



# Transforming the nation's health and wellbeing

Annual Report 2015

CHARITY COMMISSION  
FIRST CONTACT

-4 JUL 2016

RECORDED  
RECEIVED

**£768m**

revenue

**£86m**

Earnings before interest,  
taxes, depreciation,  
amortisation and exceptional  
items (EBITDA)

**£99m**

investment in health  
and wellbeing services

**759,000**

physiotherapy sessions

**206,000**

hospital procedures

**336,000**

gym members



**6**

Chief Executive  
Officer's statement



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Our impact



**18**

Looking after  
our customers  
and employees

# Our charitable purpose is the foundation of all our activities.

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



# 30

Caring for our patients,  
members and employees

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Introduction

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## At a glance

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

### This means we:

- Work with customers to stay well and reach the level of day-to-day health and wellbeing that they seek
- Provide timely and expert treatment when things go wrong or when customers experience health problems
- Help customers to regain the level of health and wellbeing that they seek after receiving treatment

### Our services include:

- **Hospital care** – consultations, diagnostics, inpatient, day case and outpatient treatment and rehabilitation services
- **Fitness services** – group exercise classes, personal training, health MOTs, swimming lessons
- **Health and wellbeing services** – nutritional therapy, Healthy Weight programme and emotional health

- **Clinical services** – physiotherapy, health assessments, private GP services, women's health services and travel clinics
- **Occupational health services** – providing occupational health to our corporate clients across a range of diverse industries
- **Community services** – providing fitness and wellbeing services in schools, colleges and universities. Deliver the Amateur Swimming Association Learn to Swim programme, nursery care and free Meet Our Experts events

We provide all these services through a nationwide, connected network of 31 hospitals, 209 corporate fitness and wellbeing centres, 77 consumer health and wellbeing gyms, with support from over 12,000 employees and our digital channels.

### Our connected health and wellbeing model

We combine our hospitals, medical centres, fitness and wellbeing gyms, diagnostic units and a wide range of treatments into one complete health and wellbeing service. We aim to ensure that people enjoy life to the full through a connected health and wellbeing model that keeps them healthy and active throughout their lives.

Through continuous support and assessment, we help people to get fit and healthy and stay that way. We identify when they need treatment, we help them get better and then get them fit and healthy again.



To see evidence of our connected health and wellbeing model in action, look out for the following icons throughout this report.

## 2015 snapshot

77

fitness and wellbeing gyms

209

corporate fitness and wellbeing centres

1,600

business customers

31

hospitals

4

medical centres

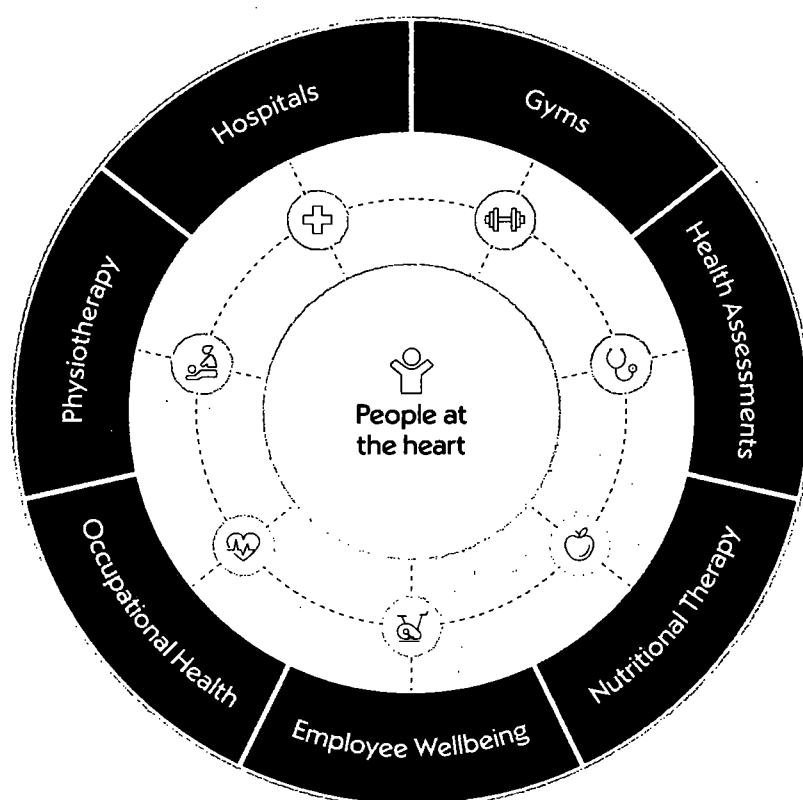
336,000

gym members



### Gyms

Our gyms are cutting edge facilities with expert employees to support people on their fitness journey. We offer a broad range of in-gym services and facilities. We utilise our clinical expertise providing physiotherapists, nutritional therapists, health mentors and physiologists, as well as more conventional gym services, including swimming lessons and personal training. All members are offered a health MOT when they join us – an in-depth, one-hour health check carried out by one of our health mentors or personal trainers. No other gym offers the same level of clinical testing and expert advice in one place.



## Physiotherapy

We are the largest provider of physiotherapy in the UK, outside of the NHS, offering the widest range of physiotherapy services. We work with patients, members and non-members to help heal and prevent injuries and support post-surgery recovery. All of our Nuffield Health physiotherapists are members of the Health & Care Professions Council (HCPC) and are registered with Chartered Society of Physiotherapy (CSP). The majority of our customers are treated in five sessions or less.



## Health assessments

We offer a wide range of health assessment options which provide a comprehensive view of a person's health, covering key health concerns such as diabetes, heart health, cancer risk and emotional wellbeing. Our health assessments are delivered by Nuffield Health physiologists and doctors who are clinically trained in lifestyle and behavioural change to help our people improve their health for the future.



## Hospitals

We offer the highest standards of clinical care at our 31 hospitals across the UK. They are consultant led and supported by teams of experienced nurses. Nuffield Health hospitals are open to all, with procedures offered via health insurance, through self-pay or from NHS referral.



## Occupational health

We provide occupational health services to corporate clients across a range of industries. Because we are a national provider, with a comprehensive range of products and services, we are able to deliver bespoke solutions aligned to meet specific business needs and cultures.



