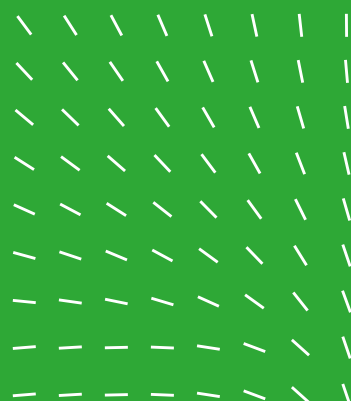




Building a healthier nation

ANNUAL REPORT 2019



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We're delivering connected health and wellbeing services through our network of hospitals, fitness and wellbeing clubs, healthcare clinics and workplace wellbeing services that all work together to build a healthier nation.

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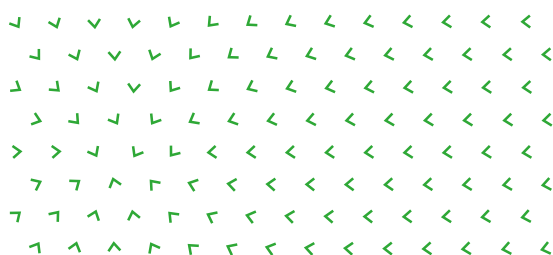
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2019 performance highlights



1.55m

people reached



219,000

hospital procedures



360,000

gym members



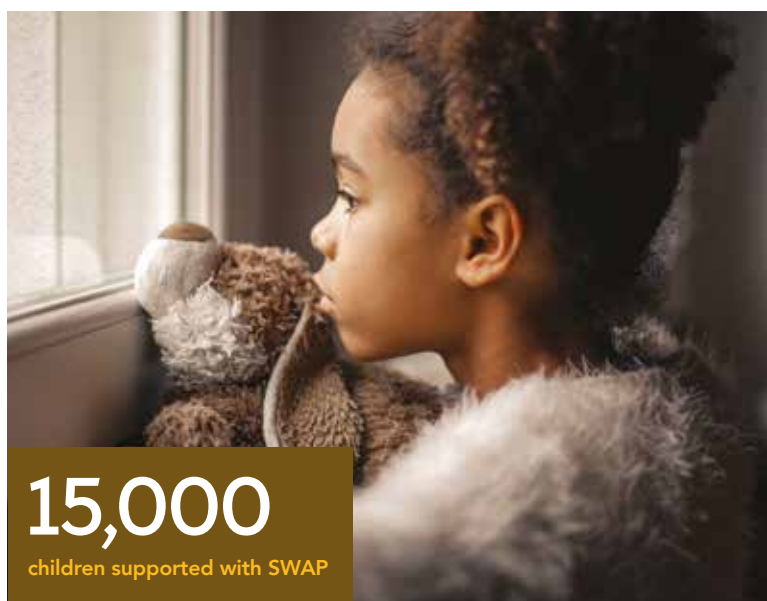
832,000

physiotherapy sessions



£99.5m

adjusted EBITDA (page 44)



15,000

children supported with SWAP

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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 charity, our income is invested into delivering our purpose, whether that's through outstanding day-to-day services, flagship programmes designed to support unmet health needs, 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



31
hospitals



113
fitness and wellbeing clubs



153
corporate fitness and wellbeing sites



5
medical centres

Our services

Fitness services

Where health meets fitness. With industry leading gym floors and personal trainers, we offer free Health MOTs, varied fitness classes and services from emotional wellbeing to physiotherapy.

Flagship programmes

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

Personal training

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

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.



Hospital services

Highest standards of clinical care, in state-of-the-art facilities, for a range of conditions. Treatment is consultant-led, delivering care to patients referred from the NHS, private medical insurers and those who pay for themselves.

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 supported by accredited BABCP and BACP therapists, through preventative and curative treatments, including cognitive behavioural therapy, counselling and stress management.

Workplace wellbeing

As a connected provider, we can uniquely meet employee health and wellbeing needs, through onsite clinics and gyms. Services include health assessments, emotional wellbeing, physiotherapy and GP services.

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.

HSSU

Seven modern, efficient, purpose-built hospital sterilisation units (HSSU), delivering accredited decontamination and sterilisation services for reusable medical devices.

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.

GP services

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



Russell Hardy, Chairman

Making a tangible difference

As our Chairman of the Board of Trustees, Russell Hardy, prepares to leave after 10 years, he tells us why he's been proud to work for a Charity that helps thousands of people of all ages to lead more fulfilling lives.

What changes have you seen over that time?

We've seen enormous change. We've expanded our services to become a truly connected provider of health and wellbeing, spanning physiotherapy, emotional wellbeing, fitness and hospitals. Our performance has gone from strength to strength, as has our reputation as a market leader. We're now seen as an 'influencer' on health matters and it's immensely pleasing to me that we've won both the LaingBuisson and HealthInvestor Private Hospital Group of the Year awards, three years in a row. It's good to go out on a hat trick.

What was your biggest focus in 2019?

Providing steadfast support to the Executive Board, through the Board of Trustees, was my prime focus, along with overseeing a robust governance and risk management

process. Governance defines the way we do things in all areas of the Charity, and it's always high on the agenda. It's fundamental to ensuring the best possible outcomes for the people who trust us with their health and wellbeing. During the year, we maintained focus on making sure we have the right processes and procedures in place to deliver the strategic plan in an effective, accountable and transparent way.

What were the main challenges in 2019?

The economic uncertainty caused by Brexit was undoubtedly the key challenge, and it wasn't until the end of the year that we finally had confirmation that we were indeed going to leave the EU. So, it was essential that we were fully prepared for any eventuality and I'm pleased to say that this was the case.

2010

2012

Acquisition of
Greens Health &
Fitness clubs

2016

Cambridge
Hospital opens
Acquisition of
Virgin Active gyms
and CBT Services

2018

Nuffield Health at
St Bartholomew's
Hospital build begins

2020

Nuffield Health works with the
NHS on Covid-19 pandemic

2020

What are you most proud of?

Our acquisition of Greens Health and Fitness clubs and Virgin Active gyms, in 2012 and 2016 respectively, allowed us to expand our national network of fitness and wellbeing clubs. It meant we could offer more connected health services alongside our hospital network.

The opening of our new Cambridge hospital in 2016 was a wonderful achievement. Having been there at the initial planning stages, it was a very proud moment to be at the opening ceremony. Cambridge then became the first independent healthcare acute hospital to receive an outstanding rating from the Quality Care Commission.

Our acquisition of cognitive behavioural therapy business, CBT Services, also in 2016, meant we could bring together emotional and physical health, and offer a truly holistic service to our members and patients.

The renovation of the former pathology and residential staff quarters of St Bartholomew's hospital, which began in 2018, is another proud milestone. When our hospital opens, it will play a huge role in the health of Londoners and provide more people with quality, connected health services.

And, of course, you can't work for Nuffield Health and not feel an enormous sense of pride for our unique flagship and research programmes. They help thousands of people of all ages, across demographic divides, to lead more fulfilling lives.

What role does Nuffield Health have to play in sustainability?

I think it's more important than ever for us to continually consider how we impact the ecological, social and economic environments in which we operate. We're developing a sustainability strategy, which includes energy efficiency, and waste and plastic reduction, as well as maintaining a sustainable workplace for our people, and accessibility for the community.

What is the main challenge ahead?

At the time of writing, it's most definitely Covid-19, which is having a devastating impact not just on the UK but also across the world. Nuffield Health is working with the NHS to do all it can in this time of national need. We'll get through this pandemic and a vaccine will be found. But the world will be a very different place as a result. The challenge for Nuffield Health will be to remain relevant in the healthcare market.

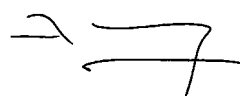
What will you miss?

So many things, not least the special people who make Nuffield Health what it is. It's been a tremendous 10 years and I've really enjoyed being part of such a vibrant organisation, which has public benefit at its heart.

I'd like to extend my sincere thanks to the Board of Trustees, our CEO Steve Gray, and to the Executive Management Team for their dedication and hard work, and for the support they've shown me personally. Special mentions go to our two departing Trustees, Fiona Driscoll and Guy McCracken, who joined the Board in 2010 and have shown unstinting commitment to the Charity. I'd like to extend a warm welcome to our incoming Trustees Dame Lin Homer and Lord Victor Adebawale – their extensive experience will bring new dimensions to the Board.

Dr Natalie-Jane Macdonald will succeed me as Chair. Natalie has been an active member of the Board over the last three years, so is ideally suited for the role. Her experience in the health sector will help guide the Charity through the undoubted challenges ahead and I know I leave it in safe hands.

I wish everyone well for the future and will be following the progress of Nuffield Health with interest – it will always hold a special place in my affections.



Russell Hardy, Chairman

Chief Executive Officer's Statement

An inspiring year

Steve Gray, Chief Executive Officer

As we go to print, the world is in turmoil and the healthcare system is in the midst of its biggest ever challenge. Covid-19 is changing the way we live, work and socialise. The impact will affect future plans and have lasting ramifications, the extent of which will only become clear as we move through 2020.

Nuffield Health's 2019 Annual Report tells the story of how our purpose, to build a healthier nation, benefits people of all ages, in all walks of life. During the year, we reached more than 1.55m people, an increase of 20,000 over 2018, which is a fantastic achievement.

As I look back on a year of challenges, I'm inspired by the stories of those who've experienced first hand the value and, in some cases, life-changing benefits of our services, especially our unique flagship programmes.

In our 2018 Annual Report, we highlighted Lyn Whiteway who joined our 12-week Joint Pain programme at her local Nuffield Health Fitness & Wellbeing club. The programme is designed to help people manage their pain through exercise, without surgery. Prior to this, Lyn wasn't socialising and felt her life had shrunk, such was the extent of her continual discomfort.

I was touched to learn that, 12 months on, Lyn is still exercising at the club along with other members of the group, and they still meet regularly for walks and social get-togethers. In her own words, she's doing things she would never have thought possible before joining the programme.

Lyn's story gives meaning to our purpose, to build a healthier nation, and demonstrates the positive impact Nuffield Health has on individuals and on the community. So successful has the programme been that, during 2019, it was rolled out to 48 of our fitness and wellbeing clubs, generating a best estimate Social Return on Investment (SROI) of £8.2 million. (See page 25)

Our Healthy Start, Healthy Life and Healthy Ageing flagship programmes are our way of addressing societal health needs and reaching people who wouldn't normally be able to access our services, including those living with lower resources.

Our School Wellbeing Activity Programme (SWAP) gives children the knowledge to manage their wellbeing inside and outside the school, and we're now offering a digital version, with downloadable lesson plans. During 2019, the programme expanded 10-fold with our SWAP champions delivering over 400 programmes to more than 260 schools.

In total, we reached more than 17,500 people through our flagships in 2019 – a remarkable achievement by any standard. (See page 20)

Social Return on Investment

We have continued to use and evolve our SROI framework across the Charity. This has enabled us to better evidence our public benefit. It also helps us when considering where we should invest our resources. During 2019, we generated a best estimate social value equivalent to 300% of our investment for our flagships alone. (See page 25)

Connected health

The year saw a continuation of our work to connect our health and wellbeing services across our hospitals, fitness and wellbeing clubs, and medical centres. The number of people using two or more of our services in 2019 rose from 10% in 2018 to 13%.





Every minute of every day,
our people represent the
Nuffield Health brand and
demonstrate our purpose,
to build a healthier nation

Chief Executive Officer's Statement continued



Above:
Lyn Whiteway, Joint Pain
programme participant



St Bartholomew's,
the site of our new
London hospital

Our 'My Wellbeing' app, which extends our expert support outside the gym, allows members to access health advice from all areas of the Charity, as well as chart their fitness progress. Our wider 'Single Customer View' project unifies customer data from multiple systems to one single view, and is bringing together our connected healthcare programme. Users have described it as a positive change.

Renovation continued of the former pathology and residential staff quarters building at St Bartholomew's Hospital. Demolition work was completed in February 2019, with the construction phase beginning in July. It's our hope that the new, state-of-the-art, hospital will open its doors during 2021, as the City of London's only independent hospital.

Quality

We continue to strive for the highest levels of quality and compliance in everything we do. Out of our 31 hospitals, 29 are rated good or outstanding by national regulators. Our primary care sites (medical centres and fitness and wellbeing clubs) were rated by the regulator for the first time in 2019. All achieved 'good' as their overall rating, further underlining our commitment to quality in everything we do.

For the third year running, we won both the HealthInvestor and the LaingBuisson Private Hospital Group of the Year awards, demonstrating the consistently high quality services delivered by our hospital teams year-on-year.

The way we communicate and take on board feedback is essential in maintaining our position as a market leader. A Patient Forum operates at our Wolverhampton hospital, and is making a difference in helping plan and shape our care for the future. During 2019, the forum contributed to discussions around the renovation of the oncology unit and presented the patient viewpoint to clinicians. This is a great example of best practice and I would like to see Patient Forums taking place in more of our hospitals during 2020. (See case study page 29)

Stakeholders

Engaging with all our stakeholders, whether it's our customers, patients, the Government or the NHS, is critical if we're to evolve and provide consistent levels of high service. It's important to understand their views on what we're doing well and how we could improve.

In May, a Member Experience Trial (MET) took place at four of our fitness and wellbeing clubs, with the aim of making members feel part of the Nuffield Health family. MET focused on bringing our purpose, to build a healthier nation, to life and it was a huge success. Results showed that it helped members feel more connected to the Charity, and empowered our teams to deliver our purpose. (See page 38)

Our people

Every minute of every day, our people represent the Nuffield Health brand. During the year, we continued our work to embed our purpose, and encourage our teams to bring it to life in everything they do.

I'm committed to providing an inclusive and supportive working environment that allows genders, ethnicities, disabilities and lifestyles to grow and develop. But inclusion must be more than tokenism. I strongly believe it needs to be embraced wholeheartedly through every facet of what we do. This is our ongoing challenge and I'll be transparent in sharing our successes and our failures as we go forward.

Our 2019 Gender Pay Gap Report shows that we continue to be significantly better than the national average of 17.3%.

1.55m

people reached in 2019 – an increase of 20k from 2018

29/31

hospitals rated good or outstanding by the CQC

13%

of our members, patients and customers use two or more services

2019 HIGHLIGHTS

However, the report also shows a gap increase from 3.4% in 2018 to 4.3% in 2019. Women continue to be ahead of men when looking at median pay but are still under-represented at more senior levels, which is causing the gender pay gap. True and lasting change takes time. I continue to lead our inclusivity work and this is not a challenge I will shy away from.

Sustainability

Organisations, in all sectors, must act in a responsible and sustainable way, and this is a fundamental principle of our strategic planning. When providing our services, we consider our impact on the environment, the workplace, and the communities in which we operate. During the year, we signed the UN Global Compact and will align our strategy with the Sustainable Development Goals (SDGs) most relevant to our Charity.

I'm pleased to say that we met our targets in relation to energy efficiency and waste management. We also made significant strides in cutting out unnecessary use of plastic across our sites. Work in this regard will continue through 2020. (See page 58)

Financial performance

As a trading charity, our income is reinvested into delivering our purpose, all for the public benefit. So, a strong financial performance is essential. 2019 was a successful year, against the backdrop of a difficult market, coupled with the unprecedented political and economic uncertainty surrounding Brexit. We ended the year with revenue of £993 million, a 5% year-on-year revenue growth.

Thank you

My thanks go to all our Trustees, partners, patients, customers and, of course, our amazing people for their hard work and support during the year.

In particular, I must express my sincere thanks to our outgoing chairman, Russell Hardy, who leaves us after 10 years. Russell presided over Nuffield Health during a period of change, not just in the healthcare market, but also economically. He's worked tirelessly on behalf of the Charity and we've improved our strategy and governance



immensely under his watchful eye. Russell leaves us in a strong position to face what will undoubtedly be one of the most challenging years many of us have ever known. On behalf of everyone at Nuffield Health, I extend best wishes to him and his family for the future.

Looking ahead

The Covid-19 pandemic took the world by surprise and I couldn't be prouder of how the Nuffield Health team responded to the crisis. From the front-line in our hospitals to the support office functions, people's speed of response, sense of community and team spirit have shone through as we've asked them to adapt to ever-changing circumstances.

With our 31 hospitals made available to the NHS, and the closure of our fitness and wellbeing clubs, our 2020 operating model will fundamentally change, and details of this can be found in this report. We were delighted to keep 14 of our Nuffy Bear Nurseries open for the children of NHS staff and key workers, free of charge.

Tough decisions had to be made about furloughing some of our people. Every one of the Nuffield Health team is important to us and we'll be making sure we keep in touch with them until we're able to mobilise the recovery of our operations.

Our strength and resilience will be further tested as we cope with, and adjust to, the huge global impact of the virus, the true scale of which is still unknown. However, all areas of the Charity stand ready to face the future head-on, and I have faith in our ability to withstand the test. I sincerely believe we will fulfil our purpose not just as a charity but also as a responsible organisation in a time of national crisis. And we'll do this together.

Steve Gray, Chief Executive Officer



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Our response to Covid-19

When the UK Government set out measures to combat the threat of Covid-19, the safety and wellbeing of our people, members and patients was, and still is, paramount. We're working hard to contribute to the national effort to contain the pandemic.

As part of the Independent Healthcare Provider Network (IHPN), we've been at the forefront of the NHS negotiations and the mobilisation of the independent sector as a whole. Following a meeting in March with Sir Simon Stevens, NHS England's Chief Executive, it was clear the NHS needed extra capacity and support to help deal with the upcoming surge of infections.

We immediately made our 31 hospitals, teams, and over 1,000 beds available to patients fighting the virus, as well as those needing urgent elective cancer care.

It was necessary to close our fitness and wellbeing clubs. However, we were pleased

that two, Farnham and Rubery, reopened in April providing support to local hospitals, following their transformation into temporary clinics. Fourteen of our Nuffy Bear Nurseries remained open, free of charge for children of NHS staff and key workers.

Over 6,000 of our 16,000 colleagues from all areas were furloughed onto the Government's Job Retention Scheme, in order to protect jobs. A further 2,000 registered for redeployment to support their colleagues in our hospitals, clinics and the wider NHS.

It's difficult to predict the overall impact of Covid-19 on the Charity. The closure of our consumer and corporate sites, and our hospitals being under the direction of the NHS, means our 2020 financial forecast has changed. The situation continues to present risks in terms of the safety and wellbeing of our people, patients, customers and members, and this is something we have under constant review. It also poses risk to our longer-term operating model and financial performance. (See page 42)

Many services, such as physiotherapy, have moved to an online delivery model and our My Wellbeing app is available to all, offering a virtual gym experience. In line with government guidance, the majority of our 113 fitness and wellbeing clubs have reopened. Our hospitals continue to support the NHS, and are starting to see private patients. As we move through the different phases of the pandemic, we'll do all we can to contribute to the national effort.

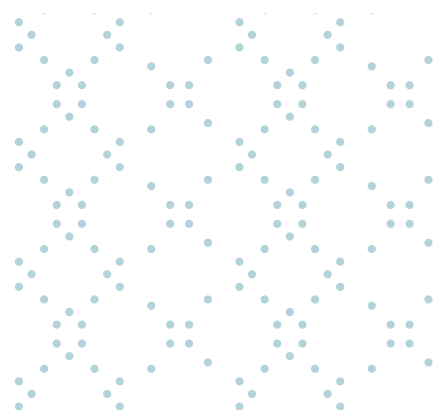
1,100
ward beds available for patients
across 31 hospitals

1,530
nurses available to support the NHS

180+
ventilators supplied to the NHS

80
GPs available to support NHS 111

OUR RESOURCES AND EXPERTISE





Our nurses on the front-line at Plymouth Hospital

“...people’s speed of response, sense of community and team spirit have shone through as we’ve asked them to adapt to ever-changing circumstances”

Steve Gray, Chief Executive Officer



Demand grows for health services

As the UK's health industry continues to grow, Covid-19 has further highlighted the importance of preventative healthcare. Individual responsibility for health and wellbeing will remain at the top of the news agenda in 2020.

Population and demographic shifts

An increasingly elderly population and a growth in population have led to a rise of 4.4% year-on-year of people arriving at A&E departments (source: NHS England). Waiting lists stood at 4.37m in 2019 and the impact of the pandemic has seen them increase further. It's estimated that one in five of the UK population live in poverty, which is shown to damage health.

How this affects us

During 2019, we saw an increasing demand for services in our hospitals, fitness and wellbeing clubs, and in the workplace. Around 50,000 NHS patients were referred to our hospitals for treatment. There is a greater need for our services to be more accessible to people living on low resources. By expanding our flagship programmes, which are free or subsidised, we addressed the unmet health needs of 17,500 people in 2019. We also piloted a new Healthy Ageing flagship, in association with Age UK. (See case study page 57)

Preventative health

In 2018, Health Secretary, Matt Hancock's 'Prevention is better than cure' vision said the focus must shift from treating single acute illnesses to promoting the 'whole' health of the individual. The UK's fitness industry caters for around 10m members and there are over 7,200 gyms nationwide (source: 2019 State of the UK Fitness Industry Report). Businesses are realising the need to help employees take responsibility for their health and wellbeing.

How this affects us

The number of people taking responsibility for their own health and wellbeing has grown and we expect this to rise following Covid-19. Membership of our fitness and wellbeing clubs increased to 360,000 in 2019, an all time high. We have 153 corporate fitness and wellbeing sites, and work with over 1,600 employers. Preventative health continues to be our focus through our 'Meet the Experts' events, health MOTs, research and our holistic approach to healthcare. By employing the best experts in their field, we're able to offer a wide range of connected services, including personal training, health assessments, emotional wellbeing and physiotherapy. 13% of our customers, members and patients now use two or more of our services.

Mental health and emotional wellbeing

Approximately one in four people in the UK will experience a mental health problem every year and, in England, one in six say they experience a common problem such as anxiety or depression in any given week. Worries about money and jobs make it harder to cope with everyday life. The number of people suffering mental health issues is set to increase as a result of the global pandemic. With an increasing number of children experiencing mental health issues, the Government has introduced new guidance that all children in England will be taught how to look after their mental wellbeing and recognise when classmates may be struggling.

1 in 4
people in the UK
experience mental
health problems

10m
gym members
nationwide

4.37m
on NHS waiting lists



“Preventative healthcare and emotional wellbeing will undoubtedly be key priorities as we enter the new post-Covid-19 world”

How this affects us

Demand for our services is growing. In 2019, we saw a 69% year-on-year increase in referrals to our emotional wellbeing teams. Emotional wellbeing services are now live at the majority of our gyms and 31 hospitals, with bespoke programmes developed for many of our corporate clients. We have a waiting list for schools requesting our School Wellbeing Activity Programme (SWAP), which focuses on children’s emotional wellbeing. (See case study page 22) Responding to this demand, we developed a digital version of SWAP that extends our reach to more schools, and launched our ‘School Wellbeing Handbook’ at the Westminster Insight Mental Health and Wellbeing in Schools Conference.

Digital health technology

People are living longer and are more aware of the need to look after themselves. Digital technology has revolutionised health and wellbeing. Fitness trackers and mobile health apps track health and wellbeing in real time. Artificial intelligence (AI) technology will soon diagnose illness, combining real-time data with apps and wearables for those living with diseases such as diabetes and heart problems (source: DigitalHealth.London). Demand for remote delivery of health and wellbeing services increased dramatically during Covid-19 and will continue to grow post-pandemic.

How this affects us

With advancements in digital technology, the home workout sector, including fitness apps, is growing significantly. People want to track, record and connect their exercise in and out of the gym. In 2019, we launched our My Wellbeing app, which extends our expert support outside the gym. It gives members access to our network of health and wellbeing experts, along with a range of workouts and activities.

Looking ahead

Covid-19 has highlighted the importance of everyone taking responsibility for their health and wellbeing, and this will shape the future of healthcare. It’s shown us that, with an increasingly ageing population, preventative healthcare is something that cannot be ignored and will undoubtedly be an area for investment in the future.

