental health and emotional wellbeing concerns moved the issue to the top of the health agenda, helped by the focus placed on it by the young royals. Action is now being taken to increase awareness in order to move the emphasis away from prescription drugs, and provide people with the right support when they need it.



Emotional wellbeing issues span generations, from children to the elderly, and the NHS is not always able to meet their needs. We are committed to supporting work in this field through our network of emotional wellbeing counsellors. Our personal trainers work with members to show them the benefits of exercise in improving mental wellbeing.

Easing pressure

The UK has seen growth in the corporate healthcare market, with employers playing their part in addressing the health needs of their employees. Nuffield Health now has 1,600 corporate partnerships, with over 165 onsite facilities, providing health and wellbeing services, including health assessments, in-house fitness clubs and medical centres.

The number of fitness clubs in the UK increased year-on-year, with membership numbers reaching 9.9 million, demonstrating that people are taking responsibility for their own health and wellbeing. In London, one in every five people is a member of a gym, compared with the UK average of one in seven. Market value is almost £5 billion, up 2.9 per cent on last year***. In 2018, our fitness and wellbeing clubs saw record numbers of membership retention.

Digital health technology

The year saw wearable fitness technology become ever more popular, with fitness trackers and smart watches forecast to be the number one fitness trend for 2019. Analysis from Deloitte indicates that the UK digital health technology market, valued at £2bn in 2015, will reach £2.9bn by the end of this year. The growth is largely due to increased demand for mobile health apps, smart watches and fitness straps –

currently one in every five adults wears a smart watch or fitness strap, enabling them to monitor their health in real time.

To enable our members to monitor their activity digitally, we're rolling out Technogym equipment in our fitness and wellbeing clubs. The equipment can be digitally synchronised to health tracking devices, enabling us to offer a truly connected health, fitness and wellbeing experience.

Looking ahead

The UK healthcare market remains challenging, with Brexit creating many unknowns not least for our EU workforce whom we have pledged to support in any way we can. However, over the years, Nuffield Health has consistently responded well to changes in the external environment. Our wide-ranging expertise sets us apart in the healthcare market, spanning personal training and health MOTs; physiotherapy, nutrition and emotional wellbeing counselling; as well as hospital treatments for illness and serious conditions such as arthritis or cancer.

Our robust strategy is aligned with UK trends, and based on solid foundations. We're confident we will continue to make a positive contribution to building a healthier nation in 2019 and beyond.

* Office for National Statistics

** LaingBuisson Private Healthcare Self Pay UK Market Report

*** 2018 State of the UK Fitness Industry Report

Our strategic intent

Our purpose

To build a healthier nation, we advance, promote and maintain health and healthcare of all descriptions and prevent, relieve and cure sickness and ill health of any kind, all for the public benefit

Strategic vision

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

Strategic objectives



Social impact

To provide activities that contribute to and increase public benefit



Quality

To deliver consistent high quality care for our customers and patients



Connected health

To provide best in class connected health and wellbeing services for the benefit of customers and patients



Differentiated brand

To build loyalty in our brand among customers, patients and providers



Financial sustainability

To enable sustainable investment in support of our purpose

2018 achievements

We're helping more people through the different stages of their lives and extended our reach to 1.53 million, an increase of 130,000 over 2017.

1.53m
people reached

+ Read more pages 16-21

We're leading the independent healthcare sector, with 94 per cent of our hospitals rated good or outstanding by national regulators.

94%
hospitals rated good or outstanding

+ Read more pages 22-27

We're connecting more of our services, with 10 per cent of our members, patients and customers using more than one of our services.

10%
use more than one of our services

+ Read more pages 28-31

We ended the year with trust in our brand at an all time high and overall customer satisfaction at 83 per cent.

83%
customer satisfaction

+ Read more pages 32-35

We delivered excellent revenue and adjusted EBITDA growth, and operated well within our leverage ratio, ensuring our financial sustainability.

£100m
adjusted EBITDA

+ Read more pages 36-37

The public benefit we create

Healthier people

We are committed to helping the nation become healthier, both physically and emotionally. By offering personalised, connected healthcare, we are encouraging people to take control of their fitness, health and wellbeing, enabling them to be happier, more active and more productive.

Addressing need

Our unique flagship programmes are addressing areas where society's healthcare needs are not adequately met. This includes improving the health and emotional wellbeing of children; supporting those living with cancer; and helping older people maintain an independent lifestyle. They expand our ability to reach those who wouldn't normally be able to afford or access our services.

Contributing to society

We contribute to the UK economy by providing jobs and opportunities for 16,000 people, and we operate a culture of diversity and inclusion. As a trading charity, all our income is invested back into delivering our purpose, so we can help more people through the different stages of their lives.

Expanding knowledge

Through research activity and partnerships, we invest in the development of knowledge and data to support the public health agenda, particularly in areas that pose significant threats to the population, such as management of long-term conditions. Our findings are freely shared, at no cost.

The environment

We take the matter of environmental sustainability seriously and are taking action to ensure that we minimise our impact on the environment. We are committed to reducing electrical carbon emissions by 20 per cent, and increasing recycling of our general waste to 40 per cent, by the end of 2019.

Our progress and impact



Social impact

As a trading charity, our income is invested back into our purpose, to build a healthier nation.

1.53m

public reach figure in 2018

2,000

people on our joint pain programme by end of 2019

For the last 60 years, our team of experts has been working to make the UK fitter, healthier, happier and stronger, all for public benefit. We constantly strive to help more people get well, stay well and live well through the different stages of their lives. Our aim is to widen our reach, so more people benefit from our expertise and services.

We do this through our unrivalled network of hospitals, fitness and wellbeing clubs, medical centres, and corporate partnerships with employers across the UK, as well as our flagship programmes, support to local communities and research activity.

In addition to widening our reach, we consider social and economic impacts that are delivered from our services.

In 2018 we developed a social return on investment (SROI) framework which will enable us to further evidence our public benefit, across the Charity.

Flagship programmes

At the heart of our purpose sit our unique flagship programmes. Launched in 2018, they address those areas where society's healthcare needs are not being adequately met by other means or organisations.

These programmes reach a diverse demographic, across the country, from the young through to the elderly and expand our reach to those who would not normally be able to afford or access our services.

Whether it's improving the health and wellbeing of children through our successful school wellbeing programme, **swap**, helping those living with or recovering from cancer, or focusing on debilitating conditions, such as osteoarthritis, that make it difficult for older people to maintain an independent and fulfilling lifestyle, Nuffield Health is dedicated to helping people achieve a healthy start, healthy life, and healthy ageing.



Cystic fibrosis

The National Institute for Health and Care Excellence (NICE) recommends regular exercise to help cystic fibrosis (CF) sufferers combat the impact of this life-threatening disease on their lungs. Our CF programme is designed to encourage children living with the condition to enjoy taking part in exercise and help them maintain or improve their lung function. The programme, which began in 2011 in partnership with Great Ormond Street Hospital, provides free, tailored, personal training and exercise and is currently the largest of its type in Europe. We were delighted to be invited to present at the European CF Conference earlier this year.

During 2018, we increased the number of NHS Trusts we're working with from five in 2017 to ten. At the end of the year, the CF programme was running in 47 of our fitness and wellbeing clubs, led by 333 specialist personal trainers. A total of 262 young people had been referred from across the country, and our aim is to reach 480 by 2020, equating to 10 per cent of all under-18s, in the UK, with the condition.

262

young people referred onto our CF exercise programme in 2018

Social impact 2015-2018

public reach (millions)

0.90m
2015

1.16m
2016

1.40m
2017

1.53m
2018

We measure our social impact through the number of individuals we have reached through our products and services.



swap

With growing concerns around the physical and mental wellbeing of children, we're focusing on helping to address the issues they face at school, at home and in the world of social media.

Our school wellbeing activity programme (**swap**) was rolled out in October 2018 following a successful two year project, involving the funding of a Head of Wellbeing at Wood Green School, Witney. **swap** addresses four key areas of wellbeing: how I move, eat, sleep and feel. It's a free programme focused on year 6-9 children, delivered by Nuffield Health experts through 12 one hour sessions over a six week period. The sessions are fun and interactive, and aim to give children the knowledge to manage their wellbeing inside and outside the school, and in their future life.

Within two months of the roll out, we were working with 26 schools, and our plan is for all of our sites to partner with a local school.

24%

increase in self-reported wellbeing in 2018



Joint pain

Around one in three people over the age of 45 experiences joint pain, which can restrict activity and impact daily activities. During 2018, we began trialling a joint pain pilot in four of our sites, offering a one year programme, comprising a 12 week supported exercise programme, with a further 12 weeks unsupported, and a six-month discounted membership at the fitness and wellbeing club.

The longest course of its type, it aims to reduce pain, increase mobility and improve mental health. By breaking the cycle of inactivity often experienced by people with joint pain, the programme helps to alleviate feelings of isolation and depression, and improve emotional wellbeing.

By the end of the year, we had received over 500 further applicants. To meet this need, in 2019 the programme will be rolled out to 45 of our fitness and wellbeing clubs and we have set ourselves a target to reach 2,000 people by the end of the year.

42%

improvement in participants' physical function

Research and partnerships

We invest in research to develop recommendations for improved health outcomes. This includes our flagship programmes where, amongst others, we have a long-standing relationship with University College London in respect of our CF programme. We are also partnering with organisations to help develop research areas, as well as supporting students expand their own academic careers. Through sharing our research and insights with everyone, at no cost, we help to advance health and wellbeing knowledge across the UK.

During 2018, we continued to research a number of areas presenting significant public health threats, including cancer, workplace wellbeing, post-surgical rehabilitation and obesity.



Stamina

The use of structured exercise therapy has long been advocated for men undergoing treatment for prostate cancer; however, there remains insufficient evidence showing best practice in this area.

Our partnership with Sheffield Hallam University, supported by a £2.5 million grant from the National Institute for Health Research, will see Nuffield Health deliver an exercise and education programme. The trial will test whether a longer-term supported exercise programme, embedded in NHS cancer care and delivered via expert commercial partners in the community, can counter the side effects of some treatments.

We will be piloting the programme in early 2019, with the aim of rolling out a full trial in 2020. This will be the largest ever study of exercise in prostate cancer and involves one third of our fitness and wellbeing clubs.

£2.5m

research programme

University of Stirling

Cancer care is a cornerstone of Nuffield Health and we believe more attention should be given to the impact of lifestyle programmes in supporting treatments. As part of this focus, during the year, we provided the University of Stirling with a research grant to enable it to explore the impact of exercise therapy for patients undergoing surgery for breast cancer.

Sport England

'A Healthier Workplace', our white paper commissioned by Sport England, was published in June, looking at how employers can encourage physical activity. The paper provides an evaluation of interventions they might consider when looking to support their employees to lead healthier, more active, working lives.



Relax and Restore

This year, to support those living with cancer, we launched Relax and Restore cancer care, a bespoke range of treatments that have been researched and approved for use on people living with or recovering from cancer. Specially trained therapists provide the treatments, using products already approved for use on people living with cancer, removing the need for a GP referral.

We appreciate that living with cancer can put a strain on personal finances and, by offering preferential prices for Relax and Restore, we're making these services accessible to many more people. By the end of 2018, Relax and Restore was available in beauty suites in 10 of our fitness and wellbeing clubs. Our aim is to make these services more widely available during 2019.

10

fitness and wellbeing clubs offering Relax and Restore

Manchester Metropolitan University

In 2018, our partnership with Manchester Metropolitan University (MMU) continued. Developing research that benefits the public health agenda, primarily focusing on the management of long-term conditions and mental health, Nuffield Health employees and MMU students can apply for grants to fund research in these areas. To drive this forward, we appointed Professor Sue Powell in a full-time role as Chair of Wellbeing to be the voice of the partnership, fostering collaborations and developing funding streams.

We are sponsoring two PhD scholarships at MMU, both of which are exploring areas related to public health. All output from these PhDs will be shared in the public arena.

“We strive to help more people stay healthy through the different stages of their lives.”

Dr Davina Deniszczyk

CHARITY AND MEDICAL DIRECTOR, PRIMARY CARE

Our progress and impact continued

Evidencing our benefit

During 2018, we further defined how to evidence and measure our public benefit, which we refer to as our social impact. Social Return on Investment (SROI) is a well-established way to measure social impact based on a validated methodology.

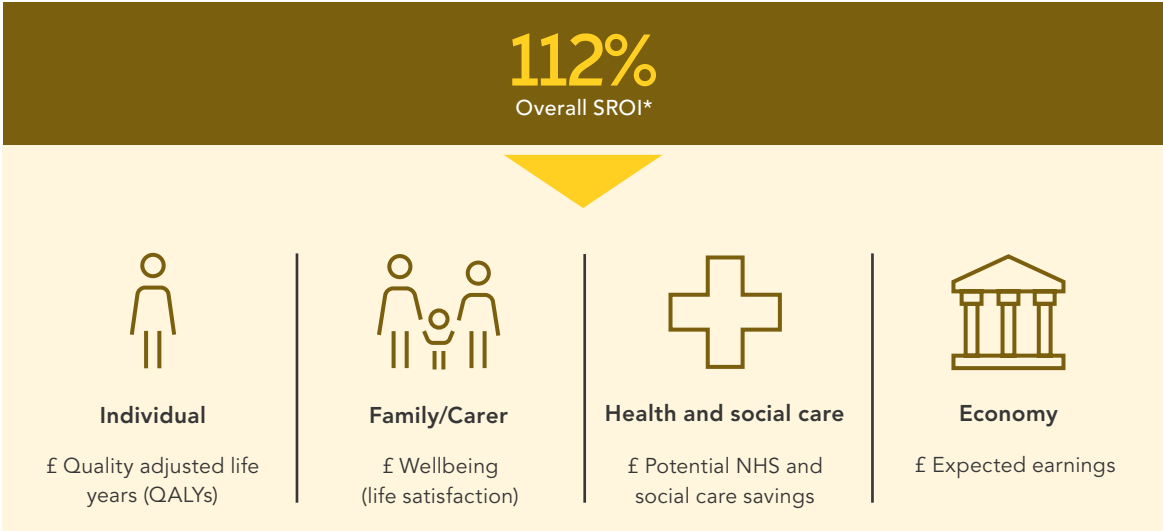
Working with Frontier Economics, we have developed a bespoke SROI framework. Considering social and economic impacts that are delivered from our services, the framework evidences social return in four areas: the individual; family/carer; health and social care; and the economy.

Our aim is to have a more comprehensive view of our SROI across the Charity, enabling us to continually monitor our social impact. 2019 will see the wider implementation of our framework, enabling us to embed SROI evaluation across our organisation.

This will help us when making decisions, large or small, to ensure they are aligned with our purpose. Our aim is to generate significant social return, thereby fulfilling our charitable objectives and having a positive impact across the nation.

Social Return on Investment (SROI)

SROI is a robust way to demonstrate how we exceed what we're paid to deliver, and how we are different from our competitors.



* The SROI figure of 112% is the average social return generated on our initial investment of our Cystic Fibrosis, Joint Pain and Recovery Plus programmes and Health MOTs in 2018

Looking ahead

In 2019 and beyond, we will continue to make our services and expertise more widely accessible, across a more diverse population, including those people who wouldn't ordinarily be able to pay for, or access, our services.

Our focus will be on delivering our unique programmes, for the benefit of all age groups, from the young to the elderly. Whether it's school children's health and emotional wellbeing; young people living with cystic fibrosis; cancer sufferers; or those suffering from extreme joint pain, our aim is to have a positive impact on people's lives.

We will look to identify new areas in which to expand our flagship programmes, based on public need. By developing innovative ideas, evaluating our programmes and sharing our findings, we can drive best practice in the healthcare sector and stand out as thought leaders.

As our research partnerships, with organisations such as MMU progress, we anticipate being able to contribute to, and help shape, the future of healthcare in several key areas, leading to improved outcomes for the UK population.



CASE STUDY

"I'm doing things I never thought possible."

Lucky, lucky, lucky is how Lyn Whiteway describes her involvement in Nuffield Health's joint pain programme. Lucky that the Plymouth fitness and wellbeing club was chosen as one of the four pilot sites; lucky that the personal trainers running the sessions were so supportive; and lucky that she and her fellow participants got on so well, right from the start.

"Being on the programme changed my life in so many ways. I'm doing things I never thought possible," says Lyn, who has suffered from osteoarthritis in her knee for many years. She lacked flexibility in her leg and hip, and walking meant constant pain. Lyn says her life had shrunk; she wasn't socialising, and the thought of going to a gym would have filled her with horror. "It wouldn't have happened," she says.

People with arthritis can lose confidence and become isolated from friends and family, sometimes leading to depression and anxiety. Lyn understands how this happens: "Your energy is taken up with the mundane. There's no room for anything else, other than getting through the day."

The joint pain programme introduced Lyn and her fellow participants to a new way of living and they still meet each week and do a gym circuit, followed by coffee. "We're our own support group," she says "There's always someone to turn to for advice, or just to have a laugh with. I can now straighten my knee much more; the pain has improved and is more manageable. The programme has given me back my confidence and introduced me to a whole new set of friends."



Quality assurance and outcomes

Our aspiration is to be the best, the safest, most effective health and wellbeing provider there is – an organisation where our patients, members, customers and partners have a truly exceptional experience and feel confident in recommending us to family and friends.

7 years +

free of MRSA infections

No.1

Nuffield Health Cambridge, best performing UK hospital for improvement in quality of life following knee replacement



As an independent healthcare provider, our aim is to deliver the highest levels of patient and member safety, care and service. To do this, we believe our people must be the most highly skilled professionals; our processes and procedures must meet or exceed healthcare sector standards; and our equipment should be leading edge.

Our Quality Assurance Framework supports the planning, delivery, monitoring and continuous improvement of all the care and support we provide. As a charity, we always put quality, safety and patient care above financial performance, and everything we do is evaluated against the following factors:

- **Safety** – meeting the highest possible standards 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

During 2018, we have continued to strengthen our processes and procedures across all areas of the Charity, and we're delighted that our hard work and successful outcomes have been recognised in a number of ways:

- Nuffield Health Cambridge is the best performing UK hospital for improvement in quality of life following knee replacements, and our Shrewsbury hospital is second*
- Four Nuffield Health hospitals are in the UK Top 10 for improvement in quality of life following hip replacements*
- We are market leaders in the quality and safety of the care we provide, with 94 per cent of our hospitals rated good or outstanding by national regulators
- Both HealthInvestor and LaingBuisson voted Nuffield Health Private Hospital Group of the Year, for the second year running

External groups monitor the quality and safety of the care we provide. In England, the Care Quality Commission (CQC) regulates our hospitals and clinics; in Scotland and Wales, our regulators are Health Improvement Scotland (HIS) and Health Inspectorate Wales (HIW). During the year, the CQC carried out 31 regulatory inspections of clinical services located at our fitness and wellbeing clubs including primary care, health screening and diagnostic services. One significant concern was raised and this was quickly addressed.

* Independent Healthcare Providers Network 'Comparative performance indicators' Report, March 2019



CASE STUDY

"It's all about safe surgery and effective recovery"

Jo Grant loves her job as a preoperative assessment (POA) nurse, at Nuffield Health's Haywards Heath hospital. "We're the first transition into care, making sure patients are physically fit and psychologically ready for surgery; that they understand what's involved in recovery; and that they've got the necessary support at home when they leave us," she says, adding: "It's all about safe surgery and effective recovery."