## Nutritional therapy

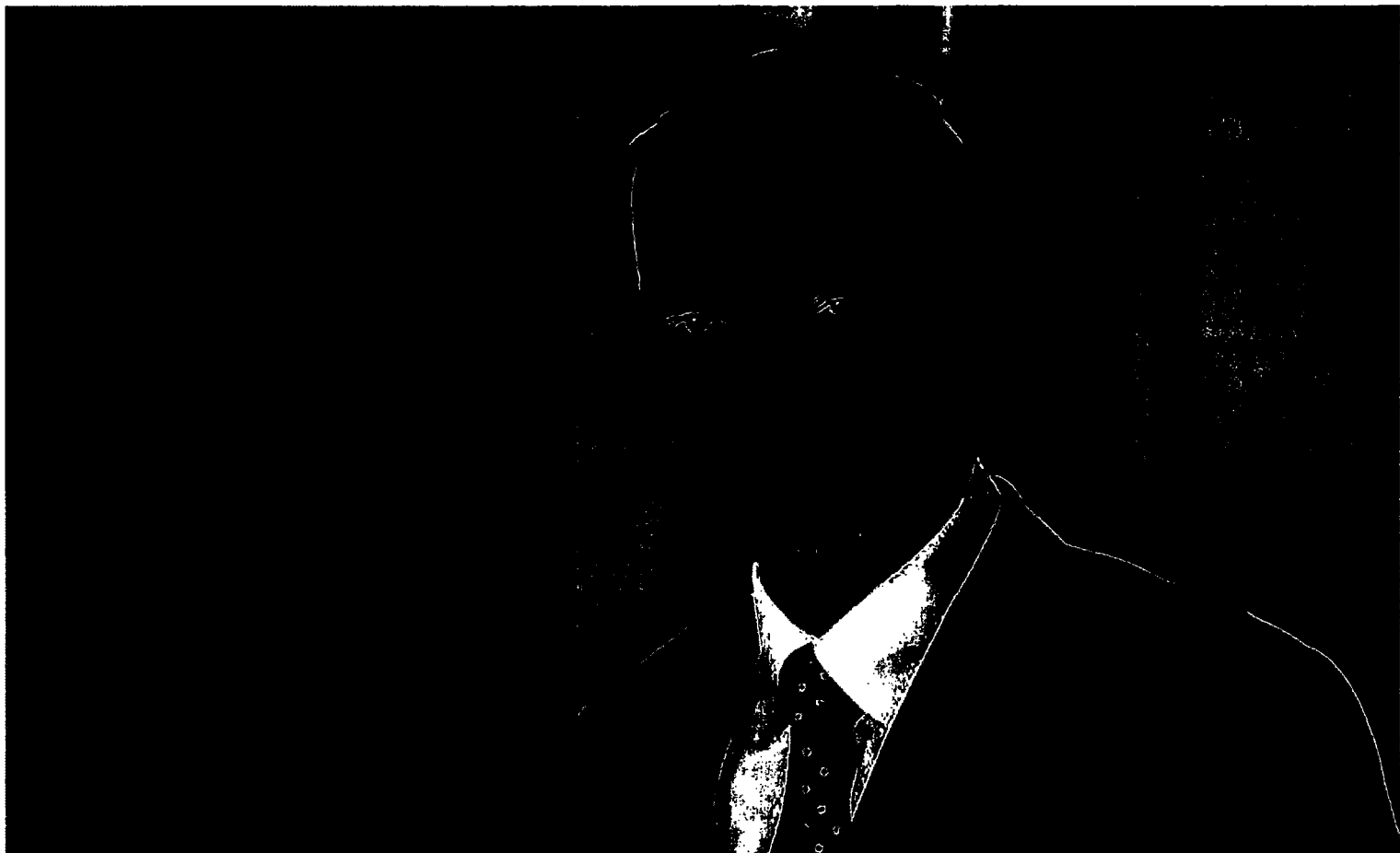
We have a team of nutritional therapists who advise how to integrate healthy eating with exercise for real lifestyle change to improve long-term health and wellbeing.



## Employee wellbeing

We currently work with 1,600 businesses to deliver the highest standard of health and fitness within the workplace. This includes delivering bespoke health and wellbeing centres within the workplace, with expert personnel on-site. We offer corporate wellbeing programmes that actively reduce employees' health risks and improves their quality of life both at work and at home.

## Chairman's statement



2015 was a significant year for Nuffield Health. We made solid financial progress, invested nearly £100 million in furthering our charitable aims and importantly following the appointment of a new Chief Executive, we have built an executive leadership team that will focus on accelerating the implementation of our strategy of connected health.

Last year, we had a separate Quality Report and Annual Report. This year we have combined both documents to more accurately reflect the key role quality and safety play in our priorities as well as allowing us to update you more clearly on our progress.

We are proud to be a charity with the sole aim of improving the health and wellbeing of the UK's population. With an ageing demographic, increased co-morbidities, funding challenges in the NHS and the growth in lifelong conditions such as diabetes, it has never been more important for us to fulfil the need to invest in the long-term to help address many of these issues.

We are a complex operation. We now have 31 hospitals, 77 fitness and wellbeing gyms and over 200 corporate fitness and wellbeing centres. We also now employ over 12,000 people.

“

Looking forward, the whole team is focused on delivering at pace the vision of connected healthcare at improved levels of performance.

”

# £525m

hospital revenue  
up from £498m in 2014

# £254m

wellbeing revenue  
up from £224m in 2014

## 2015 – A year of solid performance

2015 saw us deliver our highest ever EBITDA. At £86 million this was a pleasing advance on 2014 and we saw progress across our portfolio. Hospitals saw EBITDA increase by 4 per cent and fitness and wellbeing by 52 per cent. This strong performance allowed us to continue our investment programmes.

As Steve Gray will detail in his Chief Executive's statement, we invested in our hospitals, in our existing and new fitness and wellbeing gyms and in the increasingly important digital area. Whilst the advance on 2014 was pleasing we are still not delivering the performance we aspire to.

As an organisation with a mix of assets, Nuffield Health is uniquely positioned to provide a connected healthcare experience for our customers. To date we have achieved this vision to a limited extent. This reflects the complexity of achieving this as well as where we are on our development journey. 2016 will see us accelerate the pace of delivery of our vision.

## 2016 – A new leadership team and a One Nuffield Health approach

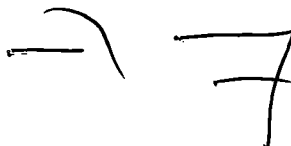
Given our desire to accelerate progress and with David Mobbs, our previous Chief Executive stepping aside, the Board of Governors and I decided in late 2014 to change the executive leadership at Nuffield Health. After a worldwide search, assisted by one of the leading search companies, we identified and recruited an outstanding new Chief Executive in Steve Gray. This necessary change, which saw other Executive Directors and a total of 35 senior managers leave the business, whilst essential, came at a financial cost. The total cost of these changes was £4 million. We now have an executive team focused on pace of delivery and with a reduction in our ongoing overhead costs of £2 million per annum. Steve will introduce himself but I am pleased with the impact he has had on the organisation since he joined on 1 December 2015.

We have unified the Executive Board structure to allow us to operate as One Nuffield Health with our hospital and wellbeing teams under the operational leadership of Dr Andrew Jones as Chief Operating Officer. We have also recruited new Executive Directors for

the strategic, customer and digital areas, as well as promoting internally for the HR Director and Medical Executive Director roles. This new team, combining the best of the old and the new, are already producing results. Looking forward, the whole team is focused on delivering at pace the vision of connected healthcare at improved levels of performance.

I would like to place on record my thanks to my fellow Governors. 2015 has been a very demanding year for the Governors and I am very grateful to them all. As our organisation has become more complex the demands on the Governors has increased enormously. I would also like to thank David for his many years of service. David was the one who developed the vision of providing integrated healthcare and led the acquisition of our gym business and their development into combined fitness and wellbeing gyms. Nuffield Health would not be what it is today without his period of stewardship.

**Russell Hardy**  
Chairman



## Chief Executive Officer's statement



In December 2015, I joined Nuffield Health as Chief Executive Officer. It was a decision I was extremely pleased to make. We are a world class health and wellbeing provider and I am very excited to lead the organisation at a time when both of these are featuring more prominently in our way of life. In addition, Nuffield Health is underpinned by a strong charitable goal which imbues our organisation with a clear purpose and excellent values.