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



Public benefit

Deliver a measurable health and wellbeing benefit to a diverse representation of the UK public



Quality assurance and outcomes

Be the industry leader in quality standards and health outcomes



Connected health

Deliver an accessible and personalised health experience journey for members



Brand leadership

Be the UK's most known and trusted health and wellbeing brand



Financial sustainability

Enable sustainable investment in support of our purpose

Impact of principal risks against strategic objectives: p62

2019 achievements

- ◆ 20,000 increase in people reached in 2018 to 1.55m
- ◆ 17,500 people benefited from flagship programmes
- ◆ 300% best estimate SROI from investment in our flagship programmes
- ◆ £9m best estimate social value generated from our Joint Pain flagship programme

Highlights

1.55m
people reached



READ MORE ON PAGES 18-25

- ◆ Maintained position as industry leader with 29/31 hospitals rated good or outstanding by national regulators
- ◆ HealthInvestor and LaingBuisson Private Hospital Group of the Year award wins
- ◆ 77% of private patients achieved above industry average outcomes for hip replacements

94%
hospitals rated good or outstanding



READ MORE ON PAGES 26-33

- ◆ 13% of customers use two or more of our services, up from 10% in 2018
- ◆ Launched My Wellbeing app, connecting with our members remotely
- ◆ Construction began on Nuffield Health at St Bartholomew's Hospital in London, as part of our connected health strategy for the capital

13%
use two or more of our services



READ MORE ON PAGES 34-37

- ◆ Spontaneous awareness reached its highest ever level
- ◆ Developed four key promises demonstrating our commitment to meeting members', patients' and customers' wants and expectations
- ◆ A successful national TV campaign, highlighting our connected health offering

15%
spontaneous awareness



READ MORE ON PAGES 38-41

- ◆ Revenue from hospital services was £621.8m, a £39.2m increase against 2018
- ◆ Our wellbeing services generated £367.7m revenue, an increase of £8.6m against 2018
- ◆ Capital investment of £74m focused on key initiatives and enhancing the Charity's assets

£99.5m
adjusted EBITDA (p44)



READ MORE ON PAGES 42-47



Public benefit

As a charity, our purpose is to build a healthier nation, all for public benefit. Through our award-winning hospitals; fitness and wellbeing clubs; healthcare clinics; workplace wellbeing services; and research programmes, we're focused on delivering the best quality outcomes and care.

We believe prevention and awareness are just as important as the cure. Throughout the year we run 'Meet Our Experts' events. Open to all, the sessions are free of charge, and held at different locations around the country. Highly trained experts, from Nuffield Health and our partners, discuss and debate a wide range of health and wellbeing topics, from better sleep and goal setting, to common causes of back pain and cataracts. The events form part of our drive to build a healthier nation, and there's a wealth of content available on our website for those unable to attend the events in person.

In 2019, our fitness and wellbeing clubs delivered 106,000 free, one-hour health MOTs to members. The checks included key clinical tests, such as blood glucose and blood pressure, and time set aside with a specialist personal trainer to discuss fitness

goals. The aim is to identify potential health risks and discuss how an individual's health and fitness can be managed in the future.

We're making a difference through the quality of our outcomes. We believe emotional wellbeing is as important as physical health. In support of this, we offer a range of flexible, online and face-to-face, psychological therapies designed to maintain and improve mental health. In 2019, referrals increased by 69%, year-on-year, with 98% of patients treated showing improved mental health and 88% showing a clinically significant change in their mental health.

During 2019, our Excellence in Employee Wellbeing programme ran a series of thought leadership seminars and roundtable sessions for employers. Delivered free of charge for all, the events give access to experts from Nuffield Health, and our partners, who discuss latest workplace research, as well as health and wellbeing advice, and how to embed the principles within an organisation. Topics included the effects of remote working on emotional wellbeing – a timely subject in view of the lockdown restrictions imposed during the first half of 2020.

We're constantly developing innovative ways to help people remain fit and healthy. Our ability to assist those who can't normally afford or access our services is increasing and, during 2019, we reached over 1.55 million individuals across all our services, including those living with lower resources.

106,000

free Health MOTs delivered in our fitness and wellbeing clubs

98%

of emotional wellbeing patients showed improved mental health

2019 HIGHLIGHTS



1.55m

public reach

“Flagships bring our purpose to life and benefit not just the individual, but also local communities”



Dr Davina Deniszczyc,
Charity and Medical Director

Our flagship programmes

Our flagships are a range of free or subsidised services, which address unmet health and wellbeing needs in local communities. In the past year alone, more than 17,500 people have benefited from these programmes, designed to help people get well, stay well and live well through the different stages of their lives.



Joint Pain

Our Joint Pain programme is now running in 48 of our fitness and wellbeing clubs, compared with just four in 2018 when it was piloted. Participants have taken part in the sessions, which aim to reduce pain, increase mobility, and improve mental health by encouraging sufferers to participate in regular exercise.

The effects of joint pain can be debilitating, causing depression and feelings of social isolation. Feedback has been exceptional, with 63% of participants achieving clinically significant improvements. Many of them continue to exercise at our gyms after the structured programme has finished.

Going forward, the programme will be extended to further fitness and wellbeing clubs. A clinical trial with Manchester Metropolitan University will formally evaluate the effectiveness of the Joint Pain programme.

63%

of participants achieved clinically significant improvements

48

sites running Joint Pain



STAMINA research

Prostate cancer is as common in men as breast cancer is in women. Around half of all men in the UK with the condition undergo a hormone therapy called Androgen Deprivation Therapy (ADT). The side effects can cause depression, anxiety and weight gain.

Last year, we partnered with Sheffield Hallam University on a research project looking at the effectiveness of long-term supported exercise, and its impact on the quality of life for men undergoing this treatment.

This is the biggest-ever clinical trial of its kind, and is supported by a grant from the National Institute for Health Research. In light of Covid-19 the exercise programme has been paused until 2021. However, research continues with analysis of data from patient interviews and new ways of delivering the programme are being considered.

Relax and Restore

Launched in 2018, Relax and Restore offers a bespoke range of affordable, specifically designed, treatments for people living with, or recovering from, cancer. Using 100% organic products, the treatments are offered to clients at a preferential rate, and carried out by expert beauty therapists at 13 of our fitness and wellbeing clubs around the UK.

The programme was developed in response to the fact that 90% of salons and spas can't treat people with cancer, due to the strict health regulations and specialised training requirements. All our therapists undergo a three-day Cancer Touch Therapy™ course, developed in association with oncologists and cancer specialists.

We're also committed to offering a number of free treatments through our partnerships with local and national charities, including Macmillan, Maggie's and Look Good Feel Better.

Cystic Fibrosis

Our Cystic Fibrosis programme started in 2011 in partnership with Great Ormond Street Hospital. Working with 12 NHS Trusts, the programme offers free, tailored, personal training to children aged between 5 and 17 living with cystic fibrosis. Currently 493 young people are taking part in the programme, an increase of 230 over 2018.

The programme has CIMSPA accreditation and received international recognition following European and American Cystic Fibrosis conferences. During the year, we hosted the annual Cystic Fibrosis and Exercise Network conference.

Free, tailored personal training at our fitness and wellbeing clubs is an integral part of the programme. Families of participating children are also offered free membership of our clubs so they can enjoy some relaxation time and focus on their own wellbeing.

1,000

men will take part in the STAMINA research trial

13

fitness and wellbeing clubs offered the programme in 2019

493

young people taking part in the programme

2023

completion of the trial

300

people received treatments

12

NHS Trusts partnerships





SWAP

Our School Wellbeing Activity Programme, SWAP, was launched in 2018, following a two-year pilot. A six-week programme for year 6-9 children, it's delivered free of charge by Nuffield Health experts to local schools.

The programme addresses four key areas of wellbeing – how I move, eat, sleep and feel – giving children the knowledge to manage their wellbeing inside and outside of the school. It's hoped that the lessons learned will stay with them throughout their lives.

SWAP goes from strength to strength and by the end of the year over 15,000 children, at 266 schools, had benefited from the programme – a 10-fold increase year-on-year. Several positive endorsements were made in Ofsted reports, showing the impact this flagship is having within the school system and on the children themselves.

The programme has been so successful that, during 2019, we created a School Wellbeing online platform, offering a digital version of SWAP, with downloadable lesson plans and online teacher support. This allows schools outside our immediate areas to benefit from the programme, extending our accessibility and reach.

During a recent Ofsted inspection, the lead inspector commented on how passionately the pupils could talk about SWAP

Caroline Knight

Head of School, Thorpepark Academy

266

schools benefited from SWAP

400+

programmes delivered

15,000

children participated in the programme



CASE STUDY

Making a big difference to youngest lives

Caroline Knight, Head of School, at Thorpepark Academy in Hull, believes SWAP is making a difference to young lives.


Nuffield Health Fitness & Wellbeing club in Hull partnered with the school to offer the six-week SWAP programme to year 5 and 6 students.

Mrs Knight said: "During a recent Ofsted inspection, the lead inspector commented on how passionately the pupils could talk about the SWAP programme, and how it's changed their perception of how to care for themselves and their own mental wellbeing."

Year 5 teacher, Mrs Lumb, said the children had been engaged throughout the six weeks. "They

really enjoyed the programme, particularly the sessions that taught them how to make healthy lifestyle choices about food, exercise and sleep." Year 6 teacher, Mr Richie, echoed this view: "The facilitators were able to interact with children of all abilities, making the sessions extremely enjoyable and easy to follow."

Responses from the children showed they enjoyed trying different foods, learning about the importance of sleep and doing the different exercises. One pupil said: "I've always struggled to get to sleep and never known why. Now I know the best ways to get good quality sleep, thanks to the SWAP project." They also loved the booklet and wristbands, produced to remind them of lessons learned.



I loved the booklet we
were given and each
week we got a different
colour wrist band to keep

Year 5 pupil, Thorpepark Academy

Wendy Smith, SWAP champion at Nuffield Health Fitness & Wellbeing club, Hull, delivered the programme, along with her colleague Joe Smith. She was delighted with the response: "SWAP aims to give children skills to take them through life. The pupils at Thorpepark were amazing and very engaged throughout the programme, so it's great to hear that they're still as passionate about the things they learned."

The Ofsted report rated the school 'outstanding' for personal development and Mrs Knight feels the SWAP programme contributed to this. "The school is located in a highly deprived area, with 98% of families living with lower resources. SWAP really is making a big difference to our youngest."



Top:
Manchester Metropolitan
University

Research and partnerships

During the year, we continued to invest in research to develop evidence-based practice to innovate in health and wellbeing design, driving industry leading health outcomes. As data becomes increasingly important across the healthcare sector, we've invested in a three-year partnership with Leicester Real World Evidence Unit to share data analytics' best practice.

As one of the few organisations that records an individual's exercise, diet, lifestyle, physiological and medical data, we hold one of Europe's largest, unique data sets.

By utilising anonymised data sets, the partnership will be able to track the impact of interventions and utilise advanced evaluation techniques. This will allow us to identify opportunities for new health services on a macro scale.

Remote working paper

In November, we published a review on how remote working can impact employers and their people. The review, conducted with the University of Manchester and Manchester Metropolitan University (MMU), examines the connection between remote working and stress, wellbeing, health and productivity.

A key finding of the study was that remote working can provide the flexibility to juggle work and home life demands, making it key to attracting and retaining talent. Our studies drew on over 7,000 individuals, from organisations across several sectors.

Manchester Metropolitan University

Nuffield Health continues to grow its Centre of Excellence for Health and Wellbeing, in collaboration with MMU. Building on

a significant research and development portfolio, focused on preventative pathways, this partnership is producing exceptional clinical outcomes and influencing both practice and national policy.

A range of projects were commissioned during the year, including an assessment of the benefits of using virtual reality to support the treatment of anxiety, and the development of a practical guide for universities, taking a 'whole systems' approach to emotional wellbeing and health.

The substantial investment into this partnership demonstrates our aspiration to be pioneers in quality healthcare and clinical outcomes.



300%
SROI*



Individual

£ Quality adjusted
life years (QALYs)



Family/Carer

£ Wellbeing
(life satisfaction)



Health & social care

£ Potential NHS and
social care savings



Economy

£ Expected
earnings

*The best estimate social return generated on our investment in our flagships programmes in 2019



Evidencing our benefit

As a charity, we exist to provide and develop healthcare services for the benefit of the public. In 2018, we identified Social Return on Investment (SROI) as a robust, step-by-step process to evidence our impact and quantify the social value we create over and above the services we're paid to deliver.

During 2019, we introduced the concept across the Charity, producing an internal film explaining the purpose of SROI and its importance in showing the benefit generated relative to our investment.

We continued to work with Frontier Economics focusing on strengthening and evolving the framework. In addition, we evaluated how we could achieve a greater

SROI by looking at the balance and scale of our products, in order to increase the social value to our four key beneficiaries – the individual, family/carer, health and social care, and the economy.

Our aim is to set an annual SROI target that all areas of the Charity can work towards. The next step will be to roll out training across the Charity to further embed the concept as an essential element of our investment decisions.

We believe in sharing best practice wherever possible. A report explaining our framework, along with explanations and recommendations on how we calculate our SROI, will be published. This will be freely available, so other organisations can benefit from the work undertaken at Nuffield Health.

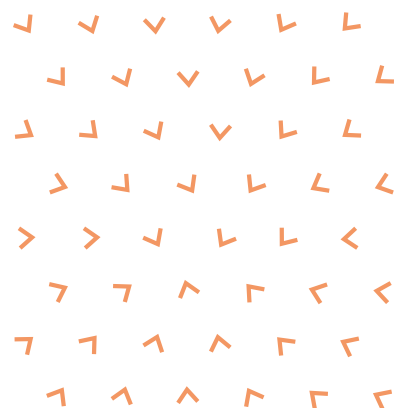


"Nuffield Health's work over the last year to understand, monitor and report its SROI places it amongst the leading charities in the UK"

Matthew Bell
Director, Frontier Economics

Looking ahead

In March 2020, following the outbreak of Covid-19, we paused our flagship programmes due to the closure of our fitness and wellbeing clubs. This will have a considerable impact on the amount of people we reach through these programmes in 2020. As the pandemic continued, we saw a growing area of unmet need for people recovering from the virus. In response, in September we will be launching a Covid-19 rehabilitation programme, in collaboration with the NHS.





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.

To underpin our Quality aspiration, we believe our people must be the most highly skilled professionals; our processes, procedures and practices must be evidence based and meet, or exceed, healthcare sector standards; and our equipment must be leading edge.

Our Quality Assurance Framework, launched in 2018, continues to support our planning, delivery, monitoring and continuous improvement, ensuring that we deliver the highest levels of care and service to our patients, members and customers. Quality and safety are always prioritised over financial performance and everything we do is evaluated against the following criteria:

- ◆ **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, members and customers by giving them a positive and reassuring experience

HOW WE EVALUATE SAFETY AND CARE

Overview

External organisations 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 Improvement Wales (HIW).

In 2019, we continued to receive industry recognition in several significant areas:

- 94% of our hospitals rated 'good' or 'outstanding' by national regulators, demonstrating our sector leading quality and safety of care
- 97% of knee replacement and 99% of hip replacement patients saw an improvement six months following surgery, both of which are on or above the industry averages of 95% and 99% respectively*
- We featured in the NHS's Top 10 UK hospitals, with all hospitals achieving, or exceeding, improvements to patient quality of life following knee and hip replacement surgery
- For the third year running, we won both HealthInvestor and LaingBuisson Private Hospital Group of the Year awards.

These results are testament to the steadfast focus we've placed on clinical outcomes.

* Based on Private Healthcare Information Network (PHIN) publication November 2019



94%

of our hospitals have been
rated 'good' or 'outstanding'
by national regulators

Strategy in action continued



In 2019, our primary care sites (medical centres, and registered fitness and wellbeing clubs) were rated by CQC for the first time. All achieved 'good' as their overall rating, further underlining our commitment to quality in everything we do.

We're one of the first independent hospital groups to proactively pilot the Getting it Right First Time (GIRFT) programme. Initially set up in 2017 as a partnership between the NHS Royal National Orthopaedic Hospital Trust and NHS Improvement, the aim is to help NHS foundation trusts improve care quality by examining and standardising clinical practices.



During 2019, the GIRFT team, led by Professor Tim Briggs, visited the 29 hospitals within GIRFT's jurisdiction (excluding Scotland and Wales) to give their expert opinion on the standard of clinical care provided by Nuffield Health. The results validated some of the excellent clinical practice we know exists within our hospitals and the insights provided will help inform our further improvement.

Quality of care

Over the last two years, we have invested in our people, hospitals, medical centres, and fitness and wellbeing clubs to ensure the Quality of care we provide to our patients, customers and members is of the highest standard.

"My experience in care hopefully means I can assist the debate. I like to think I'm making a difference for the benefit of all patients"

Glenis Mitchell
Forum member



96%

customer satisfaction across our hospitals

219,000

hospital procedures in 2019

3 years

Nuffield Health has won both the HealthInvestor and LaingBuisson Private Hospital Group of the Year awards

2019 HIGHLIGHTS

Cancer care

Our personalised approach to cancer treatment means a patient's individual needs are at the heart of everything we do. During 2019, following the recruitment of a Quality Lead for Cancer Services, a review was carried out at our 11 cancer treatment hospitals to ensure all were operating to the same high standards in quality.

A number of areas were identified for enhancement, including the installation at all sites of iQemo, an electronic chemotherapy prescribing system, which provides automatic dose calculations, allergy and sensitivity alerting, and drug-to-drug interaction support. In addition, the appointment of a Quality Lead for Oncology Pharmacy, and the creation of dedicated



dispensary areas, allow close collaboration between specialists.

The creation of a Cancer Development Group (CDG) brings together our most senior cancer nurses and pharmacists, and a Chemotherapy Lead Group (CLG) addresses issues, risks and incidents. The CDG and CLG provide a robust governance structure for cancer care across Nuffield Health.

Our Quality Lead for Cancer Services was instrumental in setting up the Independent Sector Cancer Network (ISCN), providing a dynamic forum for the sector to discuss issues and share best practice. A 'Standards for cancer care in the independent sector' paper, written by the ISCN, covers diagnosis to end of life care.



“Nothing beats honest feedback”

“We see the wallpaper every day,” says Matron Sarah Turner-Brown, explaining the benefits of the Patient Forum that has been running at our Wolverhampton Hospital since 2018.

A strong advocate of ‘the patient’s voice’, Sarah believes listening to the views and ideas of those who’ve experienced care is the best way to make improvements.

“The hospital team is so close to things that, often, we don’t notice the obvious,” she says. “Forum members provide us with a fresh pair of eyes, whether it’s to do with signage, menus, pre-admission or, as happened recently, the renovation of the oncology suite. And, early in 2020, an expanded forum will help shape the endoscopy pathway.”

Forum member Glenis Mitchell had a hip operation at the hospital three years ago, referred through the NHS. She says she couldn’t fault the care she received. So, initially, when invited to join the forum, she didn’t think she would have much to offer. But, as a former NHS nurse, who works part-time for Marie Curie, Glenis now feels that she’s able to give a balanced view. “Some people are looking for perfection,” she says. “My experience in care hopefully means I can assist the debate. I like to think I’m making a difference for the benefit of all patients.”

Sarah Turner-Brown certainly thinks Glenis and the other volunteers are making a huge difference. “Nothing beats honest feedback,” she says. “The forum plays a key role in helping the hospital continually improve things for the people who trust us with their healthcare.”



Gender affirmation

For more than 20 years, our Nuffield Health hospital in Brighton has proudly been at the forefront of gender affirmation surgery, demonstrating our commitment to inclusivity and care for everyone across our diverse population.

Brighton has a long-standing relationship with the NHS and recently won a further five-year contract for both male to female, and female to male, gender affirmation care. Before surgery can take place, patients, both self-referrals and NHS, follow the two-year NHS pathway protocol, to ensure they're emotionally, physically and psychologically prepared for the journey ahead.

Using a multidisciplinary approach involving the patient, the team has introduced a surgical pathway that has significantly reduced the amount of time patients spend in hospital. The innovative programme focuses on awareness, and providing patients with comprehensive information in the run-up to surgery on what to expect and how to manage recovery at home.

The premise is that the more information patients have, the better the outcome when they go home. Feedback has been positive and patients are comforted to know that clinical and emotional support is always available from our team, when and if they need it.

Although attitudes towards the transgender community have changed in recent years, there's still progress to be made. Recognising this, the Brighton team proactively coaches its people, including housekeeping, catering and the different nursing groups, on the importance of acceptance and understanding the unique mental health and anxiety issues that gender affirmation patients experience.

We are proud to support the transgender community and champion the care of patients requiring gender affirmation surgery. We're therefore delighted that our hospitals in Newcastle, Leicester and Portsmouth have joined Brighton in this specialist field, focusing on female to male chest reconstructions, all winning NHS five-year tenders.

Patient deterioration

During the course of 2019, attention focused on enhancing the ability of our hospital teams to promptly recognise the early signs of patient deterioration and provide rapid acute response. Following a comprehensive review, conducted in collaboration with our resuscitation partner, A to E Training & Solutions, a new emergency trolley was deployed across all hospitals with standardised content, equipment (defibrillators), and consumables such as masks and airways.

Associated policies were developed to inform best practice, and training and simulations were aligned accordingly. The programme was completed by the end of the year.

This area of quality improvement focused initially on the management of our adult patients. The same principles are now being applied to our services for children and young people. These will flow through to our primary care and wellbeing services during 2020.

Assessing people for surgery

In 2019, we concentrated on embedding our streamlined preoperative assessment (POA) process across the hospital network. Introduced in 2018, the process aims to standardise POA procedures and ensure best practice guidelines are followed, as outlined by the Royal College of Anaesthetists.

POA is underpinned by the clinical expertise and specialist education of our nurses. Accordingly, we doubled the number of attendees for the 2019 Preoperative Association's training course from 10 to 20.

In 2020, as well as making sure patients are as fit for surgery as they can be, we'll be giving guidance on nutrition, exercise and lifestyle decisions to optimise clinical recovery and deliver long-term health benefits.

Safety culture

Since 2016, we've focused on improving our safety culture and encouraging our people to report concerns, near misses and incidents – however minor. This activity was made easier following upgrades to our Datix reporting system. We're pleased, therefore, that safety reporting overall has improved year-on-year.

Our hospitals are subject to the same level of scrutiny and review as NHS facilities. We choose to report all serious incidents to our regulators, even though we're only required to report those incidents affecting NHS patients.

We contribute to relevant national clinical audits, such as the National Joint Registry (NJR) and patient reported outcome measures (PROMS).

Never Events are defined by NHS England as 'serious incidents that are wholly preventable because guidance or safety recommendations that provide strong systemic protective barriers are available at a national level and should have been implemented by all healthcare providers'. At Nuffield Health, they are investigated by a senior clinical leader and reviewed by our Quality Committee. Four Never Events were reported in 2019, a 33% decrease from six in 2018. Findings are cascaded to all sites and improvement implementation is monitored. This robust process has helped decrease and maintain low incident counts.



Above:

We are proud to hold ISO standard certification in all key areas relevant to the Charity, demonstrating we go above and beyond best practice minimum requirements

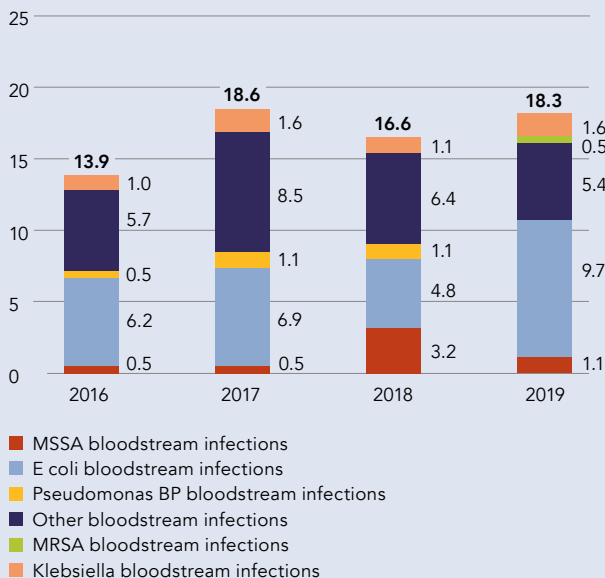


Working together to share knowledge and support each other is a critical success factor in delivering a consistent level of quality across our services

Carol Kefford, Clinical Director

Bloodstream infections

Number of infections per 100,000 bed days



We were proud to be finalists in the HSJ Patient Safety Changing Culture award. This recognised our 'Be Bold, Be Brave, Speak Out' scheme, which embeds the World Health Organisation (WHO) safety checklist, considered the gold standard in operating theatre safety. The scheme encourages openness and a spirit of advocacy amongst our teams, irrespective of role and grade. It contributed to a reduction of Never Events, and has received positive feedback.