The health data collected by the POA nurses is passed to the consultant, the anaesthetist, and the surgical team, so they can deliver their specialist care. Jo explains: "We're building a platform for patients to have their surgery in the safest environment possible, with the best nursing and surgical care there is. We don't want any surprises on the ward."

Jo is one of a network of nurses who have recently been through enhanced POA training (page 24). "It was brilliant and empowered us to make decisions," she says, praising the 'amazing POA support team'. "We are so lucky that there is always someone to call on for help and guidance. I love being a nurse and I want my patients to be safe and cared for."



Quality of care

The quality of care and safety of our patients, members, customers and people is fundamental to everything we do, and we are always looking for opportunities to enhance and improve.

Consultants and general practitioners (GPs) joining our team are required to undergo stringent entry validation, and provide indisputable evidence of their credentials and work histories. In addition, a robust process scrutinises proposed new procedures or services before they can be introduced to our sites, and applications must be accompanied by evidence supporting the need and potential outcomes.

211,000

hospital procedures

94%

of our hospitals rated good or outstanding by national regulators

Robotic-arm assisted surgery

In 2018, we introduced robotic-arm assisted surgery for hip and knee replacements at four of our hospitals. Controlled by the very best surgeons, this technology means less time spent in hospital, fewer complications, decreased pain and higher patient satisfaction.

Assessing people for surgery

Patients receive a comprehensive preoperative assessment (POA) to help ensure they are at the optimum level of fitness for surgery. In 2017, we conducted a review of POA processes across all our sites to ensure best practice guidelines were embedded, as outlined by the Royal College of Anaesthetists. As a result, in 2018, we streamlined processes and rolled out an enhanced POA process across our hospitals.

The new process is underpinned by the clinical expertise and specialist education of our POA nurses. Following the positive feedback received from 16 lead nurses who attended the Preoperative Association’s 2018 training course, we’ve doubled the number of attendees for the March 2019 course from 10 to 20.

The POA review contributed to the opening of five specialist clinics, each led by an anaesthetist whose clinical concentration is on patients with specific health issues that could affect their surgery, such as heart problems. Four of the five anaesthetist-led clinics are already displaying below average surgery cancellation figures in their respective hospitals.

Raising concerns

We’re passionate about creating an open and honest working environment, where our people feel free to speak out, and we always address unethical practices or behaviours with rigour. During 2018, we launched Safecall, a secure contact service allowing employees to raise concerns, should they feel unable to highlight them with their direct leader or local senior leadership team.

Safety in our operating theatres is paramount and, in 2018, we launched our ‘Be Bold, Be Brave, and Speak Out’ campaign. This message has been embedded in a training tool that encourages openness and advocacy, irrespective of role or grade. The training reiterates the importance of the World Health Organisation (WHO) safety checklist, considered the gold standard in operating theatre safety. The checklist acts as a prompt, setting out the steps healthcare professionals should follow to minimise avoidable risks that could endanger the wellbeing of surgical patients.

Risk and regulation

Regular health and safety inspections are carried out at all our sites to identify potential fire hazards and risks to employees, members and patients. We operate within a number of different local authorities throughout England, Scotland and Wales, some of which have different approaches towards regulatory compliance.

To mitigate this, we have Prime Authority Agreements (PAAs) in place with Warwick District Council and Hampshire Fire & Rescue Service, which make the regulation of our multiple premises more consistent. PAAs allow fundamental regulatory requirements to be put in place across the Charity, thereby enabling regional authorities to focus on local risk factors during their inspections. Benefits include more streamlined and effective inspections, whilst ensuring regulatory compliance at all levels.

BSI and ISO

We’re part of the British Standards Institution (BSI) Partners in Excellence programme, which allows us to share best practice from our Charity with interested parties.

The International Organisation for Standardisation (ISO) is a standard-setting body that promotes proprietary standards globally across a range of industries. We’re pleased to hold ISO standard certification in all key areas relevant to our Charity, the benefits of which include stronger operating efficiency and more transparent processes and controls.

To meet ISO standards, companies must demonstrate that they go above and beyond best practice minimum requirements for areas such as quality



management, the environment, occupational health and safety, and security management systems. As part of our commitment to strong organisational governance, our aim is always to exceed regulatory and operational industry measures.

Governance

We operate rigorous quality assurance systems across the Charity to support the delivery of our purpose, to build a healthier nation. In 2018, we saw the creation of our Quality and Assurance function, which is responsible for overseeing and embedding all quality, governance and compliance matters across the Charity. The function is independent of day-to-day operations and ensures rigorous compliance of our clinical governance.

We made significant enhancements to our quality reporting processes during the year. This work continues and, in January 2019, we aim to implement a standardised reporting framework into all our hospital sites, providing template agendas and terms of reference. The aim is consistent governance and management of risk, with clear lines of escalation.

The quality report is the first item on the agenda for our monthly Board of Trustees and Executive Board meetings, and is presented by our Clinical Director and Chief Nurse. A copy of the report is shared with each site to encourage the flow of information; we also voluntarily send a copy to our regulators.

Our dedicated Board Quality and Safety Committee (BQSC) provides quality control assurance by monitoring and reviewing clinical governance, considering clinical risk and health and safety matters, as well as regulatory oversight. The Committee meets quarterly, at different hospital locations around the country. Before each meeting, the chair of the Committee and our CEO meet with a cross-section of the hospital team to discuss their experiences of safety incidents and responses.

Regular meetings are held for clinical specialists, including matrons, theatre managers and pharmacists. In addition, expert advisory groups (EAGs) meet to scrutinise clinical key performance indicators in areas such as infection prevention and primary care services. In 2017, we established a medical society for each of our hospitals and these are strengthening the relationship between consultants and local leadership



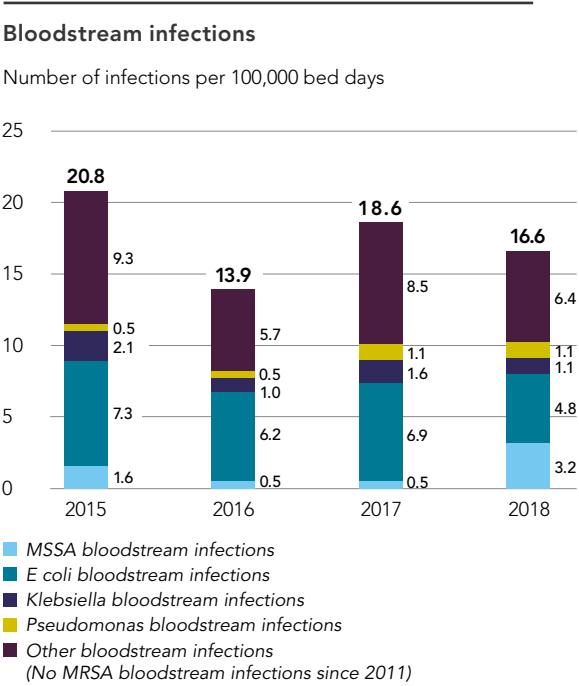
teams. The meetings are an opportunity to promote clinical excellence, update consultants on local and central business developments, and debate topics of interest.

In 2019, the inquiry set up following the conviction of surgeon Ian Paterson for malpractice will be making recommendations to improve the safety and quality of care in the independent sector and the NHS. We have followed the case carefully, and gave evidence to the inquiry. As part of our drive for continuous improvement, we’ve already identified areas where issues could arise, and are developing and implementing action plans to minimise risk to patients. In November, the subject was discussed at the annual meeting of Medical Advisory Committee chairs, attended by hospital directors, Executive Board members and Trustees.

GDPR
During 2018, the General Data Protection Regulation (GDPR) came into being, giving people more control over their personal data and making companies accountable for the accuracy, integrity and confidentiality of the information they hold on their customers. The importance of adhering to GDPR has been stressed across our organisation, through employee training programmes and general communications, and this will be a continuing focus through 2019.

Transparency of reporting
Healthcare is a highly regulated area, with significant legislation defining the key elements of safety and quality. Although reporting requirements for the independent sector are different to those for the NHS, we follow universal processes and exceed requirements in a number of areas.

Safety culture
Since 2016, we’ve focused on continually improving our safety culture and have encouraged our people to report concerns, near misses and incidents, however minor. This activity was made easier following upgrades to our Datrix reporting system.



We’re pleased, therefore, by the year-on-year increase in reported safety events, the analysis of which leads to actions and activity to continually improve our safety overall.

Our hospitals are subject to the same level of scrutiny and review as NHS facilities and, as part of our commitment to transparency, we inform our regulators of all serious incidents, even though the requirement is only to report those affecting NHS patients.

Never Events are defined by NHS England as ‘patient safety incidents that are wholly preventable where guidance or safety recommendations that provide strong systemic protective barriers are available at a national level and have been implemented by healthcare providers’.

Our constant focus on quality and safety, along with the appointment of a Chief Quality and Assurance Officer to the Executive Board, has seen Never Events reduce significantly by 40 per cent, since 2015. Although the number increased from five in 2017 to six in 2018, we’re making great strides in maintaining low incidents in this area.

Never Events are investigated by a senior clinical leader and reviewed by our Quality Committee. Lessons learned are cascaded to all sites and implementation is monitored.

In addition, we have a tried and tested procedure in place to immediately alert our hospital group to safety concerns, such as the suspension of the use of mesh for those suffering with stress urinary incontinence, which followed an independent review earlier this year.

This ensures we can manage affected patients in a speedy and consistent manner across our hospitals.

Avoidable infections
Overall, the total number of bloodstream infections in Nuffield Health hospitals decreased in 2018 (see chart), and it’s pleasing to report that we have remained free of MRSA for over seven years. Of the nine patients who tested positive for Clostridium difficile in 2018, only one had been exposed to care in a Nuffield Health hospital; the other eight were seen in our outpatient department but had not had prior treatment with us.

Clinical audit
We contribute to national clinical audits where they relate to our services, such as the National Joint Registry (NJR) and patient reported outcome measures (PROMS). We’re delighted that nine of our hospitals were awarded the National Joint Registry’s (NJR) Data Quality Award, which recognises best practice in meeting patient safety standards and compliance.

The independent sector does not have access to the NHS’s National Reporting and Learning System (NRLS). However, we’re contributing to the

development of the system that will replace NRLS, and we report incidents affecting NHS patients under our care to our Clinical Commissioning Group partners.

“As a charity, we always put quality, safety and patient care above financial performance...we operate rigorous quality assurance systems across the Charity.”

Carol Kefford
CLINICAL DIRECTOR AND CHIEF NURSE

Improvement plan for 2019

Key objective Enhance our safety culture	Key objective Build on our ability to learn lessons should things go wrong	Key objective Enhance our governance	Key objective Review key specialist services in line with best practice
What we plan to do <ul style="list-style-type: none">• Embed consistent, exceptional standards of practice across our operating theatres• Enhance early recognition and management of patient deterioration• Continue to improve medicines’ management• Implement iQemo at all sites, further improving safety of cancer patients• Implement standardised approach for delivery of microbiology services	What we plan to do <ul style="list-style-type: none">• Examine our existing processes and implement required improvements to achieve high quality incident reporting, investigation and learning	What we plan to do <ul style="list-style-type: none">• Evaluate current processes and adapt, enhance and standardise quality reporting at every level• Conduct quality assurance reviews of CQC, HIS and HIW registered clinics and prepare them for regulatory inspections• Review and mitigate risks associated with paper to electronic transition	What we plan to do <ul style="list-style-type: none">• Examine our cancer services provision and develop a clinical enhancement plan• Evaluate children and young people provision and seek opportunities to enhance our current offering• Launch an evidence based cataract pathway that delivers strong clinical outcomes

Our progress and impact continued



Connected health

Nuffield Health's broad range of expertise allows us to take a holistic look at an individual's health and wellbeing needs, through our personal trainers, physiotherapists, emotional counsellors, nutritionists, doctors, surgeons, nurses and occupational health experts.

10%

of our customers use two or more services

£60m

invested in developing our first London hospital

Our connected healthcare systems and services are a key differentiator for Nuffield Health. During 2018, we continued to work towards linking information from different sources across the Charity, to ensure that our experts have access to the relevant information they need to provide the best service possible to our members, patients, customers and partners.

By getting to know our customers, we can confidently suggest and provide them with personalised health and wellbeing advice and services, which suit their specific requirements at any one time. In this respect, we're pleased that, during 2018, 10 per cent of our customers used two or more of our services. We anticipate this figure will grow significantly in the coming years.

Our Single Customer View (SCV) provides us with a view across all service lines which a customer, member or patient engages with. SCV allows us to see, for instance, whether a customer is a member of one of our fitness and wellbeing clubs, and whether they also use our hospital or have had physiotherapy treatment. In 2018, we delivered the first SCV to our customer contact centre and through 2019 we will continue to expand and improve our abilities in this area.

Connecting health information

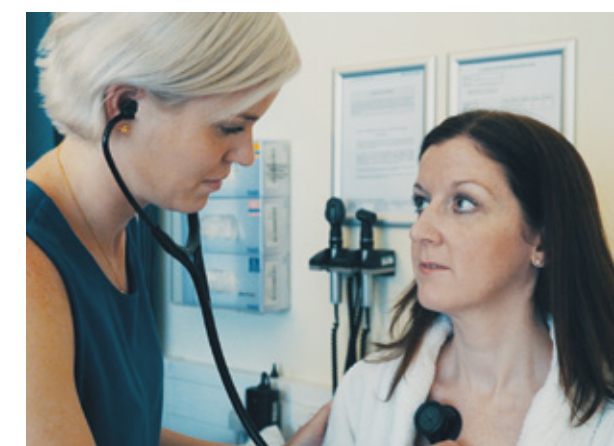
During the year, we began the implementation of TrakCare, our electronic health record (EHR) system, which covers the breadth of clinical and administrative processes in our hospitals. Nuffield Health is the first independent hospital group to implement EHR with this level of scope.

During 2018, research found that customers and patients like the concept of an EHR system because of its ability to save time, reduce stress and potentially aid diagnosis. They recognise the benefits of clear, quicker to access, information for both the healthcare provider and patients.

The implementation of TrakCare brings significant change for our people and our hospitals. Building on lessons learned from the pilot at our Chesterfield hospital in Bristol, TrakCare went live in The Vale and Cardiff Bay hospital in 2018. The pace of roll out is increasing, with at least three more hospitals set to adopt TrakCare in 2019.

Personalised assessments

Our personalised assessment for tailored health system (PATH) went live in June at our corporate sites, after a significant period of development. Unique in the market, PATH moves away from the traditional 'one size fits all' health assessment, to a truly personalised programme allowing customers to achieve and maintain the level of health and wellbeing to which they aspire.



PATH ensures customers have focused time with doctors and physiologists, and analyses information about a person's lifestyle, and health and wellbeing, providing them with a simple, clear and informative dashboard. It also delivers continued support through tailored online content.

As a customer's needs and health risks change over time, PATH has the flexibility and intelligence to reflect those changes in its recommendations. The system is flexible and designed to suit anyone, whatever their level of fitness.

Our range of connected services means we can support our customers through different stages of their health and wellbeing journey.



“...we can support our customers through different stages of their health and wellbeing journey... during 2018, 10 per cent of our customers used two or more of our services.”

David Liverseidge
CHIEF INFORMATION OFFICER

Connecting fitness data

Many of our customers have grown up in the digital world and they expect to be offered the latest technology, whether it's on their smart phone, their PC or in their gym.

Recognising this, we've chosen Technogym as the preferred equipment partner for our fitness and wellbeing clubs. The innovative technology allows customers to stay on track with their wellness lifestyle, anywhere and any time. Equipment can be digitally synchronised to health tracking devices. By the end of the year, Technogym equipment had been successfully installed in 23 of our sites, with installations set to continue through 2019.

Connecting locations

In July, we were delighted to receive approval to renovate the dilapidated former pathology and residential staff quarters building at St Bartholomew's, London's oldest hospital. Construction work has started and we're looking forward to opening in 2021. The £60 million development, staffed entirely by Nuffield Health, will be the only independent hospital in the City of London, and will comprise a new acute unit specialising in cardiology, orthopaedics and

general surgery. There will be 48 beds; four advanced digital operating theatres; intensive care services; and 28 consulting rooms.

The hospital will be physically and operationally independent from Barts Health NHS Trust, which runs St Bartholomew's Hospital. The arrangement provides Barts Health with a multi-million-pound revenue that will be invested back into NHS services, whilst also retaining the historic building's original façade. The new hospital will join our existing London sites and provide more people with quality, connected health services.

Looking ahead

Connected health is a key aspect of our customer vision. From diagnosis and monitoring, to treatment and recovery, to achievement and maintenance, our aim is to be customer-centric in the way we provide our services. We will personalise services to the individual, making them aware that they can access our entire connected offering to benefit their health and wellbeing.

CASE STUDY

“I'm much fitter and leaner than I was”



Schroders, the global asset and wealth management company, wanted to provide employees at its new European HQ with integrated and connected health and wellbeing facilities and services. In 2016, Nuffield Health was appointed supplier of choice, responsible for the onsite gym; doctor; nurse; emotional wellbeing; occupational health; dental and health assessments.

Paul Truscott heads up the Schroders' product development team for the UK and Europe, and says having such a wide range of services available makes it easier for people to be disciplined about their fitness. He also believes it helps work life balance. “It takes the hassle out of going to the dentist, the doctor's or the gym because you can easily fit them into your daily schedule,” he says.

Paul makes sure three gym sessions a week, including 45 minutes with the personal trainer, are in his diary as standing items. “Like many others, my job can be stressful, so it's no bad thing to go to the gym and work it off.”

He also has an annual health assessment, and regular follow-ups with the medical centre's practice manager to check his blood pressure and weight.

“We really are super-lucky to have everything we want in one place. I'm much fitter and leaner than I was, and the onsite facilities have contributed to that. The Nuffield Health team does a really good job,” says Paul.



Differentiated brand

Our purpose is simple. Nuffield Health is here to build a healthier nation and, in order to do that, we put our patients, members and customers at the heart of everything we do.

83%

overall customer satisfaction across our services

96%

customer satisfaction across our hospitals



Unique in the independent healthcare market, our brand is much more than our hospitals, fitness and wellbeing clubs, and medical centres. We're experts, caring and trusted. We differentiate ourselves through our flagship programmes and our wide range of partnerships, and we actively champion the health of the individual to build a healthier nation.

For the last 60 years, our team of experts has been working together to make the UK fitter, healthier, happier and stronger. So, it's not surprising that the NHS, private medical insurers, employers and the general public trust us to provide exceptional health and wellbeing services.

We recognise that these are bold statements and we work hard to maintain the trust built up over the years. We were, therefore, delighted that we ended 2018 with trust in our brand at an all-time high. We're constantly looking at ways to improve and maintain our position as a brand leader and ensure that everything we do benefits the people we care for, and helps us in our vision to extend our services and expertise to a wider demographic.