## Nuffield Health's new Executive Board



Read more about the Executive Board on pages 58–59

Equally important to our charitable purpose is that we are financially sound and benefit from an excellent network of health and wellbeing assets in key areas across the UK. Since joining, I have travelled around our sites and have been incredibly impressed and inspired by the passion, energy and commitment to care I have seen in our people.

However all these excellent assets should not induce us to rest on our successes to date. There is still so much more to do – to both improve and unify our health and wellbeing offering and serve the enormous opportunities this sector has in the UK, which is changing rapidly and dramatically. We are taking the quality of our services seriously and working closely with our partners, the Care Quality Commission, Healthcare Improvement Scotland and Healthcare Inspectorate Wales, who assess and regulate us and other providers of health and social care in England, Scotland and Wales. You can read more about this later in this report. By effectively executing and accelerating our strategic goals, we will be able to

ensure our sustainability and help far more people and communities with their health and wellbeing needs. This excites both me and all of our people.

## Our market and our strategy

The UK healthcare sector is facing big challenges, including a rapidly ageing population and significant budgetary pressure on the NHS. In the next five years, healthcare will change enormously because the current regime is just not sustainable. In addition, consumers are keen to take control of their own health and wellbeing and are prepared to pay to do so. In the face of these changes, Nuffield Health can have a huge role to play and we must ensure we are positioned in the best possible way to do so.

Fundamentally, we must more effectively join up our business – a strategy we call One Nuffield Health. Through a more connected model, we will efficiently help people to get fit and healthy and stay that way. When they need treatment we will help them get better and then get them fit and

healthy again in a virtuous circle of care. Of course, wellbeing is not just about being physically fit, it is also about mental wellness and nutrition and here we can also help. As we discuss throughout this report, for Nuffield Health this extends from innovative programmes such as our personalised Healthy Weight programme through to health MOTs – all underpinned by our caring, well trained people and safe processes and facilities.

To achieve One Nuffield Health, we have revisited our structure. We have now brought together our hospital and wellbeing divisions into one Operating Board – with a single line of reporting to the new position of Chief Operating Officer, to which Dr Andrew Jones (formerly our Managing Director of Wellbeing) has been appointed. This not only streamlines our processes and decision making but equally it will help create a more unified culture, with openness and transparency – critical steps on our journey.

# Chief Executive Officer's statement

– continued

As a result of our new structure, we have had to make some changes in our management team, which has had some financial impact. However, I believe this was an extremely important action for us to take to enable us to effectively meet our charitable purpose and ensure our sustainability. As part of this reorganisation, we are developing our digital strategy, to find the best way to support our customers in a connected manner – complementing the way we are all living our lives.

## Progress over the year

In 2015 and into early 2016, we not only made some important decisions to position ourselves for the future, we also had a number of notable achievements. In particular, we delivered a strong revenue of £768 million and EBITDA of £86 million. We also made a number of important investments in new facilities and equipment that deepen our capacity to advance, promote and maintain health for the public benefit and secure our strong position in the UK health and wellbeing sector.

Across the organisation, we invested almost £100 million. This included:

- Opening our state-of-the-art Manchester Diagnostic Suite in January 2016. This is an exciting first step in our complete health and wellbeing evolution for the North West, which we will embed when we open our planned hospital in Manchester in 2018
- Opening our new Cambridge hospital. Following a £30 million investment, it is now delivering modern, technologically advanced facilities to the region
- Investing £10 million in new diagnostic equipment, including MRI machines and CT scanners – essential tools in any modern healthcare environment. A further £10 million investment is planned for 2016
- Acquiring two central London gyms in Moorgate and Shoreditch. These have been converted to complete Nuffield Health fitness and wellbeing gyms with GP and physiotherapy services
- Adding medical clinics to our fitness and wellbeing sites in Tunbridge Wells, Milton Keynes, Manchester and Birmingham – all in pursuit of our connected health vision

“In our hospitals in 2015, patients across the UK underwent 206,000 procedures, a 3.5 per cent increase on 2014”

In our hospitals in 2015, patients underwent 206,000 procedures, a 3.5 per cent increase on 2014. Throughout our network, we also conducted 759,000 physiotherapy sessions, an increase of nearly 23 per cent from 2014 and we also increased our health assessment sessions by 26 per cent to 62,000. We had a significant number of corporate customer successes, including starting the construction of one of our largest ever health and wellbeing facilities, which will be based at UBS.

In our communities, we helped 10,000 children learn to swim. We also continued to support and expand our Healthy Start programme which enables young people with various underlying health issues to increase their chances of gaining sustainable employment whilst improving their wellbeing. We also launched our groundbreaking school wellbeing pilot at Wood Green School in Oxfordshire.



## RECOVERY PLUS



A deformity in Derek's hip threatened his mobility, lifestyle and happiness. After seeing his GP he was referred to the Nuffield Health Woking Hospital. Following his hip replacement surgery he undertook a month-long programme of physiotherapy before beginning Recovery Plus, a bespoke recovery exercise programme supported by his recovery coach at the Nuffield Health West Byfleet Fitness & Wellbeing gym.

One year on and Derek is elated by the difference in himself. "You worry about how you'll be able to recover from such a major operation," he says, "but I haven't even had to take painkillers and I was off my crutches within three weeks. Aside from extreme flexing, like the swan pose in yoga, I have full movement in my hip. I'm back to who I was before the pain."



To find out more about Derek's road to recovery, visit:  
[nuffieldhealth.com/article/dereks-recovery-story](http://nuffieldhealth.com/article/dereks-recovery-story)

## Accelerating as One Nuffield Health

With our new, unified organisational structure and the support of our people committed to the health and wellbeing of our customers, I am looking forward to a Nuffield Health that is a truly connected organisation, both internally and with all of our customers.

As we bring together our facilities, our systems and our services, we will enable thousands more people to achieve, maintain, and, where needed, recover to the level of health and wellbeing they aspire to. United in our One Nuffield Health strategy, we will amplify our ability to make a real difference to the lives of people across the UK for many decades to come.

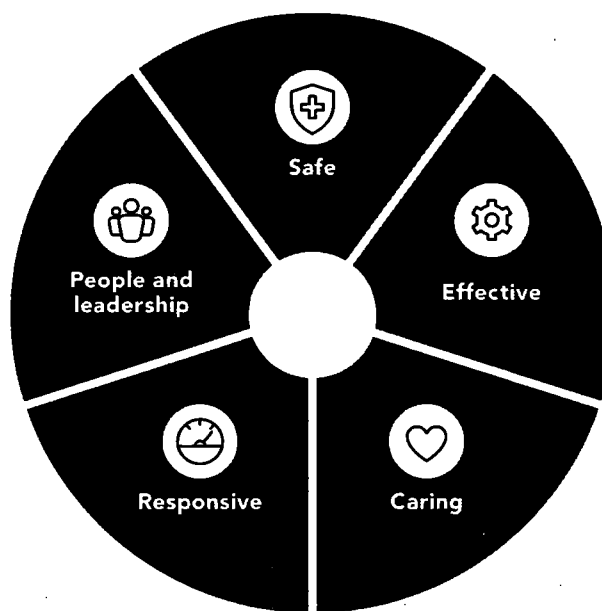
**Steve Gray**  
Chief Executive Officer



**+4%**  
hospitals EBITDA increase

**+52%**  
fitness and wellbeing  
EBITDA increase

## Our quality assurance model



What do we mean by safe, effective, caring, responsive, and people and leadership?