Avoidable infections

2019 saw an increase in the overall number of infections over the previous year (see chart), from 16.6 to 18.3. One case of MRSA was recorded, which was disappointing as we'd been free of this infection for seven years. The patient was a known carrier of the infection and, once identified, was isolated appropriately. Following investigation, there was no evidence of cross-infection to other patients, demonstrating effective infection prevention practices were in place.

Nine cases of Clostridium difficile were identified, seven of which were seen in outpatient departments, with no prior history of care or intervention within our hospitals. The remaining two were attributable to healthcare interventions within a Nuffield Health hospital, linked to the use of preoperative antimicrobials – a known risk of usage.

Encouragingly, a significant reduction in MSSA infections was recorded, from 3.2 in 2018 to 1.1. And, for the first time in five years, no cases of Pseudomonas BP were recorded. We continue to focus on driving robust infection prevention and maintaining our high standards.

Governance

Our Quality and Assurance function oversees systems across the Charity to support our purpose. The team is independent of day-to-day operations and responsible for overseeing and embedding all quality, governance and compliance matters.

Improvement plan for 2020

Enhance our safety culture

- ◆ Sustain and monitor excellent standards of practice in operating theatres
- ◆ Implement and enhance the iQemo system at all sites
- ◆ Sustain and monitor standardisation of hospital emergency equipment. Further develop training and simulation activities.

Be recognised for our commitment to professional development

- ◆ Develop and deploy the Nightingale Programme for nurses
- ◆ Deliver the Theatre Manager Development Programme to a second cohort.

In 2019, a standardised reporting framework was introduced to our hospitals, providing template agendas and terms of reference. This facilitates a consistent approach towards governance, and the management of risk across all our sites, with clear lines of escalation.

Quality always tops the agenda for our monthly Board of Trustees and Executive Board meetings. A report, presented by our Clinical Director, is shared with all sites and, in line with our commitment to transparency, we voluntarily send a copy to our regulators.

In addition, a number of other boards and meetings are held across the Charity, including:

- Our dedicated Board Quality and Safety Committee (BQSC) monitors and reviews clinical governance. As well as regulatory oversight, it considers clinical risk and health and safety matters. The BQSC meets quarterly, at different hospital locations around the country
- Regular meetings, and clinical engagement events, are held for clinical specialists, including matrons, theatre managers and pharmacists
- Expert advisory groups (EAGs) meet to scrutinise clinical key performance indicators in areas such as infection prevention and primary care services
- A Medical Society in each hospital brings together consultants and local leadership teams to discuss central business developments and topics of interest.



The Paterson Inquiry

We're committed to supporting the recommendations of the Paterson Inquiry, which followed the conviction of former surgeon Ian Paterson for malpractice. Proactive action was taken before and since the inquiry to review and, where appropriate, implement the lessons learned. We'll continue to work with, and support, the Independent Healthcare Provider Network (IHPN) as it ensures the delivery of first class, safe and efficient healthcare across our industry.

GDPR

During 2019, General Data Protection Regulation (GDPR) principles were embedded throughout the Charity, overseen by our Information Risk Expert Advisory Group. New governance procedures ensure a solid process for the management of data, and compliance with regulations and guidelines. Datix and Information Commissioner's Office (ICO) incidents have reduced year-on-year, and risk areas identified and provided with additional resources.

Our focus in 2020 will be on greater compliance in data retention and storage; implementation of 'privacy by design' across the Charity; and greater alignment between our internal teams to allow end-to-end supplier assurance.



Develop specialist services in line with best practice

- ◆ Deliver our clinical enhancement plan within cancer services and demonstrate evidence-based best practice
- ◆ Translate improvements made in adult care records, vital signs monitoring, early warning systems and sepsis triggers to children and young people.

Enhance our governance

- ◆ Refresh our clinical policies, ensuring that our policy library is up to date and fully aligned with current UK regulation and evidence-based practice
- ◆ Implement an audit schedule across all hospitals that meets regulatory and clinical standard requirements, thereby providing heightened assurance.



Connected health

Our connected healthcare network and services are key differentiators for Nuffield Health. They enable us to provide holistic services to our patients, members and customers, helping them to stay fit and healthy throughout their lives.

Connected healthcare is how we refer to our unique range of services. Our team of personal trainers, physiotherapists, emotional wellbeing counsellors, nutritionists, doctors, surgeons, nurses and occupational health experts work together, allowing us to fully understand a person's needs. From diagnosis and monitoring, to treatment and recovery, our aim is to always put the customer at the heart of our services, delivering personalised solutions in care.

Connecting remotely

Our My Wellbeing app was launched in August 2019. Available free to members and non-members on Google Play and Apple Store, the app is designed to help extend our support outside of the gym, and enable individuals to stay connected to us wherever they are.

The app allows users to build workouts, track activity and link to our specialist services anywhere, any time. It contains a wealth of information for all the family, with expert content on topics such as emotional wellbeing, nutrition and physiotherapy.

By the end of 2019, there had been 23,000 downloads but in light of Covid-19 and the huge demand for remote health and fitness apps, this figure rose to 66,000 by end of May 2020.

Connecting services

Our focus in 2019 was on improving our technology and managing our data, to allow us to connect more of our services in a seamless way.

Single Customer View

We've continued to link data across the Charity to deliver a Single Customer View (SCV), giving us the ability to see all clinical and fitness customer interactions in one application. We can instantly see if a customer is a member of one of our fitness and wellbeing clubs, has used one of our hospitals, or has had physiotherapy or emotional wellbeing treatment with us.

We've moved into the second phase of SCV, taking fragmented customer data from multiple systems and linking it together to give a single view of activity across all service lines. This will be a key enabler for us in delivering a truly connected service to our customers.

23,000

downloads of My Wellbeing app in 2019

66,000

downloads of My Wellbeing app by end of May 2020, showing impact of Covid-19

2019 HIGHLIGHTS



13%

of our members, patients
and customers used two
or more services in 2019



CASE STUDY

Thriving at work

Hayley O'Leary joined Nuffield Health in 2019 as an Emotional Wellbeing Therapist, based full-time within American Express (Amex). Her role is to support the leadership in ensuring Amex is a healthy place to work.

"Amex recognises that emotional wellbeing is just as important as physical health, and that's where I come in. It's about prevention and making sure people can thrive at work," she says.

Nuffield Health has a long-standing relationship with Amex, providing a raft of connected health services, including an onsite gym, medical centre, GP and physiotherapy services. The Healthy Living Hub, located at Amex's Brighton office, is managed by Nuffield Health and co-ordinates the health needs of employees.

As well as running awareness training programmes for leaders and their teams, Hayley runs sessions for individuals, or recommends them to other practitioners.

"A key benefit of working for Nuffield Health is the ability to connect with so many health specialists and resources," she says, adding that she runs wellbeing sessions on topics such as 'food and mood' and the importance of sleep, in conjunction with a Nuffield Health nutritionist and physiologist.

Understanding of mental health has evolved, and Hayley applauds the attitude of Amex in addressing an issue that used to be surrounded in stigma. "By encouraging people to come forward early if they have concerns, support can be given before long-term difficulties occur," she says.

"Amex recognises that emotional wellbeing is just as important as physical health"

Hayley O'Leary
Emotional Wellbeing Therapist
Nuffield Health



PATH

Our Personalised Assessment for Tailored Health (PATH) system combines digital technology with our expert support to help people get fitter. It allows people to choose between a variety of health assessments focusing on lifestyle and medical factors. Starting with an online assessment, PATH includes a face-to-face personalised review with a doctor or physiologist, and post-assessment support. It offers suggestions for managing the individual's health and emotional wellbeing needs going forward.

Now live at our corporate sites, PATH helps employers understand their employees' health and wellbeing needs. Data input by employees into a secure digital system, about their medical history and lifestyle behaviours, is anonymised, thereby providing the employer with a snapshot of the health and wellbeing of their workforce at any one time. The more information entered, the clearer the picture of the overall health and wellbeing of the employee group. PATH recommends steps to help the employer manage health risks in the workplace.

Care Pathway Management

Our Care Pathway Management project is aiming to co-ordinate bookings,

online referrals, patient records, billing, administration and management information (MI). Benefits include prompt patient access to treatment and referral; greater efficiency; improved patient experience and enhanced MI.

We're working hard to replace existing systems with new and improved capabilities. Our Care Pathway Management project will deliver the capability to manage and track patient pathways, from end to end, in a consistent manner. It will link most of our non-hospital clinical services, enabling improved referrals into and across services. Clinicians and support teams will have a much clearer view of where patients are at any one point in their health and fitness journey. The first phase of this will focus on our emotional wellbeing business.

Connecting locations

Renovation of the former pathology and residential staff quarters building at St Bartholomew's hospital is well underway and our plan is to open in 2021. The construction phase began in July 2019, with the stone laying ceremony for the rear façade taking place in November.

In April 2019, we appointed a Cardiac Services Manager. This was our first clinical appointment and, as people begin to join our team, it makes the opening of the only independent hospital in the City of London even more of a reality.



Our connected approach to customers' overall health and wellbeing needs leads to improved outcomes

Chris Blackwell-Frost, Chief Strategy Officer

The hospital will run in partnership with Barts Health NHS Trust, which runs St Bartholomew's Hospital. Our £60 million investment provides Barts Health with a multi-million-pound revenue stream that will be reinvested into NHS services.

This new hospital is critical to our connected health strategy for the capital. It will link with our existing 20 fitness and wellbeing clubs, 60 corporate wellbeing clubs and three medical centres, to grow and expand our services in London, providing healthcare options from prevention through to treatment.

Looking ahead

Connected healthcare is a key aspect of our purpose, to build a healthier nation. Work in this area will continue through 2020, as we add clinical and patient data to our systems, allowing greater personalisation of information. Our vision is to utilise technology to make our services more accessible to members and clinicians, as well as improving safety, accuracy, and quality.

Nuffield Health at St Bartholomew's Hospital will offer:

- ◆ cardiac catheterisation lab and cardiac hybrid theatre
- ◆ full diagnostic imaging suite, including MRI, CT, ultrasound, mammography and general X-ray
- ◆ 48 inpatient and day case bedrooms
- ◆ 28 consultation rooms
- ◆ four digital operating theatres
- ◆ specialist intensive care beds
- ◆ oncology day unit
- ◆ endoscopy and minor ops theatre.



Brand leadership

The Nuffield Health brand is driven by our purpose to build a healthier nation. We exist to create innovative healthcare solutions that meet societal needs. Our purpose informs everything we do, from our strategy and people policies to our visual identity.

We want our people to feel empowered to push the boundaries and continue to set Nuffield Health apart from other independent healthcare groups. Patients, customers and members must feel able to trust us to provide all their health and wellbeing needs, at every stage of their lives, confident that we offer the best hospitals, fitness and wellbeing clubs, and specialist support.

Evolving the brand

We're continually enhancing our brand to ensure it's supporting our purpose, and that it meets the expectations of our patients, members and customers. As part of this, during the year, we conducted research to examine what our customers want and expect when they come to Nuffield Health. From this research, we developed our four promises to shape the

way we deliver our customer experience through our people.

Member Experience Trials

We know that an excellent experience builds loyalty and advocacy amongst our customers. In 2019, three of our fitness and wellbeing clubs (City, Crawley and Sunbury), took part in Member Experience Trials (MET). These focused on the importance of meeting our promises through consistent delivery of the basics of customer care across all activities.

Working with cross-functional teams at each location, we developed ways to empower and encourage our people to bring our purpose and promises to life, so members felt part of the Nuffield Health family. Visual signage, illustrating our unique flagship programmes, reinforced our role as the UK's largest independent healthcare charity.

- ◆ You'll always feel at home
- ◆ We don't just listen, we act
- ◆ Our focus is always on you
- ◆ We'll always be open and honest with you



OUR PROMISES



We're building a
healthier nation.
Starting with you





Above:
Bringing our purpose to life as part of our MET trial

Surveys conducted after the trial showed it was a success. Net Promoter Score (NPS) increased significantly at all three sites, demonstrating the strong correlation between engaging our people to interact positively and proactively with our customers and providing a consistently excellent service at all levels.

Members felt more connected with Nuffield Health, and there was a greater sense of community and understanding of the purpose of the Charity. In turn, our people better understood the importance of 'delivering the basics brilliantly' for everyone, all the time. They felt more able to take ownership for delivering our purpose and promises. The trial will be extended to other sites during 2020.

Customer engagement

Our people are our brand ambassadors and the direct link to our patients, members and customers. We rely on them to provide an experience that makes everyone who comes into contact with Nuffield Health feel part of something special.

We're always looking for ways to improve and maintain our position as a leading brand and we track our performance through a range of measures, including:

- Customer satisfaction surveys to gain insight into how people feel about our care and our services
- NPS help us gauge the loyalty of our customers
- Patient Reported Experience Measures give us a snapshot of people's experience across our hospital sites.

In 2019, our hospitals maintained their exceptional 96% customer satisfaction rating; health assessments increased from 83% in 2018 to 86%; and corporate wellbeing services fell 1% to 82%. Disappointingly, our fitness and wellbeing clubs saw a small decline of 1%, to 73%. In 2020, we'll continue to focus on an improvement plan, with the roll out of our Member Experience Trials and Think Like a Customer programme.

Complaints

All complaints are investigated openly and transparently, and we aim to provide clear



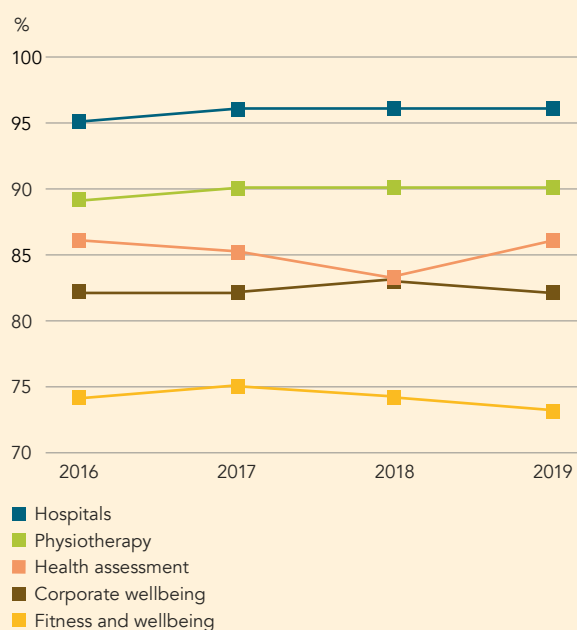
and honest responses at every stage. The centralisation of the complaints team, in 2018, aligned complaints policies across the Charity and ensured that matters are dealt with quickly and efficiently. We've seen extensive improvements during 2019 as a result of this decision.

During the year, our hospital teams received training on how to handle and resolve complaints. By focusing on the root of the problem at hospital level, the number of complaints requiring escalation to our third party adjudicator ISCAS reduced by 50%.

Looking ahead

In 2020, we'll be driving forward our promises so the experience received by our patients, members and customers is the best it can be and, most importantly, consistent across the Charity. We'll also be building on the work undertaken during 2019 to refresh our visual brand identity. We want everyone to feel an emotional connection with us, and know that, whenever and wherever they visit Nuffield Health, their health and wellbeing needs have been truly met.

Customer satisfaction



We track customer satisfaction 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.



Financial sustainability

Nuffield Health's financial sustainability remained strong during a year that saw significant investment in strategic enablers. These included IT infrastructure, management of data, improvements to facilities and the construction of our new London hospital.

Despite another year of challenging trading conditions, which included uncertainty surrounding whether or not we would be leaving the European Union, revenue increased by £47.0 million (+5%) to £992.8 million. Adjusted EBITDA (see page 44) reduced slightly by £0.5 million (-0.5%) to £99.5 million as a result of continued investment in both our service proposition and flagship programmes (see page 20).

Our hospitals, and our fitness and wellbeing offering, drove this solid level of growth, combined with a continued focus on cost control.

In 2019, we focused on improving efficiency and reviewed spending in several areas. Like many organisations, we've seen pressure on overheads. These have been driven by inflation, as well as increases in people and investment costs, as we've continued to grow the Charity. We continue to focus on building a robust platform for future sustainability.

£622m

2019 revenue from hospital services, an increase of £39.2m against 2018

£368m

2019 revenue from wellbeing services, increase of £8.6m against 2018

2019 HIGHLIGHTS

Hospitals

Revenue from hospital services was £621.8 million, representing a £39.2 million improvement against 2018. Overall episodal revenue was up £22.4 million, (4.9%) largely driven by strong insured and self-pay activity. NHS referrals showed an increase of 1.1%, and diagnostic revenues grew by 4.4%, to deliver over £108.4 million for the year.

Wellbeing

Our wellbeing business generated £367.7 million revenue, an increase of £8.6 million against 2018, mainly resulting from the consumer service line.

Consumer fitness

Turnover increased by £11.8 million to £270.7 million as the fitness and wellbeing clubs continued to drive up membership, which totalled more than 360,000 at the end of the year.

Technogym was contracted to deliver equipment across 46 consumer sites to improve the fitness offering to our members. This will continue to roll out in 2020.

Corporate fitness

Revenue declined by £2.6 million, following a reduction to 153 corporate fitness and wellbeing sites (165 in 2018) and the transfer of two corporate sites to consumer in 2019.

Clinical services

Revenue, which included physiotherapy and health assessments, grew to £80.3 million in





£993m

Group turnover

Strategic report

Trustees' report

Independent auditor

Financial statements

Additional information

Strategy in action continued



the year, up £9.5 million on 2018. This was due to the physiotherapy and emotional wellbeing offerings, which we're continuing to expand across our network.

Operating surplus

Operating surplus before exceptional items was £15.9 million, a £1.0 million year-on-year decrease. This reflects the impact of increased supply, employee and related costs, offset by the savings driven by organisational efficiencies and transformation programmes aimed at streamlining our operational structure and support functions. The introduction of efficiencies, and the reduction of costs, remains our steadfast focus.

Exceptional costs

Exceptional costs were £13.8 million (2018 – £6.8 million). Key elements were:

- Impairment of fixed assets of £14.2 million (2018 – £1.1 million)

- Reorganisation and transformation activities of £6.1 million (2018 – £2.8 million)
- £4.3 million reduction in the onerous lease provision held for consumer sites
- £1.9 million release of a provision created in 2017 for contractual liabilities on certain legacy contracts, now concluded.

Interest

Interest charges of £17.1 million (2018 – £17.6 million) were slightly lower than the previous year due to a reduction in respect of finance lease charges.

Net deficit

The results contributed to a net deficit after tax of £15.0 million (2018 – £7.5 million deficit). The annual actuarial valuation of the pension scheme gave rise to an actuarial loss of £10.7 million (2018 – £7.5 million gain), resulting in net assets reducing to £40.9 million (2018 – £64.2 million).

Net debt increased slightly to £370.9 million (2018 – £370.7 million), resulting from continued robust control of capital investment. This steady net debt, and a reduction in the use of bank facilities, resulted in the year-end leverage falling to 3.72, an improvement of 0.05 compared with 2018.

Continued investment

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 to build a healthier nation. In 2019, capital investment was £73.6 million (2018 – £64.8 million), and this was focused on key initiatives and continuing to enhance the Charity's assets.

Assuring long-term sustainability

The Charity showed a strong trading performance in the first two months of 2020, with revenue growth of 4.8% against the same period in 2018, but in March 2020 the closures of our fitness and wellbeing sites and the utilisation of our hospitals to support the NHS during

Key financial indicators

	2019	2018
Group turnover	£993m	£946m
Adjusted EBITDA*	£99.5m	£100m
Adjusted EBITDA* as percentage of Group turnover	10.0%	10.6%
Operating surplus before exceptional items	£16m	£17m
(Deficit)/surplus after tax	£(15)m	£(7)m
Capital expenditure (excluding acquisitions)	£74m	£65m
Net debt	£371m	£371m
Leverage (net debt divided by adjusted EBITDA*)	3.7	3.8

* Adjusted EBITDA is calculated as total operating surplus (£2.1m) with exceptionals (£13.8m), depreciation and amortisation (£83.6m) added back. A full reconciliation is provided in note 6 to the financial statements

KEY FINANCIAL INDICATORS

the Covid-19 pandemic fundamentally shifted operations and will impact trading throughout 2020, even though our wellbeing sites have now reopened with social distancing measures.

The impact of closing the consumer and corporate sites, and the NHS block booking of our hospitals, has noticeably changed our financial position compared with 2019 year-end results.

We expect a significant shortfall in our EBITDA performance, against the 2019 reported results and we have amended our borrowing facilities to access an additional £87.5 million of debt from our lenders, thereby increasing the existing credit to £487.5 million, to ensure additional support is available to allow us to maintain operations and fulfil our charitable purpose. To support our organisation during the pandemic, we're utilising all relief options made available by the Government.

Steps have been taken to reduce cash outgoings as we operate through a period of significant disruption. Operating costs are being decreased by halting discretionary spend and reducing marketing. Our focus is on maintenance, and investment in essential health and safety spend only.

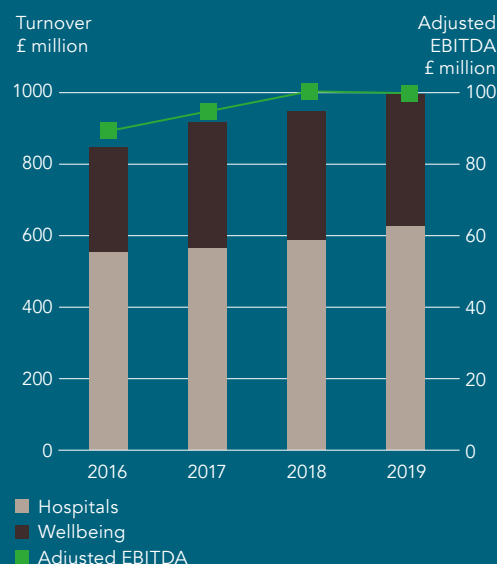
We're engaging with landlords to agree deferrals in the timing of rental payments. Ongoing reviews to identify further cost savings are underway to ensure the long-term sustainability of the Charity during this challenging time.

We're monitoring the outbreak carefully and are guided by advice from Public Health England. Our first priority is to ensure the health and safety of our patients, our members and our people. Steps were taken to provide a safe environment when sites reopened and normal activities recommenced.

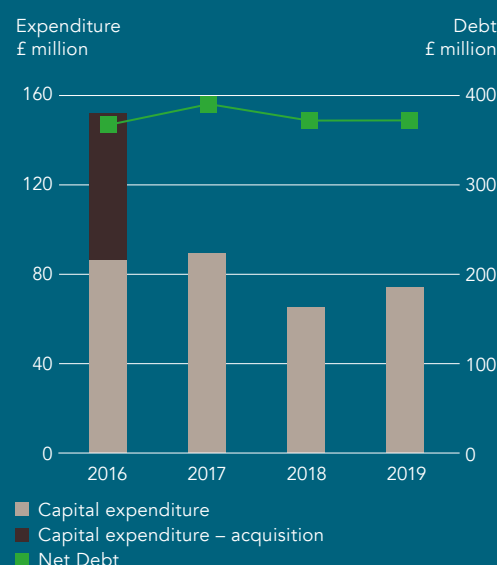
Going concern

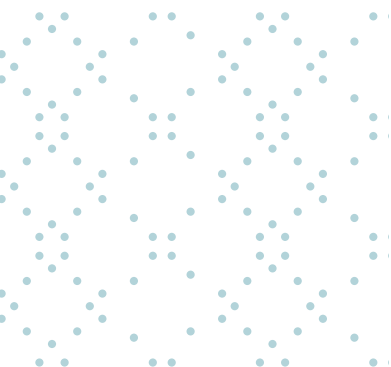
In assessing the going concern status of the Charity, the Directors considered the organisation's cash forecasts and liquidity, taking into account the impact of the Covid-19 pandemic on the Charity's operational activities and £87.5 million additional loans made available by the Group's lenders.

Turnover and adjusted EBITDA 2016-2019



Capital expenditure and net debt 2016-2019





The Directors anticipate that the Charity will continue its activities for the foreseeable future and, in accordance with section 3.8 of FRS 102, the financial statements are prepared on the going concern basis. They have made this assessment in accordance with Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks 2016, published by the UK Financial Reporting Council (FRC).

Given the various uncertainties presented by the pandemic, the Charity has prepared a range of forecast scenarios. Under the scenario considered by the Governors to be the most likely, the Charity is forecast to operate within the existing facilities and meet all bank covenants. Under the scenario currently considered to be the reasonable downside scenario by the Directors, the Charity is forecast to operate within the existing facilities, but some bank covenants might not be met.