Our performance is tracked through a range of measures, including customer satisfaction surveys (CSATs) to gain insight into how people value our care and services; Net Promoter Scores (NPS), to help us gauge the loyalty of our customers; and Patient Report Experience Measures (PREMs) which, amongst other things, give us a snapshot of people's experience across our hospital sites.

Stakeholder engagement

We understand the importance of our stakeholders. Whether they are patients, customers, members, partners or our people, each group has an important role to play in building, and sustaining, the Nuffield Health brand. We're reliant on all of them to live up to the high standards we set; live our values; and believe in our purpose.

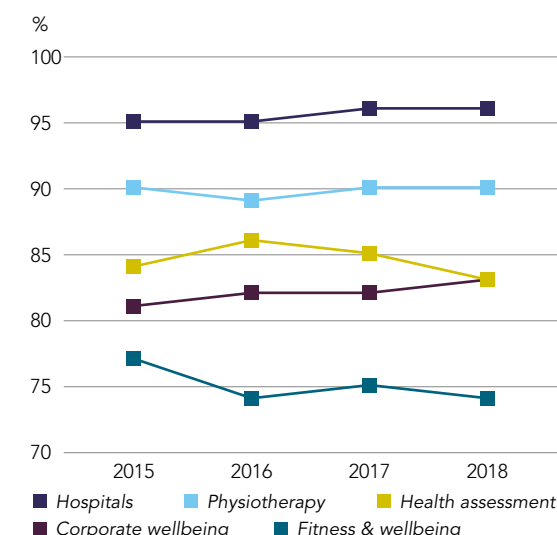
Communication is key in our relationship with our stakeholders, and we regularly engage with them to discuss what's important to them, what's working, and what we could do better to ultimately improve the service and care we provide across the Charity.

Customer satisfaction

Our hospitals have continued to see exceptional CSAT levels of 96 per cent. Our patients tell us that the level of consultant care they receive is outstanding and our people are professional and supportive.

We're focusing on improving customer satisfaction in our fitness and wellbeing clubs and, in 2018, introduced CSAT champions, to understand what really matters to our customers and how we can deliver an even better service.

Customer satisfaction



We track customer satisfaction rates as a measure of customer loyalty to our brand and trust in our services. Customer satisfaction is calculated from the scaled response to the question of how satisfied customers are with our services

We continue to monitor performance and invest in updating club facilities in a financially sustainable way.

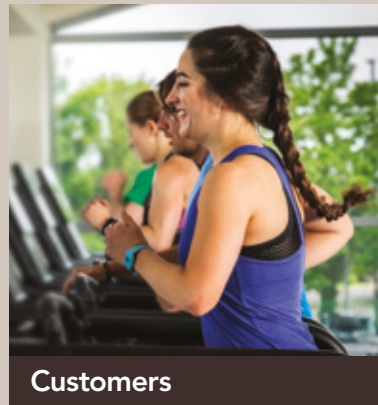
Our workplace wellbeing services are important ways of increasing awareness of the Nuffield Health brand. So we're particularly delighted that we now have 165 onsite corporate facilities and provide wellbeing services to over 1,600 employers, which in itself is a strong measure of our success in this field. Overall customer satisfaction stands at 83 per cent.

Customer engagement

We know that if someone is happy with the service they receive from us, they're more likely to recommend us to friends and family; equally, if they receive bad service, they won't hesitate to convey their dissatisfaction to others.

We constantly interact with our members, patients and customers via a variety of online sources, including NHS choices, Google reviews and popular social media channels such as Instagram, LinkedIn and Twitter. We believe in being open and honest, and we actively encourage online dialogue. Not only does this provide instant feedback about how our customers feel, it helps us focus local resource where it's needed and ultimately improve our service.

We want our patients, members and customers to act as brand advocates for Nuffield Health. So, we take any complaints or concerns very seriously. In the first instance, we encourage people to discuss the matter informally with the relevant member of the team. If this doesn't result in a solution, then the formal complaint



Customers

Our customers sit at the heart of everything we do, whether they are at our hospitals, fitness and wellbeing clubs, medical centres or corporate sites. We aim to work cross-functionally to achieve better, faster results; responding quickly to evolving customer needs and the changing markets in which we operate. Our plan is to allow customers to access our services easily, at a time and in a way that suits them.

83%

overall customer satisfaction



Communities

Our people play an active role in their local communities and we're proud of the many initiatives delivered by them. Two examples are Didsbury fitness and wellbeing club, which runs fortnightly fitness sessions at a local care home for 25 residents suffering from dementia; and Bridgend where, in collaboration with the local branch of Help for Heroes, they offer free access to armed forces veterans.

75+

local initiatives in place



Our people

Our success is dependent on the skills, passion and commitment of our 16,000 people. Our objective is to build an environment where everyone can thrive and be recognised for their part in our success. Our approach is not about specific groups of people but about valuing individuals for who they are, and celebrating their uniqueness, so everyone fulfils their potential to be the best they can be.

16k

people building a healthier nation

process is activated. We publish clear guidance on how patients, members and customers can raise concerns and take matters to the next stage, if they are unhappy with any aspect of our response.

All complaints are investigated openly and transparently, providing clear and honest responses at every stage. Lessons are shared across the Charity, in order to improve the quality of the care and service we provide. To help facilitate this, in 2018, we centralised the complaints team, as part of our work to improve the overall customer experience and align policies and processes to ensure that matters are dealt with quickly and effectively.

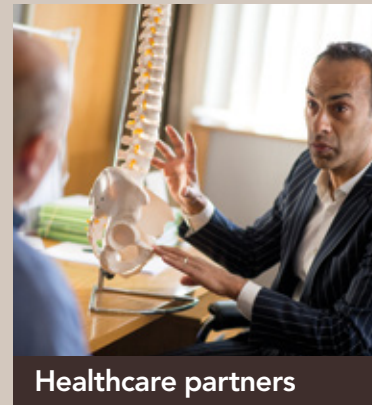
In July, we launched 'Think like a Customer', which has seen over 50 per cent of our senior leadership team visit sites to meet customers and members, in order to understand more about what's important to them. At the same time, our people attended roadshows aimed at embedding service standards, and we launched our Customer Experience apprenticeship scheme.

Looking forward

Our approach for 2019 and beyond is to build a bold brand with a compelling strategy that underpins our purpose to build a healthier nation. We're moving closer to achieving our goal of being the leading health and wellbeing brand recognised for our purpose, our people, our outcomes and our connected health offering.

But, of course, none of this will be possible unless our 16,000 people are emotionally connected to our brand and understand the importance of their role in ensuring Nuffield Health's success. We rely on them to live our values and deliver an exceptional, consistent service right across the organisation, acting as ambassadors, championing our purpose and delivering on our promises.

We believe that our people have the expertise, passion and commitment to push the boundaries and continue to set Nuffield Health apart from the rest of the independent healthcare market.



Healthcare partners

We have continued to work closely with the NHS, offering support wherever possible. By providing elective surgery through the NHS waiting list transfer programme, patients have the option of treatment under the same terms and conditions as their local NHS hospital. This allows patients to be seen and treated rapidly within the independent sector.

Our consultants are the best in their field and, by building strong relationships with them, we deliver the best outcomes to our patients.

Our partnerships with private medical insurers go from strength to strength. By working on preventative solutions, where we take a more holistic approach and reward good behaviour, we are continuing to demonstrate how we deliver more effective outcomes for their customers.



Suppliers and partners

We have a robust tender process and work in close partnership with suppliers who practise environmentally friendly methods of operation.

Research partnerships with academic organisations, such as Sheffield Hallam, Stirling, Cambridge, Leicester and Manchester Metropolitan Universities, and other organisations, remain strong.

Our unique flagship programmes operate in partnership with other organisations, including University College London in respect of our CF programme. We worked with Sport England to develop our 'A Healthier Workplace' white paper, identifying ways to improve sedentary behaviour in the workplace.



Government

We maintain awareness of government healthcare priorities, policies and regulatory changes, contributing wherever we can.

We continue to engage with government at all levels, to share best practice and learnings from our flagship programmes. Our 'Improving Wellbeing in Schools' report received national media coverage and was distributed widely with MPs and policy makers.

We freely share all findings from our research projects and frequently contribute to government consultations. In 2019, we will be providing insights and evidence for the government's 'Prevention is better than cure' paper.

“We’re moving closer to achieving our goal of being the leading health and wellbeing brand recognised for our purpose, our people, our outcomes and our connected health offering.”

Chris Blackwell-Frost
CHIEF CUSTOMER OFFICER



Financial sustainability

The financial sustainability of Nuffield Health has remained strong during a year of significant investment in strategic enablers, that will underpin our purpose.

The key financial indicators are:

	2018	2017
Group turnover	£946m	£909m
Adjusted EBITDA*	£100m	£94m
Adjusted EBITDA* as percentage of group turnover	10.6%	10.4%
Operating surplus before exceptional items	£17m	£14m
(Deficit)/surplus after tax	£(7)m	£(24)m
Capital expenditure (excluding acquisitions)	£65m	£89m
Net debt	£371m	£389m
Leverage (net debt divided by adjusted EBITDA*)	3.8	4.1

*Adjusted EBITDA is calculated as total operating surplus (£10.1m) with exceptionals (£6.8m), depreciation (£57.0m) and amortisation (£26.1m) added back

Despite another year of challenging trading conditions revenues increased in 2018 by £36.7 million (+4 per cent) to £945.8 million, and adjusted EBITDA increased by £5.8 million (+6 per cent) to £100.0 million.

This solid level of growth has been driven by both our hospital business and wellbeing offering and continued strong focus on cost control.

Hospitals

Hospitals turnover was £582.6 million which represents a £24.0 million improvement against 2017. Overall episodal turnover was up £22.5 million or 5.3 per cent largely driven by strong self-pay activity. NHS referrals also showed an increase of 5.3 per cent but lower growth from the private medical insurance market. Diagnostics revenues grew by 3.3 per cent to deliver over £104.0 million for the year.

Wellbeing

The wellbeing business generated £359.8 million which was an increase of £12.7 million against 2017 with all service lines except corporate fitness showing growth. Consumer fitness turnover increased £8.9 million to £258.9 million as the business continued to drive membership, which closed the year above 350,000 members. The business has also contracted with Technogym to deliver equipment across 23 consumer sites to improve the fitness offering to our members and will continue to roll this offering out in 2019.

Corporate fitness has shown a decrease of £1.4 million following a reduction to 165 onsite facilities in 2018 (2017 – 174).

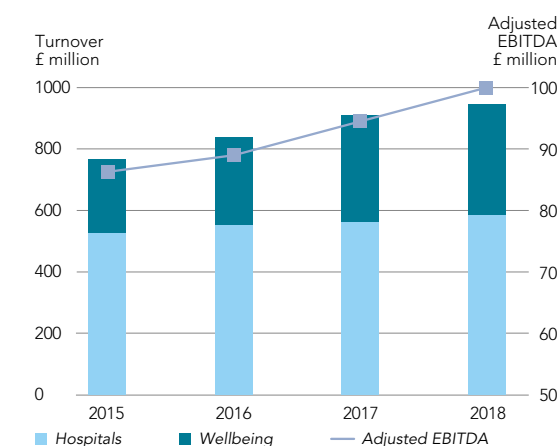
Clinical services, which include physiotherapy and health assessments, continued to grow, with turnover of £70.8 million in the year, up £4.5 million on 2017. This has been due to our emotional wellbeing offering which we are continuing to expand across our network.

Operating surplus before exceptional items was £16.9 million which was a £2.8 million year-on-year improvement. This reflects the impact of the organisational efficiencies and transformation programmes aimed at streamlining our operation structure and support functions and this remains our steadfast focus.

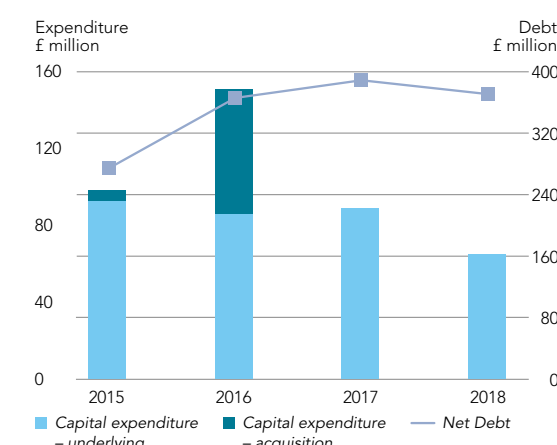
Exceptional costs were £6.8 million (2017 – £19.9 million) and the key elements this year were reorganisation and transformation activities of £2.8 million (2017 – £5.0 million); impairment of fixed assets of £1.1 million (2017 – £5.0 million) and a £1.8 million charge relating to a court precedent created on the equalisation of pension guaranteed minimum payments.

Interest charges in the year of £17.6 million (2017 – £18.0 million) were slightly lower than the prior year due to lower pension charges.

Turnover and adjusted EBITDA 2015-2018



Capital expenditure and net debt 2015-2018



The above results contributed to a net deficit after tax of £7.5 million (2017 – £23.8 million deficit), however, the annual actuarial valuation of the pension scheme gave rise to an actuarial gain of £7.5 million (2017 – £26.0 million gain) resulting in net assets remaining at £64.2 million (2017 – £64.2 million). Net debt fell to £370.7 million (2017 – £389.0 million) through robust control of capital investment. This lower debt and improved trading have resulted in the year end leverage to fall to 3.77, an improvement of 0.35 compared with 2017.

Continued investment across the business

Nuffield Health uses the funds generated from trading, supplemented by borrowings, to maintain and improve its offering to its members, patients and customers aligned to its charitable purpose. In 2018 capital investment was £64.8 million (2017 – £88.9 million) focused on key initiatives and continuing to enhance the Charity's assets.



Our people

2018 saw the launch of our People Vision, a compelling plan setting out the steps needed to inspire the 16,000 people who work with us to be their best and make a real difference to the nation's health and wellbeing.

Our objective is to build an environment where everyone can thrive; an environment that puts patients, customers and colleagues at the heart of everything we do.

The enthusiasm and energy of everyone working in our hospitals, fitness and wellbeing clubs, medical centres, corporate client sites and support areas is critical to this. We need to engage with them on an emotional level so they truly understand the importance of their role in helping us achieve our purpose to build a healthier nation.

“Our approach is about valuing individuals for who they are, and celebrating their uniqueness, so everyone fulfils their potential to be their best.”

Sharon Bridgland-Gough
CHIEF PEOPLE OFFICER

Inspiring leadership will connect our people to our purpose and bring our People Vision to life. In February and December, our leaders' conferences were opportunities for our top 500 leaders to not only look at the performance and strategy of the business, but also at what they can do to energise and motivate their teams to be their best.

Work to develop our leaders will continue through 2019, with further conferences and leadership development sessions aimed at embedding our values and behaviours. Conferences will also be held for the wider population.

Engagement

At all times, leaders are the ambassadors of our purpose and the cornerstone of change. During the year, leadership has undergone a transformation and we have placed great emphasis on working with them to embed our values and behaviours so they, in turn, can inspire and develop their people.

Leadership and engagement go hand in hand and, during the year, a number of surveys were carried out in order to better understand opinions on how things have changed, for better or for worse. The results have given us a clear measurement tool as we move forward with our strategy to engage people at all levels so they understand the wider impact of our work and our passion to build a healthier nation.



In November, more than 2,000 people took part in a trial pulse survey, designed to give them a voice on all aspects of working for Nuffield Health. An interactive 'Your Voice' survey offered a new way of engaging with employees and was designed to give an indication of people's emotional connection to the Charity and their general sense of wellbeing; and assess whether they feel they have the tools and motivation to be their best.

Feedback was positive, with leaders liking the instant results, visual format and quick access to information. It is intended that further Your Voice pulse surveys will be carried out in 2019.

Transforming the organisation

In 2017, we began the reorganisation of our service teams around geographical and regional areas, supported by a People Support Centre, based in Dorking, Surrey. The centre is now fully operational and has served to simplify reporting lines, and improve accountability and efficiency.

The first phase of Workday, a new best in class payroll and HR management system, was rolled out in October. It benefits all our people and is available on mobile, tablet and desktop, making it accessible any time, anywhere.

Everyone is able to view and amend their personal information; book holidays; record time worked for direct leader approval; and access pay slips. Direct leaders can access team information; record leavers; process new starters and changes; and view basic management information reports.

245

people involved in our apprenticeship programmes

94%

of our sites have team members on a programme

Our progress and impact continued

Diversity and inclusion

Being an inclusive employer is fundamental to creating an environment where we can all thrive at work. We are collaborating on a research project looking specifically at inclusion at Nuffield Health, using the latest psychology and behavioural science to transform how people think, feel and behave.

In November, 1,700 people took part in a ‘Thriving at Work’ survey about diversity and inclusion. Results revealed that whilst our people feel that Nuffield Health is inclusive, we could do more. We are being told anecdotally that limited opportunities for progression and a lack of senior role models are contributors to why there are fewer females in senior positions. The ability to balance work and life, including managing caring responsibilities, is one of the major perceived barriers to entry to those senior roles.

We will be using insights gained through our employee surveys to enable us to improve our ways of working, and encourage and create a more diverse and inclusive workforce. By the early Autumn of 2019 we will have a clear, four year, action plan setting out how we can become an even more inclusive employer. Our approach is not about specific groups of people but about valuing individuals for who they are, and celebrating their uniqueness, so everyone fulfils their potential to be the best they can be.



Gender pay gap

Last year, we committed to undertake an equality review and our 2018 Gender Pay Report provided us with an opportunity to review where we are on our inclusivity journey.

At 3.4 per cent, our mean gender pay gap (the difference between the average hourly earnings of men and women) is below our 2017 figure of 4.8 per cent, and significantly below the national average of 17.9 per cent, as identified by the Office for National Statistics. When comparing the median figures (the difference between the midpoints in the ranges for hourly earnings of men and women) the figure is 4.5 per cent higher for women than it is for men, compared with last year’s figure of 6.2 per cent.

While our pay gap is below the UK average, we know there is much work to do to understand the numbers and address the variance. We have already started conversations across the Charity to help find ways of addressing these challenges, focusing on diversity, equality and inclusion.

Development and progression

During the year, we took the opportunity to review and refine our talent strategy and align it to our People Vision and our business model. In January 2019, a Talent Director will join us to take responsibility for the organisational effectiveness of an individual’s journey with Nuffield Health, from recruitment through their career progression. We believe this will help us maintain consistency, strength and focus across the leadership team.

Academy

Our Academy continues to offer dedicated training and professional development services to our people across a wide range of accredited training modules. Along with our Academy Online, modules are accessible at a time of their choosing.

Creating great leaders starts with getting the basics right and, at the end of 2018, 123 people had enrolled for One Nuffield Health Future Leaders, our in-house leadership apprenticeship programme aimed at first time leaders. The programme has received excellent feedback and a number of participants have been encouraged to enrol for further training.

In August 2018, we launched an optional online emotional wellbeing training module to help people recognise the signs and symptoms of emotional distress, improve their understanding of the issue, and provide a tool kit to allow them to help themselves and each other.

By the end of the year, 10,500 (65 per cent) of our 16,000 people had completed the module. Of these:



CASE STUDY

“You need to understand yourself before you start leading a team”

Kat Errey is operations manager at our UBS corporate site and recently completed the One Nuffield Health Future Leaders Programme. She says it not only gave her the skills to communicate with different types of people, it also made her more aware of her own style and how others might perceive her.