### Safe

By safe, we mean that we always seek to protect our customers and employees from avoidable harm

### Effective

By effective, we mean that people's care, treatment and support, achieve good outcomes, promote a good quality of life and are based on the best available evidence

### Caring

By caring, we mean that employees involve and treat people with compassion, kindness, dignity and respect

### Responsive

By responsive, we mean that services are organised so that they meet people's needs

### People and leadership

By people and leadership, we mean that the leadership, management and governance of the organisation assure the delivery of high quality person centred care, support learning and innovation and promotes an open and fair culture



Read more about our year of achievements in **quality assurance** on pages 16–47

# Our markets

## The healthcare landscape is changing dramatically.

Budgetary constraints, an ageing population, digital disruption and a population keen to take control of their own health and wellbeing are all transforming the market.

Nuffield Health is responding to and capturing opportunities in this rapidly evolving market. This will ensure it remains a leading health and wellbeing provider in the UK.

An ageing population and chronic health conditions are changing the volume and nature of health and wellbeing demand. At the same time, the NHS is facing an unprecedented financial challenge which will force significant changes. This will further drive a willingness for individuals and organisations to pay for services that enhance health and wellbeing.

### The challenge of ageing

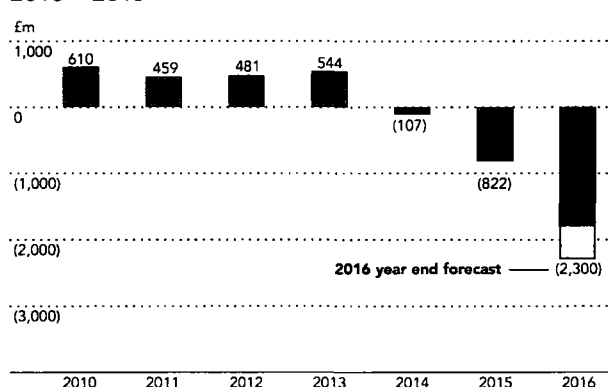
People are living longer. This is a real challenge to the UK healthcare sector. This is particularly true when viewed in the light that although average life expectancy has increased to 81.3 years<sup>1</sup>, healthy life expectancy has not increased at the same rate. Chronic diseases are increasing – as are the costs of diagnosis and treatment. This is a dramatic shift, and puts enormous pressure on the NHS.



**UK population structure by age band 2015 and 2025**



**NHS provider sector net surplus/deficit 2010 – 2016**



### Meeting the need

Keeping pace with the enormous increase in healthcare needs is a real challenge for the NHS. This is particularly true in an era where lower economic growth is the new normal, and its concurrent negative impact on available funding.

UK healthcare spending as a proportion of GDP is lower than other comparable countries. The UK spends approximately 8.5 per cent of GDP on healthcare, compared, for example, with Germany and France which spend in the region of 11 per cent<sup>2</sup>.

Accordingly, there is a real need for an organisation such as Nuffield Health. We can help improve the health and wellbeing of the nation by stepping in to fill real gaps in care and support, and give people greater capacity to take control of their own health and wellbeing journey.

### The informed and empowered consumer

The pace of technological change is disrupting almost every industry – and healthcare is no exception. Individuals are empowered with information and tools like never before – and the pace is only accelerating. Most of us expect

to be able to track almost every aspect of our lives, and health and wellbeing is central to this. In addition, we now live in an on-demand world, and customers also expect to be able to manage and obtain services that fit their lifestyles and are seamlessly integrated.

There is an opportunity for Nuffield Health to expand the cohort of engaged people wanting to live healthy lives for longer, and who will turn to us to meet that need.

At the core of our strategy is connecting our services to enable customers to be able to fully control their health and wellbeing. Recognising that people want this control, as well as the ability to track their progress as they move through their individual journey with us, we will clearly communicate and prove through action the value that comes from being not only a service provider but a trusted partner. This is attractive whether coming to our hospitals and clinics as a self-payer, through insurance or via the NHS, as a corporate or retail customer of our fitness and wellbeing gyms or as a client of our physiotherapy, occupational health and health assessment services.

## One Nuffield Health

With our extensive assets and capabilities, Nuffield Health is not only well-placed to both meet these challenges and capture the opportunities they present, but is the only health and wellbeing organisation in the UK that can do so.

We will continue to do this, and indeed accelerate how we do so by more effectively joining up our organisation to drive efficiencies in how we deliver our services and make the experience for our customers seamless.

By doing so we will drive improvements in health and wellbeing outcomes and quality of life across the nation.



<sup>1</sup> Public Health England

<sup>2</sup> Health spending (excluding investment) as a share of GDP, OECD countries, 2013.  
Source: OECD Health Statistics Report 2015 [www.oecd.org/health/health-systems/Focus-Health-Spending-2015.pdf](http://www.oecd.org/health/health-systems/Focus-Health-Spending-2015.pdf)

# Our strategy

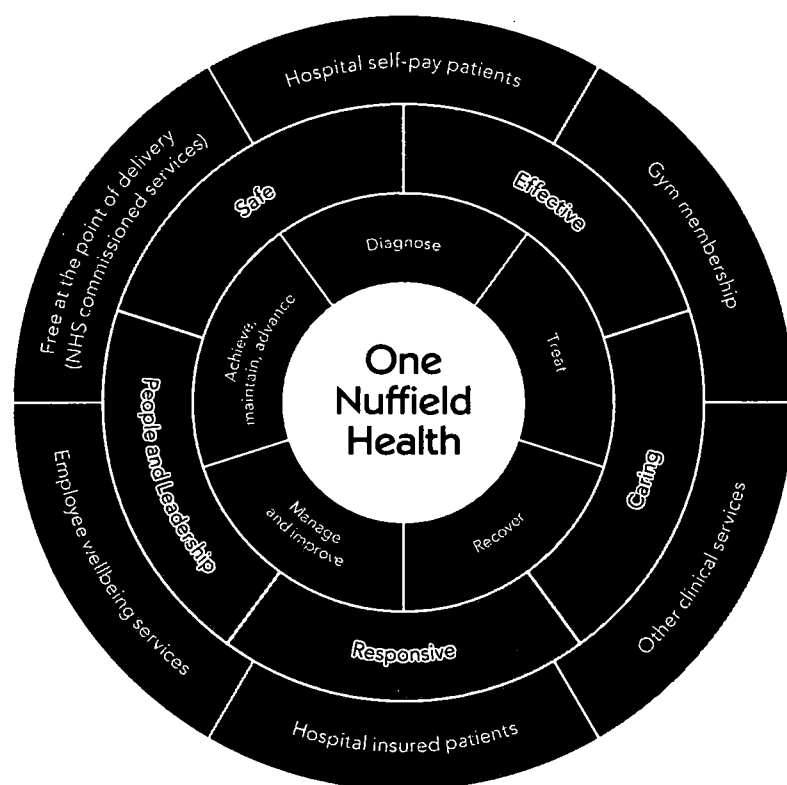
## Fulfilling our charitable purpose

To fulfil our charitable purpose, we provide services to help people get healthy and stay healthy, understand and manage their personal health risks, and get them timely diagnosis and treatment for any problems which arise.