The various uncertainties presented by the pandemic, including the impact of a further spike in infections on the Charity's hospitals and wellbeing activities leading to a repurposing of hospitals or the closure of wellbeing facilities, and the attitudes of banks in future should a breach of covenants arise in future, combined with the uncertainty involved in the assumptions

made in the future cash flow scenario and the possible mitigating actions, represents a material uncertainty that may cast significant doubt on the Group and Charity's ability to continue as a going concern.

However, having assessed the scenarios described above, the Board has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the next 12 months. Accordingly, the financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Charity were unable to continue as a going concern.

The Board considered the current measures in existence to preserve cash by reducing discretionary expenditure during the period since 23 March. It was at this stage that the Charity fully repurposed its hospitals to support the NHS in its national pandemic response efforts, and temporarily closed its wellbeing estate as a result of enforcement action by the Government. When considering the impact on the Charity's going concern position, an assessment of the additional options that may be available to mitigate the impact on its cash flows and liquidity was carried out.

Considerations included:

- Capital expenditure restricted to essential or income generating projects to improve liquidity
- Negotiations with its landlords to agree deferrals of rental payments and suppliers to provide for cash benefits to the Charity
- Making use of the measures to assist companies with the impact of the Covid-19 pandemic, including:
 - Rates holiday for leisure businesses
 - Coronavirus Job Retention Scheme to pay a proportion of the wages of staff placed on furlough
 - Flexibility on VAT and PAYE payments
- Amended our borrowing facilities to access an additional £87.5 million of debt from our lenders to increase committed facilities to more than £487.5 million, and amended the covenant requirements.





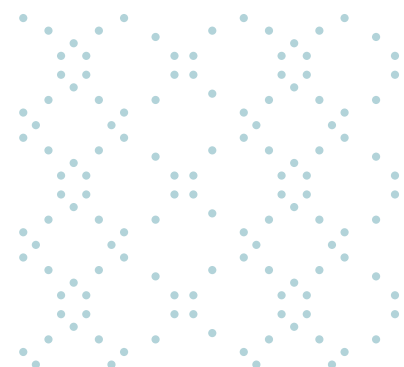
Under the scenario seen as most likely to occur in 2020, revenue and EBITDA is assumed to reduce significantly, compared with the Board's expectations prior to the Covid-19 pandemic. This scenario forecasts that the Charity will continue to have sufficient cash to meet its liabilities as they fall due for the foreseeable future, ie 12 months from the signing of the Annual Report, and that the revised financial covenants will be met. A key uncertainty around the assumptions in the scenario remains, specifically the impact of a second spike requiring a further closure of gym sites in part or in full.

The working capital review also requires us to look at a 'reasonable worst case' scenario. Under this scenario, the key uncertainty around the assumptions remains, but the Charity will continue to have sufficient cash to meet its liabilities as they fall due for the foreseeable future although some of its financial covenants might not be met.

The additional assumptions under this scenario included:

- A longer period of closure for the wellbeing estate, leading to a slower recovery in membership revenue
- An extension of the NHS block booking period, leading to a reduction in hospital episodes.

As a consequence, there's a more severe impact on the Charity's cash flows and liquidity, with net debt projected to peak at c.£468.0 million. At these levels of revenue and EBITDA, when combined with the mitigating actions described above, the Charity can still maintain sufficient liquidity, remaining within its committed debt financing facilities of £487.5 million over the next 12 months, even though it would not meet all of its bank covenant levels.



Our stakeholders

Each of our stakeholder groups plays a crucial role in building and sustaining the Charity. We engage with them regularly, and listen to their views because we know this will ensure our ongoing success.



Customers

The lifeblood of our Charity, we focus all our efforts on providing our customers with the best possible care and services. They are at the receiving end of our services, which uniquely qualifies them to tell us whether or not we're living up to expectations and delivering the best outcomes. By listening to and understanding our customers, we'll develop and grow our business sustainably for the future.

How we engage

- ◆ Customer satisfaction surveys
- ◆ Online market research community
- ◆ Patient Forums
- ◆ Social media and our website
- ◆ Customer contact centre
- ◆ Regular Board, Executive and senior leader visits to our sites, as part of our 'Think Like a Customer' initiative.



Our people

Our 16,000-strong workforce is the front-line, delivering our promises every day and bringing our purpose, to build a healthier nation, to life. We seek and listen to their views, so we can make Nuffield Health an inspiring, rewarding and healthy place to work; one that champions inclusion and diversity, recognising talent and developing career paths.

How we engage

- ◆ Bi-annual 'Your Voice' employee engagement surveys
- ◆ Quarterly 'In the Loop' employee e-zine informs and celebrates success
- ◆ Yammer internal newsfeed and extranet
- ◆ Monthly business briefs
- ◆ Regular Board member visits to sites
- ◆ WeCARE Values recognition scheme
- ◆ Annual leaders' and matrons' conferences.



Healthcare partners

Our hospitals deliver healthcare services for a range of different patient types, including those referred through private medical insurance (PMI), NHS and self-funders. Our consultants are at the top of their field and deliver the best outcomes to our patients. With over 50,000 NHS referrals in 2019, we value our relationships with PMI, NHS and self-funders, and our aim is to always work with them in harmony.

How we engage

- ◆ Hospital directors engage directly with their local NHS Trust
- ◆ Relationships are maintained with other key NHS stakeholders at all levels
- ◆ Regular meetings with our private medical insurers to ensure that our holistic approach to healthcare is resulting in quality outcomes for their customers
- ◆ Regular meetings and communications with consultants.

Communities

We actively engage with the communities in the areas in which we operate and support local communities by offering fulfilling job opportunities, ensuring accessibility to all ethnicities, genders and disabilities. We are expanding services to those living with lower resources and aim to build trust in our brand by operating ethically and sustainably.

How we engage

- ◆ Apprenticeship programmes offer opportunities to 'earn and learn'
- ◆ Flagship programmes are available to people free of charge or at a subsidised cost
- ◆ Partnering with over 260 schools, delivering our free Schools Wellbeing Activity Programme to 15,000 children
- ◆ Supporting community events and local initiatives delivering positive health benefits.

Suppliers and partners

Strong, collaborative relationships with suppliers are essential to maintain a healthy supply chain, minimising the environmental impact of our products and services. We work in partnership with educational institutions on major research and data programmes that enable us to identify new approaches to healthcare.

How we engage

- ◆ Regular meetings
- ◆ Sharing of information
- ◆ Supplier Code of Conduct
- ◆ Bi-annual supplier reviews.

Government

Our purpose is to build a healthier nation. Therefore, it's important we remain aware and up to date with government priorities, policies and regulatory changes across the healthcare market. We engage with the Government at all levels. Prevention is core to all our services, and this aligns with the Government's agenda.

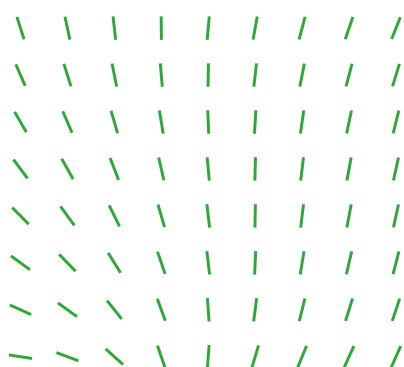
How we engage

- ◆ Through industry bodies, IHPN and UK Active
- ◆ Advise on key developments relating to the nation's health and wellbeing
- ◆ Provide insights and evidence for government papers, such as 'Prevention is better than cure' and the Ofsted Inspection Framework
- ◆ Consultations and round-tables
- ◆ Share research findings and best practice.



Section 172 statement

Section 172 of the Companies Act 2006 requires Trustees to act in a way that they consider promotes the success of the Charity for the benefit of stakeholders as a whole.



The Board of Trustees provides this statement describing how it has had regard to the matters set out in section 172(1) of the Companies Act 2006. The Board believes that it has acted in the way it considers would be most likely to promote success of the Company for the benefit of its members as a whole, having regard to section 172(1)(a) to (f) during the year.

a) The likely consequences of any decision in the long term

Our Board of Trustees ensures that decisions are in best interests of the Charity, taking into account the needs of the relevant stakeholder groups, medium and long-term consequences, and the importance of maintaining our reputation as a leading independent healthcare provider. The decisions of the Board are driven by the wider Charity strategy and how they can best provide support to deliver the long-term strategy.

b) The interest of the company's employees

Our Board understands the importance of the organisation's employees to the long-term success of the Charity. In 2019, the Board carefully considered the role of our Academy in supporting the Charity's long-term performance and societal goals. Our impact in the community, and the positive role we play in the promotion of social mobility, training and employment, was pivotal to the Board's decision to invest in this area.

A key focus of the Academy is ensuring that we have the right people, in the right roles, delivering a robust and ethical people strategy. In February 2019, following extensive consultation with leaders from across the organisation, the Board approved the Leadership Capability Framework. This

sets out the skills and behaviours needed from leaders, at all levels, to keep the Charity competitive and fit for the challenges ahead, whilst always mindful of our purpose. Last summer, 32 of our key leaders completed a virtual assessment, designed to measure strengths and opportunities for development across our leadership team. Results are used alongside other indicators to develop a strong and responsive leadership team to drive the Charity through the next stage of its development.

As the impact of the Covid-19 pandemic became apparent, the Board met regularly to provide support to the Executive and the Crisis Management teams. They recognised that swift actions and decisions were required in order to protect the Charity's stakeholders and long-term future. With the closure of our 113 fitness and wellbeing clubs, and our corporate sites, the Board took the decision to furlough over 6,000 of our 16,000 colleagues, from all areas, onto the Government's Job Retention Scheme. After considering the impact on our people and their families, the Board agreed the right thing to do was to top up salaries to 100%.

Regular communication has been paramount throughout the different stages of the pandemic. There was a need to emotionally engage, reassure and inform our people during this time of national, and individual, crisis. Our CEO issued a weekly Covid-19 video update, inviting direct feedback and questions, and the Board communicated through special editions of our e-zine. Bi-weekly pulse-surveys were issued to check the emotional wellbeing and concerns of our people, with all results fed back to the Board, providing valuable insight for further decision making.

c) The need to foster the company's business relationships with suppliers, customers and others

The Board develops relationships with key stakeholders, including suppliers, regulators, the NHS and government, to ensure we understand how we can work well together and achieve mutual goals.

We put our customers at the heart of everything we do, ensuring that we deliver the highest levels of care and service to our patients, members and customers. The Board reviews insights from a range of internal and external research, including Net Promoter Score and customer satisfaction, to improve services.

d) The impact of the company's operations on the community and the environment

The Board recognises the importance of climate change to society as a whole and the need to make changes to our operations and the way we work, to improve our impact on the environment. In 2019 the Board decided to sign the United Nations Global Compact, the world's largest corporate sustainability initiative. As part of this initiative we're aligning our sustainability strategy with those Sustainable Development Goals most relevant to the Charity (see pages 53 to 59). The impact of our operations on the environment was the driving force behind the decision to remove 1.4 million plastic wet-kit bags from our fitness and wellbeing clubs.

Our flagship programmes play a vital role in communities and are reviewed by the Board to ensure they are in line with the Charity's purpose. In 2019, we delivered our free School Wellbeing Activity Programme (SWAP) to 262 schools, resulting in 15,000 children benefiting from a programme designed to equip them with the knowledge to manage their wellbeing.

e) The desirability of the company maintaining a reputation for high standards of business conduct

Our reputation is key. It underpins our ability

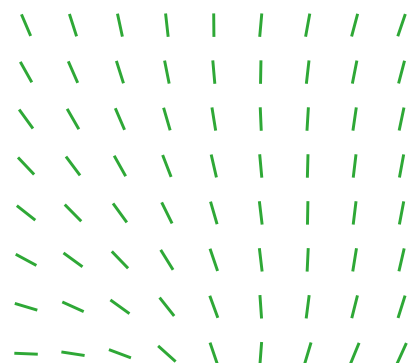


to earn the trust of our customers and grow the Charity. In 2019, after feedback from a cross-section of employees, our Board approved the decision to further align our WeCARE people values to our purpose and make them relevant to all. The values, Connected, Aspirational, Responsive and Ethical, guide everything we do, including how we interact with each other, our customers, patients, suppliers and partners.

f) The need to act fairly as between members of the company

When making decisions on the long-term strategy of the Charity, the Trustees consider the impact on all stakeholders. Our Board of Trustees ensures that decisions are in best interests of the Charity, taking into account the needs of the relevant stakeholder groups, and the importance of maintaining our reputation as a leading independent healthcare provider.

Above:
2019 graduates of the Nuffield Health Future Leaders programme





Building a healthier future

Sustainability is critical for all but for a leading healthcare provider, committed to building a healthier nation, it has to be top of the agenda. It's a fundamental principle of our strategic planning and will create long-term value for the Charity and have a positive impact on society.

Ensuring our Charity is sustainable for the future will help us become more efficient, improve our brand value and help attract and retain innovative people. Our members, patients and customers trust us to be a responsible organisation and we aim to drive positive change in the workplace, local communities and the environment.

Our Central Sustainability Forum, created in 2019, meets quarterly and is working with our network of sustainability partners to change the way we think and act, and identify where we can make positive change. Involving people from across the Charity is essential if we are going to make a lasting difference.

Several initiatives proposed at the forum have already been implemented, such as the removal of wet-kit bags from our fitness and wellbeing clubs and the introduction of female mannequins for CPR (cardiopulmonary resuscitation) training.

We're further defining ways of measuring our impact and improving our reporting, enabling us to identify areas to focus on.



Our sustainability framework

Healthy Work

Work is the best route out of poverty. As well as providing an income, it boosts self-esteem and mental wellbeing. We're committed to providing quality training and education. Inclusive employment, embracing all ethnicities, genders and disabilities, allows people to evolve.

Healthy Community

We're supporting local communities, by providing a range of jobs and opportunities, including apprenticeship schemes. Our unique flagship programmes address societal health needs and reach people, including those with low resources, who wouldn't normally be able to access our services.

Healthy Environment

We're increasing recycling and reducing energy usage. Sustainable alternatives to single use plastic are being introduced wherever possible. We'll only work with reputable suppliers, and strive to procure products that contribute to sustainable healthcare, protecting natural resources and championing a circular environment.

In 2019, we joined other organisations in signing the UN Global Compact, the world's largest corporate sustainability initiative. It encourages signatories to align strategies and operations with universal principles on human rights, labour and the environment, as well as taking actions that advance societal goals. As part of this initiative we're aligning our strategies with those Sustainable Development Goals (SDGs) most relevant to our Charity.

The SDGs aim to achieve a better and more sustainable future for all. They strive to end poverty, fight inequality and stop climate change. Our sustainability activities contribute towards the goals, helping address local and global challenges.





MENTAL HEALTH AT WORK



Looking after our people
Reinforcing our pledge to raise awareness of mental health and domestic abuse issues

81%
of our people completed our Emotional Wellbeing online training module

573
people at the end of 2019 have worked for us for over 20 years

996
WeCARE awards given to recognise our exceptional people

Healthy Work

Aligned to SDGs:



At Nuffield Health, we want our people to thrive through work, not in spite of it. Our aim is to reduce stress factors, improve job quality and provide an environment that empowers people, whatever their role, to live our purpose to build a healthier nation.

Without our 16,000-strong workforce, Nuffield Health wouldn't be sustainable. While we always consider how we impact the wider community and the environment, we're also committed to creating a healthier workplace that doesn't discriminate against gender, ethnicity, disability, age or lifestyle.

During the year we developed our 'Healthy Work' programme, encompassing physical, emotional, social and financial wellbeing. Moving into 2020, our people will be encouraged to take part in this programme and improve their health and wellbeing.

Engagement

We're committed to communicating honestly, openly and regularly with our people, providing them with information on all matters, including business performance, strategic direction, employee benefits, and our successes and failures.

Our quarterly internal e-zine, In the Loop, carries news and updates from across the Charity and healthcare market, and is sent direct to every employee. We also communicate through our online system, WorkDay; the extranet; as well as emails, blogs and executive briefings and huddles.

Our leaders are equipped to involve their teams in decisions that affect their employment, as well as the activities of the Charity. A monthly business performance brief aids team discussion on key issues. Our leaders' conference is held annually, as well as a matrons' conference; both focus on how the Charity is performing against its strategic objectives.

Seeking the views and opinions of our people is vital and we gather employee feedback through our bi-annual 'Your Voice' opinion survey. Our internal newsfeed, Yammer, provides opportunities for employees to comment and communicate instantly with others. Our CEO uses Yammer to engage directly with people, across the Charity, and hear their views.

Mental health

It's estimated that one in four adults has a mental health issue in any given year and the number is rising. Reasons put forward range from pressures imposed by social media to financial insecurity. Alarming, only 51% of respondents to a YouGov 'Mental Health at Work' survey felt comfortable talking about mental health in the workplace, with 39% saying work was a contributing factor to them experiencing poor mental health.

We passionately believe in supporting our employees through mental and emotional issues. And, in October, we joined other UK organisations in signing the Mental Health at Work Commitment, pledging to raise awareness of, and improve, standards of mental health care in the workplace.

By the end of 2019, 81% of our people had completed our Emotional Wellbeing online training module. In addition, our second mental health e-learning module was launched aimed specifically at line managers. So far 65% have completed the training, with feedback showing it's increased managers' understanding of this sensitive issue and helped them support their teams. Roll out will continue through 2020.

By increasing awareness, challenging unhelpful attitudes and removing fear of discrimination, we're promoting an open and supportive culture around mental health across our Charity.

Training and development

We offer our people the highest standards of education and support to help them achieve their career goals and aspirations. During the year, we launched a range of courses including one-day sessions for the physiotherapy team, along with clinical courses such as intravenous additives

updates and medicine management. We ensure our training resources are accessible and inclusive. By using a variety of teaching styles and modifying them to match different learning preferences and abilities, we support career development for all.

Apprenticeships remain high on our agenda. Currently, 200 employees are on apprentice programmes, and we're looking to double that number by April 2021.

Our preceptorship programme is a nine-month learning module designed to meet the needs of newly qualified nurses entering employment for the first time. It aims to develop an understanding of the hospital environment and enhance clinical skills.

In 2019, the programme was recognised as 'best in class' and shortlisted for a Student Nursing Times award. We were the only acute independent provider recognised for the award, which celebrates learning and educational excellence.

Diversity and inclusion

We're committed to being an inclusive employer and supporting a working environment that allows all our people to flourish and be part of our success, regardless of gender, ethnicity, disability and lifestyle.

We're pleased that 79% of people, who responded to our 2019 'Your Voice' opinion survey said they're 'treated fairly and with respect, without discrimination of any form', with 13% neither agreeing nor disagreeing. Our focus in 2020 will be on the 8% who disagreed with this statement, and we're committed to understanding their opinions and improving our score in the future.

We're dedicated that throughout working relationships, team members are not discriminated against and equality, diversity and inclusivity training is mandatory for all.

In the event of an employee becoming disabled every effort is made to ensure that their employment continues and their training and development is unaffected.

To make sure we recruit the right people for the right roles, in 2019 we ran recruitment skills workshops for leaders to help them



recognise unconscious bias. Colleagues at director level underwent assessments looking at ethnic generalisations. These insights are helping us formulate an engagement plan for the future.

Employing people from a variety of backgrounds, who possess different skills, have varying lifestyle choices or disabilities, who possess a variety of values, communication, learning and thinking styles, will add value to the Charity.

Gender pay gap

At 4.3%, our mean gender pay gap is slightly higher than the 3.4% we reported in 2018. However, it's still significantly below the national average of 17.3%, as identified by the Office for National Statistics. When comparing the median figure (the midpoint across the salary spread), our median pay is 0.3% higher for women than it is for men.

Work has started on the implementation of an action plan that will see us become a more diverse employer. We're taking time to do this, in order to ensure that the plan takes a long-term approach.

Reward and recognition

Our WeCARE recognition scheme, launched in 2018, recognises people who demonstrate our values and behaviours in the workplace. During the year, over 2,000 people were nominated by their colleagues, with 996 receiving awards. At the end of the year, those identified as exceptional were invited to a lunch, hosted by our executive team, along with people celebrating long-service milestones.

Looking ahead

The agility, skill and passion of our people have never been more important for the future sustainability of the Charity. Through 2020 we'll focus on strengthening our people strategies and policies. Our aim is to ensure we provide a stimulating and healthy work environment for all.

Our values framework



Connected

We work together as one Nuffield Health to deliver the best experience to our patients, customers and colleagues



Aspirational

We inspire individual and collective health and wellbeing



Responsive

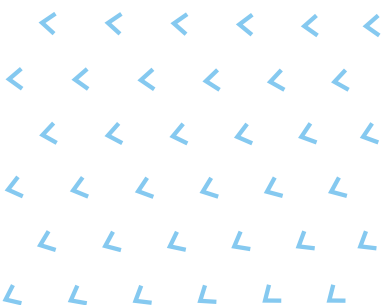
We listen, communicate and act in an open, straightforward way



Ethical

We demonstrate our commitment to individuals, our communities, society and the environment





Healthy Communities

Aligned to SDGs:



Social Mobility
PLEDGE

In 2019 Nuffield Health signed the Social Mobility Pledge, joining 500 organisations globally, showing our commitment to social mobility, supporting our local communities

Nuffield Health has a strong presence across diverse communities up and down the country. We're committed to supporting these communities by meeting unmet health needs, increasing access to our services, providing fulfilling job opportunities and playing a meaningful role in local life.

Teams at our fitness and wellbeing clubs, and our hospitals, actively support local initiatives. Examples include providing exercise classes for the elderly in care homes, some of whom are suffering from dementia, and giving armed forces veterans free access to our gyms. Many of our sites donate supplies to food banks.

Our support centre is based in Epsom, making us a significant employer in the area. Amongst other community-based initiatives, we actively support the Epsom and Ewell food bank and, in 2019, donated over 360 meals, freshly cooked by our in-house food and beverage team. The meals were distributed along with recipe cards, featuring tips on making the most of low



cost ingredients. In December, members of the team volunteered to cook at a special Christmas party for food bank clients and our people donated food and supplies to support the local community.

Social mobility

To reinforce our commitment to providing fulfilling and sustainable job opportunities in our local communities, in 2019, we joined together with other UK businesses in signing up to the Social Mobility Pledge. As part of this, we've undertaken to offer structured work experience and apprenticeship opportunities for people living in the areas in which we operate. We aim to adopt open employment recruitment practices, which promote a level playing field for people from disadvantaged backgrounds or circumstances.

The Nuffield Health apprenticeship programme helps to ensure that learning opportunities are available for all. It offers courses spanning a range of disciplines



CASE
STUDY

Earn and learn

As the manager of a nightclub for nearly three years, Al Mansell-Rowe was having lots of fun but she knew it wasn't what she wanted to do as a career. So, when she saw an advert for a procurement assistant role at Nuffield Health, with the added benefit of a place on an apprenticeship scheme, she applied and got the job.

"What attracted me was the promise of a job with a reputable company, and earning money while still learning and gaining a Chartered Institution of Procurement and Supply qualification."

When 21-year-old Al finished her A-levels, she was under pressure to go to university, like most of her friends. But, in part, she was deterred by the debt she'd incur and the fact that she didn't have a clear idea of what she wanted to study.

So was it a good move not to go to uni? "Definitely," she says. "Apprenticeships are under-rated. They offer so many opportunities. I'm not stuck with debt, like my friends. And I'm getting hands-on experience, with time to study for a respected qualification."

Does she miss the nightclub? "Not at all. It was good experience, and I learned a lot, but I'm loving working for Nuffield Health."

360

meals donated to the Epsom
and Ewell food bank during 2019

17,500

people benefited from our community
flagship programmes

including fitness, healthcare, procurement and early years childcare. Designed to build skills for life, ranging from developing numeracy and literacy skills to technical qualifications, degree level or postgraduate qualifications, they're open to anyone in the community aged between 16 and 60. When recruiting for roles within the Charity, our managers are encouraged to 'Think Apprenticeship First'.

Flagships

Our unique flagship programmes are either free or subsidised services, which address unmet health and wellbeing needs. They're key to increasing our accessibility and reaching people living with lower resources. In the past year alone, more than 17,500 people have benefited from these unique programmes, and we generated a best estimate SROI of 300%.