“A key message was that you need to understand yourself before you start leading a team, and this was very powerful,” she says.

In the past, Kat has tended to doubt herself but now she has confidence in her decision-making ability, and recently completed a gym redesign project for UBS. “I’m not sure I would have been able to take on the task before,” she says, adding: “I hope that I am also having a positive impact on my team, and our client.”

- 98 per cent said they would recommend the training to a friend or colleague
- 94 per cent said they felt more confident in knowing ways to improve or maintain their own emotional wellbeing

Feedback confirms that the training has made a difference, not just to our colleagues in their working environment, but also to their families and wider network. One participant said the module “has helped me deal with issues that are going on at home”. It is now mandatory for our people to complete this module.

Elsewhere in the Academy, we are particularly proud of our one day workshop designed to help physiotherapists develop and practise the skills required to manage patients’ expectations, engage in difficult conversations and more effectively manage complaints. The workshop aims to demonstrate how situations can be mediated and influenced, becoming a positive experience for the patient and therapist alike.

Apprenticeship scheme

The Nuffield Health apprenticeship scheme offers courses spanning a range of disciplines, including fitness, healthcare, early years childcare and leadership. By the end of the year, 245 people were involved in our apprenticeship scheme, and 94 per cent of our sites have one of their team members on a programme.

Sustaining high levels of customer satisfaction is a priority for us and, in support of this, in December we launched our One Nuffield Health Customer Experience Programme. The programme will broaden business knowledge, develop customer service skills and generally develop tactics for delivering our ‘Think like a customer’ strategy.

Reward and recognition

Fair reward is key to employee engagement and satisfaction, and to creating sustainable competitive advantage. During the year, we reviewed our reward strategy and, in September, the executive team signed off a set of five Reward Principles, linked to our vision and values. The Principles underpin our strategy and will help our leaders make appropriate and fair reward decisions.

A new structure of grades and job families was introduced to provide clarity and standardisation of roles transparency of levels and a cohesive framework for rewarding our people. A full library of job descriptions is on our intranet, giving individuals the opportunity to consider their suitability for other roles, and plan their career progression journey.

We recognise the importance of making our values intrinsic to our success. So, in August, we launched our WeCARE recognition scheme to reward people, nominated by their colleagues, who demonstrate our values and behaviours in the workplace. The scheme shows high levels of engagement across the Charity, with around 200 people per month receiving awards.

At the end of the year, those identified as exceptional through the WeCARE scheme were invited to a special lunch, along with those celebrating long service milestones of 25, 30, 35 and 40 years. Our executive team hosted the occasion and this will be an annual event.

Looking ahead

Our focus for 2019 will be on continuing to transform the way we inspire our people to be their best, and emotionally connect them to our Nuffield Health purpose and values. Our aim is to link people’s passion with their performance, to deliver great outcomes for our customers and patients, helping us to build a healthier nation.

Environmental sustainability

Nuffield Health takes environmental sustainability seriously, whether it’s carbon emissions, climate change, global warming or landfill; and we know our patients, customers, members and people share our concerns.

While many of these issues are tackled at a global level, there are things we can do as individuals, and as an organisation, to lessen the impact of environmental change. For instance, we can choose environmentally friendly suppliers and products; dispose of our waste responsibly; and manage our energy supplies more effectively.

Utilities
Our Energy Reduction Programme is looking not only at the big picture, but at the small things we can all do to make a difference. In total, we made 357 changes during 2018, some big, some small, but all contributing to our drive to reduce our impact on the environment.

During the year, we reviewed each of our sites to look at how we could reduce our carbon footprint. As part of this, we’re encouraging local teams to think more deeply about carbon emissions. From turning out the lights in our gyms and switching off machinery when it’s not in use, to keeping thermostats at a consistent level and monitoring water usage, we’re ‘going back to basics’ and treating each site as we do our homes.

Carbon emissions
In 2019 we will be moving to green energy, meaning all our electricity will come from renewable sources, such as wind, solar and hydropower, rather than combustible fossil fuels. Green energy is produced with minimal impact on the environment and this move will mean that no carbon is released into the atmosphere from Nuffield Health’s electricity consumption. In 2019, we are committed to reducing our electrical carbon emissions by 20 per cent.

Waste management
We continue to manage our waste compliantly, in accordance with government guidelines. However, recognising the negative impact waste has on the environment, our aim is to go over and above what’s

required. We believe we have a key role to play in implementing processes to facilitate and encourage responsible waste management throughout our organisation and, in 2019, we’ll be tendering across all waste streams, with a focus on suppliers who can help enhance our recycling rates.

Site maintenance
We have 108 trained building services engineers based at our fitness and wellbeing clubs. By bringing maintenance in-house, repairs can be carried out without delay. For instance, our engineers are able to monitor water usage in areas such as swimming pools, and identify possible leaks that could otherwise go unchecked.

Suppliers
We have a robust tender process and always look to work with suppliers that practise environmentally friendly methods of operation. For example, our laundry services supplier is one of the most energy efficient companies in Europe. Their equipment enables us to minimise wash cycles, thereby using less water and heat whilst obtaining impressively high standards of cleanliness.

Looking ahead
We hold ISO 14001 certification at a number of our sites, which helps control the environmental aspects of our business. We plan to roll this out to further sites in 2019 and 2020.

Environmental sustainability issues affect everyone and we encourage our people to put forward their ideas and comments on where we can improve. On a wider level, we believe in operating efficiently and ethically across the organisation, always with consideration to our people, the community and society at large.

In 2019, we are committed to reducing our electrical carbon emissions by 20 per cent.

UTILITIES



Electricity

During 2018, we reduced electricity usage by 2.1 per cent, by putting in place efficiencies and guidelines aimed at tightening up our operating plants. A review of all our sites found that, in some areas, machinery was running unnecessarily for 24 hours a day, and drawing attention to this made significant savings; similarly, lights were being left on overnight. We also rolled out a standard Nuffield Health temperature optimisation guide, recommending consistent area temperatures across our fitness and wellbeing clubs. This enables heating systems to work more efficiently, thereby saving significant energy and cost.



Gas

Gas consumption increased by 5 per cent over the previous year, largely due to the cold weather conditions. To counteract this, in 2019, we’re looking to improve lagging to preserve heat at our 112 fitness and wellbeing clubs, where we now have onsite maintenance. This is a basic change but one we feel will reap benefits in the future. During the latter part of the year, we began the roll out of automated gas meters and this will continue through 2019, wherever feasible. The benefits include the ability to monitor usage, draw comparisons site by site and identify efficiencies.



Water

In October, we began to draw up an estate-wide database to enable us to track water consumption and identify areas where we can improve efficiency. Work on this will continue in 2019. In the meantime, water-saving showerheads were introduced to 10 of our fitness and wellbeing clubs, resulting in significant reductions in consumption, and our plan is to install them in further sites during the year.

WASTE MANAGEMENT



Landfill

In 2018, only 1.34 per cent of our general waste was sent to landfill sites. Whilst we would like to aim for zero waste going to landfill, this isn’t practical. Certain clinical items emanating from our hospitals have to be disposed of via landfill according to the regulatory regime and as instructed by the Environment Agency. Therefore, going forward, we will focus on our non-clinical waste streams and will look for ways of reducing to zero the amount of general waste sent to landfill by 2025.



Recycling

We encourage all our sites to recycle wherever possible, including paper, plastics and glass. In 2018, we managed to recycle 34.4 per cent of our general waste. Our aim is to increase this to 40 per cent in 2019, with a 2025 vision of 80 per cent. To help us do this, we are raising awareness of the importance of responsible recycling with our teams, members and patients. We will also be working with our suppliers to identify innovative ways of enhancing our recycling levels to meet these targets.



Single use plastic

During the year, we turned our attention to reducing reliance on single use plastic and, as part of this review, we’ve replaced plastic straws with paper at all our sites. We currently use 1.4 million plastic shoe covers each year so, in 2019, we’ll be trialling a scheme aimed at encouraging people to help us reduce this number by, for instance, taking their shoes and socks off when pool-side in our fitness and wellbeing clubs. In addition to internal initiatives, we’re reviewing single use plastic in our supply chain, with a view to reducing the amount coming into the Charity.

Risk management

Effective management of risk is essential in order to make the best decisions for our patients, customers, people and the Charity itself.

Sound risk management principles are used in a co-ordinated way throughout the Charity. We view good risk management as a continuous journey of improvement and plan to further strengthen our framework over the year ahead.

Our Board of Trustees oversees our risk management activities, delegating responsibility to two Committees:

- The Board Audit and Risk Committee: governs strategic, operational, commercial and financial risks
- The Board Quality and Safety Committee: governs clinical, and health and safety risks

These Committees, along with the executive team, oversee risk at senior management level. The Executive Management Team and the Board of Trustees receive updates from their respective senior leadership teams, ensuring ownership at local level. Internal and external audit procedures provide overall assurance to the Board of Trustees.

Risk appetite and review

The risk appetite, as defined by the Board Audit and Risk Committee, sets levels of risk and parameters for consistent risk aware decision making. The Charity's principal risks have been continuously reviewed during the course of the year and remain largely unchanged from 2017.

Brexit

The implications of leaving the EU remain uncertain, impacting the economy and consumer confidence. To mitigate this, we have developed a five-year plan to assess the trajectory of the business and stress test the impacts of potential shocks.

Focusing on our EU workforce, we took part in the trial of the government's EU Settlement Scheme, giving our people the chance to seek early confirmation of their future settlement status. We will be offering support to colleagues who may need to apply for mutual recognition of professional qualifications. We have been working with key suppliers on mitigation planning, particularly in respect of availability of medicines. Our legal team has prepared for post-Brexit privacy and data protection matters.

	Quality of care	Economic climate	Key partnership relationships	Regulatory and policy environment	Cyber security	Service propositions
RISK	Lack of training or awareness of appropriate operating procedures, and compliance with these at site level, could compromise the quality of care, and patient and member health and wellbeing. This could lead to costs, penalties and other sanctions being imposed on us, including loss of registration and damage to our reputation.	As consumer spending is aligned with the economic climate, there is a risk that a downturn could lead to a reduction in revenues and therefore cash inflow. Uncertainty surrounding the outcome of Brexit and global economic growth rates continues to underpin economic unpredictability in the UK.	Our service provision to patients and customers involves a number of key partners. Temporary or enduring loss could arise from a change in their policies, people, competition and market pressures, which could reduce our charitable reach and financial sustainability. In addition, Brexit could lead to some major businesses moving overseas.	In common with many other UK organisations and charities, the current regulatory and legislative landscape in which we operate continues to be subject to increasing change. Failure to recognise, adapt to and comply with the above may cause additional costs, penalties or other sanctions and damage to our Charity's reputation.	There is a risk of a cyber security incident, involving a breach of data protection. This could result in operational, legal, contractual and/or regulatory consequences, as well as reputational damage. Threats include increasing sophistication in targeted cyber-attacks, collateral damage from destructive nation-state attacks, and unauthorised access to internet-accessible data.	Patient, customer and partner demands continue to change, as do the opportunities to offer better, new and expanding services to increase our reach. Without developing and adapting existing service lines and propositions to match those demands, market share may be compromised and opportunities to grow our charitable reach impaired.
MITIGATING CONTROLS	<ul style="list-style-type: none">• Whistleblowing policy• Up to date standards and policies• Programme of quality and safety improvement activity• Induction and onboarding programme for all clinical staff• Proactive consultant engagement and selection• Quality Assurance Framework• Equipment regularly reviewed, in line with clinical requirements	<ul style="list-style-type: none">• Maintain rigorous and robust capital expenditure approval and oversight processes• Periodic projections of liquidity, profitability and solvency ratios• Development of contingency plans and scenario modelling tools• Regular monitoring and evaluation of both internal micro and external macro key performance indicators• Development of financial stress tests	<ul style="list-style-type: none">• Dedicated leadership team managing national contracts• Long-term contracts and regular reviews with key partners, as well as joint business plans and objectives• Strong portfolio of services and ongoing evaluation of expansion opportunities• Board level and expert group representation on the Independent Hospital Providers Network Board	<ul style="list-style-type: none">• Mandatory training on key topics with regular checks on compliance• Horizon scanning through key links with regulatory bodies and involvement in consultations• Continual assessment of regulations and policy changes, and ongoing engagement with the Charity• Compliance audits and rigorous reporting• Change management capabilities	<ul style="list-style-type: none">• Dedicated information security team• Security assessments of data processors, and certification to independently audited and tested ISO 27001 and Cyber Essentials• Independent technical security testing and audit to benchmark cyber security capability maturity• Continual user awareness through a training regime of good cyber hygiene	<ul style="list-style-type: none">• Category development structure focusing on innovation and proposition• Continued investment in customer feedback, as well as monthly satisfaction and NPS tracking• Broad reach through a national coverage of hospitals, medical clinics, fitness and wellbeing centres, and diagnostic units• Multi-channel service propositions• Connected healthcare offering
FORWARD PLAN	<ul style="list-style-type: none">• Non-acute Clinical Quality Assurance reviews• Quality Improvement Plan 2019• Build a dashboard using key risk indicators.• Enhance quality monitoring, support and improvement activity by the clinical directorate	<ul style="list-style-type: none">• Maintain cash reserves to absorb any shocks that may arise from Brexit• Continue to develop longer-term planning horizons, in order to apply different stress test scenarios	<ul style="list-style-type: none">• Continue to build sustainable relationships with key private medical insurance customers, corporate clients and the NHS through regular contact, to ensure a stable platform of service provision and the opportunity for growth	<ul style="list-style-type: none">• Compliance visits to all sites across the Charity, on a rolling basis• Focus on promoting compliance behaviours• Audit to ensure all policies are up to date and accessible	<ul style="list-style-type: none">• Implementation of risk based continual improvement of cyber security technologies and controls, based upon the findings of independent assessments• Continual monitoring of changing cyber security trends	<ul style="list-style-type: none">• A clear and prioritised plan to be in place across propositions, brand and digital to deliver the vision. This will be driven by enhanced market share analysis, data and trends

Our Board of Trustees

The Board is responsible for ensuring the Charity is delivering its purpose. By setting strategic direction, and overseeing risk management and governance, the Board supports the Chief Executive Officer and the Executive Management Team in achieving the Charity’s purpose.

At the date the Annual Report and financial statements were approved, the following Trustees were in place:

Dr Natalie-Jane Macdonald

Appointed: January 2017

Experience: Natalie-Jane has a strong understanding of the healthcare sector, beginning as a physician and clinical lecturer, then joining the British Medical Association as Head of Medical Ethics and International Affairs.

External appointments: Non-Executive Director, Private Healthcare & Information Network (PHIN); Associate Non-Executive Director, Royal National Orthopaedic Hospital.

David Lister

Chair Board Quality and Safety Committee

Appointed: 2014

Experience: David brings 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.

External appointments: Non-Executive Director, HSBC Bank, FDM Group, Co-operative Insurance and Weatherbys; Board member, Department for Work and Pensions; Trustee, the Tech Partnership.

Guy McCracken LVO

Chair Executive and Remuneration and Succession Committee

Appointed: 2010

Experience: Guy has a wealth of knowledge of the food sector, with a range of roles in food retailing spanning four decades. He has extensive experience in retail and management including Board Director and joint Managing Director of Marks & Spencer and Chairman of Duchy Originals.

External appointments: Chair, Branston Holdings Ltd.

Martin Bryant

Chair Finance and Investment Committee

Appointed: 2013

Experience: Martin has extensive experience of strategy, marketing and how to position an organisation. He has worked at the Home Office and FTSE 250 companies, including Boots the Chemist.

External appointments: Non-executive positions with the Government Procurement Service, the Scout Association, Wesleyan Bank and Wesleyan Assurance Society; Trustee of Vision Aid Overseas.

Fiona Driscoll

Chair Audit and Risk Committee until December 2018

Appointed: 2010

Experience: Fiona focuses on the interface between the public, private and third sectors, focusing on strategy, governance and risk. She has experience in healthcare, research, innovation and commercialisation, and the transformation of public services.

External appointments: Chair, Wessex Academic Health Science Network; Board Member and Chair, ARAPC, UK Research & Innovation; Member, HM Treasury Major Projects Review Group; Council member, Bradford University; Board member, Institute of Leadership.

Steve Maslin

Chair Audit and Risk Committee from December 2018

Appointed: July 2017

Experience: As an audit and transaction services partner for Grant Thornton, Steve specialises in listed and large private businesses. He was Chair of the Partnership Oversight Board, and Head of Assurance Services at Grant Thornton UK.

External appointments: Audit and Transaction Services Partner, Grant Thornton; Non-Executive member, Audit and Risk Committee, Ark Schools Academy Trust; Trustee, The Gurkha Museum.

Dame Lin Homer

Appointed: February 2019

Experience: Lin brings extensive experience, as a leader of large, complex operational and political organisations, including the Department for Transport and HM Revenue & Customs. Having worked in local government for almost 30 years, she had direct responsibility for policy and advice on social care issues for people in later life. She brings specialist knowledge in development work and governance, from her time on the Council of the University of Birmingham, the Institute of Chartered Accountants of Scotland, the Stefanou Foundation, Community Action Suffolk, and the Centre for Ageing Better.

Patrick Figgis

Appointed: June 2018

Experience: Patrick joined the Nuffield Health Board in 2018. He was previously a Senior Partner at PwC where he led its Global Health practice. He was a member of PwC UK’s Board and Chair of its Non-Executive Director Forum. He has extensive healthcare experience and of organisations going through change.

External appointments: Chair, Bowel Cancer UK; Trustee & Treasurer, Shakespeare’s Globe.

Neil Sachdev MBE

Appointed: November 2018

Experience: Neil brings strong property and retail experience to Nuffield Health. Previously, he was Group Property Director of J Sainsbury and before that served for 28 years with Tesco, where he rose to be Stores Board Director, responsible for property and operations for the UK business. Neil was awarded an MBE for his work in relation to Energy Efficiency & Sustainability in the Retail sector.

External appointments: Council Member, the University of Warwick, where Neil also chairs Warwick Business School; Non-Executive Director, Network Rail Property Ltd; Chair, Bonhill Holdings Group and CakeBox.

Areas of responsibility of the Board of Trustees:

- A

Audit and Risk Committee
- Q

Board Quality and Safety Committee
- F

Finance and Investment Committee
- N

Nominations Committee
- R

Executive Remuneration and Succession Committee



Left to right: David Liverseidge, Sharon Bridgland-Gough, Martin Friend, Jenny Dillon, Caroline Smith, Steve Gray, Chris Blackwell-Frost

Our Executive Management Team

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

At the date the Annual Report and financial statements were approved, the following senior executives were in place:

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 Lloyds Pharmacy and subsequently at A. S. Watson, where he was Healthcare Director. Steve has over 40 years’ experience, with the past 25 years in management, working primarily within the healthcare sector, holding a number of leadership, commercial and operational positions.