We believe helping people to maintain fitness and good health is just as important as the treatment of illness

when it occurs. Our competitive advantage lies in a connected care model: delivering wellbeing by helping people to get and stay fit and healthy; providing treatment to help them get better; and after treatment helping them to get fit and healthy again.

## A connected approach



Helping our customers keep well and improve their wellbeing day to day, and when things go wrong, helping them recover as quickly and as fully as possible.

We achieve this through a combination of products and services that meet five areas of need:

**Achieve, maintain and advance** – Advise, guide and monitor. Our fitness and wellbeing gyms are clear platforms for broad ongoing wellbeing

**Diagnose** – Access to diagnostics network. Primary care (GP services) and direct access to specialists. Connected via referrals

**Treat** – High standard acute surgery and treatment which is delivered efficiently. Complex specialties located in selected hospitals. Physiotherapy and other therapies

**Recover** – Physiotherapy and other therapies to support post intervention. Personalised programmes such as Recovery Plus

**Manage and improve** – Propositions that advise, guide and monitor. Employee wellbeing support with chronic conditions such as musculoskeletal disorders

## How we are funded to meet our charitable purpose

We receive fees from patients (NHS, insurers and self funders), gym memberships, other clinical services and employee wellbeing services, combined with borrowing from banks and the bond market.

27 per cent of our revenues came from low cost or free at the point of delivery products and services because of our partnership with NHS commissioned services. 9 per cent comes from products and services costing customers less than £1 per day. In order to do this we need to charge for the services we provide.

## A compelling strategy for Nuffield Health

Our strategy enables us to meet our core purpose: to advance, promote and maintain health and healthcare of all descriptions and to prevent, relieve and cure sickness and ill health of any kind all for the public benefit. This means we act as a true partner to our patients and customers and operate to excellent standards of safety and care, all in their best interests.

We want everyone who engages with us to benefit from our connected model. This will enable people to take full control of their health and wellbeing journey, either directly through our services or through appropriate referrals. This means offering support for physical and mental wellbeing on a day-to-day basis, including reducing or preventing ill health, increasing longevity and improving emotional health.

### Purpose

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

### Our strategic intent

Nuffield Health will help individuals achieve, maintain and recover to the level of health and wellbeing they aspire to, by being a trusted provider and partner

### How we will meet our strategic intent



An extended and refined portfolio of products and services that deliver value across the whole wellbeing journey, delivered directly or via partners



A national hub and spoke network that maximises attractiveness and convenience for patients and consumers



Excellence in outcomes and experience through top quality clinicians with focused expertise



Efficient service delivery enabling high quality, accessible services



A trusted and flexible Nuffield Health brand, synonymous with health and wellbeing, that wins loyalty across different services

# Our impact

## Making a positive contribution

Every day we help people on their personal health and wellbeing journeys. This includes surgery to return them to good health, physiotherapy, health MOTs and health assessments. Beyond the hundreds of thousands of individuals we help each year, we also instigate innovative programmes and partnerships to advance knowledge in health and wellbeing for the public good.

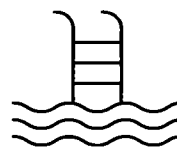
### Performing better through research

We are establishing a Research Advisory Committee dedicated to health and wellbeing research, education and innovative clinical care pathways.

The committee will utilise the expertise of world renowned research institutions and academics with work overseen by internal subject matter experts. Its ultimate aim is to become a European leader in health research and mature into an accredited National Research Centre of Excellence.

### Building our partnership with Manchester Metropolitan University

In 2015 we continued to build on our partnership with Manchester Metropolitan University. The partnership is already proving fruitful, having collaboratively secured government backed funding for a Knowledge Transfer Partnership. This will allow two full-time research associates to carry out research into the impact of our health assessment services. Future work will focus on the prevention of lifestyle disease, and management of chronic diseases via lifestyle intervention, as well as emotional health and wellbeing.



**10,000**  
children taught to swim



**759,000**  
physiotherapy sessions



**62,000**  
health assessments



**206,000**  
hospital procedures



## Improving wellbeing in schools

Nuffield Health is working in partnership with Wood Green School in Oxfordshire on a groundbreaking two year school wellbeing pilot. Our commitment to the pilot follows the findings of a joint study we did with think tank 2020health. The study looked at the need for a Head of Wellbeing in every UK secondary school. It highlighted significant areas of concern and an unmet need – including low levels of exercise, high levels of obesity and poor emotional wellbeing, which could be vastly improved with dedicated, coordinated support within a school setting.

Fully funded by Nuffield Health, a dedicated Head of Wellbeing was seconded to the school in September 2015, following a national competition to find a secondary school to host the pilot. Head of Wellbeing, Terry Austin, began by developing a health and wellbeing strategy to meet the needs of the whole school. As part of this a range of services has been set up such as a lifestyle health assessment for all teachers, a unique health check for pupils and a strong emphasis on nutrition, exercise and emotional wellbeing. We have also updated the school gym with new equipment.



The initiative has the potential to transform school wellbeing and improve the physical and emotional wellbeing of both pupils and staff. Over the course of the pilot we will be sharing our findings and examples of best practice which we hope will encourage other schools to take action and introduce new ways of improving wellbeing.



Our emotional wellbeing affects every part of our lives, physically and mentally. Importantly, half of mental health problems begin before people leave school. We believe that with dedicated support in the school environment, both for teachers and pupils, poor emotional health and physical health could be greatly improved. This leading project at Wood Green School will show what can be done.



**Professor Dame Carol Black**  
Department of Health's Expert Advisor on Health and Work

# Board of Governors' quality assurance statement

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

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



## Setting standards

Setting the required quality standards against the up-to-date evidence base



## Achieving

Ensuring required standards are achieved, including through audit and measuring customer feedback



## Taking action

Investigating and taking action on sub-standard quality and safety performance and monitoring reports on preventive and corrective actions



## Driving quality

Planning and driving continual quality improvement to meet and exceed customer expectations and meet the requirements of interested parties such as the Care Quality Commission, Healthcare Improvement Scotland and Healthcare Inspectorate Wales



## 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 consists of:

**Joanne Shaw**  
Chairman/Governor

**Dame Denise Holt**  
Governor

**David Lister**  
Governor

**Luke Talbutt**  
General Counsel & Company Secretary

**Dr Andrew Jones**  
Chief Operating Officer

**Dr Davina Deniszczyc**  
Medical Executive Director

In 2015, the BQSC met four times in accordance with its terms of reference and was supported in the meetings with input from quality and safety experts and those with responsibility for frontline clinical and wellbeing leadership.

The BQSC is now briefed on the Care Quality Commission (CQC) inspections on a regular basis and uses those insights to feed into its oversight of Nuffield Health's products and services.

“

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 2015 Annual Report along with the NHS Quality Account. As Chair of the BQSC, I am assured that the Committee has reviewed reliable sources of information, that have been triangulated with internal and external (including regulatory) assessment and/or inspection, and I am satisfied with the course of action followed.