Flagship development

In 2019, our Medway fitness and wellbeing club worked with Age UK Medway on a Healthy Ageing flagship pilot programme, helping older people exercise, strengthen their muscle tone and generally improve their wellbeing. Fitness plans were tailored to each individual client, and the results have been astonishing. Strengthened muscles, improved posture and core strength, as well as a greater awareness of their health, are just some of the benefits noticed by participants. In partnership with Age UK, we plan to roll this out to more of our fitness and wellbeing clubs in the future.

Looking ahead

We'll continue to stay relevant and engage with the communities in which we operate. Our focus in 2020 will be on expanding our ability to assist those people who can't normally afford or access our services.



CASE
STUDY

Keep on moving

It's important for all of us to keep moving, whatever our age. But for some, a trip to the gym can be a daunting experience, particularly when you're in the older age group.

When Age UK Medway was approached by its local Nuffield Health Fitness & Wellbeing club to take part in a pilot scheme encouraging older people to do more exercise, they grabbed the chance.

Sue Hodges, Manager of Age UK's Strood Day Centre, explained: "We're always looking for new ways to get our clients up and about and loving later life. So we were really excited to start this new venture with Nuffield Health."

The eight-week programme concentrates on mobility and core strength. Before the start of the programme, Personal Trainer, James, spoke to each of the clients individually, to gain an

understanding of the types of exercise they may need to be concentrating on.

The results have been astonishing, with clients reporting strengthened muscles, better posture and improvements in core strength, as well as an increased awareness of their health in general.

Sue said: "One of our larger clients, who initially struggled to get up and down in a chair, can now stand from a sitting position, holding a 4kg weight in front of her. Her family was so pleased with her progress that they bought her a set of dumbbells for Christmas!"

The team at Strood Day Centre will be keeping up the momentum. "We've bought some hand weights so we can carry on with the resistance training and implement some of the exercise regimes that James has taught us. Our clients are really enthusiastic," said Sue.

We're always looking for new ways of getting our clients up and about and loving later life.

Sue Hodges, Manager
Strood Day Centre

age UK



Planting for the future

In 2019 we planted 385 trees at the Woodland Trust's Young People's Forest in Derbyshire, to offset our carbon footprint for paper use

Healthy Environment

Aligned to SDGs:



The World Health Organisation cites climate change as the largest threat to human health in the 21st century. As part of our purpose to build a healthier nation, we're committed to reducing our impact on the environment and delivering sustainable healthcare. During the year, we encouraged our people to be more 'environmentally aware', emphasising that small actions make a huge difference.

Making headway

During 2019, we had a number of successes and met our key targets.

Carbon emissions

Our energy now comes from natural renewable sources – wind, solar and hydro energy, meaning 95% of the electricity we use across the Charity is carbon neutral. We ended 2019 with a 64% reduction on e-carbon emissions year-on-year.

Energy consumption

Work to highlight the importance of efficient energy management has delivered

positive results. Electricity consumption was down 2.99%, through initiatives such as our temperature optimisation guide. Last year, gas consumption was up 5%, so we're pleased to see this reduce by 1.23% in 2019. Our target is to further reduce gas and electricity usage by 2.5% in 2020.

Recycling

'Good Recycling' guidelines were sent to all our sites, encouraging best practice amongst our people, patients and members. We met our 40% recycling general waste target, and intend to recycle 50% of our general waste in 2020. We continue to work with suppliers to identify ways of enhancing recycling levels.

Plastics

We're working with a number of suppliers, across our consumer and hospital sites, to remove and replace single use plastics, and agree sustainability plans and targets where appropriate.

Notable initiatives included the removal of wet-kit bags from our fitness and wellbeing clubs. Members bring their own or purchase a reusable bag from us. In 2020 our focus will be on the removal of poolside plastic shoe covers.

Our hospital in Newcastle upon Tyne successfully trialled Bio Systems' reusable sharps containers. Between July and September 2019, 66 containers were saved from incineration. Trials will continue in further hospitals.



CASE STUDY

Be energy aware

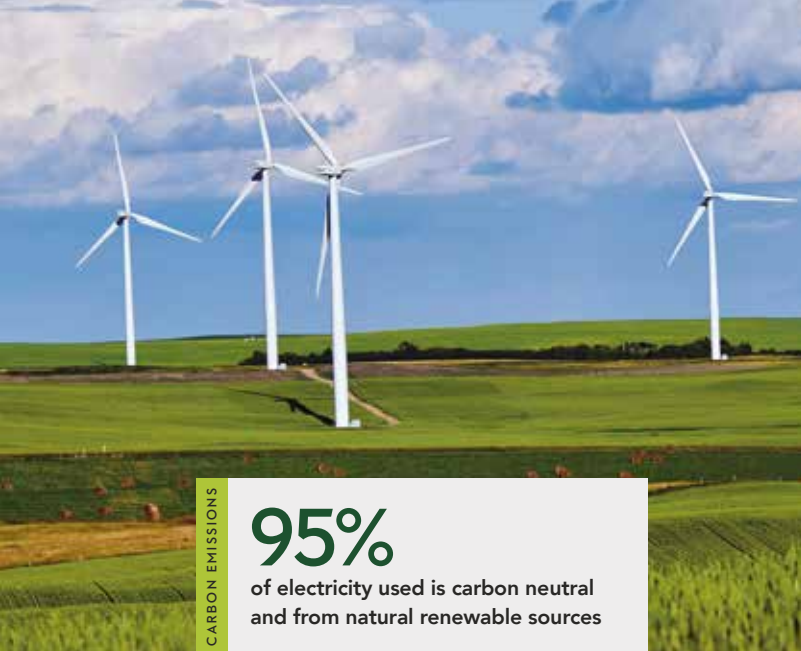
Treat the workplace as you do your home, and the savings will roll in. That's the view of Energy Manager James Walker. And he's not just talking about financial savings. Ultimately, it's about saving the planet. "If you believe the scientists, the outlook is bleak. We're living for now rather than where we'll be in 20 years' time. My role is about looking at how the Charity can increase energy efficiency and reduce carbon emissions."

James encourages colleagues to be 'energy aware'. And he does this by visiting our fitness and wellbeing sites around the country. "Most of

us are careful about ensuring that our homes run efficiently. But this isn't always the case when we're at work," he says.

On his visits, James invariably finds lights left on unnecessarily, or chilled water pumps running 24 hours a day when it's freezing outside. "People don't do it deliberately, it's just that they often have other priorities and turning off lights is at the bottom of the list," he says.

So, what motivates James? "Raising awareness of how we can all contribute towards a cleaner Earth," he says, "and, at the same time, saving money for our Charity."



CARBON EMISSIONS

95%

of electricity used is carbon neutral and from natural renewable sources



ENERGY

2.99%

reduction in electricity consumption and gas consumption down by 1.23%

Strategic report

Trustees' report

Site maintenance

In 2018, building services engineers (BSEs) were brought in-house at our fitness and wellbeing clubs. Ongoing training and development has been key to embedding the new model, with over 100 engineers attending courses during the year. This enabled better monitoring of water and energy usage and allowed us to make savings without affecting services. The skills of our BSEs will be further enhanced during 2020, through a range of training programmes.

Suppliers

A Supplier Code of Conduct will be introduced during 2020, setting out minimum expectations on a wide range of issues, including employment, business and environmental practices, and information security.

Looking ahead

Work to procure products that contribute to sustainable healthcare and a healthy working environment will continue. We'll do our utmost to protect natural resources and champion a circular economy that recovers and regenerates products and materials at the end of each service life.



RECYCLING

40%

of our general waste was recycled in 2019, up from 34% in 2018

Independent auditor

Financial statements

Additional information



PLASTICS

1.4m

plastic wet-kit bags removed from our fitness and wellbeing clubs





Risk management

Robust risk management is at the core of how we operate as a Charity and a prerequisite to ensuring we:

- Appropriately safeguard our assets
- Maintain long-term financial sustainability
- Meet the demands of stakeholders
- Achieve our charitable purpose.

The Board of Trustees is responsible for ensuring that an effective risk management process is in place across the Charity. Risk management is delegated by the Board of Trustees to two Committees, which oversee risk alongside the Executive Team:

- The Board Audit and Risk Committee (BARC) governs non-clinical enterprise risks across strategic, operational, commercial and financial pillars
- The Board Quality and Safety Committee (BQSC) governs clinical and health & safety risks.

These Committees monitor and review the system of risk management, with independent oversight provided by Internal and External Audit, both of which are represented at the BARC.

Strategic risks were identified during the year in an iterative process with the Executive proposing items for debate and the final list being reviewed at the BARC before being approved by the Board.

In addition to the strategic risks, the Charity identified and assessed risks within its directorates which were owned and managed by the senior leadership teams.

Risk appetite and review

During the year, the Charity's risk appetite against each of its strategic risks was defined by management and ratified at the BARC. To support the prioritisation of risk mitigation plans, we will embed the approach to assessing and reporting against risk appetite during 2020.

Principal risks

The Charity has identified eight principal risks, which could threaten the delivery of our strategic objectives, significantly disrupt our operating models or negatively impact future financial performance.

These principal risks are set out on pages 62 and 63 with a summary of mitigations and forward plans. They do not comprise all our risks and are not in priority order. Additional risks that are currently unknown or deemed less material at the current time may also have adverse effects.

Covid-19

The pandemic has given rise to significant risks to the Charity in terms of the safety and wellbeing of our people, patients and customers. It also poses risk to our longer-term operating models and financial sustainability.

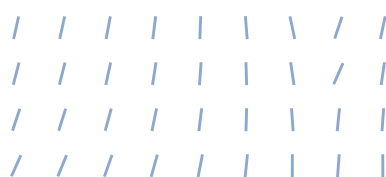
We have experienced large-scale disruption to our business model, workforce and financial performance. This has impacted many of our principal risks.

Business continuity

Our approach to business continuity was tested through the Covid-19 pandemic by the standing up of our crisis management plan and the formation of an Executive led crisis response team supported by an operational incident management group.

These teams ensured that the safety and wellbeing of our employees, patients and customers were prioritised, whilst mobilising our support to the NHS in providing additional hospital capacity to help safeguard public health. The teams also oversaw the closure of our consumer and corporate clubs alongside our three support centre sites as part of the public lockdown.

It's difficult to predict the overall outcome and impact of Covid-19 on the Charity, at this stage. Significant uncertainty will likely remain until a vaccine is available.



- ◆ Economic climate
- ◆ Regulatory and policy environment
- ◆ Quality of care
- ◆ Business continuity
- ◆ Financial sustainability
- ◆ Service proposition
- ◆ Key partner relationships
- ◆ Cyber security

PRINCIPAL RISKS

Ongoing social distancing requirements, combined with the possibility of further peaks of Covid-19 cases in the UK and local lockdowns, may impact our ability to maintain and reopen critical services. In light of these circumstances, we are reporting business continuity as a new principal risk in 2020.

Quality of care

The pandemic has created a change of context for the way we manage our quality of care risk, and we have implemented specific mitigations to respond to this.

Agile communication mechanisms with our hospital sites remain a critical tool to share the rapidly changing national guidance and ensure the environments and capabilities are adapted to meet the NHS requirements.

Covid-19 has placed significant pressure on the availability of critical supplies, including personal protective equipment (PPE) and medicine, across the globe. Ensuring supply chain resilience and enhancing our quality assurance and procurement due diligence frameworks for critical supplies continues to be a key mitigation for maintaining quality of care to our patients and protecting our staff.

Ongoing travel restrictions will bring challenges in recruiting international nursing staff which we will address through recruitment and retention strategies.

Financial sustainability

Covid-19 has placed immediate and unforeseen pressures on cash flow and short-term borrowing requirements. The Charity's efforts continue to focus on keeping the business solvent through cash management measures including internal cost savings, accessing the Government's Job Retention Scheme, and the renegotiation of debt facilities with our lenders.

Economic climate

The markets in which we operate have been significantly impacted by the pandemic and this gives rise to uncertainties in the future outlook and our ability to generate revenue.

Corporate and consumer spending on PMI, fitness and wellbeing is closely correlated with the state of the economy and consumer confidence, which have been hugely impacted by the pandemic.

The corporate market is facing a wholesale change and future demand for our onsite services, including health assessments and fitness centres, is uncertain.

The NHS call on private hospital provider capacity in responding to the pandemic and subsequently its burgeoning waiting lists may negatively impact the PMI market and reduce the demand for our services through this channel.

Service propositions

The needs of our patients and customers have changed and we are responding by developing broader and flexible service offerings driven by consumer insight. However, our plans may be affected by uncertainties and factors outside our control.

The extent and duration of continued lockdown and social distancing measures will govern delivery of our onsite services. Our capacity to care for private patients in our hospitals will be determined by our ongoing contractual arrangements with the NHS.

Demand for our services may be further impacted by the public's perception of the safety of our sites. We are ensuring our sites are Covid-19 safe, developing digital propositions, and actively engaging with patients and customers to gain consumer insight and provide reassurance.

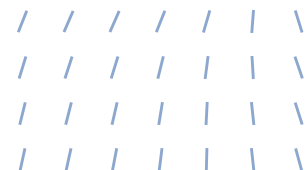
Cyber security

The pandemic has led to increased cyber security risk for healthcare organisations, with Covid-19 related phishing scams prevalent and remote access solutions being an attractive target for attack.

We will continue to monitor the ongoing impacts of Covid-19 on our principal risks and implement relevant mitigations.

Brexit

The UK left the European Union (EU) on 31 January 2020 and is now in a period of transition. The lack of clarity on the trading relationship with the EU after 31 December 2020 presents continued risks for the Charity. The supply of critical items, including medicines and medical devices, and the impact on our workforce will be key areas of focus in our readiness plans.



	1 Economic climate	2 Regulatory and policy environment	3 Quality of care	4 Business continuity
	Strategic priorities 	Strategic priorities   	Strategic priorities    	Strategic priorities     
RISK	<p>The economic outlook is very uncertain in light of Covid-19 causing unprecedented impact on financial markets in addition to underlying volatility from negotiations relating to the UK's transition out of the European Union. A worsening economic climate increases the risk that revenue and cash flow cannot be maintained at previous levels.</p>	<p>In common with many UK organisations and charities, we and our suppliers are subject to increasing and changing rules, regulations, policies and legislation (including in the context of the Covid-19 pandemic). Failure to recognise, adapt to and comply with the above means we risk additional costs, penalties and other sanctions (including loss of registration), damage to patients' and members' health and wellbeing and damage to our reputation.</p>	<p>There is a risk that we and our suppliers compromise our quality of care through non-compliance with national guidance, local policy, inadequate environment and/or lack of capability. Any incidence of performance below this standard could result in damage to patients' and members' health and wellbeing, costs, penalties and other sanctions (including loss of registration) and damage to our reputation.</p>	<p>There is a risk that the Charity continues to face disruption to its core operational processes and trading activities whilst Covid-19 is prevalent due to the public lockdown requirements and social distancing measures. An elongated recovery period with social distancing maintained for an extended period may impact our ability to operate and limit our public reach.</p>
MITIGATIONS	<ul style="list-style-type: none"> Continuous short and longer-term forecasting of profitability, net debt and covenant positions Development of financial stress tests and scenario modelling to support contingency planning Maintenance of robust capital expenditure approval and oversight processes Open and positive relationships with lenders Utilisation of government grants Supply chain monitoring to mitigate shortages and cost exposures. 	<ul style="list-style-type: none"> Compliance audits and rigorous reporting with issues investigated and actioned at pace Horizon scanning with key links into regulatory bodies to gain early sight of upcoming regulatory and policy changes Mandatory training with regular checks on compliance Continuous review of policies to ensure adequacy and relevance. 	<ul style="list-style-type: none"> Culture of transparency via sharing of intelligence and empowerment to speak up Programme of quality and safety improvement activity agreed and monitored by the Board Induction programme for clinical staff Quality Assurance Framework Equipment and technology fit for purpose and regularly reviewed in line with clinical requirements. 	<ul style="list-style-type: none"> Crisis management plan and initiation of Covid-19 response programme Programme management office to provide governance framework and assurance to the Executive Board Short-term cash management including accessing government support where available Supply chain management to ensure continuity of critical medical supplies Scenario modelling to inform operational and financial resilience plans.
FORWARD PLANS	<ul style="list-style-type: none"> Negotiate debt facilities with lenders that ensure the Charity can absorb short-term shocks from economic volatility Continued management focus on optimising the efficiency and effectiveness of all activities Strategic review. 	<ul style="list-style-type: none"> Policy audit to ensure policies are continually updated and accessible Continued focus on promoting compliance behaviours and adding non-compliance mechanisms to risk registers Data protection compliance visits. 	<ul style="list-style-type: none"> Quality Improvement Plan 2020 Review of supply chain policies and procedures Review of Brexit readiness plans in light of Covid-19 learnings. 	<ul style="list-style-type: none"> Executive lead recovery programme Continual scenario modelling Review of Covid-19 response Strategic review and horizon scan to identify longer-term emerging risks eg climate change, artificial intelligence and further global pandemics.

Strategic priorities key:



Public benefit



Quality outcomes and assurances



Connected health



Brand leadership



Financial sustainability

5 Financial sustainability

Strategic priorities



There is a risk that without sufficient earnings or funding we risk our capability to maintain the Charity. Sustainable earnings, supported by serviceable borrowings, are required to continue operating as a going concern, and material uncertainty exists due to the changes resulting from the response to Covid-19. We have a responsibility to operate efficiently and invest our funds wisely to comply with short-term lending covenants and support long-term financial sustainability.

- ◆ Structured delegated authorities in place with Trustee approval of major expenditure
- ◆ Rigorous operating cost control
- ◆ Regular reporting and forecasting of cash and net debt
- ◆ Financial modelling for operational and financial resilience planning
- ◆ Renegotiation of borrowing facilities to support the Charity through Covid-19 disruption
- ◆ Lending covenants compliance monitoring.

- ◆ Early engagement with lenders on refinancing for 2021 and beyond
- ◆ Development of five-year financial plans with the application of financial stress scenarios to test resilience.

6 Service proposition

Strategic priorities



There is a risk that we do not adapt and innovate our service lines and propositions to meet the changing needs of our patients, customers and partners. These needs are rapidly evolving as the Covid-19 pandemic unfolds and this presents opportunities to offer better, new and expanded services to increase our charitable reach and stay ahead of our competitors.

- ◆ Focused responsibilities through the Commercial and Operational Development function
- ◆ Connected healthcare offering through growing variety of services
- ◆ National coverage through hospitals, medical clinics, fitness and wellbeing clubs and diagnostic units
- ◆ Multi-channel service provisions across the NHS, PMI, Consumers and Corporates
- ◆ Continuous exploration of new services and offers via partnerships, affiliations and JVs.

- ◆ Investment in new propositions prioritised within financial constraints and driven by reliable market insight
- ◆ Implementation of innovation panel
- ◆ Strategic review.

7 Key partner relationships

Strategic priorities



We provide services to patients and customers on behalf of a number of key partners including the NHS, corporate entities and private medical insurance providers and aim to establish long-term, trusted relationships with them. We are exposed to the inherent commercial risks associated with any temporary or enduring loss of business whether arising from a change of policy, personnel, competition, market forces or global events such as the Covid-19 pandemic.

- ◆ Dedicated senior leadership roles managing national and local relationships
- ◆ Long-term contracts and regular contract review meetings with agreed joint business plans and objectives
- ◆ Diverse portfolio of services and partners with continuous evaluation of opportunities to expand service offering.

- ◆ Continue to collaborate with partners to maintain a stable platform of service provision and explore opportunities for growth.

8 Cyber security

Strategic priorities



There is a risk of a cyber security incident, potentially involving a breach of data protection law. This could result in operational, legal, contractual and/or regulatory consequences, as well as reputational damage. The threats include external cyber-attackers and malware (including via the supply chain), physical security attacks and sensitive data being lost or accessed without authorisation.

- ◆ Expanding team in place to manage, monitor and maintain cyber security
- ◆ Certification to ISO 27001 and Cyber Essentials, which are independently audited and tested
- ◆ Regular independent technical security testing, including cyber-attack simulations
- ◆ Continual information security assessments of third party data processors
- ◆ User training and awareness campaigns for good cyber hygiene.

- ◆ Risk-based continual improvement of cyber security controls and technologies
- ◆ Continual monitoring of changing cyber security trends.



Trustees' report

Chairman's introduction to the Board of Trustees' report

Russell Hardy, Chairman

It's with mixed feelings that I write my final introduction to the Board of Trustees' report, after 10 years' service with Nuffield Health. It's been an honour to hold the position of Chairman, and I'm immensely proud of all that we've achieved together. However, as I prepare to hand over to my talented successor, Dr Natalie-Jane Macdonald, I'm aware that Covid-19 presents us with a health crisis like no other in living memory.

The way our people have responded has been extraordinary and gives me confidence that we will rise to the challenges presented both now, as we move through the pandemic, and in the future when, we'll undoubtedly have to adapt and evolve the way we work.

The role of the Board of Trustees is to oversee the governance and risk management structures of the Charity, always mindful of our responsibility to secure long-term financial sustainability and deliver our purpose, all for public benefit. To do this, we work closely with the Executive Management Team to embed sound processes and procedures, which in turn facilitate a healthy culture and diversity of thought. Our Quality Assurance function is independent of day-to-day operations, and is responsible for quality, governance and compliance. When, in December 2019, we finally had clarity on Brexit, we



looked forward to 2020 with a great deal of optimism – we had exciting plans for the ongoing growth of Nuffield Health. Covid-19 will mean a revision of these plans but our governance and risk management structures are robust and will provide a solid foundation for a new direction where necessary.

The following pages set out details of the composition of the Board of Trustees, its corporate governance, processes and activities during 2019, as well as providing reports from each of the key Committees.

I would like to extend a warm welcome to Dame Lin Homer and Lord Victor Adebawale who joined the Board of Trustees in 2019. They bring a wealth of experience and new perspectives to the Board, which will be immensely valuable as we face challenging times ahead.

Our Trustees see it as their responsibility to understand and take into account the views of our stakeholders, including our people. The Board Quality and Safety Committee convenes at a different Nuffield Health location and, as part of its itinerary, meets with a cross-section of employees to discuss local issues and hear what's working well, and what could work better (see page 72). It's an excellent example of the Trustees going into the heart of the Charity and

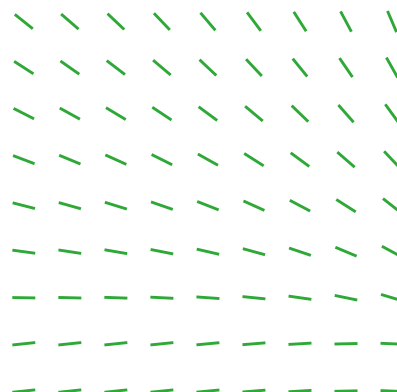
hearing first-hand the opinions of our teams. The statement in respect of the Charity's engagement with suppliers, customers and others, is set out in our Stakeholder Engagement section on pages 48 to 51.

My thanks go to our patients, members and customers for their support of the Charity over the last year. And, of course, to our people whose passion and energy never fails to inspire me. It's a credit to everyone that that we were able to record a strong performance during 2019.

Natalie and her fellow Trustees will continue to ensure that the Board applies rigour and a strong governance framework to everything the Charity does. And I know they will work closely with the executive team in ensuring that Nuffield Health emerges from the pandemic as strong and as vibrant as ever.

Our Board of Trustees approved this report on 26 August 2020, and I commend it to all our members.

Russell Hardy, Chairman



Board of Trustees



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: UK CEO of Sunrise Senior Living and Non-Executive Director at Riverstone Living.

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 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:



Steve Maslin

Chair Audit and Risk Committee
Appointed: July 2017

Experience: Steve is a Chartered Accountant who spent 38 years as a partner in Grant Thornton, specialising in auditing listed and large private businesses, with roles including Chair of the Partnership Oversight Board and Head of Assurance.

External appointments: Director and Chair of the Risk and Audit Committees of Carey Group PLC and The Gurkha Museum; member of the Risk and Audit Committees of the Royal Collection Trust and Ark Schools Academy Trust.



Neil Sachdev MBE

Appointed: November 2018

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

External appointments: Chair, Defence Infrastructure Organisation; Chair, Bonhill Group Plc; Chair, Cake Box Holdings Plc.



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.

Areas of responsibility: Board Audit and Risk Committee Nominations Committee Board Quality and Safety Committee Executive Remuneration and Succession Committee Finance and Investment Committee



Russell Hardy

Chair of Board, Chair Executive Remuneration and Succession Committee

Appointed: 2012

Experience: An economist and accountant by training, Russell has extensive experience in retail and management, having held a number of senior and board level roles. He has spent the past 10 years of his career in the healthcare market working with NHS, private equity and commercial providers.