Caroline Smith
Chief Quality and Assurance Officer
Caroline has a wealth of industry experience spanning a wide range of healthcare services. This relates to regulated and unregulated outsourced services alongside the pharmaceutical industry and direct to the NHS. Prior to Nuffield Health, Caroline was a Partner at Management Solutions for Healthcare where she worked with Healthcare at Home, A.S. Watson and the Pennine Acute Hospitals NHS Trust. At Nuffield Health, Caroline is responsible for driving the transformation agenda, delivering our social impact and our quality and outcomes strategies, and legal counsel.

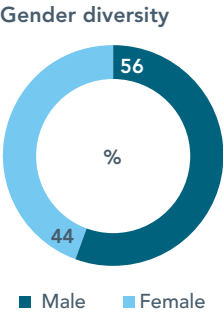
Jenny Dillon
Chief Finance Officer
As Chief Finance Officer, Jenny is responsible for Finance and Procurement. Prior to joining Nuffield Health, she headed up the UK Finance senior leadership team and led the Finance business partnering teams for National Grid. She has also held a number of senior finance roles at Central England Co-operative Society and in healthcare, working for Lloyds Pharmacy.

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. 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 and AAH Pharmaceuticals.

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 Charity’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.

Sharon Bridgland-Gough
Chief People Officer
Sharon began her career in healthcare, working for the NHS in London and Scotland, and has since held a number of senior executive roles within global and national organisations. She joined Nuffield Health in January 2018 from Cardtronics, the largest global independent ATM business, where she held the position of Chief Human Resources Officer.

Martin Friend
Chief Operations Officer
Martin took over the role of Chief Operations Officer in November 2017. Upon joining the organisation as Operations Director in 2009, Martin led the development and growth of the consumer fitness and wellbeing business, growing the number of sites to over 110 in the UK. Martin has over 20 years’ experience in the health, leisure and retail sectors, passionately leading business transformation, operational delivery and numerous acquisitions.



Chairman’s introduction to the Board of Trustees’ report

Russell Hardy
CHAIRMAN



The Board of Trustees underpins delivery of Nuffield Health’s purpose, to build a healthier nation, by overseeing the governance and risk management of the Charity. In doing this, we are always mindful of our responsibility to ensure long-term financial sustainability, which enables us to support people in achieving their health and wellbeing aims. We work closely with the executive leadership team to embed sound processes and procedures, which in turn facilitate a healthy culture and the focused delivery of our strategy.

During the year, we were delighted to welcome two new Trustees to the Board, Patrick Figgis and Neil Sachdev, who bring new insights to our team. Collectively, our Trustees have an enviable wealth of experience from industries including retail, pharmaceutical, government, finance, health and academia. This ensures that our Board discussions and debates are transparent, energetic and challenging. It also means that we can have confidence that the decisions made in the boardroom are commercially sound, with the aim of fulfilling our purpose, and establishing Nuffield Health as a leader in the healthcare industry, valued by its patients and customers; all for the public benefit.

In the following pages, we set out details of the composition of our Board of Trustees, its corporate governance, processes and activities during 2018, as well as providing reports from each of the key Committees.

Our management of risk has remained a high priority during a year of unprecedented challenges. We have kept a close watch on the economic climate in the UK, and globally in areas that might affect the healthcare market. In common with other UK

organisations, planning for all Brexit eventualities has been an important consideration and, at the time of writing, we still have no firm indication of the outcome of negotiations.

In terms of good governance, we operate rigorous systems across the Charity, and quality is always the first item on the agenda for our monthly meetings. The year saw the creation of our Quality and Assurance function, which is independent of day-to-day operations, and is responsible for quality, governance and compliance. In addition, we strengthened our quality reporting processes. This work will continue through 2019 when a standardised framework will be implemented in all our hospital sites.

This has been a demanding year for our people, whether working in our hospitals, medical centres, fitness and wellbeing clubs or corporate sites. We are mindful that it has been equally onerous for our suppliers, partners, patients and members. It is, therefore, pleasing that we are able to record a strong performance in all areas and, for this, I extend my sincere thanks to everyone for their unwavering support.

Our Board of Trustees approved this Trustees’ Report on 29 May 2019, and I commend it to all our members.

Russell Hardy
CHAIRMAN

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

Trustees are recommended by the Nominations Committee. They are appointed by vote by the members, during the Annual General Meeting. The Trustees 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 46 and 47.

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 Management Team.

Details of membership of Committees are shown in the table on page 52. 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 11 times in 2018 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; reviewing new opportunities to extend the Charity’s reach; continuous improvements in quality and outcomes; and enhancing the governance and assurance of the Charity.

Following the approval of a new five year strategy in 2016, the Board has this year continued to focus on the structure and governance of the organisation and its financial commitments. The Board is mindful of its responsibilities to balance investment in reaching more people with our services, and our ability to access capital as a Charity.

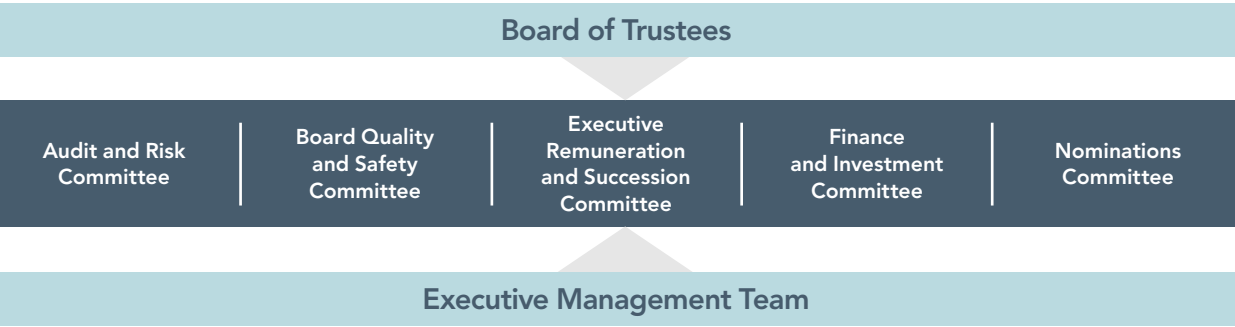
We maintained our focus on high quality care and outcomes. The Board, supported by the Board Quality and Safety Committee, assessed our ongoing improvement plans to enhance processes, management and culture.

The Board continued to be mindful of the case of the breast cancer surgeon Ian Paterson and, with the BQSC, we have continued to review and strengthen our governance processes in relation to our consultants and interactions with our NHS partners.

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 to respond to new legislation, alongside a continued focus on public benefit delivery.

Board Committees

Nuffield Health Board of Trustees and Committees



Board attendance 2018

Trustee	Board of Trustees	Audit and Risk Committee	Board Quality and Safety Committee	Executive Remuneration and Succession Committee	Finance and Investment Committee
Number of meetings in 2018	11	4	4	2	5
Numbers attended					
Russell Hardy (Chairman)	11			2	1
Martin Bryant	11	4			5
Fiona Driscoll	10	3		2	5
Dame Denise Holt (retired in July 2018)	5		2	1	
David Lister	11	1	4		
Dr Natalie-Jane Macdonald	10		4		
Steve Maslin	9	4			
Guy McCracken	11			2	3
Joanne Shaw (retired in July 2018)	6		3		
Patrick Figgis (joined in June 2018)	4	2			
Neil Sachdev (joined in November 2018)	1				

Board Quality and Safety Committee

The Board Quality and Safety Committee (BQSC) provides internal quality control assurance by monitoring and reviewing the effective operation of clinical governance throughout the Group and considers clinical risk and health and safety matters as well as statutory and regulatory oversight. It is responsible for driving a sound quality culture in line with the Charity’s core values and behaviours.

Trustee David Lister became the chair of the BQSC in July, taking over from previous chair, Joanne Shaw. Dr Natalie-Jane Macdonald became a member of the BQSC in July 2017 and is deputy chair of the Board. Roger Taylor continued to provide independent input to the BQSC during 2018.

The Chief Executive Office (CEO), Chief Operating Officer (COO), Chief People Officer (CPO), Medical Director, Clinical Director and Chief Nurse attended the BQSC along with other individuals, as the BQSC deemed appropriate.

The Committee met four times in 2018. It oversaw the continued development of the Quality Assurance Framework across both hospital and clinic-based services, focusing on embedding a continual quality improvement culture, learning lessons and embedding change at site level, and developing our approach to consultant engagement and practice in light of the Ian Paterson case.

The Committee also reviewed its overall terms of reference and the approach to ensuring high quality oversight. The local level Quality Committee provided the BQSC with clear oversight of quality, trends and themes. In addition, the BQSC continued to ensure a culture of quality ‘ownership’ at both a local and regional level, through the regional Quality Care Partner role and function, supporting hospital and non-hospital sites to develop a quality culture. The maturing Expert Advisory Groups (EAGs) gathered pace during 2018, driving quality and safety across important clinical areas.

The progress of the organisation in the area of quality is summarised in our annual Quality Assurance Report (pages 102 to 105). This discusses outcomes of the various elements of safety and quality programmes across all services provided by Nuffield Health. The Quality Assurance Report 2018 is incorporated within the 2018 Annual Report.

Executive Remuneration and Succession Committee

The Committee, which is responsible for executive remuneration and succession planning, is chaired by Guy McCracken and in 2018 included Fiona Driscoll, Russell Hardy and Denise Holt as Committee members. It met twice in 2018. The Committee is responsible for setting an appropriate remuneration policy that rewards the contribution and performance of the CEO and the senior executives while also recognising the charitable purpose of the organisation.

It is our policy that total remuneration packages comprising basic salary, pension contributions, performance based annual bonus and organisation-wide employee benefits should be competitive while also reflecting the organisation’s charitable status. The Committee reviews the performance of each of the executives annually and pays particular attention to the cultural and behavioural aspects of performance as well as delivery of objectives.

The Committee conducts an annual review of salaries and every two years reviews a detailed market benchmarking survey undertaken by an independent consultant. The main focus is on the general commercial sector from which most executive talent is recruited and the market median for total cash compensation is used as an initial benchmark for the various executive roles. The Committee then determines the appropriate levels of compensation taking account of the charitable status of the organisation and any available information from the health and wellbeing and not-for-profit sectors.

Details of the number of employees working on the charitable activities whose total emoluments and benefits (excluding employer pension contributions) exceed £60,000 are shown within the Financial Statements under note 11.

The committee believes in transparency and disclosing the pay ratio of our CEO relative to the Nuffield Health median total pay, which is 37:1. This is calculated as the CEO total annual emoluments in 2018 as a ratio to our median employee (per our Gender Pay Gap reporting) FTE total emoluments in 2018.

The Committee is also responsible for considering the succession needs of the organisation and ensuring there are appropriate plans in place for both the immediate and longer-term future. The issue of succession planning is a matter for the whole Board of Nuffield Health. However, the Committee plays a key

role on behalf of the Board in ensuring that appropriate succession plans are in place across the organisation. This approach ensures Nuffield Health is well prepared for any short-term eventualities as well as its longer-term needs.

Finance and Investment Committee

The purpose of the Finance and Investment Committee is to provide the Board of Trustees with:

- Recommendations for approval of major financial commitment and investment proposals
- An evaluation of the wider spending plans and funding needs of the Charity
- An assessment of post-investment appraisals of major projects, holding management to account on any key lessons learned

In line with the prevailing delegation of authority policy, the Committee reviews all proposals reserved directly for approval by the Board or which otherwise exceed the stipulated authority limit of the CEO and the Executive Board. Specifically, the Committee reviews all capital expenditure proposals in excess of £2 million and operating cost commitments in excess of £5 million.

Below those levels, authority is delegated to the CEO and the Chief Financial Officer (CFO), who discharge their responsibilities through an Executive Investment Committee, and below that, up to specified limits, there are cross-functional management committees which approve lower level capital and operating expenditures within the bounds of the approved budget or forecast. Higher authorities are required, and more scrutiny is applied, for non-budgeted expenditure and other specific types of commitment such as cost or revenue contracts exceeding a certain period of time, insurance and legal settlements and certain employee related payments.

The Committee meets at least quarterly and comprises four permanent Trustee members with the CEO and CFO in attendance plus selected other invited management representatives as required.

The Committee met five times in 2018 to review proposals which included, amongst others:

- Contracts for the supply and maintenance of fitness equipment
- Contracts for the supply of utilities and critical services
- Property leases
- Post-investment appraisals

During the last year the Committee has also:

- Performed a deep dive review of the Charity’s internal hurdle rates (required rates of return) to confirm they were still fit and proper in the current economic climate and also considering the Charity’s risk appetite. The Committee challenged management

- to ensure that the internal hurdle rates were not set too high, thereby forgoing valuable investment opportunities, or too low, thereby risking the Charity's long-term financial sustainability
- Reviewed the Charity's tax strategy
- Commenced a portfolio review of investment performance, which will be developed further in 2019

Audit and Risk Committee

The Board Audit and Risk Committee (BARC) met four times in 2018 and once in April 2019 to review the financial statements included in the Annual Report and accounts and receive the report from the external auditor. The CEO, the CFO, the Financial Controller, other individuals with oversight responsibility for risk, and representatives from the internal and external auditors attended the meetings at the invitation of the Committee.

Other members of management were also invited to attend meetings where they had specific knowledge or expertise in an area of review or investigation undertaken by the Committee. At the end of every meeting, the Committee met with the external and internal auditor without the presence of management to ensure that there was adequate opportunity for the auditors to report directly, and independently, to the Committee. Trustee Steve Maslin was appointed Chair of the BARC in December, taking over from Trustee Fiona Driscoll.

There are two key matters that Committee members keep at the front of their minds. Firstly, it is essential that Nuffield Health keeps clinical quality and safety as its number one priority. To this end all matters that impact clinical excellence are monitored by the BQSC and the two committees appoint one member of each to observe the other. The committees seek to ensure that the respective monitoring of risks is aligned and that no clinical issues fall between stools. Secondly, Nuffield Health is focussed on driving its strategy to deliver on our charitable purpose and to make a return to society and the BARC considers carefully how the risks to fulfilling that goal are controlled and mitigated.

The purpose of the BARC is to provide the Board of Trustees with:

- Independent and expert advice on the accuracy and integrity of financial reporting, including an assessment of any key audit and accounting judgements and the provision of direction on the nature and scope of the external and internal audits
- An assessment of the risks relating to the Charity's core activities and objectives, considering the principal risks identified by management and how they are controlled and monitored
- Periodic appraisal of the Charity's tax strategy, treasury policy and delegations of authority

- A recommendation for the appointment of the external and internal auditors, safeguarding the principles of objectivity and independence

Financial reporting

The Committee reviewed the draft Annual Report and accounts and recommended their approval to the Board of Governors. As part of its review, the Committee considered whether the Annual Report and accounts provided a fair and balanced assessment of the Charity's position and performance, as stipulated by the UK Corporate Governance Code.

The Committee's assessment of whether the Annual Report and accounts are fair and balanced included an analysis of key audit and accounting judgements and issues (see table right), the presentation of key performance indicators and the consistency of the narrative reporting with the performance information reported in the financial statements.

Risk

During 2018, the Committee received regular reports from management's Audit and Risk Committee, chaired by the CFO and attended by the Chief Quality and Assurance Officer, the CPO and the Chief Information Officer. The purpose of the Committee is to oversee the operation of the Charity's risk management framework; review the activities of the internal auditors; and assess specific financial and operational risks identified by the business.

During the second half of the year the Committee performed an impartial and robust review of the principal risks of the business as identified by management and consequently the associated reporting of principal risks in the Annual Report. The Committee considered how the principal risks were evaluated, controlled and monitored and management's forward plans. The Committee also considered the implications of Brexit and associated mitigating actions, and performed a detailed examination of the Charity's cyber security infrastructure in light of perpetually evolving threats. The Charity's Principal risks are outlined on pages 44 and 45.

The Committee received regular reports from Internal Audit to satisfy itself that Internal Audit activity was comprehensively aligned to the Charity's risk register. During the course of the year the Committee also contributed to the Charity's annual tax strategy, treasury policy and delegations of authority, and received regular updates on whistleblowing and employee relations matters.

Auditors

The Committee continue to review the auditor's performance on a regular basis and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

The key audit and accounting judgements considered by the Committee:

Impairment	Onerous leases
<p>Issue: Judgement is required when reviewing the carrying value of assets to determine whether they are impaired. Trigger tests are performed e.g. an assessment of whether performance is in line with expectations, and provide an indicator of potential impairment. If there are indicators of impairment then management subsequently prepares a value in use model or obtains valuations to assess the asset's carrying value and calculate an impairment charge where appropriate.</p>	<p>Issue: Judgement is required when determining the extent to which future lease payments exceed anticipated economic benefits, as forecast cash flows consider both indirect costs and capital expenditure. Management prepares an assessment to determine if there are any sites that require an onerous lease or adjustment to existing provisions.</p>
<p>Response: The Committee reviewed and challenged the impairment trigger assessment performed at the year end by management, taking into account the changes in methodology applied last year. The Committee satisfied itself that the assumptions used and the resulting assessment were reasonable.</p>	<p>Response: The Committee reviewed and challenged the judgements management made in assessing the need for any adjustments to the onerous lease provision. The Committee satisfied itself that the assumptions used and the resulting assessment were reasonable.</p>

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 2018, the members of the Committee were Russell Hardy, Denise Holt, Guy McCracken and Joanne Shaw. Two of the existing Board are due to retire in 2019, the remainder retiring in the period 2020 to 2028. The Committee began the process to recruit new Governors to ensure appropriate numbers are in place prior to the start of 2019.

The Committee met in early 2017 to consider Trustee recruitment. In 2018, Patrick Figgis and Neil Sachdev were approved by the Committee and joined the Board, with Dame Lin Homer and Lord Victor Adebawale approved by the Committee to join the Board during 2019. Recommendations will be proposed at the Annual General Meeting held in 2019 in accordance with the Charity's Articles of Association.

To facilitate the effective commencement and discharge of their Trustee role, all new Trustees are provided with an induction pack which includes the Charity Commission's Essential Trustee guidance, the Charity's governing documentation and comprehensive information on its strategy to deliver its charitable objects, alongside ongoing support co-ordinated by the Company Secretary.

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 Trustees' remuneration. During 2018, the members of the Committee were Michael Smith (Chair), George Fergusson and Jane Wesson. Having met in December 2017, the Committee met again in early 2019.

The Committee discussed the review of the Trustees' remuneration, Board composition and continuity, the recruitment of new Trustees and appraisal of Trustee performance. Details of the fees paid to the Trustees, including money purchase pension contributions, are shown within the financial statements under note 10.

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. Relevant organisational policies have incorporated an obligation for compliance and this has been reflected in the Charity's employee induction and training materials.

We expect and take all reasonable and practical steps to require all suppliers in our supply chain to adhere to our values and policies. We assess and categorise suppliers taking into account the type and nature of their business in the context of the goods or services supplied as well as country of operation and industry characteristics. Based on our supply chain due diligence and review during the course of the 2018 financial year, we are satisfied that our key suppliers have appropriate anti-slavery policies in place.

Reserve policy

The Trustees review the financial sustainability of the Group through regular reviews of its cash forecasts and budgets and so do not set a reserve target for the Group. The Group aims to use the majority of its surplus cash to invest in operational assets and infrastructure that improve the quality of or increase the Charity's activities. Due to this it is expected that there will be no freely available free reserves created in this stage of the Group's strategy.