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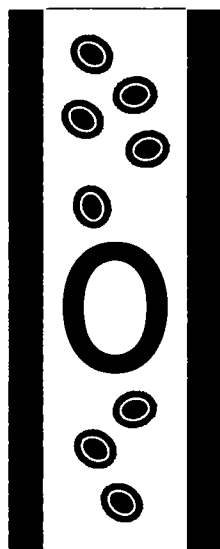
**Joanne Shaw**  
Governor and Chair of the  
Board Quality and Safety Committee



# Safe

## 2015 highlights

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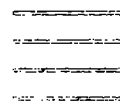


There  
have  
been



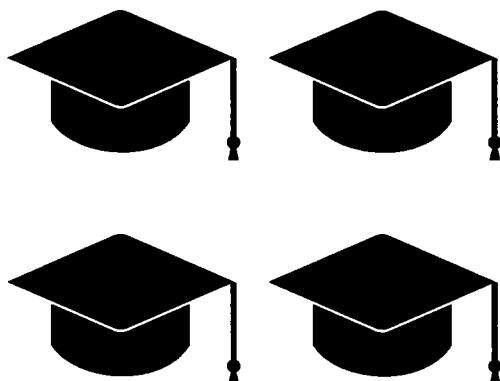
cases of MRSA  
bloodstream  
infections in  
4+ years

## ISO 9001



Our wellbeing contracted services were awarded  
the internationally recognised certificate by the

**British Standards Institution (BSI)**



# 4

people from our  
Hospital Sterile  
Services units  
achieved the Institute  
of Decontamination  
Sciences technical  
certificate

# We always seek to protect our customers and our employees from avoidable harm.

Safety is not just about processes, although consistency and rigour are essential. In 2015 we achieved ISO 9001 certification across our physiotherapy, health assessment and corporate fitness and wellbeing services. To us, safety is also about a culture which cares deeply for every individual, across all points in their Nuffield Health journeys.

Being safe requires an open, transparent culture where both successes and shortcomings are shared equally and openly. This helps us to all work together to protect our patients, members and employees and enhance their health and wellbeing.

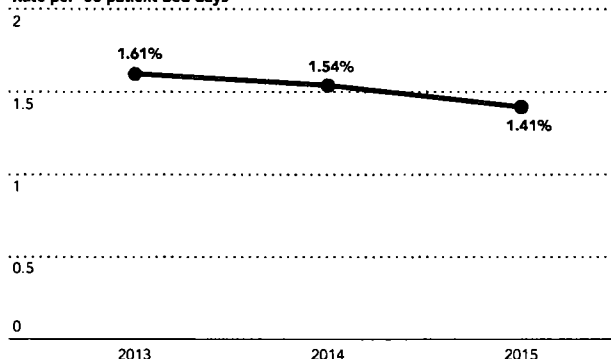
In 2015, we worked hard to ensure we have consistent safe ways of working across the business as One Nuffield Health. This included treating every piece of medical equipment to the same inspection standards, whether in our hospitals, Hospital Sterile Services units or in our gym based medical clinics, through to creating a new role of Quality Care Partner (QCP) who are highly experienced nurse leaders helping to share best practice and mentor our hospital matrons across our network.

## Meeting our 2015 objectives:

- Defined a consistent approach to recording and monitoring safe staffing by standardising the planning and reporting of nursing and care assistant numbers in wards and theatres
- We launched a pilot of our new Healthcare Assistants (HCA) Quality Care Foundation Programme in six sites to train and assess HCAs in hospitals to a specific set of standards, in order to improve the quality of patient care – in line with the Care Certificate requirements
- Achieved ISO 9001:2015 certification in our physiotherapy, health assessment and corporate fitness and wellbeing services
- Recruited and put in place our QCPs who are now providing support, sharing best practice and lessons learned as well as overseeing the application of our hospitals' quality assurance framework
- Set new goals and objective measures for gyms' safety, health assessment outcomes and physiotherapy
- Implemented processes to improve our data recording, including an upgrade of our Quality Management System for regulatory and assurance audits access and Datix upgrade which enabled users to see live reports and dashboards on sign in

## Hospitals' patient safety events

Rate per '00 patient bed days



### Hospitals' patient safety events

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

# Safe

– continued

## Ensuring the safety of our patients, members and employees

People are at the centre of how we ensure we operate safely – all united in a common purpose to achieve zero avoidable harm. To support our employees to achieve this goal, we have mandatory systems and processes across Nuffield Health to protect and care for all of our patients, members and our own people.

Every month our hospitals and our fitness and wellbeing gyms (including their medical clinics) compile a Quality and Safety Report, which goes to the Nuffield Health Board. These help us track successes and areas for further improvement – with results shared across the organisation.

## Quality Assurance Reviews – achieving rigour

We know that reporting is only a small part of the picture, and across all facilities we are implementing a system of rigorous Quality Assurance Reviews (QARs). Launched in our hospitals at the end of 2015, QARs enable us to more deeply understand our risks

and openly share learnings that help all of us do better.

Each QAR is led by a minimum of two of our QCPs, a team of highly experienced nurse leaders who champion the delivery of exceptional patient care. In addition to our hospitals, 2016 will see QARs rolled out across all our medical facilities in support of our One Nuffield Health strategy. This consistency of approach is reflected in how we structure our teams. In 2015 we appointed quality care managers for all our medical clinics, mirroring the role in our hospitals.

## Consistency across Nuffield Health – ISO 9001

Every person who engages in a wellbeing journey with us must do so in a safe environment, whether working with our physiotherapy team to recover from an injury, improving their fitness to achieve a personal milestone or learning about their health in a health assessment. At every point a customer engages with us, we work to ensure we have done all we can to protect them. Agreed, consistent ways of working help us achieve that.



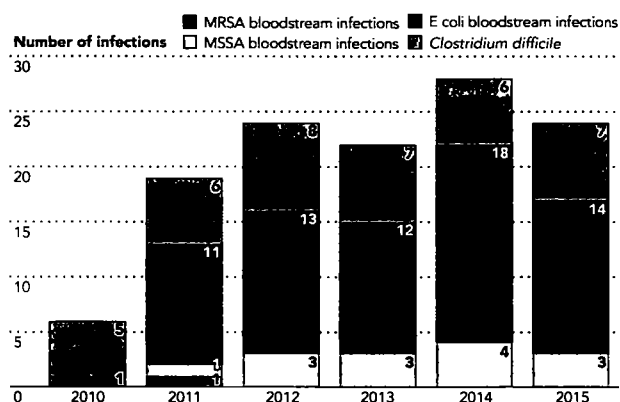
**OUR QUALITY CARE PARTNERS – CHAMPIONING EXCEPTIONAL PATIENT CARE**



In 2015, we appointed a team of four highly experienced nurse leaders into the role of QCP. Our QCPs are responsible for a cluster of eight hospitals across our network and provide support and guidance and facilitate the sharing of best practice and lessons learned. Our QCPs work with hospital matrons and senior nurses to help them to achieve excellence in safety and quality and coach and support new matrons, to help them perform their new roles as effectively as possible.

**Pictured:**  
Catherine Anderson, Quality Care Partner South West

## Avoidable infections 2010 – 2015



## Avoidable infections

There is a well-established infection prevention programme across all our hospitals and we have an excellent record with respect to the management of avoidable infections (Healthcare Associated Infections). We participate in the Public Health England (PHE) National Mandatory Surveillance and reporting of Healthcare Associated Infections (HCAIs). Over the past four years, including 2015, we have had no MRSA bloodstream infections.