External appointments: Executive Chairman of Fosse Healthcare; Chairman of the South Warwickshire NHS Foundation Trust; Chairman, Wye Valley NHS Trust.



Lord Victor Adebawale

Appointed: July 2019

Experience: Victor brings his experience as a social and business entrepreneur who has advised government on social policy issues. From the Alcohol Recovery Project, he became Chief Executive of homelessness charity Centrepoin before moving to Turning Point. Victor recently completed his term as a non-executive with NHS England.

External appointments: Non-executive with the Co-operative Group; chairs Social Enterprise UK; a crossbencher in the House of Lords.



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: Chairman of M&S Bank, FDM Holdings and HSBC Private Bank UK; also a Non-Executive Director of HSBC UK and a Governor of Heriot Watt University.



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 30 years, she had responsibility for policy and advice on social care issues. She brings specialist knowledge in development and governance, from her time on the Council of the University of Birmingham, the Institute of Chartered Accountants of Scotland 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 experience in healthcare and of organisations going through change.

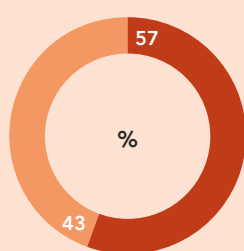
External appointments: Chair, Bowel Cancer UK; Trustee & Treasurer, Shakespeare's Globe.

Changes to the Board in 2019: Guy McCracken and Fiona Driscoll served until June 2019. Dame Lin Homer joined in February 2019 and Lord Victor Adebawale joined in July 2019.

Our Executive Management Team

Our Executive Management Team

Gender diversity



- ◆ Male
- ◆ Female

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:



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.



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.



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.



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.

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Caroline Smith

Chief Quality and Assurance Officer

Caroline is responsible for our legal counsel, delivering our quality and outcomes, and social impact strategies and driving the transformation agenda. She has a wealth of experience spanning healthcare services. This relates to regulated and unregulated outsourced services alongside the pharmaceutical industry and direct to the NHS. Previously, Caroline was a Partner at Management Solutions for Healthcare.



Jane Garvey

Chief People Officer

Appointed: March 2020

Jane is responsible for developing our People & Organisational Development Strategy. She brings over 30 years' experience in leadership development, employee experience, executive coaching and brand engagement and has achieved exceptional results at all levels. Jane has worked in a variety of industries, helping global organisations transform their leadership and improve performance including Reckitt Benckiser, British Airways, BT, Bupa.



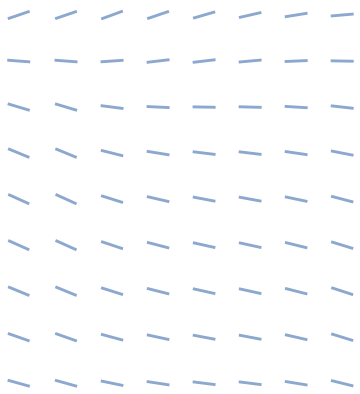
David Liversedge

Chief Information Officer

Served until: July 2020

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.

Structure, governance 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 regulatory document is the Articles of Association, and the Charity is governed by a Board of Trustees.

Trustees are also Directors of the Company and collectively constitute the Board, which is responsible for:

- setting strategy
- ensuring the necessary financial, human and physical assets are available to meet the strategic aims
- monitoring performance
- overseeing risk management
- setting the Charity's values.

Trustees

The Nominations Committee recommends Trustees. Appointed at the Annual General Meeting (AGM), by a vote of the members, for a period of three years, they're 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 66 and 67.

Members

Nuffield Health is a registered charity, and also a company limited by guarantee without share capital. As such, it doesn't have shareholders. Instead, it's 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. This is an unpaid position and members are not entitled to receive any profits or assets from Nuffield Health. They are entitled to vote at the AGM, where accounts are approved and Trustees are elected, and are kept informed about our progress throughout the year. Current membership includes former employees and Trustees, consultants, and people involved in raising the funds that founded some of our hospitals.

Committees

All Trustees serve on one or more of the Board Committees and they may attend any other Board Committee meeting. The Board delegates specific responsibilities to the Committees shown below. They provide counsel, expertise and support to the Executive Management Team.

Committee membership details are shown on pages 66 and 67. Board Committees undertake an annual performance evaluation, and the results support improvements in the governance of the Charity. Board attendance is shown in the table opposite.

Board of Trustees

In 2019, the Board of Trustees met 10 times, with a full and comprehensive schedule of work. The agenda was focused on:

- long-term strategy of Nuffield Health

Board Committees

Nominations Committee

Finance and Investment Committee

Executive Remuneration and Succession Committee

Board Audit and Risk Committee

Board Quality and Safety Committee

- reviewing new opportunities to extend the Charity's reach
- continuous improvements in quality and outcomes
- enhancing the Charity's governance and assurance
- preparing the Charity's response to the uncertain outlook resulting from Brexit.

Following the approval, in 2016, of a new five-year strategy, the Board has continued to focus on the structure and governance of the organisation, and its financial commitments, alongside the evidenced furthering of its public benefit objective.

The Board is mindful of its responsibilities to balance investment in reaching more people with our services, and our ability as a Charity to access capital.

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

Along with the BQSC, we're committed to supporting the recommendations of the Paterson Inquiry, which followed the conviction of former surgeon Ian Paterson for malpractice. Proactive action was taken before and since the inquiry to review and, where appropriate implement the lessons learned. We'll continue to work with, and support, the Independent Healthcare Provider Network (IHPN) as they ensure safe and efficient healthcare across our industry.

Board review of the Modern Slavery Act 2015

In accordance with our values and 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 our people, our suppliers and any associated organisations. Based on our 2018 supply chain due diligence and review, we remain satisfied that our key suppliers and associates have appropriate anti-slavery policies in place.

Reserve policy




The Trustees review the financial sustainability of the Charity through regular reviews of its cash forecasts and budgets, and don't set a reserve target. We aim to

Board attendance 2019

Trustee	Board of Trustees	A	Q	R	F
Number of meetings in 2019	10	4	4	4	7

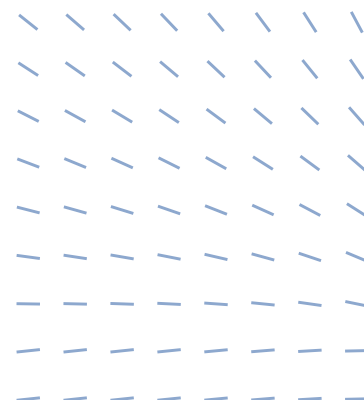
Numbers attended

Russell Hardy (Chair)	10	–	–	4	5
Martin Bryant	10	4	–	4	7
David Lister	8	–	4	–	–
Dr Natalie-Jane Macdonald	10	1	4	4	–
Steve Maslin	9	4	–	4	–
Patrick Figgis	10	3	2	–	–
Neil Sachdev	10	–	–	–	6
Dame Lin Homer (joined February 2019)	9	–	3	–	3
Lord Victor Adebawale (joined July 2019)	4	–	–	–	–
Guy McCracken (retired June 2019)	5	–	–	2	3
Fiona Driscoll (retired June 2019)	3	1	–	2	3

-  Board Audit and Risk Committee
-  Board Quality and Safety Committee
-  Executive Remuneration and Succession Committee
-  Finance and Investment Committee

use the majority of our surplus cash to invest in operational assets and infrastructure that improve the quality of, or increase, the Charity's activities. Due to this, it's expected that free reserves will not be created at this stage in our strategy.

Finally, this year, the Trustees' responsibility for good governance has been a continuing theme of the Charity Commission, and the Board remains mindful of its responsibilities. During the 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. We have responded to new legislation, alongside a continued focus on the delivery of public benefit.





Board Quality and Safety Committee

Chair: David Lister

Purpose

To provide internal quality controls assurance by:

- Monitoring and reviewing the effective operation of clinical governance throughout the Charity
- Considering clinical risk, and health and safety matters
- Maintaining statutory and regulatory oversight
- Driving a sound quality culture, in line with the Charity's core values and behaviours.

Membership and frequency

The Committee met four times during 2019, at different locations around the Charity. Dame Lin Homer became a member of the Committee in February 2019. Roger Taylor continued to provide independent input during 2019.

The Chief Executive Officer (CEO) regularly attends meetings. The following attend by invitation: the Chief Quality and Assurance Officer; Clinical Director and Chief Nurse;

Medical Director; Charity and Medical Director, primary care; Chief Operating Officer; Chief People Officer; and Chief Customer Officer. Quality Support Clinical Governance provides secretariat services.

Main activities

The BQSC continued to oversee the development of the Quality Assurance Framework across both our hospital and clinic-based services. Our aim is to embed a quality improvement culture that's continually learning lessons and instigating change at site level. In light of the results of the Paterson Inquiry, we've strengthened our approach to consultant engagement and practice.

Our terms of reference were refined in 2018, enabling us to work more effectively with the local level Quality Committee. Through the regional Quality Care Partner role, we've continued to encourage a culture of 'quality ownership' at local and regional level.

During the year, the BQSC has:

- Supported and advised on the development of a quality services and outcomes culture across the Charity
- Provided assurance regarding quality governance processes and reporting systems, taking advice from the relevant clinical senior leaders
- Reviewed clinical, health and safety, and other governance issues, as relevant
- Encouraged continuation of beneficial relationships with relevant external bodies, including the NHS
- Reviewed quality and safety performance information, with input from Expert Advisory Groups and the Quality Committee
- Considered matters arising from Quality reviews and other reports, as defined by the Board and recorded in the Cycle of Activity.

Committee members



Dr Natalie-Jane Macdonald



Dame Lin Homer



All equals in the room

The Board Quality and Safety Committee meets at different locations across the Charity. Time is allocated to meet with a cross-section of employees so trustees can get an understanding of local issues.

In October, the meeting was held at Woking Hospital. Matron Carole Ingleby was impressed with the open and honest approach taken by the Chair, and all members of the Committee.

"Nothing was off the table," she says. "I felt they were really listening, and wanted to hear our views, and that it wasn't just an exercise they were going through. We were all equals in the room."

CASE STUDY

Executive Remuneration and Succession Committee

Chair: Russell Hardy

Purpose

To set an appropriate remuneration and successful planning policy that rewards the contribution and performance of the CEO and senior executives, whilst recognising the charitable purpose of the organisation.

Membership and frequency

The Committee met four times in 2019. The Chair of the Board of Trustees, Russell Hardy, became the Chair in June, taking over from previous Chair, Guy McCracken, supported by Trustees Natalie-Jane Macdonald, Martyn Bryant and Steve Maslin. Previous Committee members, Guy McCracken and Fiona Driscoll, retired in June 2019.

Main activities

- An annual review of executive salaries to ensure that total executive remuneration packages, comprising basic salary, pension contributions, performance-based annual bonus and organisation-wide employee benefits, are competitive, whilst also reflecting the organisation's charitable status
- The Committee reviewed the performance and objectives of each of the executive team, paying particular attention to the cultural and behavioural aspects of performance, as well as delivery of objectives

- During 2019, an independent consultant carried out an extensive benchmarking review, reporting to the Committee. The main focus of the review is on the general commercial sector, from which most executive talent is recruited. The market median for total cash compensation is used as an initial benchmark for the various executive roles. The Committee then determines appropriate levels of compensation, taking into account the charitable status of the organisation, and any available information from the health and wellbeing and not-for-profit sectors. The review is carried out every two years
- The Committee focuses on the Charity's succession needs, and ensures appropriate plans are in place for the immediate and longer term.

Additional information

Details of the number of employees working for the Charity, 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 in disclosing the pay ratio of our CEO relative to Nuffield Health's median total pay, which is 37:1. This is calculated as the CEO total annual emoluments in 2019, as a ratio to our median employee (per our Gender Pay Gap Report) FTE total emoluments in 2019.



Committee members



Dr Natalie-Jane Macdonald



Martin Bryant



Steve Maslin

The Committee focuses on the Charity's succession needs, and ensures appropriate plans are in place for the immediate and longer term

Russell Hardy, Chairman



Board Audit and Risk Committee

Chair: Steve Maslin

Purpose

To provide assurance to the Board of Trustees on:

- The accuracy and integrity of financial reporting, including assessment of any key audit and accounting judgements
- The scope of External and Internal Audit programmes
- The non-clinical control environment, through identification of risk to core activities and objectives, verification of management's assessment of how strategic risks are controlled and monitored, and review of Nuffield Health's risk appetite
- Counter-fraud measures
- Appointment of external and internal auditors, ensuring the principles of objectivity and independence are upheld.

Membership and frequency

The Committee met four times in 2019 and subsequently three times in 2020, with the meeting to review the Annual Report and Accounts and receive the report from the external auditor held in August 2020.

Representatives from the external and internal auditors attend meetings, along with the Chief Executive Officer, the Chief Financial Officer and the Director of Financial Control. Other members of the management team are invited to attend meetings, as required, to provide specialist input on areas of review as determined by the Committee.

Members of the Board Quality and Safety Committee attended meetings as participating observers, to ensure all risks were appropriately addressed across clinical and non-clinical areas, with no unnecessary duplication between Committees.

Main activities

Committee meetings included a discussion between the Trustees and representatives from External and Internal Audit, excluding the presence of management to enable independent discussion.

Financial reporting

The Committee reviewed the draft Annual Report and Accounts and recommended their approval to the Board of Trustees. The Committee reviewed the effectiveness of the external auditor and was satisfied that the appropriate rigour had been applied throughout the audit process.

The Committee's review of the Annual Report and Accounts included an analysis of key audit and accounting judgements and issues; the presentation of key performance indicators; and the consistency of the narrative to the statements of financial performance.

Risk and control

At each BARC meeting the Committee received an update from management's Audit and Risk Committee (ARC), which provides oversight of the Charity's Risk Management Framework.

During 2019, management developed risk appetite statements for the Charity. A Risk Champion Forum was created to develop a culture of shared ownership and a forum for best practice sharing with regard to risk management. The BARC also performed a robust review of the following:

- Risk management of key strategic change projects
- The Charity's strategic risk register
- Cyber security
- Business continuity management plans
- NHS counter-fraud planning.

The BARC reviewed the Charity's principal strategic risks alongside related controls, mitigations and forward plans. These risks are detailed on pages 62 and 63.

The Committee also reviewed and approved the Internal Audit plans for 2019 and 2020, ensuring alignment to risks identified in the strategic risk register. Regular reports were received on audit findings and actions, to ensure sufficient rigour in the audit programme and adoption of recommendations in the Charity.

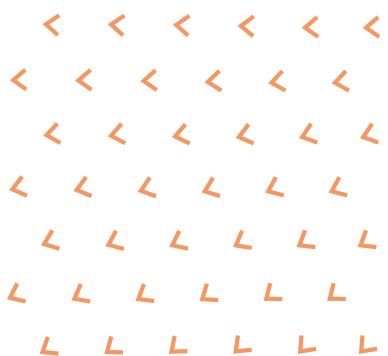
Committee members



Martin Bryant



Patrick Figgis



Key audit and accounting judgements

ISSUE	RESPONSE
<p>Impairments</p> <p>Judgement is required when reviewing the carrying value of assets to determine whether an impairment exists. Trigger tests are performed to assess whether performance is in line with expectations, or provides an indicator of potential impairment. Management subsequently prepares a value in use model, or obtains valuations to assess the asset's carrying value and calculates an impairment charge where appropriate.</p>	<p>The BARC reviewed the impairment trigger across strategic projects, fixed assets on sites of onerous leases, and goodwill performed at year end by management. The Committee satisfied itself that the assumptions used, and resultant impairment assessments, were reasonable.</p>
<p>Onerous leases</p> <p>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 assignment value to estimate the alternative strategy of exiting the lease and calculates an onerous lease provision where appropriate.</p>	<p>The Committee reviewed management's judgements in assessing the need for any adjustments to the onerous lease provision. It was satisfied that the assumptions used, and the resulting assessment, were reasonable.</p>
<p>Exceptional items</p> <p>Judgement is required when considering whether an item is exceptional due to being non-recurring, and of sufficient value and nature to be separately identified in the financial statements. Management identifies exceptional costs associated with reorganisation, transformation costs and material one-off items.</p>	<p>The Committee reviewed the treatment of exceptional items, as detailed by management. It was satisfied in the treatment used of such expense items.</p>
<p>Capitalisation and useful economic lives of assets developed through key change projects</p> <p>Judgement is applied when determining when an asset is complete and depreciation is applied, and when determining the life of assets built through complex transformation projects. Management assesses the treatment on a project-by-project basis to appropriately reflect the asset type and build.</p>	<p>The Committee reviewed the depreciation treatment on a project-by-project basis, and a capitalisation basis where appropriate. It was satisfied that that treatment reflected the Charity's depreciation policy, and the economic benefit derived from the assets.</p>
<p>Going concern</p> <p>The current Covid-19 pandemic, and the resulting government-led social distancing measures, have disrupted the Charity's activities and the resultant financial performance. Appropriate financial modelling was undertaken to support the assessment of the Charity as a going concern.</p>	<p>The Committee has considered the going concern assumption on three occasions: firstly to agree the approach, then to receive an update on financial performance and its impact on going concern along with an analysis of wider corporate approaches to this issue and, finally, to consider the final management paper assessing the applicability of the going concern assumption to the financial statements. In so doing, the Committee reviewed management's core expectations of outturn and the reasonable downside scenario, and the headroom to existing facilities and covenants. The Committee concurred with management's recommendations to the Board that (a) the Charity should continue to apply the going concern assumption as there was a reasonable expectation that it could continue to meet its liabilities as they fell due over the 12 months following the dating of this report; and (b) a material uncertainty existed in relation to the Charity's ability to continue as a going concern. The disclosures in the accounts to support these recommendations were also reviewed.</p>



Finance and Investment Committee

Chair: Martin Bryant

Purpose

To provide the Board of Trustees with:

- recommendations for approval of major financial commitment or investment proposals
- assessment of post-investment returns from approved investments
- evaluation of the funding plans required by the Charity to support approved levels of investment.

Membership and frequency

The Committee met seven times in 2019. The Chief Executive Officer and the Chief Financial Officer attend the meetings. Other representatives from the management team are invited to attend as required, in order to provide expert knowledge.

Main activities

In line with the Charity's delegation of authority, the Committee reviews all proposals exceeding the delegated authority of the Chief Executive Officer and the Executive Board. The authority limits require the Committee to assess proposals greater than £2m for capital investments, and £5m for operating cost commitments.

Below these levels, responsibilities were discharged through an Executive Investment Committee.

In 2019, as part of the standard principles of the Finance and Investment Committee, and in addition to the cycle of investment approvals, the Committee considered:

- contract commitments for supply of critical services
- property leases
- post-investment appraisals, including visits to sites of significant infrastructure investment.

The Committee also considered the following:

- progress on, and expected financial returns from, key strategic projects
- financing strategy to optimise financial sustainability of the charity
- efficient energy utilisation strategy
- review and approval of the Charity's hurdle rates.

Committee members



Russell Hardy



Neil Sachdev



Dame Lin Homer

“Optimising the financial sustainability of the Charity, whilst maintaining investment in strategic projects, is a critical factor in decision making and key to our future success”

Martin Bryant, Trustee

Trustees' Remuneration Committee

Chair: Michael Smith

Committee members

George Ferguson
Jane Wesson

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 2019, the members of the Committee were Michael Smith (Chair), George Ferguson and Jane Wesson. Having met in early 2019, the Committee met again in June 2020.

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.

Trustees' Nominations Committee

Committee members

Russell Hardy
Martyn Bryant

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.

Two of the Board, Fiona Driscoll and Guy McCracken, retired in 2019; the remainder will retire in the period 2020-2028. After the Committee undertook a recruitment process, two new Trustees joined the Board in 2019, Dame Lin Homer and Lord Victor Adebawale.

The Committee called a special meeting, chaired by Martin Bryant in 2019 to select a new Chair. After a rigorous selection process, Trustee Dr Natalie-Jane Macdonald was chosen to succeed Russell Hardy, who is stepping down after eight years as Chairman and a decade on the Board. Recommendations will be proposed at the Annual General Meeting held in 2020 in accordance with the Charity's Articles of Association.

I'm proud to be stepping into Russell's shoes and excited for the opportunity to be a part of helping the Charity to deliver on its purpose

Dr Natalie-Jane Macdonald, Trustee



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 living with lower resources.

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, to fulfil its charitable objectives. These include:

- A limit of 10% on activities that are ancillary to the objectives of the Charity. This is to ensure nothing excludes or causes detriment to our core purpose
- The establishment of guidelines by which any ancillary or fundraising activities can be judged, ensuring that they are directly related to and necessary for carrying out the Charity's purposes
- A requirement that no activities are detrimental or harmful.

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 2020 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

For the purposes of company law, the Trustees are also Directors of Nuffield Health. They are responsible for preparing the Strategic report, Trustees' report and 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, 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, Trustees must not approve the financial statements unless satisfied they give a true and fair view of the state of affairs of the charitable company and Group, and of the incoming resources and application of resources, including income and expenditure, 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 Practice (FRS 102)
- Make reasonable and prudent judgements and accounting estimates
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

Trustees are responsible for keeping adequate records that are sufficient to

show and explain the transactions of the charitable company and Group, and disclose the financial position of both entities, with reasonable accuracy at any time. They must ensure 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.

Trustees are responsible for safeguarding the assets of the charitable company and the Group, and 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 not aware
- All steps have been taken to make Trustees aware of any relevant audit information, and establish that the auditor is aware of that information.

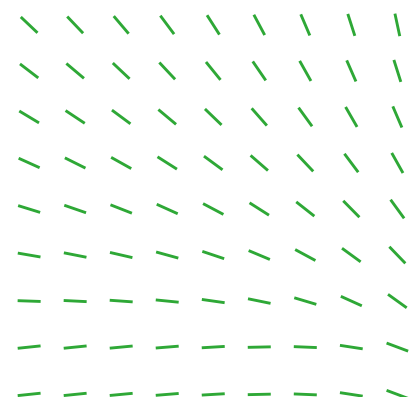
Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Relationship with subsidiaries

All subsidiaries are wholly owned by the Charity, and Directors are members of the management team.

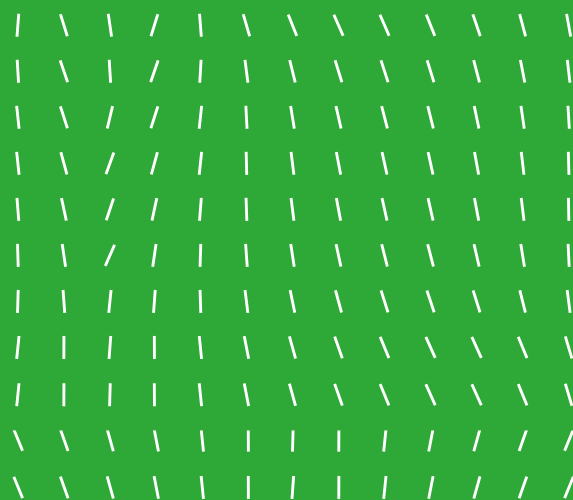
Activities carried out by subsidiaries are non-charitable; activities coming with acquisitions that have not been transferred to the Charity; or businesses that are being developed with the aim of selling or entering into a partnership with another organisation.

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



Independent Auditor's report to the members and 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 2019 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 regulations 6 and 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; and
- 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

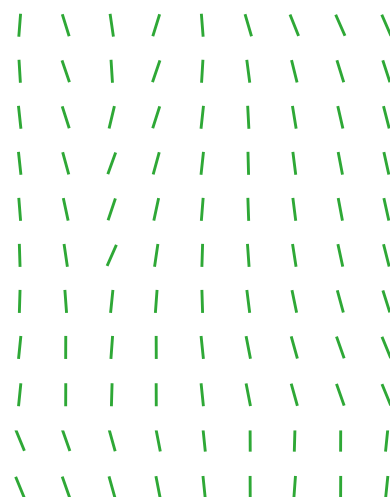
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Material uncertainty related to going concern

We draw attention to note c in the financial statements, which explains that the various uncertainties presented by the pandemic, including the impact of a further spike in infections on the Charity's hospitals and wellbeing activities leading to a repurposing of hospitals or the closure of wellbeing facilities, and the attitudes of banks should a breach of covenants arise in future, combined with the uncertainty involved in the assumptions made in the future cash flow scenario, and the possible mitigating actions, represent a material uncertainty that may cast significant doubt on the Group and Charity's ability to continue as a going concern.