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. In addition to this, in 2018, the Trustees reviewed our purpose, leading to a simplified, concise, articulation: ‘To build a healthier nation.’

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.

Customer diversity was reviewed in 2018 and the Trustees supported the launch of the flagship programmes, built to widen access to our experts and expertise, and expand our reach to those who would not normally be able to afford or access our services.

Nuffield Health has policies to clarify – to both 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 per cent 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

The Trustees are also aware of their responsibilities 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.

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 2019 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.

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 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’.

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 apply them consistently
- Observe the methods and principles in the Charities Statement of Recommended Practices (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 auditor is unaware
- 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 Charity’s 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 the Trustees of Nuffield Health

Report on the audit of the financial statements
Opinion

In our opinion the financial statements of Nuffield Health (the ‘charitable company’) and its subsidiaries (the ‘group’):

- give a true and fair view of the state of the Group’s and the parent charitable company’s affairs as at 31 December 2018 and of the group’s and parent charitable company’s incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

We have audited the financial statements 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;
- the related notes 1 to 34.

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

Basis for opinion

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

We are independent of the Group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial

statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Trustees’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s and the parent charitable company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of trustees

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

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

Auditor’s responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and report in accordance with those Acts and relevant regulations made or having effect thereunder.

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

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

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees’ report, which includes the strategic report and the Trustees’ Annual report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Trustees’ Annual report included within the trustees’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report included within the trustees’ report.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate and proper 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the charitable company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company’s trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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, the charitable company’s members as a body and the charitable company’s trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Craig Wisdom
(SENIOR STATUTORY AUDITOR)

For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, UK
29 May 2019

Deloitte LLP is eligible for appointment as auditor for the Charity by virtue of its eligibility for appointment as audit of a company under section 1212 of the Companies Act 2006.

Consolidated income statement for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Turnover	2	945.8	909.1
Cost of services		(887.1)	(871.2)
Gross surplus		58.7	37.9
Support costs	3	(48.1)	(43.5)
Share of joint venture interests		(0.5)	(0.2)
Total operating surplus/(deficit) before interest and tax	6	10.1	(5.8)
Comprising:			
Operating surplus before exceptionals		16.9	14.1
Exceptional items	5	(6.8)	(19.9)
Net interest payable and similar income	7	(17.6)	(18.0)
Deficit before taxation		(7.5)	(23.8)
Tax on deficit	12	–	–
Deficit after tax for the financial year		(7.5)	(23.8)

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. These items are presented in the Consolidated and Charity statement of financial activities on the following page.

The accounting policies and notes on pages 64 to 100 form part of these financial statements.

Consolidated and Charity statement of financial activities for the year ended 31 December 2018

		Group Total funds*		Charity Total funds*	
	Notes	2018 Total £m	2017 Total £m	2018 Total £m	2017 Total £m
Income and endowments					
Donations and legacies	2	0.2	–	0.2	–
Charitable activities	2	942.4	905.7	942.4	905.7
Other trading activities	2	3.2	3.4	–	–
Investments	2	0.4	0.4	0.5	1.2
Total income and endowments	2	946.2	909.5	943.1	906.9
Expenditure on charitable activities					
Share of joint venture interests**		(0.5)	(0.2)	(0.5)	–
Other expenditure before exceptional items	3	(925.2)	(891.5)	(926.6)	(891.5)
Exceptional items	5	(6.8)	(19.9)	(6.8)	(19.9)
Interest payable	7	(18.0)	(18.4)	(17.9)	(19.4)
Other expenditure					
Other trading activities		(3.2)	(3.3)	–	–
Total expenditure		(953.7)	(933.3)	(951.8)	(931.0)
Net expenditure					
Before exceptional items		(0.7)	(3.9)	(1.9)	(4.2)
Exceptional items		(6.8)	(19.9)	(6.8)	(19.9)
Net expenditure		(7.5)	(23.8)	(8.7)	(24.1)
Other recognised gains and losses					
Actuarial gains on defined benefit retirement scheme	8	7.5	26.0	7.5	26.0
Net movement in funds		–	2.2	(1.2)	1.9
Fund balances at 1 January		64.2	62.0	62.6	60.7
Fund balances at 31 December	1	64.2	64.2	61.4	62.6

* Total funds for the Group and Charity include restricted funds of £0.8 million (2017 – £0.8 million) and permanent endowments of £0.1 million (2017 – £0.1 million)

** 2017 amounts were updated to reflect the current year classification.

All amounts derive from continuing activities.

The accounting policies and notes on pages 64 to 100 form part of these financial statements.

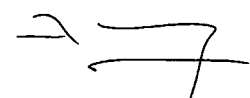
Balance sheets

at 31 December 2018


	Notes	Group		Charity	
		2018 £m	2017 £m	2018 £m	2017 £m
Fixed assets					
Intangible assets	13	88.4	103.6	89.0	104.2
Tangible assets	14	529.5	534.0	525.6	530.3
Investments	15	0.4	0.2	19.8	20.7
		618.3	637.8	634.4	655.2
Current assets					
Stocks	16	9.8	9.3	9.8	9.2
Debtors	17	85.9	87.0	89.3	88.9
Cash at bank and in hand	30	2.4	3.2	2.4	3.6
		98.1	99.5	101.5	101.7
Creditors: amounts falling due within one year	18	(158.3)	(167.5)	(181.4)	(189.7)
Net current liabilities		(60.2)	(68.0)	(79.9)	(88.0)
Total assets less current liabilities		558.1	569.8	554.5	567.2
Creditors: amounts falling due after more than one year	19	(370.0)	(373.8)	(442.3)	(444.1)
Provisions for liabilities	22	(33.5)	(35.7)	(33.2)	(35.6)
Net assets excluding post retirement liabilities		154.6	160.3	79.0	87.5
Post retirement defined benefit liabilities	8	(90.4)	(96.1)	(17.6)	(24.9)
Net assets		64.2	64.2	61.4	62.6
Income funds					
Restricted funds	1	0.8	0.8	0.8	0.8
Unrestricted funds:					
General fund		153.7	159.4	78.1	86.6
Post retirement reserve		(90.4)	(96.1)	(17.6)	(24.9)
Total unrestricted funds	1	63.3	63.3	60.5	61.7
Total income funds		64.1	64.1	61.3	62.5
Permanent endowment	1, 23	0.1	0.1	0.1	0.1
Group funds		64.2	64.2	61.4	62.6

The accounting policies and notes on pages 64 to 100 form part of these financial statements.

Approved and issued by the Board of Trustees on 29 May 2019.



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 2018

	Notes	2018 £m	2017 £m
Cash generated from operating activities			
Before exceptional items	26	92.8	91.4
Exceptional items	26	(2.6)	(5.0)
		90.2	86.4
Cash flows from investing activities	27	(57.8)	(95.3)
Cash flows from financing activities	28	(36.4)	9.2
Net (decrease)/increase in cash and cash equivalents		(4.0)	0.3
Cash and cash equivalents at 1 January		3.2	2.9
Cash and cash equivalents at 31 December	30	(0.8)	3.2
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents for the financial year		(4.0)	0.3
Cash inflow/(outflow) from changes in debt and lease finance		20.7	(21.0)
Change in net debt resulting from cash flows	29	16.7	(20.7)
New finance leases	29	1.6	(2.3)
Movement in net debt in the financial year		18.3	(23.0)
Net debt at 1 January	29	(389.0)	(366.0)
Net debt at 31 December	29	(370.7)	(389.0)

The accounting policies and notes on pages 64 to 100 form part of these financial statements.

Financial statements

Accounting policies for the year ended 31 December 2018

a) Company information

Nuffield Health (Company number 00576970, Charity number England and Wales 205533, Charity number in Scotland SCO 41793) is a company limited by guarantee without share capital incorporated in the United Kingdom. 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 2018.

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 financial statements.

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 the 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.

Undertakings are deemed to be a joint venture when Nuffield Health has joint control of the rights and assets of the undertaking via either voting rights or a formal agreement which includes that unanimous consent is required for financial and operating decisions.

Joint ventures are consolidated under the equity accounting method. The business only recognises its share of profits or losses from any joint venture.

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 significant judgements and estimates have been made.

Critical judgements in applying the Group's accounting policies

Judgements made by management include the presentation of exceptional items (note i), the assessment of asset lives and residual values (note o) and the classification of leases as operating or finance leases (note w). There were however no critical judgements made.

Key sources of estimation uncertainty 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. For this purpose, individual consumer fitness and wellbeing sites and hospitals are considered to be separate income generating units.

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.

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.

In 2016 the Charity entered into an asset backed funding arrangement with the Nuffield Health Pension and Life Assurance Scheme (the Scheme). It was concluded that the Scheme is a separate reporting entity to the Charity. Therefore the Charity's post retirement defined benefit liabilities are less than the Group's by £72.8 million (2017 – £71.2 million) 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.

Future cash flow estimation

The onerous lease assessment and impairment tests carried out periodically are dependent on estimates of future cash flows including potential Brexit scenarios. There is significant judgement in estimating these cash flows as it requires assessment of cost inflation, market growth and competitor influences. The latest actual results and budget are used to establish the anticipated long-term profitability of the sites. Where appropriate, external experts are engaged to support the assessment.

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:

- Income from the hospital and wellbeing's clinical activities that are recognised when the treatment or good is provided
- 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
- 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 receipt is probable, there is evidence of entitlement and it 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.

Accounting policies
for the year ended 31 December 2018 continued

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 significant transactions either individually or in aggregate, of a similar type or event, that have arisen outside the Group’s ordinary trading activities. They are disclosed separately to improve the understanding of the Group’s underlying financial performance.

j) Termination benefits

Payments or other benefits arising from the termination of a person’s employment are 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 subsidiaries 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 five 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 economic 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:

- It is technically and financially feasible to complete the development
- The intention is to complete the development and use the software
- It can be used when completed
- The costs can be measured reliably
- 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 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) 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. 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.

p) 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 the 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.

Accounting policies
for the year ended 31 December 2018 continued

q) 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.

r) Investments

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

Investments in joint ventures and associates are recorded using the equity method of accounting. Under the equity method, investments in joint ventures and associates are carried in the Balance sheet at cost and adjusted for post-acquisition changes in the Group’s share of the net assets of the joint ventures and associates, less any provision for impairment in the value of investment.

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.

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.

s) 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.

t) 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 of the obligation can be made. 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 cannot be reliably estimated, 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 the Consolidated statement of financial activities.

u) 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.

v) Defined contribution pension schemes

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

w) 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.

x) 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 the 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 the 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 Statement of financial activities.

Notes to the financial statements for the year ended 31 December 2018

1. Fund analysis

Group	Permanent £m	Restricted £m	Unrestricted £m	2018 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2017 Total £m
Total income								
Donations, gifts and legacies	–	–	0.2	0.2	–	–	–	–
Other sources of income	–	–	946.0	946.0	–	–	909.5	909.5
Total income	–	–	946.2	946.2	–	–	909.5	909.5
Total expenditure	–	–	(953.7)	(953.7)	–	–	(933.3)	(933.3)
Net expenditure	–	–	(7.5)	(7.5)	–	–	(23.8)	(23.8)
Other recognised gains and losses	–	–	7.5	7.5	–	–	26.0	26.0
Net movement in funds	–	–	–	–	–	–	2.2	2.2
Fund balance at 1 January	0.1	0.8	63.3	64.2	0.1	0.8	61.1	62.0
Fund balance at 31 December	0.1	0.8	63.3	64.2	0.1	0.8	63.3	64.2

Charity	Permanent £m	Restricted £m	Unrestricted £m	2018 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2017 Total £m
Total income								
Donations, gifts and legacies	–	–	0.2	0.2	–	–	–	–
Other sources of income	–	–	942.9	942.9	–	–	906.9	906.9
Total income	–	–	943.1	943.1	–	–	906.9	906.9
Total expenditure	–	–	(951.8)	(951.8)	–	–	(931.0)	(931.0)
Net expenditure	–	–	(8.7)	(8.7)	–	–	(24.1)	(24.1)
Other recognised gains and losses	–	–	7.5	7.5	–	–	26.0	26.0
Net movement in funds	–	–	(1.2)	(1.2)	–	–	1.9	1.9
Fund balance at 1 January	0.1	0.8	61.7	62.6	0.1	0.8	59.8	60.7
Fund balance at 31 December	0.1	0.8	60.5	61.4	0.1	0.8	61.7	62.6

2. Turnover and income analysis

Group	2018 £m	2017 £m
Income from charitable activities		
Hospital services	582.6	558.6
Wellbeing services	359.8	347.1
Net income from charitable activities	942.4	905.7
Donations	0.2	–
Other trading income	3.2	3.4
Turnover	945.8	909.1
Income from investments	0.4	0.4
Total income	946.2	909.5

Charity	2018 £m	2017 £m
Income from charitable activities		
Hospital services	582.6	558.6
Wellbeing services	359.8	347.1
Net income from charitable activities	942.4	905.7
Donations	0.2	–
Other trading income	–	–
Turnover	942.6	905.7
Income from investments	0.5	1.2
Total income	943.1	906.9

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

Notes to the financial statements

for the year ended 31 December 2018 continued

3. Expenditure on charitable activities

Group	Direct activities		Support costs		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Continuing activities						
Normal						
Staff and related costs	308.3	305.1	57.7	41.7	366.0	346.8
Third party fees	136.1	131.8	–	–	136.1	131.8
Supply costs	120.7	116.2	–	–	120.7	116.2
Depreciation and amortisation	69.0	68.4	14.2	11.7	83.2	80.1
Other costs	167.8	167.3	51.9	49.5	219.7	216.8
	801.9	788.8	123.8	102.9	925.7	891.7
Support costs allocated to direct activities	81.4	68.0	(81.4)	(68.0)	–	–
After recharge	883.3	856.8	42.4	34.9	925.7	891.7
Exceptional						
Reorganisation and transformation costs	–	–	2.8	5.0	2.8	5.0
Impairment of fixed assets	1.1	5.0	–	–	1.1	5.0
Onerous lease provision	–	6.3	–	–	–	6.3
Other costs	–	–	1.1	3.6	1.1	3.6
Pension costs	–	–	1.8	–	1.8	–
Total exceptional	1.1	11.3	5.7	8.6	6.8	19.9
Expenditure on charitable activities	884.4	868.1	48.1	43.5	932.5	911.6

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

Other costs include £0.5m relating to share of joint venture interests.

Charity	Direct activities		Support costs		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Continuing activities						
Normal						
Staff and related costs	308.5	303.5	58.1	41.7	366.6	345.2
Third party fees	136.4	131.8	–	–	136.4	131.8
Supply costs	120.3	115.6	–	–	120.3	115.6
Depreciation and amortisation	68.9	68.4	14.2	11.7	83.1	80.1
Other costs	167.1	169.7	53.6	49.3	220.7	219.0
	801.2	789.0	125.9	102.7	927.1	891.7
Support costs allocated to direct activities	81.4	67.8	(81.4)	(67.8)	–	–
After recharge	882.6	856.8	44.5	34.9	927.1	891.7
Exceptional						
Reorganisation and transformation costs	–	–	2.8	5.0	2.8	5.0
Impairment of fixed assets	1.1	5.0	–	–	1.1	5.0
Onerous lease provision	–	6.3	–	–	–	6.3
Other costs	–	–	1.1	3.6	1.1	3.6
Pension costs	–	–	1.8	–	1.8	–
Total exceptional	1.1	11.3	5.7	8.6	6.8	19.9
Expenditure on charitable activities	883.7	868.1	50.2	43.5	933.9	911.6

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

4. Governance costs

	2018 £m	2017 £m
Staff and related costs	2.6	2.0
Other costs	1.5	1.3
	4.1	3.3

Governance costs are included within support costs in note 3.

Notes to the financial statements

for the year ended 31 December 2018 continued

5. Exceptional items

The total exceptional items charge of £6.8 million (2017 – £19.9 million) is analysed and categorised in the Income statement as follows:

	2018 £m	2017 £m
Group and Charity		
Cost of services		
Impairment of tangible fixed assets	1.1	5.0
Onerous lease provision	–	6.3
	1.1	11.3
Support costs		
Reorganisation and transformation costs	2.8	5.0
Aborted project spend	–	1.7
Pension costs	1.8	–
Other	1.1	1.9
	5.7	8.6
Total exceptional items	6.8	19.9

Impairment of tangible fixed assets

In the year the business has recorded impairment charges of £1.1 million on a handful of consumer sites. In the prior year the business updated its methodology for determining impairment which resulted an impairment charge of £5.0 million being recorded on a number of consumer sites.

Onerous lease provision

In the prior year the business changed the methodology for calculating onerous leases which resulted in an exceptional charge of £6.3 million being recorded for certain consumer sites where the forecast cash flows were not sufficient to cover the minimum lease commitment. There has been no additional charge or release of onerous lease provisions recorded in the current year.

Reorganisation and transformation costs

The business has continued with its reorganisation and transformation aimed at improving the way the business provides holistic healthcare to its customers and to standardise its activities supported by improved systems. In 2018 the business launched its Human Capital Management system developed over the last two years which has automated a number of processes. This has resulted in the redeployment or redundancy of certain teams across the business.

Aborted project spend

In the prior year the business incurred £1.7 million of costs when assessing an acquisition target which was aborted following a comprehensive due diligence process.

Pension costs

In September 2018 there was a court ruling that resulted in the equalisation of pension benefits for men and women when calculating guaranteed minimum payments for pensioners. This impacted organisations with a defined benefit pension liability. Nuffield Health has recorded a one-off charge of £1.8 million to amend this historic shortfall and is disclosed in note 8.

Other

In the current year the business has identified a potential liability with a key supply contract for which a provision of £1.1 million has been recorded. In the prior year a provision of £1.9 million was recorded for contractual liabilities on certain legacy contracts, which still remains outstanding.

6. Operating (deficit)/surplus

This is stated after charging or crediting:

	2018 £m	2017 £m
Amounts payable to auditor:		
Audit fees payable	0.3	0.3
Fees payable for other services	0.2	0.3
Depreciation on tangible fixed assets:		
On owned assets	55.2	55.0
On assets held under finance leases and hire purchase contracts	1.8	1.9
Exceptional impairment of tangible fixed assets (note 5)	1.1	5.0
(Gain)/loss on disposal of tangible fixed assets	–	(0.7)
Amortisation of intangible fixed assets (note 13)	26.1	23.2
Hire of plant and machinery (including operating lease charges)	6.1	5.2
Property operating lease rentals	58.6	59.9
Rental income from operating leases	(1.0)	(0.8)
Third party indemnity insurance	1.2	1.2
Exceptional onerous lease provision (note 5)	–	6.3

Fees payable by the Charity for the audit of the Charity's and its subsidiaries' annual accounts amounted to £348,000 (2017 – £275,000). The 2018 Audit fee includes £64,000 relating to first year audit fees incurred in 2017. Fees payable for other services amounted to £176,000 (2017 – £263,000) mainly relating to tax advisory services. Fees paid to Deloitte 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.

Indemnity insurance for the Trustees and officers amounted to £32,000 (2017 – £32,000).