In October 2015 we achieved ISO 9001 certification across our physiotherapy, health assessment and corporate fitness and wellbeing services. This means that the design, planning and delivery of all our fitness, health assessment and physiotherapy services have been audited externally.

The process of certification was demanding and rigorous and included 23 individual audits carried out by 7 British Standards Institute auditors across 11 of our sites. To achieve certification, our employees were assessed on processes, customer focus and wider knowledge of Nuffield Health's quality policies. It also included assessment of the competence and training of employees and our management of equipment.

For our members, ISO 9001 certification is objective proof of how deeply we care about protecting and enhancing their health and wellbeing.

## HCA Quality Care programme

The HCA Quality Care programme trains and assesses Healthcare Assistants (HCAs) in hospitals, to a specific set of standards, in order to improve the quality of patient care in line with the care certificate requirements. It provides evidence that each hospital is meeting this need but going beyond this to include our

own requirements. Piloted in late 2015/early 2016 and launched in the first quarter of 2016, it is for all our HCAs.

## Safe and appropriate equipment

Caring for our patients means ensuring we use safe medical equipment is just as essential as safe processes. We have a dedicated medical devices committee to ensure we achieve this goal. This applies whether in a hospital or clinic setting.

In 2015, our medical device compliance tasks were updated and issued to sites to ensure the key elements of medical device management were being applied. These tasks include the appointment of a medical device lead for each hospital and regular medical device forums.

Overall outcomes of the compliance tasks for all our hospitals have improved month on month in 2015. In addition, to further monitor performance and engage our hospitals, a medical device dashboard was created in September 2015. The dashboard includes a number of key performance indicators such as response to safety alerts, completion of mandatory training modules and customer satisfaction.



### HEALTH MOT SAVES LIVES



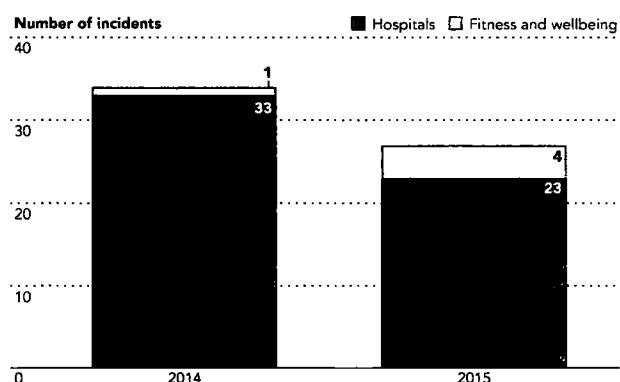
*"I am just emailing to say thank you to one of the staff at the Nuffield Health Chesterfield Fitness & Wellbeing gym who gave me my health MOT on 24 June. He recorded a very fast heartbeat, and recommended I see a professional regarding this. After the appointment I went to Chesterfield A&E, and I was unfortunately diagnosed with Atrial Fibrillation – a fast and irregular heartbeat and I was at risk of a stroke. Could you pass on my thanks to Jake." Gym member Sara*

**Pictured left to right:**  
Jake Tittley, being presented with some bubbly by Fred Burgess, Fitness Manager at Nuffield Health Chesterfield Fitness & Wellbeing gym

## Serious incidents requiring investigation

Our goal is zero serious, preventable safety incidents that should not occur if the available preventative measures have been implemented. When incidents may occur we fully investigate them and share the learnings across the organisation and where appropriate follow the statutory Duty of Candour.

## Serious incidents requiring investigation



# Safe

– continued

## Protecting from harm

As a significant presence in many communities, we engage with thousands of people every day. We are entrusted with children in swimming lessons, crèches and nurseries. We work with vulnerable people across our network on their own personal journeys of health and wellbeing and help many people who are experiencing personal challenges in their physical or mental health.

Our engagement does not stop at the door of any of our facilities, because we see people not just as customers, but as valued members of their own communities. Accordingly, Nuffield Health employees are trained to recognise any signs of abuse at an early stage. All our employees are trained in how to respond, both internally to a trained leader and externally to appropriate authorities for support and guidance.



### SAFETY IN ACTION – SAVING LIVES THROUGH RESUSCITATION



All our fitness managers across our fitness and wellbeing network are trained in resuscitation. Member Martyn's life was saved at our West Byfleet fitness and wellbeing gym as result.

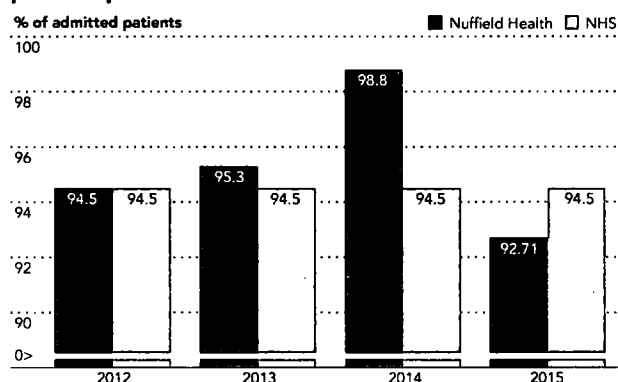
When Fitness Manager Katie Stephenson saw Martyn was suffering a cardiac arrest and his body was shutting down from abnormal breathing she commenced cardiopulmonary resuscitation (CPR) and made appropriate use of the on-hand defibrillator. She carried on with CPR until paramedics arrived and took Martyn to hospital for emergency care. Martyn has had a successful recovery after open heart surgery.

*"My family, friends, work colleagues and of course myself will be eternally grateful to Katie and I think Katie is a shining example of the professionalism and excellence that Nuffield Health would wish to project. I am so grateful to Katie, her caring and passionate attitude towards the members and business is very humbling to see."*

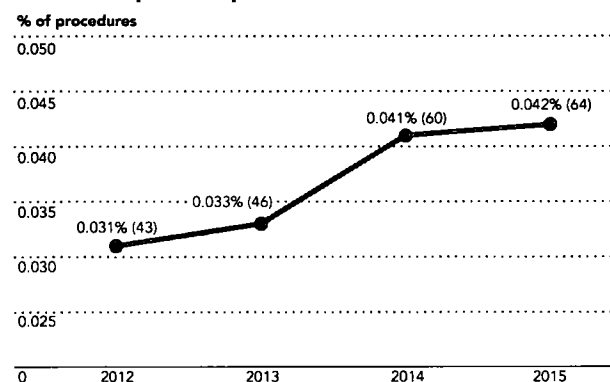
## Venous Thromboembolism (VTE)

VTE blood clots, are a significant patient safety issue in hospitals and prevention is key to reducing harm. Our aim is that 100 per cent of eligible patients will be assessed to reduce the risks of developing VTE. In 2015, we did not meet this target, which is disappointing and it remains a core focus to ensure patient safety.

### Venous Thromboembolism (VTE) risk assessment per '00 patients 2012 – 2015



### Venous Thromboembolism (VTE) incidence per '00 procedures 2012 – 2015





## Infection control with cleanliness

Infection control and cleanliness are fundamental to patient safety in any health and wellbeing environment. The Nuffield Health Cleanliness Course, run in collaboration with De Montfort University in Leicester trains members of our hospital housekeeping and HCA team – the people who are responsible for maintaining a clean and safe environment for our patients.