As stated in note c, these events or conditions, along with the other matters as set forth in the Strategic report, indicate that a material uncertainty exists that may cast



Independent Auditor's report continued

significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

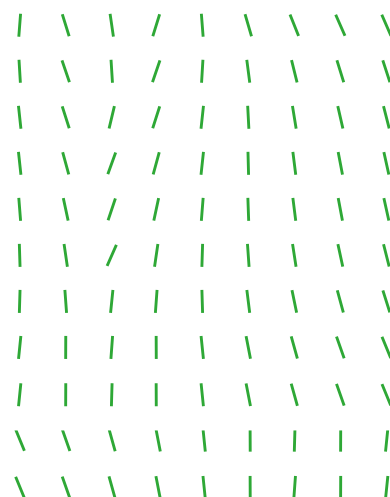
trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Craig Wisdom
(Senior Statutory Auditor)

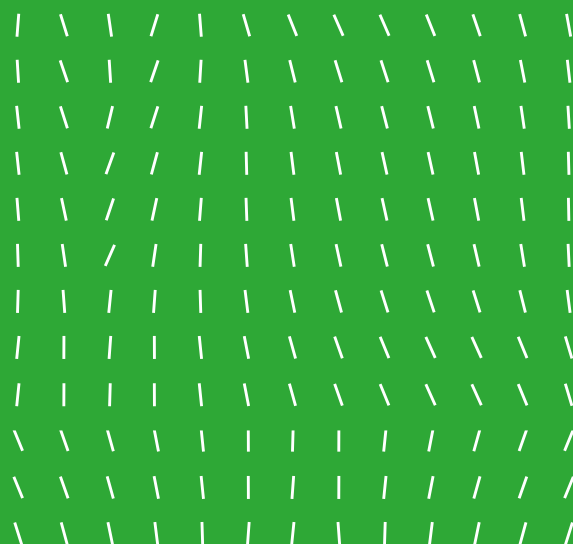
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, UK
26 August 2020

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.





Financial statements



Consolidated income statement

for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Turnover	2	992.8	945.8
Cost of services		(942.1)	(887.1)
Gross surplus		50.7	58.7
Support costs		(48.5)	(48.1)
Share of joint venture interests		(0.1)	(0.5)
Operating surplus before exceptional items		15.9	16.9
Exceptional items	5	(13.8)	(6.8)
Total operating surplus/deficit before interest and tax	6	2.1	10.1
Adjusted for:			
Depreciation and amortisation (excluding exceptional depreciation)		83.6	83.1
Exceptional items	5	13.8	6.8
Adjusted earnings before interest, tax, depreciation and amortisation		99.5	100.0
Net interest payable and similar income	7	(17.1)	(17.6)
Deficit on ordinary activities before taxation		(15.0)	(7.5)
Tax on deficit on ordinary activities	12	–	–
Deficit after tax for the financial year		(15.0)	(7.5)

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 89 to 123 form part of these financial statements.

Financial statements

Consolidated and Charity statement of financial activities

for the year ended 31 December 2019

	Notes	Group Total funds*		Charity Total funds*	
		2019 Total £m	2018 Total £m	2019 Total £m	2018 Total £m
Income and endowments from					
Donations and legacies	2	0.1	0.2	0.1	0.2
Charitable activities	2	989.5	942.4	989.5	942.4
Other trading activities	2	3.2	3.2	–	–
Investments	2	0.5	0.4	0.1	0.5
Total income and endowments	2	993.3	946.2	989.7	943.1
Expenditure on charitable activities					
Share of joint venture interests		(0.1)	(0.5)	(0.1)	(0.5)
Other expenditure before exceptional items	3	(973.4)	(925.2)	(976.9)	(926.6)
Exceptional items	5	(13.8)	(6.8)	(13.8)	(6.8)
Interest payable	7	(17.6)	(18.0)	(14.1)	(17.9)
Other expenditure					
Other trading activities		(3.4)	(3.2)	–	–
Total expenditure		(1,008.3)	(953.7)	(1,004.9)	(951.8)
Net expenditure					
Before exceptional items		(1.2)	(0.7)	(1.4)	(1.9)
Exceptional items		(13.8)	(6.8)	(13.8)	(6.8)
Net expenditure		(15.0)	(7.5)	(15.2)	(8.7)
Other recognised gains and losses					
Actuarial (loss)/gains on defined benefit retirement scheme	8	(10.7)	7.5	(10.7)	7.5
Net movement in funds		(25.7)	–	(25.9)	(1.2)
Fund balances at 1 January		64.2	64.2	61.4	62.6
Fund balances at 31 December	1	38.5	64.2	35.5	61.4

* Total funds for the Group and Charity include restricted funds of £0.8 million (2018 – £0.8 million) and permanent endowments of £0.1 million (2018 – £0.1 million)

All amounts derive from continuing activities.

The accounting policies and notes on pages 89 to 123 form part of these financial statements.

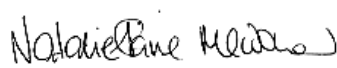
Balance sheets

at 31 December 2019

	Notes	Group		Charity	
		2019 £m	2018 £m	2019 £m	2018 £m
Fixed assets					
Intangible assets	13	101.2	88.4	101.4	89.0
Tangible assets	14	490.5	529.5	486.9	525.6
Investments	15	0.2	0.4	19.6	19.8
		591.9	618.3	607.9	634.4
Current assets					
Stocks	16	10.3	9.8	10.3	9.8
Debtors	17	91.1	85.9	94.6	89.3
Cash at bank and in hand	30	4.4	2.4	4.4	2.4
		105.8	98.1	109.3	101.5
Creditors: amounts falling due within one year	18	(161.0)	(158.3)	(184.2)	(181.4)
Net current liabilities		(55.2)	(60.2)	(74.9)	(79.9)
Total assets less current liabilities		536.7	558.1	533.0	554.5
Creditors: amounts falling due after more than one year	19	(375.3)	(370.0)	(454.9)	(442.3)
Provisions for liabilities	22	(21.5)	(33.5)	(21.4)	(33.2)
Net assets excluding post retirement liabilities		139.9	154.6	56.7	79.0
Post retirement defined benefit liabilities	8	(101.4)	(90.4)	(21.2)	(17.6)
Net assets		38.5	64.2	35.5	61.4
Income funds					
Restricted funds	1	0.8	0.8	0.8	0.8
Unrestricted funds:					
General fund		139.0	153.7	55.8	78.1
Post retirement reserve		(101.4)	(90.4)	(21.2)	(17.6)
Total unrestricted funds	1	37.6	63.3	34.6	60.5
Total income funds		38.4	64.1	35.4	61.3
Permanent endowment	1,23	0.1	0.1	0.1	0.1
Group funds		38.5	64.2	35.5	61.4

The accounting policies and notes on pages 89 to 123 form part of these financial statements.

Approved and issued by the Board of Trustees on 26 August 2020.



Dr Natalie-Jane Macdonald
Chair



Steve Gray
Chief Executive Officer

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

Consolidated cash flow statement

for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Cash generated from operating activities			
Before exceptional items		92.2	92.8
Exceptional items		(1.8)	(2.6)
	26	90.4	90.2
Cash flows from investing activities	27	(76.9)	(57.8)
Cash flows from financing activities	28	(8.3)	(36.4)
Net increase/(decrease) in cash and cash equivalents		5.2	(4.0)
Cash and cash equivalents at 1 January		(0.8)	3.2
Cash and cash equivalents at 31 December	30	4.4	(0.8)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash and cash equivalents for the financial year		5.2	(4.0)
Cash (outflow)/inflow from changes in debt and lease finance		(4.0)	20.7
Change in net debt resulting from cash flows	29	1.2	16.7
New finance leases	29	(0.9)	1.6
Movement in net debt in the financial year		0.3	18.3
Net debt at 1 January	29	(370.7)	(389.0)
Net debt at 31 December	29	(370.4)	(370.7)

The accounting policies and notes on pages 89 to 123 form part of these financial statements.

Accounting policies

for the year ended 31 December 2019

a) Company information

Nuffield Health (Company number 00576970, Charity number in England and Wales 205533, Charity number in Scotland SCO41793) 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 2019.

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

The Trustees have, at the time of approving the financial statements, a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for the foreseeable future.

The various uncertainties presented by the pandemic, including the impact of a further spike in infections on the Charity's hospitals and wellbeing activities leading to a repurposing of hospitals or the closure of wellbeing facilities, and the attitudes of banks in future should a breach of covenants arise in future, combined with the uncertainty involved in the assumptions made in the future cash flow scenario and the possible mitigating actions, represents a material uncertainty that may cast significant doubt on the Group and Charity's ability to continue as a going concern.

The working capital review requires us to look at a 'reasonable worst case' scenario. Under this scenario, the key uncertainty around the assumptions remains, but the Charity will continue to have sufficient cash to meet its liabilities as they fall due for the foreseeable future although some of its financial covenants might not be met. The additional assumptions under this scenario included a longer period of closure for the wellbeing estate, leading to a slower recovery in membership revenue and an extension of the NHS block booking period, leading to a reduction in hospital episodes.

As a consequence, there's a more severe impact on the Charity's cash flows and liquidity, with net debt projected to peak at c.£468.0m. At these levels of revenue and EBITDA, when combined with the mitigating actions, the Charity can still maintain sufficient liquidity, remaining within its committed debt financing facilities of £487.5m over the next 12 months, even though it would not meet all of its bank covenant levels.

However, having assessed the scenarios described above, as well as the mitigating actions, the directors have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Charity was unable to continue as a going concern. Further detail regarding going concern is disclosed in the financial sustainability review on page 42.

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.

Accounting policies

for the year ended 31 December 2019 *continued*

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, goodwill and computer software

Tangible fixed assets, computer software and goodwill 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.

Goodwill

The amount of goodwill initially recognised as a result of the purchase of a subsidiary or business is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired.

The determinations of the fair values are based to a considerable extent on the Trustees' judgement. In general, the useful life of goodwill is less than those of the revalued tangible fixed assets.

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 £80.2 million (2018 – £72.8 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

Onerous leases

The onerous lease assessment carried out periodically are dependent on estimates of future cash flows including scenarios based upon market conditions and can include mitigating actions. 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.

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. More detailed information is provided in note 5.

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.

Accounting policies

for the year ended 31 December 2019 *continued*

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

Transactions and balances

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

m) Intangible fixed assets

Goodwill

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

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

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

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

Computer software

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

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

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

- 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 note m) and those for tangible fixed assets in note 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 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.

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 venture and associate, 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 on 31 July 2008, 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 Consolidated statement of financial activities.

A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of an operating lease. Where a leased property is no longer expected to be fully occupied, or where the costs exceed the future expected benefits, an onerous lease provision will be recognised for that portion of the lease in excess to the Group's requirements and not fully recovered through alternative use, or through value in use.

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.

Accounting policies

for the year ended 31 December 2019 *continued*

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 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 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 2019

1. Fund analysis

Group	Permanent £m	Restricted £m	Unrestricted £m	2019 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2018 Total £m
Total income								
Donations, gifts and legacies	–	–	0.1	0.1	–	–	0.2	0.2
Other sources of income	–	–	993.2	993.2	–	–	946.0	946.0
Total income	–	–	993.3	993.3	–	–	946.2	946.2
Total expenditure	–	–	(1,008.3)	(1,008.3)	–	–	(953.7)	(953.7)
Net expenditure	–	–	(15.0)	(15.0)	–	–	(7.5)	(7.5)
Other recognised (losses) and gains	–	–	(10.7)	(10.7)	–	–	7.5	7.5
Net movement in funds	–	–	(25.7)	(25.7)	–	–	–	–
Fund balance at 1 January	0.1	0.8	63.3	64.2	0.1	0.8	63.3	64.2
Fund balance at 31 December	0.1	0.8	37.6	38.5	0.1	0.8	63.3	64.2

Charity	Permanent £m	Restricted £m	Unrestricted £m	2019 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2018 Total £m
Total income								
Donations, gifts and legacies	–	–	0.1	0.1	–	–	0.2	0.2
Other sources of income	–	–	989.6	989.6	–	–	942.9	942.9
Total income	–	–	989.7	989.7	–	–	943.1	943.1
Total expenditure	–	–	(1,004.9)	(1,004.9)	–	–	(951.8)	(951.8)
Net expenditure	–	–	(15.2)	(15.2)	–	–	(8.7)	(8.7)
Other recognised (losses) and gains	–	–	(10.7)	(10.7)	–	–	7.5	7.5
Net movement in funds	–	–	(25.9)	(25.9)	–	–	(1.2)	(1.2)
Fund balance at 1 January	0.1	0.8	60.5	61.4	0.1	0.8	61.7	62.6
Fund balance at 31 December	0.1	0.8	34.6	35.5	0.1	0.8	60.5	61.4

Notes to the financial statements

for the year ended 31 December 2019 *continued*

2. Turnover and income analysis

Group	2019 £m	2018 £m
Income from charitable activities		
Hospital services	621.8	582.6
Wellbeing services	367.7	359.8
Net income from charitable activities	989.5	942.4
Donations	0.1	0.2
Other trading income	3.2	3.2
Turnover	992.8	945.8
Income from investments	0.5	0.4
Total income	993.3	946.2

Charity	2019 £m	2018 £m
Income from charitable activities		
Hospital services	621.8	582.6
Wellbeing services	367.7	359.8
Net income from charitable activities	989.5	942.4
Donations	0.1	0.2
Other trading income	–	–
Turnover	989.6	942.6
Income from investments	0.1	0.5
Total income	989.7	943.1

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

3. Expenditure on charitable activities

Group	Direct activities		Support costs		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Continuing activities						
Normal						
Staff and related costs	332.5	308.3	61.2	57.7	393.7	366.0
Third party fees	141.8	136.1	–	–	141.8	136.1
Supply costs	128.5	120.7	–	–	128.5	120.7
Depreciation and amortisation	65.0	69.0	18.6	14.2	83.6	83.2
Other costs	171.5	167.8	54.3	51.9	225.8	219.7
	839.3	801.9	134.1	123.8	973.4	925.7
Support costs allocated to direct activities	90.4	81.4	(90.4)	(81.4)	–	–
After recharge	929.7	883.3	43.7	42.4	973.4	925.7
Exceptional						
Reorganisation and transformation costs	–	–	6.1	2.8	6.1	2.8
Impairment of fixed assets	14.2	1.1	–	–	14.2	1.1
Onerous lease provision	(4.3)	–	–	–	(4.3)	–
Other costs	–	–	(2.2)	1.1	(2.2)	1.1
Pension costs	–	–	–	1.8	–	1.8
Total exceptional	9.9	1.1	3.9	5.7	13.8	6.8
Expenditure on charitable activities	939.6	884.4	47.6	48.1	987.2	932.5

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 £0.1m relating to share of joint venture interests.

Financial statements

Notes to the financial statements

for the year ended 31 December 2019 *continued*

3. Expenditure on charitable activities *continued*

Charity	Direct activities		Support costs		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Continuing activities						
Normal						
Staff and related costs	332.7	308.5	61.2	58.1	393.9	366.6
Third party fees	142.1	136.4	–	–	142.1	136.4
Supply costs	128.0	120.3	–	–	128.0	120.3
Depreciation and amortisation	65.0	68.9	18.6	14.2	83.6	83.1
Other costs	173.5	167.1	55.8	53.6	229.3	220.7
	841.3	801.2	135.6	125.9	976.9	927.1
Support costs allocated to direct activities	90.4	81.4	(90.4)	(81.4)	–	–
After recharge	931.7	882.6	45.2	44.5	976.9	927.1
Exceptional						
Reorganisation and transformation costs	–	–	6.1	2.8	6.1	2.8
Impairment of fixed assets	14.2	1.1	–	–	14.2	1.1
Onerous lease provision	(4.3)	–	–	–	(4.3)	–
Other costs	–	–	(2.2)	1.1	(2.2)	1.1
Pension costs	–	–	–	1.8	–	1.8
Total exceptional	9.9	1.1	3.9	5.7	13.8	6.8
Expenditure on charitable activities	941.6	883.7	49.1	50.2	990.7	933.9

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Hospitals	598.7	557.4	602.3	558.5
Wellbeing services	388.5	375.1	388.4	375.4
	987.2	932.5	990.7	933.9

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. Support costs have been allocated to Hospitals and Wellbeing services based upon the 2019 revenue derived from each of these segments.

4. Governance costs

	2019 £m	2018 £m
Staff and related costs	2.5	2.6
Other costs	1.5	1.5
	4.0	4.1

Governance costs are included within support costs in note 3.

5. Exceptional items

The total exceptional items charge of £13.8 million (2018 – £6.8 million) is analysed and categorised in the Income statement as follows:

Group and Charity	2019 £m	2018 £m
Cost of services		
Impairment of fixed assets	14.2	1.1
Onerous lease provision	(4.3)	–
	9.9	1.1
Support costs		
Reorganisation and transformation costs	6.1	2.8
Pension costs	–	1.8
Other	(2.2)	1.1
	3.9	5.7
Total exceptional items	13.8	6.8

Impairment of tangible assets

In the year the business has recorded impairment charges of £14.2 million (2018 – £1.1 million). Impairment on consumer sites where an onerous lease provision exists amounted to £6.9 million, a £5.6 million relating to aborted project spend in hospitals and a £3.1 million impairment of system implementation costs across a number of IT related projects. Impairment includes a £1.4 million reversal of impairment against hospital freehold recorded in a prior period.

Onerous lease provision

Following the onerous lease assessment at the year end, a £4.3 million adjustment was made to the Onerous lease provision, resulting in a credit to exceptional costs.

Reorganisation and transformation costs

The business has continued with its reorganisation and transformation aimed at improving the way Nuffield Health provides holistic healthcare to customers and to standardise activities supported by improved systems. In 2019 the support services transformation programme brought non-customer facing activities and capabilities together centrally, providing a number of key enabling frameworks which will continue into 2020. This has resulted in the redeployment or redundancy of certain teams across the business amounting to £5.1 million and additional non-staff expenditure in relation to the programme of £1.0 million.

In 2018 the business launched its Human Capital Management system developed over the last two years which has automated several processes, resulting in redundancy and redeployment costs of £2.8 million.

Other

The current year includes the release of a £1.9 million provision relating to contractual liabilities on certain legacy contracts, which was released as the review concluded. In the prior year the business identified a potential liability with a key supply contract for which a provision of £1.1 million has been recorded.

Financial statements

Notes to the financial statements

for the year ended 31 December 2019 *continued*

6. Operating surplus

This is stated after charging or crediting:

	2019 £m	2018 £m
Amounts payable to auditor:		
Audit fees payable	0.3	0.3
Fees payable for other services	0.2	0.2
Depreciation on tangible fixed assets:		
On owned assets	53.0	55.2
On assets held under finance leases and hire purchase contracts	2.1	1.8
Exceptional impairment of tangible fixed assets (note 5)	14.2	1.1
Loss on disposal of tangible and intangible fixed assets	1.0	–
Amortisation of intangible fixed assets (note 13)	28.5	26.1
Hire of plant and machinery (including operating lease charges)	9.5	6.1
Property operating lease rentals	54.1	58.6
Rental income from operating leases	(1.0)	(1.0)
Third party indemnity insurance	1.3	1.2
Exceptional onerous lease provision (note 5)	(4.3)	–

Fees payable by the Charity for the audit of the annual accounts of the Charity amounted to £270,000 and its subsidiaries amounted to £28,000 (2018 – £348,000 total). The 2018 audit fee includes £64,000 relating to first year audit fees incurred in 2017. Fees payable for other services amounted to £167,000 (2018 – £176,000) mainly relating to tax advisory services. Fees paid to Deloitte LLP for non-audit services to the charitable company itself are not disclosed in these accounts 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 £42,743 (2018 – £32,000).

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

	2019 £m	2018 £m
Total operating surplus before interest and tax	2.1	10.1
Adjusted for:		
Depreciation and amortisation (excluding exceptional depreciation)	83.6	83.1
Exceptional items	13.8	6.8
Adjusted earnings before interest, tax, depreciation and amortisation	99.5	100.0

7. Net interest payable and similar income

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Interest receivable	0.5	0.4	0.1	0.1
Interest payable				
Bank loans and overdraft	(8.1)	(8.0)	(8.1)	(8.0)
Senior secured loan notes	(5.4)	(5.4)	(5.4)	(5.4)
Stakeholder bond	–	(0.3)	–	(0.3)
Finance credit/(charges) in respect of finance leases	1.2	(0.2)	1.2	(0.2)
Finance charges in respect of pension liability for asset backed funding	–	–	(4.0)	(2.0)
Other interest payable	(1.0)	(1.0)	(0.8)	(0.9)
Costs in connection with loan facilities	(1.3)	(1.3)	(1.3)	(1.3)
Costs in connection with the stakeholder bond	–	(0.1)	–	(0.1)
	(14.6)	(16.3)	(18.4)	(18.2)
Retirement benefit finance costs	(2.6)	(2.4)	(2.6)	(2.5)
Total interest payable	(17.2)	(18.7)	(21.0)	(20.7)
Movement in fair value of derivatives				
Opening fair value of interest rate derivative	(0.2)	(0.9)	1.9	(0.9)
Closing fair value of interest rate derivative	(0.6)	(0.2)	8.8	1.9
Fair value movement	(0.4)	0.7	6.9	2.8
Interest payable and movement in fair values	(17.6)	(18.0)	(14.1)	(17.9)
Net interest payable and similar income	(17.1)	(17.6)	(14.0)	(17.8)

Notes to the financial statements

for the year ended 31 December 2019 *continued*

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 2018. 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 2018 valuation.

At the date of the above full valuation, the present value of the Scheme's assets was sufficient to cover 96% 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 £3.1 million (2018 – £3.2 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:

	2019 % pa	2018 % pa
Rate of increase in medical inflation	4.0	4.3
Rate of increase for pensions in payment pre 1 August 2005 service	3.2	3.5
Rate of increase for pensions in payment post 31 July 2005 service	2.0	2.1
Rate of increase for deferred pensions	2.1	2.3
Discount rate (yield curve basis)	2.1	2.9
Inflation rate (CPI)	2.1	2.3

The post retirement mortality assumptions used to value the benefit obligation mortality tables are based on S2PA at 31 December 2019 and 31 December 2018. Assumed life expectancies on retirement at age 65 are:

		2019 Years	2018 Years
Retiring today	Males	22.0	22.2
	Females	23.9	24.1
Retiring in 20 years' time	Males	23.7	23.9
	Females	25.4	25.6

The returns on the plan assets are:

	2019 % pa	2018 % pa
(Decline)/growth assets	11.4	(3.7)
Matching assets including hedge liability	11.8	(0.8)

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Operating surplus						
Administrative costs	0.8	0.8	–	–	0.8	0.8
Current service and settlement costs	–	–	–	–	–	–
	0.8	0.8	–	–	0.8	0.8
Exceptional (note 5)	–	1.8	–	–	–	1.8
Net interest (receivable)/payable:						
Interest on schemes' assets	(10.3)	(9.7)	–	–	(10.3)	(9.7)
Interest on schemes' liabilities	12.7	12.0	0.1	0.1	12.8	12.1
Total charged to finance expenses	2.4	2.3	0.1	0.1	2.5	2.4
Total charged to net income	3.2	4.9	0.1	0.1	3.3	5.0

Notes to the financial statements

for the year ended 31 December 2019 *continued*

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

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

	2019 £m	2018 £m
Actual return on schemes' assets	40.0	(11.7)
Less interest on schemes' assets	(10.3)	(9.7)
	29.7	(21.4)
On obligations – interest costs	(40.4)	28.9
Net actuarial (loss)/gain on defined benefit retirement schemes	(10.7)	7.5

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Growth assets	277.8	242.3	–	–	277.8	242.3
Matching assets including liability hedge	105.9	116.2	–	–	105.9	116.2
Other assets	3.0	1.9	–	–	3.0	1.9
	386.7	360.4	–	–	386.7	360.4
Present value of funded obligations	(481.7)	(444.3)	–	–	(481.7)	(444.3)
	(95.0)	(83.9)	–	–	(95.0)	(83.9)
Present value of unfunded obligations	(2.8)	(2.6)	(3.6)	(3.9)	(6.4)	(6.5)
Net liabilities	(97.8)	(86.5)	(3.6)	(3.9)	(101.4)	(90.4)

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening defined benefit obligations	(446.9)	(476.9)	(3.9)	(4.0)	(450.8)	(480.9)
Benefits paid	15.8	14.7	0.2	0.4	16.0	15.1
Interest cost	(12.7)	(12.0)	(0.1)	(0.1)	(12.8)	(12.1)
Actuarial (losses)/gains	(40.6)	29.1	0.2	(0.2)	(40.4)	28.9
Past service costs	–	(1.8)	–	–	–	(1.8)
Closing defined benefit obligations	(484.4)	(446.9)	(3.6)	(3.9)	(488.0)	(450.8)

The cumulative actuarial losses recognised in the Statement of financial activities at 31 December 2019 were £156.4 million (2018 – £116.0 million).