A reconciliation from operating surplus/(deficit) to adjusted earnings before interest, tax, depreciation and amortisation is as follows:

	2018 £m	2017 £m
Total operating surplus/(deficit) before interest and tax	10.1	(5.8)
Adjusted for:		
Depreciation and amortisation (excluding exceptional depreciation)	83.1	80.1
Exceptional items	6.8	19.9
Adjusted earnings before interest, tax, depreciation and amortisation	100.0	94.2

Notes to the financial statements

for the year ended 31 December 2018 continued

7. Net interest payable and similar income

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Interest receivable	0.4	0.4	0.1	0.1
Interest payable				
Bank loans and overdraft	(8.0)	(7.3)	(8.0)	(7.3)
Senior secured loan notes	(5.4)	(5.4)	(5.4)	(5.4)
Stakeholder bond	(0.3)	(1.3)	(0.3)	(1.3)
Finance charges in respect of finance leases	(0.2)	(0.2)	(0.2)	(0.2)
Finance charges in respect of pension liability for asset backed funding	–	–	(2.0)	(3.1)
Other interest payable	(1.0)	(0.6)	(0.9)	(0.5)
Costs in connection with loan facilities	(1.3)	(1.0)	(1.3)	(1.0)
Costs in connection with the stakeholder bond	(0.1)	(0.2)	(0.1)	(0.2)
	(16.3)	(16.0)	(18.2)	(19.0)
Retirement benefit finance costs	(2.4)	(3.2)	(2.5)	(0.1)
Total interest payable	(18.7)	(19.2)	(20.7)	(19.1)
Movement in fair value of derivatives				
Opening fair value of interest rate derivative	(0.9)	(1.7)	(0.9)	(1.7)
Closing fair value of interest rate derivative	(0.2)	(0.9)	1.9	(0.9)
Fair value movement	0.7	0.8	2.8	0.8
Interest payable and movement in fair values	(18.0)	(18.4)	(17.9)	(18.3)
Net interest payable and similar income	(17.6)	(18.0)	(17.8)	(18.2)

8. Defined benefit pensions and other post retirement benefits

The Group's funded defined benefit pension scheme is closed to future contributions. Previously, 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 were agreed by the Trustees of the Scheme and Nuffield Health as part of the 31 March 2015 valuation.

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 £3.2 million (2017 – £3.1 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 that 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:

	2018 % pa	2017 % pa
Rate of increase in medical inflation	4.3	4.2
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	2.1	2.1
Rate of increase for deferred pensions	2.3	2.2
Discount rate (yield curve basis)	2.9	2.6
Inflation rate (CPI)	2.3	2.2

The post retirement mortality assumptions used to value the benefit obligation mortality tables are based on S2PA at 31 December 2018 and 31 December 2017. Assumed life expectancies on retirement at age 65 are:

		2018 Years	2017 Years
Retiring today	Males	22.2	22.3
	Females	24.1	24.1
Retiring in 20 years' time	Males	23.9	24.0
	Females	25.6	25.7

The returns on the plan assets are:

	2018 % pa	2017 % pa
(Decline)/Growth assets	(3.7)	6.0
Matching assets including hedge liability	(0.8)	3.6

Notes to the financial statements

for the year ended 31 December 2018 continued

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	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Operating surplus						
Administrative costs	0.8	0.7	–	–	0.8	0.7
Current service and settlement costs	–	–	–	–	–	–
	0.8	0.7	–	–	0.8	0.7
Exceptional (note 5)	1.8	–	–	–	1.8	–
Net interest payable/(receivable)						
Interest on schemes' assets	(9.7)	(9.8)	–	–	(9.7)	(9.8)
Interest on schemes' liabilities	12.0	12.9	0.1	0.1	12.1	13.0
Total charged to finance expenses	2.3	3.1	0.1	0.1	2.4	3.2
Total charged to net income	4.9	3.8	0.1	0.1	5.0	3.9

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

	2018 £m	2017 £m
Actual return on schemes' assets	(11.7)	20.6
Less interest on schemes' assets	(9.7)	(9.8)
	(21.4)	10.8
On obligations – interest costs	28.9	15.2
Net actuarial gains on defined benefit retirement schemes	7.5	26.0

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Growth assets	242.3	260.8	–	–	242.3	260.8
Matching assets including liability hedge	116.2	119.1	–	–	116.2	119.1
Other assets	1.9	5.0	–	–	1.9	5.0
	360.4	384.9	–	–	360.4	384.9
Present value of funded obligations	(444.3)	(474.1)	–	–	(444.3)	(474.1)
	(83.9)	(89.2)	–	–	(83.9)	(89.2)
Present value of unfunded obligations	(2.6)	(2.8)	(3.9)	(4.1)	(6.5)	(6.9)
Net liabilities	(86.5)	(92.0)	(3.9)	(4.1)	(90.4)	(96.1)

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Opening defined benefit obligations	(476.9)	(494.1)	(4.0)	(4.3)	(480.9)	(498.4)
Benefits paid	14.7	15.0	0.4	0.3	15.1	15.3
Interest cost	(12.0)	(12.9)	(0.1)	(0.1)	(12.1)	(13.0)
Actuarial (losses)/gains	29.1	15.1	(0.2)	0.1	28.9	15.2
Past service costs	(1.8)	–	–	–	(1.8)	–
Closing defined benefit obligations	(446.9)	(476.9)	(3.9)	(4.0)	(450.8)	(480.9)

The cumulative actuarial losses recognised in the Statement of financial activities at 31 December 2018 were £116.0 million (2017 – £144.9 million).

Notes to the financial statements

for the year ended 31 December 2018 continued

8. Defined benefit pensions and other post retirement benefits continued

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Opening fair value of plan assets	384.8	377.1	–	–	384.8	377.1
Interest income	9.7	9.8	–	–	9.7	9.8
Actuarial gains	(21.4)	10.8	–	–	(21.4)	10.8
Contributions paid	2.8	2.8	0.4	0.3	3.2	3.1
Scheme administrative costs	(0.8)	(0.7)	–	–	(0.8)	(0.7)
Benefits paid	(14.7)	(15.0)	(0.4)	(0.3)	(15.1)	(15.3)
Closing fair value of plan assets	360.4	384.8	–	–	360.4	384.8

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 cash flow obligations to the Scheme and the Scheme's assets increasing by the same amount. The cash flows are recorded at their fair value, which at the end of the financial year is £72.8 million (2017 – £71.2 million). 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 2018, the Charity's net post retirement defined benefit liability is £17.6 million (2017 – £24.9 million) and the pension liability for asset backed funding due within one year is £0.5 million (2017 – £0.9 million) and due after one year is £72.3 million (2017 – £70.3 million).

9. Defined contribution pension schemes

	2018 £m	2017 £m
Amounts charged to the Income statement and Statement of financial activities	13.9	12.5
Contributions owing to the pension schemes at 31 December	1.5	1.8

The number of employees in defined contribution pension schemes at year end was 11,065 (2017 – 10,771).

10. Trustees' remuneration

The Trustees are the same as Directors under company law.

	2018 £	2017 £
Emoluments paid to the Trustees:		
Mr R S M Hardy	61,000	61,000
Mr M W Bryant	44,000	38,000
Mr P G McCracken	41,000	38,000
Ms F E Driscoll	41,000	38,000
Mrs J M Shaw (resigned 25 July 2018)	26,000	63,000
Dame D Holt (resigned 25 July 2018)	19,000	31,000
Mr P Figgis (appointed 27 June 2018)	17,000	–
Mr D W Lister	39,000	34,000
Ms N Macdonald	34,000	29,000
Mr S Maslin	34,000	17,000
Mr Neil Sachdev (appointed 23 November 2018)	4,000	–
	360,000	349,000

The total value of money purchase pension contributions by the Trustees are £8,316 (2017 – £9,243). Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £29,683 (2017 – £14,179) in the year.

During the prior year, Mrs J M Shaw received payment in arrears for her role as Deputy Chair from the period April 2014 to December 2016.

11. Employees

	Number	2018 FTE	Number	2017 FTE
Average number of employees:				
Hospital	7,042	4,520	7,617	5,185
Wellbeing	8,316	4,209	8,431	4,709
Support	829	623	150	142
Total	16,187	9,352	16,198	10,036

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

As part of the continued reorganisation and transformation the business standardised its payroll activities, resulting in a change to the allocation of payroll costs in January 2018. The change resulted in the reallocation of Central and Support functions previously reported within the Hospitals and Wellbeing categories into Support costs. These functions include People, Talent and Transformation, Customer Support, Corporate Sales and Marketing and IT and Special projects and various directorates within Hospitals and Wellbeing which were previously included within Hospitals and Wellbeing.

Notes to the financial statements

for the year ended 31 December 2018 continued

11. Employees continued

	2018 £m	2017 £m
Staff costs during the year		
Wages and salaries	312.8	291.8
Social security costs	24.7	24.0
Defined benefit scheme administrative costs (note 8)	0.8	0.7
Defined contribution (note 9)	13.9	12.5
Agency costs	11.1	14.5
	363.3	343.5

Termination benefits

	Charged to Consolidated statement of financial activities		Accrued at year end	
	2018 £m	2017 £m	2018 £m	2017 £m
Individual redundancy and terminations	0.2	0.7	–	–
Associated with exceptional reorganisations	2.7	4.3	0.8	–
	2.9	5.0	0.8	–

The emoluments of the higher paid employees fell within the ranges indicated below. These emoluments include any bonuses payable, redundancy payments (note 5) and settlement agreement payments but exclude pension contributions.

	2018 Number	2017 Number
£60,000 to £69,999	134	116
£70,000 to £79,999	93	71
£80,000 to £89,999	45	56
£90,000 to £99,999	37	22
£100,000 to £109,999	18	14
£110,000 to £119,999	12	15
£120,000 to £129,999	15	9
£130,000 to £139,999	6	7
£140,000 to £149,999	9	9
£150,000 to £159,999	4	3
£160,000 to £169,999	4	1
£170,000 to £179,999	9	4
£180,000 to £189,999	5	1
£190,000 to £199,999	4	1
£200,000 to £209,999	2	2
£210,000 to £219,999	1	1
£220,000 to £229,999	4	2
£240,000 to £249,999	1	–
£250,000 to £259,999	1	1
£260,000 to £269,999	–	1
£280,000 to £289,999	1	–
£290,000 to £299,999	–	2
£310,000 to £319,999	–	1
£330,000 to £339,999	1	–
£340,000 to £349,999	1	–
£380,000 to £389,999	1	–
£390,000 to £399,999	1	–
£400,000 to £409,999	–	1
£430,000 to £439,999	2	–
£450,000 to £459,999	1	1
£510,000 to £519,999	–	1
£840,000 to £849,000	1	–

The total emoluments and employee benefits for the Executive Managers, who are the key management personnel, in the year was £3.3 million (2017 – £2.5 million). The highest paid individual in 2018 (excluding termination pay) was the Chief Executive Officer, Steve Gray (2017 – Steve Gray).

Notes to the financial statements

for the year ended 31 December 2018 continued

11. Employees continued

	2018 £m	2017 £m
Employer contributions towards defined contribution pension schemes for higher paid employees	2.9	2.4

	2018 Number	2017 Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	368	359

12. Tax on deficit

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Current tax				
United Kingdom corporation tax at 19% (2017 – 19%) by subsidiaries	–	–	–	–

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 2018 (2017 – Nil) in respect of these losses because they are unlikely to be recovered.

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 2018	116.2	12.7	86.6	215.5	117.4	12.7	86.6	216.7
Additions	–	4.1	7.6	11.7	–	4.1	7.5	11.6
Reclassification of asset categories	–	–	(4.6)	(4.6)	–	–	(4.6)	(4.6)
Transfers	–	(1.2)	1.2	–	–	(1.2)	1.2	–
Disposals	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
At 31 December 2018	116.2	15.6	90.7	222.5	117.4	15.6	90.6	223.6
Amortisation								
At 1 January 2018	(51.8)	–	(60.1)	(111.9)	(52.3)	–	(60.2)	(112.5)
Charge for year	(8.8)	–	(17.3)	(26.1)	(8.8)	–	(17.2)	(26.0)
Reclassification of asset categories	–	–	3.9	3.9	–	–	3.9	3.9
Disposals	–	–	–	–	–	–	–	–
At 31 December 2018	(60.6)	–	(73.5)	(134.1)	(61.1)	–	(73.5)	(134.6)
Net book value at 31 December 2018	55.6	15.6	17.2	88.4	56.3	15.6	17.1	89.0
Net book value at 31 December 2017	64.4	12.7	26.5	103.6	65.1	12.7	26.4	104.2

At the start of the year, the business conducted a review of its fixed assets and their classification. As a result of the review a reclassification of cost and amortisation within certain categories was made to reflect this change in classification of assets. There was no impact on the carrying value of these assets.

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

Additions to computer software during the year included capitalised internal project development costs of £6.0 million (2017 – £4.7 million). The internal project development costs capitalised to date are £20.2 million (2017 – £14.2 million).

Notes to the financial statements

for the year ended 31 December 2018 continued

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 2018	26.3	273.5	56.5	157.5	572.0	1,085.8
Additions at cost	16.4	–	1.6	3.7	31.5	53.2
Reclassification of asset categories	–	(7.1)	(0.3)	(78.8)	95.5	9.3
Transfers	(14.1)	0.5	–	–	13.6	–
Disposals	–	–	–	(2.5)	(20.7)	(23.2)
At 31 December 2018	28.6	266.9	57.8	79.9	691.9	1,125.1
Depreciation and impairment						
At 1 January 2018	–	(98.8)	(15.2)	(59.0)	(378.8)	(551.8)
Charge for year	–	(5.7)	(1.9)	(9.3)	(40.1)	(57.0)
Reclassification of asset categories	–	–	5.6	41.0	(55.2)	(8.6)
Impairment loss (note 5)	–	–	–	–	(1.1)	(1.1)
Disposals	–	–	–	2.5	20.4	22.9
At 31 December 2018	–	(104.5)	(11.5)	(24.8)	(454.8)	(595.6)
Net book value at 31 December 2018	28.6	162.4	46.3	55.1	237.1	529.5
Net book value at 31 December 2017	26.3	174.7	41.3	98.5	193.2	534.0

At the start of the year, the business conducted a review of certain fixed assets and their classification and as a result, a reclassification of cost and depreciation within certain categories was made. There was no impact on the carrying value of these assets.

The amount on which depreciation on freehold buildings is being calculated is £251.4 million (2017 – £250.9 million).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £8.5 million (2017 – £9.9 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 2018	26.3	262.1	56.5	163.8	571.2	1,079.9
Additions at cost	16.4	–	1.6	3.7	31.5	53.2
Reclassification of asset categories	–	(7.1)	(0.3)	(78.8)	95.5	9.3
Transfers	(14.1)	0.5	–	–	13.6	–
Disposals	–	–	–	(2.5)	(20.7)	(23.2)
At 31 December 2018	28.6	255.5	57.8	86.2	691.1	1,119.2
Depreciation and impairment						
At 1 January 2018	–	(95.3)	(15.2)	(60.7)	(378.4)	(549.6)
Charge for year	–	(5.7)	(2.0)	(9.3)	(40.1)	(57.1)
Reclassification of asset categories	–	–	5.6	41.0	(55.2)	(8.6)
Impairment loss	–	–	–	–	(1.1)	(1.1)
Disposals	–	–	–	2.5	20.3	22.8
At 31 December 2018	–	(101.0)	(11.6)	(26.5)	(454.5)	(593.6)
Net book value at 31 December 2018	28.6	154.5	46.2	59.7	236.6	525.6
Net book value at 31 December 2017	26.3	166.8	41.3	103.1	192.8	530.3

Group and Charity

Additions during the year included capitalised internal project development costs of £0.4 million (2017 – £0.4 million). The interest charges and internal project development costs capitalised to date are £10.5 million (2017 – £10.5 million) and £8.0 million (2017 – £7.6 million) respectively.

Nuffield Health undertook an impairment review of its assets in the year. This resulted in an impairment of £1.1 million (2017 – £5.0 million) on previously identified wellbeing sites.

No impairment was identified on the hospital sites (2017 – £Nil).

Financial statements

Notes to the financial statements

for the year ended 31 December 2018 continued

15. Investments

Group	UK listed investment £m	Unlisted investment £m	Total £m
Market value			
At 1 January and 31 December 2018	0.1	0.1	0.2

Charity	Subsidiary undertaking £m	UK listed investment £m	Unlisted investment £m	Total £m
Cost or market value				
At 1 January 2018	39.7	0.1	0.1	39.9
Acquisitions	–	–	–	–
At 31 December 2018	39.7	0.1	0.1	39.9
Provision for impairment				
At 1 January 2018	(19.2)	–	–	(19.2)
Charge	(1.1)	–	–	(1.1)
At 31 December 2018	(20.3)	–	–	(20.3)
Net book value at 31 December 2018	19.4	0.1	0.1	19.6
Net book value at 31 December 2017	20.5	0.1	0.1	20.7

VitalityHealth is a joint venture in which Nuffield Health has joint control and a 50 per cent ownership interest. It is principally engaged in developing a technology driven health and wellbeing solution for the corporate market. VitalityHealth is not publicly listed. The carrying value of the investment in the VitalityHealth joint venture is £0.2 million (2017 – £Nil). In the prior year, set-up costs of £0.2 million were incurred in relation to this investment. The country of incorporation is England and Wales and the registered address is 4th Floor, 70 Gracechurch Street, London EC3V 0XL, United Kingdom.

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.

Subsidiary undertakings

The subsidiary undertakings at 31 December 2018 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%	–	Fitness facilities
Health Club Investments Group Ltd	Ordinary	100%	–	Subsidiary holding company
Health Club Investments Ltd	Ordinary	–	100%	Dormant
Health Club Acquisitions Ltd	Ordinary	–	100%	Dormant
Healthscore Ltd	Ordinary	100%	–	Dormant
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%	–	Dormant
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 One Ltd	Ordinary	100%	–	Business support service activities
Nuffield Health Pension Trustees Ltd	Ordinary	100%	–	Pension trustee company
Nuffield Health Wellbeing Ltd	Ordinary	–	100%	Consumer fitness centres
Nuffield Nursing Homes Trust	Ordinary	100%	–	Dormant
Nuffield Proactive Health Ltd	Ordinary	–	100%	Dormant
Nuffield Proactive Health Group Ltd	Ordinary	100%	–	Dormant

Notes to the financial statements

for the year ended 31 December 2018 continued

15. Investments continued

Subsidiary undertakings 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 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%	–	Dormant
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 (NHSLP)	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 (see 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.

All subsidiary undertakings are registered in the UK and their registered office is Epsom Gateway, Ashley Avenue, Epsom, Surrey KT18 5AL except for the two subsidiaries registered in Scotland. These subsidiaries have their registered office at Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN, United Kingdom.

16. Stock

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Raw materials and consumables	9.8	9.3	9.8	9.2
Consignment stock not included in the Balance sheet	16.9	16.8	16.9	16.8

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 £117.3 million (2017 – £113.0 million).

17. Debtors falling due within one year

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade debtors	52.0	52.6	52.1	52.2
Amount owed by Group undertakings	–	–	3.3	2.7
Other debtors	3.9	3.2	3.9	3.3
Prepayments and accrued income	30.0	31.2	30.0	30.7
	85.9	87.0	89.3	88.9

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

18. Creditors: amounts falling due within one year

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade creditors	34.6	43.8	34.6	43.6
Amounts owed to Group undertakings	–	–	22.7	21.4
Overdraft	3.2	–	3.2	–
Obligations under finance leases	2.1	2.0	2.1	2.0
Stakeholder bond	–	18.7	–	18.7
Social security and other taxes	11.2	8.8	11.1	8.7
Other creditors	27.5	17.8	27.4	17.8
Pension contributions	1.5	1.8	1.5	1.8
Pension liability for asset backed funding (note 8)	–	–	0.5	0.9
Accruals and deferred income	78.2	74.6	78.3	74.8
	158.3	167.5	181.4	189.7

Notes to the financial statements
for the year ended 31 December 2018 continued

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

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Bank loans	263.0	265.0	263.0	265.0
Deferred expenses in connection with bank loans	(1.3)	(2.0)	(1.3)	(2.0)
Fair value of interest rate derivatives	0.2	0.9	0.2	0.9
	261.9	263.9	261.9	263.9
Stakeholder bond	–	–	–	–
Deferred expenses in connection with bond	–	(0.1)	–	(0.1)
	–	(0.1)	–	(0.1)
Secured loan notes	100.0	100.0	100.0	100.0
Obligations under finance leases	4.8	6.5	4.8	6.5
Pension liability for asset backed funding (note 8)	–	–	72.3	70.3
Other creditors	3.3	3.5	3.3	3.5
	370.0	373.8	442.3	444.1

Pension liability for asset backed funding

	Charity					
	Risk free discount rate %	2018 Forecast payments £m	Fair value of liability £m	Risk free discount rate %	2017 Forecast payments £m	Fair value of liability £m
Amounts falling due within one year	1.1%	2.0	0.5	0.7%	2.0	0.9
Amounts falling due after one year	1.1% to 1.6%	95.3	72.3	0.8% to 1.5%	89.6	70.3
		97.3	72.8		91.6	71.2
(Loss)/Gain on change in fair value assumptions			(2.0)			1.1

20. Borrowings

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Borrowings are repayable as follows:				
One year or less				
Finance leases	2.2	2.0	2.2	2.0
Bank loans	3.2	–	3.2	–
Stakeholder bond	–	18.7	–	18.7
In more than one but not more than two years				
Finance leases	2.6	2.6	2.6	2.6
In more than two but not more than five years				
Finance leases	2.1	3.9	1.6	3.9
Bank loans	263.0	265.0	263.0	265.0
In more than five years				
Secured loan notes	100.0	100.0	100.0	100.0
	373.1	392.2	372.6	392.2

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 5.26%	4 October 2024
Secured loan note £45 million	Secured	Fixed 5.55%	4 October 2026

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

Notes to the financial statements
for the year ended 31 December 2018 continued

21. Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
In Charity and Group			
At 1 January 2018 and 31 December 2018			
Interest rate swap – floating to fixed rate	2021	2.4%	25.0
Interest rate swap – floating to 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 2018 is a liability of £0.2 million (2017 – £0.9 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.

22. Provisions for liabilities

	Property related £m	Self- insured £m	Other £m	Total £m
Group				
At 1 January 2018	30.1	2.4	3.2	35.7
Utilised in year	(3.0)	(0.3)	(0.4)	(3.7)
Charged in year	0.5	0.5	0.5	1.5
At 31 December 2018	27.6	2.6	3.3	33.5
Charity				
At 1 January 2018	30.0	2.4	3.2	35.6
Utilised in year	(2.9)	(0.3)	(0.4)	(3.6)
Charged in year	0.5	0.5	0.2	1.2
At 31 December 2018	27.6	2.6	3.0	33.2

The property related provisions are estimated unavoidable costs relating to vacant properties, onerous leases and dilapidations. The costs of the vacant properties are certain. However, the 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 represents the minimum unavoidable lease cost loss that is expected to be incurred on sites less the net costs to fulfil the lease or to exit the lease. The net costs to fulfil the lease have been determined as the cash flows expected to be generated at the site for the remainder of the lease and the alternative use is based on assigning the site to another operator. The provision is determined on a site by site basis and discounted where appropriate.

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 £1.0 million (2017 – £1.0 million).

Other provisions relate to potential contractual liabilities on certain legacy contracts 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.

23. Permanent endowments

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

Group and Charity	2018 £m	2017 £m
At 1 January and 31 December	0.1	0.1

24. Financial instruments

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £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	19.6	20.7
That are debt instruments measured at amortised cost	58.4	59.0	61.7	61.8
Financial liabilities				
Measured at fair value through the Income statement and Statement of financial activities	0.2	0.9	73.0	72.1
Measured at amortised cost	435.2	453.7	457.8	475.1

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.

Notes to the financial statements
for the year ended 31 December 2018 continued

24. Financial instruments continued
Credit, liquidity and interest rate risk continued

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 2018, there were £27.0 million of unutilised bank loan facilities (2017 – £25.0 million) and a further £6.8 million of unused overdraft facility (2017 – £10.0 million). The repayment dates of debt are set out in note 20.

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 20.

25. Analysis of net assets between funds
The Group and Charity’s assets and liabilities are unrestricted except for £0.1 million (2017 – £0.1 million) of investments that are a permanent endowment and there are restricted funds comprising cash of £0.8 million (2017 – £0.8 million). Unrestricted funds amount to £63.3 million (2017 – £63.3 million) for the Group and £60.5 million (2017 – £61.7 million) for the Charity.

The restricted funds represent 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.

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

	Group	
	2018 £m	2017 £m
Total operating surplus/(deficit)	10.1	(5.8)
Exceptional items in operating surplus (note 5)	6.8	19.9
Depreciation and amortisation	83.1	79.4
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	100.0	93.5
Increase in stocks	(0.5)	(0.5)
Decrease in debtors	1.1	9.5
Decrease in creditors	(3.1)	(7.0)
Decrease in provisions	(2.2)	(1.7)
Total cash flow from operations	95.3	93.8
Post retirement benefits – additional cash payments	(2.5)	(2.4)
Cash generated from operating activities before exceptional items	92.8	91.4
Exceptional cash outflow from operations		
Exceptional items in operating surplus (note 5)	(6.8)	(19.9)
Impairment of fixed assets	1.1	5.0
Increase in creditors	1.3	1.7
Increase in provisions	–	8.2
Increase in pension liability	1.8	–
Total cash outflow from exceptional activities	(2.6)	(5.0)
Total cash inflow from operating activities	90.2	86.4

Notes to the financial statements

for the year ended 31 December 2018 continued

27. Cash flows from investing activities

	Group	
	2018 £m	2017 £m
Receipts from sale of tangible fixed assets and computer software	0.4	1.1
Purchase of tangible fixed assets and computer software	(58.1)	(96.4)
Investment in joint venture	(0.1)	–
	(57.8)	(95.3)

28. Cash flows from financing activities

	Group	
	2018 £m	2017 £m
Interest paid	(13.9)	(13.9)
Interest element of finance leases and hire purchase agreements	(0.2)	(0.2)
Payment of bank loan	(2.0)	–
Receipt from new bank loans	–	21.0
Repayment of other loans	(18.7)	–
Finance leases and hire purchase agreements	(1.6)	2.3
	(36.4)	9.2

29. Analysis of net debt

	Group			
	At 1 Jan £m	Cash flow £m	Non-cash changes £m	At 31 Dec £m
Cash at bank and in hand (note 30)	3.2	(0.8)	–	2.4
Bank overdraft (note 18)	–	(3.2)	–	(3.2)
Bank loans due after more than one year (note 19)	(265.0)	2.0	–	(263.0)
Secured loan notes due after more than one year (note 19)	(100.0)	–	–	(100.0)
Stakeholder bond due within one year (note 18)	(18.7)	18.7	–	–
Finance leases due within one year (note 18)	(2.0)	(0.1)	–	(2.1)
Finance leases due after more than one year (note 19)	(6.5)	1.7	–	(4.8)
	(389.0)	18.3	–	(370.7)

30. Cash and cash equivalents

	Group	
	2018 £m	2017 £m
Cash at bank and in hand	2.4	3.2
Bank overdraft	(3.2)	–
	(0.8)	3.2

31. Capital commitments

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Contracted for but not provided in these financial statements	2.8	4.3	2.8	4.3

32. Obligations under leases and hire purchase contracts

	Group		Charity	
	2018 £m	2017 £m	2018 £m	2017 £m
Future minimum rentals under non-cancellable operating leases:				
Land and buildings				
Less than 1 year	50.5	49.5	50.5	49.5
Between 1 and 5 years	197.6	196.6	197.6	196.6
After 5 years	533.0	558.8	533.0	558.8
	781.1	804.9	781.1	804.9
Other				
Less than 1 year	1.3	0.7	1.3	0.7
Between 1 and 5 years	1.6	0.6	1.6	0.6
After 5 years	–	0.1	–	0.1
	2.9	1.4	2.9	1.4
Future minimum payments due under finance leases and hire purchase agreements:				
Less than 1 year	2.4	2.9	2.4	2.9
Between 1 and 5 years	4.9	6.3	4.9	6.3
	7.3	9.2	7.3	9.2

Notes to the financial statements
for the year ended 31 December 2018 continued

33.Related party transactions

Trustees and Executive Managers are considered to be key management personnel. Total remuneration of these individuals was £3.7 million (2017 – £2.8 million). The Charity has no other related party transactions in 2018, other than with wholly owned undertakings, and is using the exemption allowed by FRS 102 to not disclose transactions with wholly owned undertakings.

34.Events after the reporting period

There have been no significant events after the reporting period.

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 of the products and services we provide to patients and customers.

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 to 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 2018 Annual Report along with the NHS Quality Account.

The NHS core quality account indicators as they relate to Nuffield Health activities are provided on our website in the format prescribed by NHS England for 2018-2019.

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 who support our work and to commend their consistent openness and relentless quest for improvement.

David Lister
TRUSTEE AND CHAIR OF THE BOARD QUALITY AND SAFETY COMMITTEE

Reviews of Nuffield Health hospitals by independent regulators

All our hospitals are inspected by independent healthcare regulators to ensure they meet the fundamental standards 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, Health Inspectorate Scotland (HIS) and Health Inspectorate Wales (HIW). Full reports of the inspections are available on the regulators’ websites.

Hospital	Date of review	Overall	Safe	Effective	Caring	Responsive	Well led
Bournemouth	Mar 2017	RI	***	***	***	***	***
Brentwood	June 2017	G	O	G	G	G	G
Brighton	Feb 2018	G	G	G	G	G	G
Bristol	Aug 2016	G	G	****	G	G	G
Cambridge	Nov 2016	O	G	G	O	O	O
Cheltenham	Jul 2016	G	G	G	G	G	G
Chester	Dec 2016	G	G	G	G	G	G
Chichester	Oct 2017	G	RI	G	G	G	G
Derby	May 2016	G	G	G	G	G	G
Exeter	Oct 2016	G	G	G	G	G	G
Guildford	Aug 2017	G	G	G	G	G	G
Haywards Heath	Dec 2017	G	RI	G	G	G	G
Hereford	Mar 2017	G	G	G	O	G	G
Ipswich	Nov 2016	G	RI	O	O	G	G
Leeds	Jun 2017	O	G	G	O	O	G
Leicester	Mar 2017	G	G	G	G	G	G
Newcastle	Aug 2016	G	G	G	G	G	G
North Staffordshire	Feb 2016	G	G	G	G	G	G
Oxford	Nov 2016	G	G	G	G	G	G
Plymouth	Nov 2015	RI	RI	G	G	G	RI
Shrewsbury	Jan 2017	G	G	G	G	G	G
Taunton	Nov 2016	G	G	G	G	G	O
Tees	Oct 2017	O	G	G	O	O	O
Tunbridge Wells	Jul 2017	G	G	G	G	G	G
Warwickshire	Mar 2017	G	G	RI	G	G	G
Wessex	Mar 2016	G	G	G	G	G	G
Woking	Aug 2017	G	G	G	G	G	G
Wolverhampton	Apr 2017	G	G	G	G	G	RI
York	Jun 2017	G	G	G	G	G	G
Cardiff & Vale**	No issues identified by HIW						
Glasgow*	Good (Health Inspectorate Scotland)						

Manchester Diagnostic Centre, new inspection, good across all areas. 31 regulatory inspections in non-acute sites (for further information, see page 23)

● Outstanding ● Good ● Requires improvement

* Inspected by HIS with improvements noted across three areas – patient experience, safe care delivery and leadership/change improvement.

HIS does not produce an overall rating

** HIW conducts a review and provides a letter of findings, but not a rating. No breaches were identified in its inspection

*** Bournemouth CQC inspection May 2016, re-inspected March 2017 but not rated

**** Not enough evidence to rate

Additional information

Annual quality report 2018 objectives

Key objectives	What we did
Build on our safety culture	<ul style="list-style-type: none">• Roll out of preoperative assessment the (POA) project to all sites – POA project has been successfully implemented across two thirds of our hospitals with evidence of enhancements in patient safety, clinical effectiveness and operational efficiency. Anaesthetist-led clinics have been introduced at selected sites with demonstrable effect – these are enhancing patient safety through optimisation prior to surgery• Conducted a review of venothromboembolism (VTE) policy and practice – The Nuffield Health VTE Assessment & Risk Reduction Policy has been developed to support the introduction of national guidance from the National Institute for Health and Care Excellence (NICE). A risk assessment tool has been implemented to help standardise prophylactic prescribing and informed patient consent• Extended the adoption of the Nuffield Health bespoke World Health Organisation (WHO) surgical checklist to departments such as radiology – During 2018, the continued embedding of the revised WHO checklist was an area of focus. An in-house video was developed that reaffirmed the contribution of the checklist to patients' safety, whilst also encouraging an open culture of 'Be Bold, Be Brave and Speak Out' – this initiative sought to facilitate a culture of safety where all staff irrespective of role or grade feel empowered to speak up and voice any clinical concerns that they may have
Build on ability to learn lessons when things go wrong, continuing to develop our trust culture	<ul style="list-style-type: none">• Refreshed and updated our incident management system (Datix) in all clinical areas – Simplification of the Adverse Event form was completed to improve the quality of reporting and management of adverse events on Datix. System Super Users have been established in all locations to provide local training and reinforce best practice of system usage for continued improvements in data quality• Undertook root cause analysis training for all senior clinical leaders – Incident investigation training delivered to all Matrons, Quality Leads and a selection of Clinical HODs• Nuffield Health 'Learning from Deaths' review has been implemented – Learning from Deaths review has been introduced. All deaths are now reviewed by an interprofessional committee that critically examines care provision and captures areas for shared learning and continuous improvement• Invested in our theatre managers through a bespoke training programme – Theatre Manager Development Programme has been designed in conjunction with a range of clinical leadership and theatre experts and is due to be delivered to our first cohort in 2019• Improved our approach to, and understanding of, complaints and concerns – In 2018, we launched a new Nuffield Health Complaints Management Policy which supports a standardised approach to complaints management and handling. This policy aims to ensure that our patients and customers receive the best possible experience and that set processes are in place should their expectations not be fully met. We also made some major changes to our Datix complaint handling module to ensure that we could track and monitor complaints and analyse trends to allow for ongoing improvements to be made
Enhance our governance	<ul style="list-style-type: none">• Refreshed all policies, policy directories and accessibility for all clinical staff regardless of site or location – Gov 04 has been reviewed and will be released and cascaded in 2019. Policy refreshes and accessibility are a continued area of focus with service lines updating individual policies in accordance with latest guidelines and best practice updates• Improved reporting and transparency, enhancing our ward to Board reporting – A standardised Governance Framework has been implemented across hospitals to provide consistency in reviewing key risk areas which includes standardised terms of reference and Agenda templates. A Quality and Safety Report template for hospitals will be introduced by the end of Q1 2019 to also support consistent quality reporting to the MAC and regional teams. New quality assurance review tool has been developed to incorporate all non-acute service lines with the aim of consolidating previous versions. This has led to improved central oversight and standardised reporting of key quality indicators
Review key services in line with best practice across a complex service delivery model	<ul style="list-style-type: none">• Reviewed key areas of our high performing services such as children's services to ensure that we continue to develop and grow – A Children and Young People (CYP) Expert Advisory Group was established last year, in addition to the appointment of a new CYP Quality Lead. This will enable implementation of a CYP Quality Improvement Plan and improved governance in 2019 following a CYP Quality Assurance Review• Roll out of Dementia Friend training – A Dementia Toolkit implemented across all acute sites. Dementia Friend training provided to all members of the Board Quality and Safety Committee. Gap analysis undertaken across all acute sites – this will be used to inform future Dementia Friend training which will be further scoped in 2019

Additional quality assurance information

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.

Nuffield Health expert advisory groups (EAGs)

Clinical
Primary Care
Occupational Health
Pathology
Children & Young Persons
Medical Directorate
Research & Outcomes
Radiology
Theatres & Decontamination
Critical Care & Resuscitation EAG
Infection Prevention EAG
Cancer Services EAG
Medicines Management & Medical Devices
Health & Safety
Information Governance

Nuffield Health joint advisory groups (JAGs)

Quality assurance JAG
Gastrointestinal endoscopy JAG

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.

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) – statutory body 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 (eg 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

Additional information

Professional advisors

External auditor

Deloitte LLP
3 Victoria Square
Victoria Street
St Albans AL1 3TF

Internal auditor

PriceWaterhouseCoopers LLP
1 Embankment Place,
London WC2N 6RH

Solicitor

CMS Cameron McKenna
Cannon Place
78 Cannon Street
London EC4N 6AF

Banks

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

Santander UK plc
Santander House
100 Ludgate Hill
London EC4M 7RE

Siemens Bank GmbH
111 Old Broad Street
London EC2N 1AP

Royal Bank of Scotland Plc
250 Bishopsgate
London EC2M 3UR

HSBC Bank Plc
Level 7
Thames Tower
Station Road
Reading
Berks RG1 1LX

Property advisor

Avison Young
3 Brindley Place
Birmingham B1 2JB

Pension and remuneration advisor

Mercer Ltd
Tower Place West
London EC3R 5BU

Contact and registered office details

Address:

Nuffield Health
Epsom Gateway
Ashley Avenue
Epsom
Surrey KT18 5AL

Telephone:

0300 123 6200

Online:

www.nuffieldhealth.com
[Facebook.com/nuffieldhealth](https://www.facebook.com/nuffieldhealth)
[Twitter.com/nuffieldhealth](https://twitter.com/nuffieldhealth)
[Instagram.com/nuffield.health](https://www.instagram.com/nuffield.health)
[YouTube.com/nuffieldhealthtv](https://www.youtube.com/nuffieldhealthtv)

Nuffield Health Registered Office: Epsom Gateway, Ashley Avenue, Epsom, Surrey KT18 5AL.
A registered Charity Number 205533 (England and Wales), a Charity Registered Number SCO41793 (Scotland) and a Company Limited by Guarantee. Registered in England Company No 00576970.

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 and our hospital and clinic in Cardiff are registered with Healthcare Inspectorate Wales.