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening fair value of plan assets	360.4	384.8	–	–	360.4	384.8
Interest income	10.3	9.7	–	–	10.3	9.7
Actuarial gains/(losses)	29.7	(21.4)	–	–	29.7	(21.4)
Contributions paid	2.9	2.8	0.2	0.4	3.1	3.2
Scheme administrative costs	(0.8)	(0.8)	–	–	(0.8)	(0.8)
Benefits paid	(15.8)	(14.7)	(0.2)	(0.4)	(16.0)	(15.1)
Closing fair value of plan assets	386.7	360.4	–	–	386.7	360.4

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 £80.2 million (2018 – £72.8 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 2019, the Charity's net post retirement defined benefit liability is £21.2 million (2018 – £17.6 million) and the pension liability for asset backed funding due within one year is £0.6 million (2018 – £0.5 million) and due after one year is £79.6 million (2018 – £72.3 million).

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Notes to the financial statements

for the year ended 31 December 2019 *continued*

9. Defined contribution pension schemes

	2019 £m	2018 £m
Amounts charged to the Income statement and Statement of financial activities	10.5	13.9
Contributions owing to the pension schemes at 31 December	1.9	1.5

The number of employees in defined contribution pension schemes at year end was 11,407 (2018 – 11,065).

10. Trustees remuneration

The Trustees are the same as Directors under company law. Remuneration was paid in relation to services provided as Trustees of the Charity, as per the Nuffield articles of association clauses 4.1 to 4.4.

	2019 £	2018 £
Emoluments paid to the Trustees:		
Mr R S M Hardy	61,000	61,000
Mr M W Bryant	47,000	44,000
Mr P G McCracken (resigned 30 June 2019)	20,000	41,000
Ms F E Driscoll (resigned 30 June 2019)	18,000	41,000
Mrs J M Shaw (resigned 25 July 2018)	–	26,000
Dame D Holt (resigned 25 July 2018)	–	19,000
Mr P Figgis (appointed 27 June 2018)	33,000	17,000
Mr D W Lister	39,000	39,000
Ms N Macdonald	33,000	34,000
Mr S Maslin	39,000	34,000
Mr N Sachdev (appointed 23 November 2018)	35,000	4,000
Dame L Homer (appointed 1 February 2019)	32,000	–
Mr V O Adebawale (appointed 26 June 2019)	16,000	–
	373,000	360,000

The total value of money purchase pension contributions by the Trustees is £12,343 (2018 – £8,316). Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £15,532 (2018 – £29,683) in the year.

11. Employees

	Number	2019 FTE	Number	2018 FTE
Average number of employees:				
Hospital	6,899	4,315	7,042	4,520
Wellbeing	7,776	4,272	8,316	4,209
Support	1,128	1,053	829	623
Total	15,803	9,640	16,187	9,352

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.

	2019 £m	2018 £m
Staff costs during the year:		
Wages and salaries	337.6	312.8
Social security costs	26.8	24.7
Defined benefit scheme administrative costs (note 8)	0.8	0.8
Defined contribution (note 9)	10.5	13.9
Agency costs	15.5	11.1
	391.2	363.3

Termination benefits

	Charged to Consolidated statement of financial activities		Accrued at year end	
	2019 £m	2018 £m	2019 £m	2018 £m
Individual redundancy and terminations	0.6	0.2	–	–
Associated with exceptional reorganisations	5.1	2.7	4.6	0.8
	5.7	2.9	4.6	0.8

Notes to the financial statements

for the year ended 31 December 2019 *continued*

11. Employees *continued*

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.

	2019 Number	2018 Number
£60,000 to £69,999	133	134
£70,000 to £79,999	87	93
£80,000 to £89,999	55	45
£90,000 to £99,999	36	37
£100,000 to £109,999	22	18
£110,000 to £119,999	9	12
£120,000 to £129,999	14	15
£130,000 to £139,999	6	6
£140,000 to £149,999	4	9
£150,000 to £159,999	6	4
£160,000 to £169,999	5	4
£170,000 to £179,999	4	9
£180,000 to £189,999	7	5
£190,000 to £199,999	5	4
£200,000 to £209,999	3	2
£210,000 to £219,999	1	1
£220,000 to £229,999	1	4
£230,000 to £239,999	1	–
£240,000 to £249,999	3	1
£250,000 to £259,999	–	1
£280,000 to £289,999	–	1
£330,000 to £339,999	–	1
£340,000 to £349,999	–	1
£360,000 to £369,999	1	–
£380,000 to £389,999	–	1
£390,000 to £399,999	1	1
£430,000 to £439,999	1	2
£450,000 to £459,999	1	1
£460,000 to £469,999	1	–
£480,000 to £489,999	1	–
£490,000 to £499,999	1	–
£840,000 to £849,999	–	1
£930,000 to £939,999	1	–

The total emoluments and employee benefits for the Executive Managers, who are the key management personnel, in the year was £3.4 million (2018 – £3.3 million). The highest paid individual in 2019 (excluding termination pay) was the Chief Executive Officer, Steve Gray (2018 – Steve Gray).

	2019 £m	2018 £m
Employer contributions towards defined contribution pension schemes for higher paid employees	2.7	2.9

	2019 Number	2018 Number
Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme	374	368

12. Tax on deficit on ordinary activities

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Current tax				
United Kingdom corporation tax at 19% (2018 – 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 2019 (2018 – £Nil) in respect of these losses because they are unlikely to be recovered.

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Notes to the financial statements

for the year ended 31 December 2019 *continued*

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 2019	116.2	15.6	90.7	222.5	117.4	15.6	90.6	223.6
Additions	–	4.6	28.4	33.0	–	4.6	28.4	33.0
Transfers	–	(15.7)	26.6	10.9	–	(15.7)	26.6	10.9
Impairment	–	–	–	–	–	–	–	–
Disposals	–	–	(3.0)	(3.0)	–	–	(2.9)	(2.9)
At 31 December 2019	116.2	4.5	142.7	263.4	117.4	4.5	142.7	264.6
Amortisation								
At 1 January 2019	(60.6)	–	(73.5)	(134.1)	(61.1)	–	(73.5)	(134.6)
Charge for year	(9.8)	–	(18.7)	(28.5)	(9.8)	–	(18.7)	(28.5)
Reclassification	0.1	–	–	0.1	(0.4)	–	–	(0.4)
Impairment loss	–	–	(2.5)	(2.5)	–	–	(2.5)	(2.5)
Disposals	–	–	2.8	2.8	–	–	2.8	2.8
At 31 December 2019	(70.3)	–	(91.9)	(162.2)	(71.3)	–	(91.9)	(163.2)
Net book value at 31 December 2019	45.9	4.5	50.8	101.2	46.1	4.5	50.8	101.4
Net book value at 31 December 2018	55.6	15.6	17.2	88.4	56.3	15.6	17.1	89.0

In the prior 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 £28.1 million (2018 – £6.0 million). The internal project development costs capitalised to date are £48.3 million (2018 – £20.2 million).

14. Tangible fixed assets

Group	Assets in course of construction £m	Freehold £m	Long leasehold £m	Short leasehold £m	Equipment and motor vehicles £m	Total £m
Cost						
At 1 January 2019	28.6	266.9	57.8	79.9	691.9	1,125.1
Additions at cost	23.6	1.4	–	5.2	10.4	40.6
Transfers	(6.5)	0.2	3.5	0.5	(9.5)	(11.8)
Disposals	–	(0.4)	(0.3)	(0.7)	(47.7)	(49.1)
Impairment	(5.6)	–	–	(0.5)	–	(6.1)
At 31 December 2019	40.1	268.1	61.0	84.4	645.1	1,098.7
Depreciation and impairment						
At 1 January 2019	–	(104.5)	(11.5)	(24.8)	(454.8)	(595.6)
Charge for year	–	(5.9)	(2.2)	(11.2)	(35.8)	(55.1)
Transfers	–	1.3	0.2	–	–	1.5
Disposals	–	–	–	0.5	46.1	46.6
Impairment loss (note 5)	–	–	(5.6)	–	–	(5.6)
At 31 December 2019	–	(109.1)	(19.1)	(35.5)	(444.5)	(608.2)
Net book value at 31 December 2019	40.1	159.0	41.9	48.9	200.6	490.5
Net book value at 31 December 2018	28.6	162.4	46.3	55.1	237.1	529.5

In the prior year, the business conducted a review of its 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 £268.2 million (2018 – £251.4 million).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £6.3 million (2018 – £8.5 million).

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for the year ended 31 December 2019 *continued*

14. Tangible fixed assets *continued*

Charity	Assets in course of construction £m	Freehold £m	Long leasehold £m	Short leasehold £m	Equipment and motor vehicles £m	Total £m
Cost						
At 1 January 2019	28.6	255.5	57.8	86.2	691.1	1,119.2
Additions at cost	23.6	1.4	–	5.2	10.4	40.6
Transfers	(6.5)	0.2	3.5	0.5	(9.3)	(11.6)
Disposals	–	(0.4)	(0.3)	(0.7)	(47.7)	(49.1)
Impairment	(5.6)	–	–	(0.5)	–	(6.1)
At 31 December 2019	40.1	256.7	61.0	90.7	644.5	1,093.0
Depreciation and impairment						
At 1 January 2019	–	(101.0)	(11.6)	(26.5)	(454.5)	(593.6)
Charge for year	–	(5.9)	(2.2)	(11.2)	(35.8)	(55.1)
Transfers	–	1.4	0.2	–	–	1.6
Disposals	–	–	–	0.5	46.1	46.6
Impairment loss	–	–	(5.6)	–	–	(5.6)
At 31 December 2019	–	(105.5)	(19.2)	(37.2)	(444.2)	(606.1)
Net book value at 31 December 2019	40.1	151.2	41.8	53.5	200.3	486.9
Net book value at 31 December 2018	28.6	154.5	46.2	59.7	236.6	525.6

Group and Charity

Additions during the year included capitalised internal project development costs of £0.7 million (2018 – £0.4 million). The interest charges and internal project development costs capitalised to date are £10.5 million (2018 – £10.5 million) and £8.7 million (2018 – £8.0 million) respectively.

Nuffield Health undertook an impairment review of its assets in the year. This resulted in an impairment of £11.8 million (2018 – £1.1 million) on previously identified wellbeing sites.

No impairment was identified on the hospital sites (2018 – £Nil).

15. Investments

Group	UK listed Investment £m	Unlisted Investment £m	Total £m
Market value			
At 1 January and 31 December 2019	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 2019	39.7	0.1	0.1	39.9
Acquisitions	–	–	–	–
At 31 December 2019	39.7	0.1	0.1	39.9
Provision for impairment				
At 1 January 2019	(20.3)	–	–	(20.3)
Charge	–	–	–	–
At 31 December 2019	(20.3)	–	–	(20.3)
Net book value at 31 December 2019	19.4	0.1	0.1	19.6
Net book value at 31 December 2018	19.4	0.1	0.1	19.6

During the year Nuffield Health disposed of its interest in the VitalityHealth joint venture and recognised a £Nil profit on disposal. The carrying value of the investment in the VitalityHealth joint venture at the year end is £Nil (2018 – £0.2 million).

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.

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Notes to the financial statements

for the year ended 31 December 2019 *continued*

15. Investments *continued*

Subsidiary undertakings

The subsidiary undertakings at 31 December 2019 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 Acquisitions Ltd	Ordinary	–	100%	Dormant
Health Club Investments Group Ltd	Ordinary	100%	–	Subsidiary holding company
Health Club Investments Ltd	Ordinary	–	100%	Dormant
Healthscore Ltd	Ordinary	100%	–	Dormant
Independent Surgery Centres Ltd	Ordinary	100%	–	Subsidiary holding company
ISC Estates Ltd	Ordinary	–	100%	Dormant
ISC Leasing (Ipswich) Ltd	Ordinary	–	100%	Dormant
ISC Projects Ltd	Ordinary	–	100%	Property company
Jonathan Webb Ltd	Ordinary	100%	–	Dormant
MSCP Holdings Ltd	Ordinary	100%	–	Subsidiary holding company

Company name	Class of share capital held	Portion held by the parent company	Portion held by the other Group companies	Nature of business
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 Group Ltd	Ordinary	100%	–	Dormant
Nuffield Proactive Health Ltd	Ordinary	–	100%	Dormant
Nuffield Proactive Health Medical Ltd	Ordinary	–	100%	Dormant
Pinnacle Leisure Group Ltd	Ordinary	–	100%	Dormant
Precis (1748) Ltd	Ordinary	–	100%	Dormant
Sherburne (Leasing) Company Ltd	Ordinary	–	100%	Dormant
The Food Calculator Ltd	Ordinary	–	100%	Dormant
Twickenham Leisure Ltd	Ordinary	100%	–	Dormant
Vale Healthcare Ltd	Ordinary	22%	78%	Dormant
Vale Health Partners Ltd	Ordinary	100%	–	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, United Kingdom EH1 2EN.

Notes to the financial statements

for the year ended 31 December 2019 *continued*

16. Stock

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Raw materials and consumables	10.3	9.8	10.3	9.8
Consignment stock not included in the Balance sheet	16.5	16.9	16.5	16.9

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 £124.9 million (2018 – £117.3 million).

17. Debtors falling due within one year

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade debtors	53.6	52.0	54.2	52.1
Amount owed by Group undertakings	–	–	3.3	3.3
Other debtors	2.6	3.9	2.6	3.9
Prepayments and accrued income	34.9	30.0	34.5	30.0
	91.1	85.9	94.6	89.3

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

18. Creditors: amounts falling due within one year

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade creditors	42.2	34.6	42.2	34.6
Amounts owed to Group undertakings	–	–	22.7	22.7
Overdraft	–	3.2	–	3.2
Obligations under finance leases	2.7	2.1	2.7	2.1
Social security and other taxes	10.4	11.2	10.3	11.1
Other creditors	25.1	27.5	25.0	27.4
Pension contributions	1.9	1.5	1.9	1.5
Pension liability for asset backed funding (note 8)	–	–	0.6	0.5
Accruals and deferred income	78.7	78.2	78.8	78.3
	161.0	158.3	184.2	181.4

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

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Bank loans	267.0	263.0	267.0	263.0
Deferred expenses in connection with bank loans	(0.5)	(1.3)	(0.5)	(1.3)
Fair value of interest rate derivatives	0.6	0.2	0.6	0.2
	267.1	261.9	267.1	261.9
Stakeholder bond	–	–	–	–
Deferred expenses in connection with bond	–	–	–	–
	–	–	–	–
Secured loan notes	100.0	100.0	100.0	100.0
Obligations under finance leases	5.1	4.8	5.1	4.8
Pension liability for asset backed funding (note 8)	–	–	79.6	72.3
Other creditors	3.1	3.3	3.1	3.3
	375.3	370.0	454.9	442.3

Pension liability for asset backed funding

	Charity					
	Risk free discount rate %	2019 Forecast payments £m	Fair value of liability £m	Risk free discount rate %	2018 Forecast payments £m	Fair value of liability £m
Amounts falling due within one year	0.8%	2.0	0.6	1.1%	2.0	0.5
Amounts falling due after one year	0.8% to 1.1%	87.0	79.6	1.1% to 1.6%	95.3	72.3
		89.0	80.2		97.3	72.8
(Loss)/gain on change in fair value assumptions			(2.0)			(2.0)

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Notes to the financial statements

for the year ended 31 December 2019 *continued*

20. Borrowings

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Borrowings are repayable as follows:				
One year or less:				
Finance leases	3.4	2.2	3.4	2.2
Bank loans	–	3.2	–	3.2
Stakeholder bond	–	–	–	–
In more than one but not more than two years:				
Finance leases	2.5	2.6	2.5	2.6
In more than two but not more than five years:				
Finance leases	1.9	2.1	1.9	1.6
Bank loans	267.0	263.0	267.0	263.0
In more than five years:				
Secured loan notes	100.0	100.0	100.0	100.0
	374.8	373.1	374.8	372.6

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 2.40% + 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.

21. Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
In Charity and Group			
At 1 January and 31 December 2019			
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 2019 is a liability of £0.6 million (2018 – £0.2 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 2019	27.6	2.6	3.3	33.5
Additional provision	–	0.1	0.1	0.2
Utilised in year	(2.8)	(0.2)	(2.5)	(5.5)
Credited to Income statement	(7.9)	–	–	(7.9)
Charged in year	0.6	0.6	–	1.2
At 31 December 2019	17.5	3.1	0.9	21.5
Charity				
At 1 January 2019	27.6	2.6	3.0	33.2
Additional provision	–	–	–	–
Utilised in year	(2.8)	(0.2)	(2.4)	(5.4)
Credited to Income statement	(7.9)	–	–	(7.9)
Charged in year	0.6	0.6	0.3	1.5
At 31 December 2019	17.5	3.0	0.9	21.4

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 onerous lease provision represents the minimum unavoidable lease cost loss expected to be incurred, after considering the net costs to fulfil the lease or to exit the lease. The net costs to fulfil the lease have been determined as the expected cash flows at each site over the remainder of the lease and the alternative use is based on assigning the site to another operator. The provision is calculated on a site-by-site basis and discounted as appropriate. Amounts credited to the Income Statement included a £4.5 million credit recognised in exceptional items.

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 (2018 – £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.

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Notes to the financial statements

for the year ended 31 December 2019 *continued*

23. Permanent endowments

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

Group and Charity	2019 £m	2018 £m
At 1 January and 31 December	0.1	0.1

24. Financial instruments

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £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	0.1	19.5
That are debt instruments measured at amortised cost	60.6	58.4	64.6	61.7
Financial liabilities				
Measured at fair value through the Income statement and Statement of financial activities	0.6	0.2	80.8	73.0
Measured at amortised cost	442.3	435.2	464.8	457.8

Credit, liquidity and interest rate risk

Credit risk

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

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities. The Group subjects its cash flow forecasts to stress tests to assess the risk of a major cash shortfall or breaches of covenants. Whilst current forecasts do not indicate any significant reduction in the amount of cash generated by the Group, any severe shortfall would be addressed by tight control over capital spending and operating costs. At the end of 2019, there were £23.0 million of unutilised bank loan facilities (2018 – £27.0 million) and a further £10.0 million of unused overdraft facility (2018 – £6.8 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 21.

25. Analysis of net assets between funds

The Group and Charity's assets and liabilities are unrestricted except for £0.1 million (2018 – £0.1 million) of investments that are a permanent endowment and there are restricted funds comprising cash of £0.8 million (2018 – £0.8 million). Unrestricted funds amount to £64.2 million (2018 – £63.3 million) for the Group and £68.2 million (2018 – £60.5 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 and Charity	
	2019 £m	2018 £m
Total operating surplus	2.1	10.1
Exceptional items in operating surplus (note 5)	13.8	6.8
Depreciation and amortisation	83.6	83.1
Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits	99.5	100.0
(Increase) in stocks	(0.5)	(0.5)
(Increase)/decrease in debtors	(5.1)	1.1
Increase/(decrease) in creditors	12.6	(3.1)
(Decrease) in provisions	(12.0)	(2.2)
Total cash flow from operations	94.5	95.3
Post retirement benefits – additional cash payments	(2.3)	(2.5)
Cash generated from operating activities before exceptional items	92.2	92.8
Exceptional cash outflow from operations		
Exceptional items in operating surplus (note 5)	(13.8)	(6.8)
Impairment of fixed assets	14.2	1.1
Increase in creditors	(2.2)	1.3
Increase in provisions	–	–
Increase in pension liability	–	1.8
Total cash outflow from exceptional activities	(1.8)	(2.6)
Total cash inflow from operating activities	90.4	90.2

27. Cash flows from investing activities

	Group and Charity	
	2019 £m	2018 £m
Receipts from sale of tangible fixed assets and computer software	1.2	0.4
Purchase of tangible fixed assets and computer software	(78.1)	(58.1)
Investment in joint venture	–	(0.1)
	(76.9)	(57.8)

Financial statements

Notes to the financial statements

for the year ended 31 December 2019 *continued*

28. Cash flows from financing activities

	Group and Charity	
	2019 £m	2018 £m
Interest paid	(12.2)	(13.9)
Interest element of finance leases and hire purchase agreements	(0.4)	(0.2)
Payment of bank loan	–	(2.0)
Receipt from new bank loans	4.0	–
Repayment of other loans	–	(18.7)
Finance leases and hire purchase agreements	0.3	(1.6)
	(8.3)	(36.4)

29. Analysis of net debt

	Group and Charity			
	At 1 Jan £m	Cash flow £m	Non-cash changes £m	At 31 Dec £m
Cash at bank and in hand (note 30)	2.4	2.0	–	4.4
Bank overdraft (note 18)	(3.2)	3.2	–	–
Bank loans due after more than one year (note 19)	(263.0)	(4.0)	–	(267.0)
Secured loan notes due after more than one year (note 19)	(100.0)	–	–	(100.0)
Stakeholder bond due within one year (note 18)	–	–	–	–
Finance leases due within one year (note 18)	(2.1)	(0.6)	–	(2.7)
Finance leases due after more than one year (note 19)	(4.8)	(0.3)	–	(5.1)
	(370.7)	(0.3)	–	(370.4)

30. Cash and cash equivalents

	Group and Charity	
	2019 £m	2018 £m
Cash at bank and in hand	4.4	2.4
Bank overdraft	–	(3.2)
	4.4	(0.8)

31. Capital commitments

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Contracted for but not provided in these financial statements	1.5	2.8	1.5	2.8

32. Obligations under leases and hire purchase contracts

	Group		Charity	
	2019 £m	2018 £m	2019 £m	2018 £m
Future minimum rentals under non-cancellable operating leases:				
Land and buildings				
Less than 1 year	65.0	50.5	65.0	50.5
Between 1 and 5 years	246.1	197.6	246.1	197.6
After 5 years	596.2	533.0	596.2	533.0
	907.3	781.1	907.3	781.1
Other				
Less than 1 year	5.2	1.3	5.2	1.3
Between 1 and 5 years	15.2	1.6	15.2	1.6
After 5 years	0.2	–	0.2	–
	20.6	2.9	20.6	2.9
Future minimum payments due under finance leases and hire purchase agreements:				
Less than 1 year	3.4	2.4	3.4	2.4
Between 1 and 5 years	4.3	4.9	4.3	4.9
	7.7	7.3	7.7	7.3

33. Related party transactions

Trustees and Executive Managers are considered key management personnel. Total remuneration of these individuals was £3.8 million (2018 – £3.7 million). The Charity has no other related party transactions in 2019, 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

During the first quarter of 2020, the spread of the Covid-19 virus caused global disruption, with negative consequences both for human health and economic activity. The impact of the Covid-19 pandemic resulted in the temporary closure of the wellbeing estate following enforcement action by the Government, and fully repurposing the hospitals to support the NHS in its national pandemic response efforts. The Covid-19 pandemic does not impact the estimates at the year end and therefore the financial statements do not include any adjustments to the carrying amounts or classification of assets and liabilities. Impairments may arise in 2020 as a result of the effects of Covid-19 however these cannot be estimated at this point in time.

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 preventative 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 2019 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 which supports 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 Improvement 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)						

● Outstanding ● Good ● Requires improvement

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

** 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

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

**** Not enough evidence to rate

Additional information

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

Nuffield Health joint advisory groups (JAGs)

Quality Assurance
Gastrointestinal Endoscopy

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 and quality regulations (BSQR)
- All six hospital sterile services units remain registered with the UK competent authority (MHRA) and continue to be audited by the notified body, SGS Ltd. This registration provides evidence of compliance with Medical Devices Directive 93/42/EEC (and its amendment 2007/47/EC) as well as a robust quality management system based on ISO 9001:2008 and ISO 13485:2012

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Solicitor

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Siemens Bank GmbH

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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.