The course explores and enhances clinical skills and knowledge in relation to the principles of cleanliness and infection prevention and control. It focuses on the implementation of high quality cleanliness practices and gives our employees the skills to identify infection risks and implement effective cleanliness practice to influence and enhance patient care.

Trained employees act as role models and champions for infection prevention by using new knowledge, implementing best practice and influencing colleagues across our network.

In 2015, skills and learnings in cleanliness and infection control started to be shared with our consumer fitness and wellbeing gyms, which have the same cleaning manual as our hospitals and are working to those standards. We have seen benefits almost immediately. We recorded a 10 per cent increase in gym customer satisfaction for cleanliness, a clear benefit of our journey as One Nuffield Health.

## Looking forward

As we embark on our journey as One Nuffield Health, we will continue to seek ways to unite our people and teams to ensure consistent ways of working for the safety of our patients, members and of our people. For example, we are exploring a multi-disciplinary approach to incident investigations, drawing on skilled employees from other facilities; and incorporating local safety standards for invasive procedures (based on national standards) into our Nuffield Health Hospitals Theatre Policy.

This is only a small sample of our initiatives, because care for our patients, members and employees is a constant, across every day, week and year – with safety at the heart of our culture.

## Our 2016 objectives: safe

Further develop our childrens' and young people quality improvement framework

Enhance our safety culture by standardising processes in our surgical procedures

Enhance patient safety by investing in a full electronic patient record

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Four employees from our Hospital Sterile Services Unit achieved the IDSc Technical Certificate. Usually taking two years to complete our employees achieved this within six months.

”





# Effective

## 2015 highlights

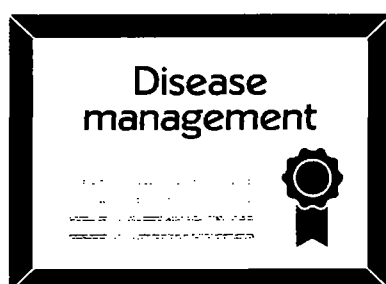
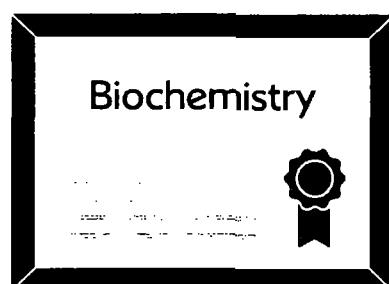
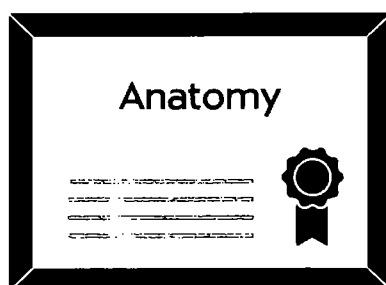
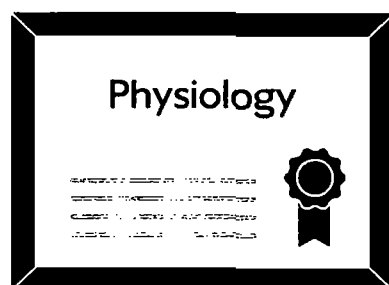
# 62%

of people who had a second health MOT at six months showed an improvement in

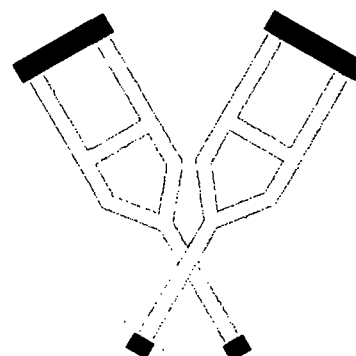
**one or more health metrics**



All our health and wellbeing physiologists are trained to a Master's degree level in



**On average, our physiotherapy service treats patients in under 5 sessions**



# We want every customer who enters a health and wellbeing journey with us to obtain clear, measurable results that enhance their quality of life. We seek to empower each person on their personal health and wellbeing journey.

To achieve these goals, we are working hard to unify all our services as One Nuffield Health. This encompasses achieving excellent outcomes for patients and members wherever they enter our network, be it one of our hospitals, gyms, medical centres or clinics or through targeted programmes designed for specific groups and individuals.

All our products and services are developed using the relevant and current evidence based guidance and standards, including National Institute for Health and Care Excellence (NICE) and other expert and professional bodies. We also work closely with our highly experienced consultants and with their valuable input we are able to provide the highest standard.

To become part of our health and wellbeing offering, our products and services must be fit for purpose and have a link to our charitable aim of advancing health and relieving ill health and sickness.

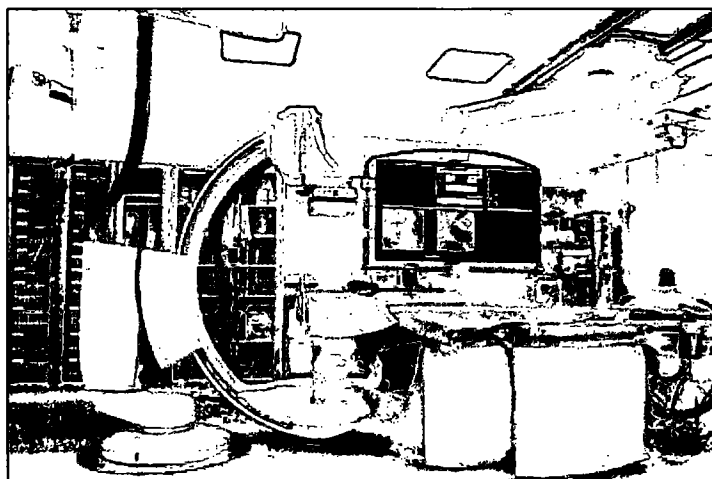
We continually measure our effectiveness in meeting our quality of life goal. In the following pages, we outline some of the ways we enhanced our effectiveness over the past year, how our patients and members have benefitted and our plans for the future.

#### Meeting our 2015 objectives:

- 18,000 patients have gone through a health MOT pre-operative assessment which enabled them to understand their risks and provided suggestions for lifestyle improvements
- All people that completed our Healthy Weight programme achieved a clinically significant weight loss goal with a minimum loss of 2 per cent
- We continued to build our network of sports and exercise medicine doctors and teamed up with two of the world's most respected sports scientists to produce monthly Strength and Conditioning Research Review papers to discuss specific pieces of research relevant to fitness professionals
- Contributed to evidence based learnings around public health and wellbeing with the launch of the Head of Wellbeing pilot project at Wood Green School in Oxfordshire



Our Bournemouth hospital officially opened its new cardiac catheter suite. It is the first private hospital in the UK to have the high tech new Siemens Artis Q installed, which uses unique X-ray technology.



# Effective

– continued

## Improving outcomes with pre-operative MOTs

A patient's health and wellbeing before a medical procedure is an important factor in recovery. We want to help every patient enjoy as rapid a recovery from a procedure as possible. To achieve this, we work together with our patients to ensure they are well prepared for their operation.

All patients who are having a general anaesthetic or spinal anaesthetic have a full pre-operative assessment to ensure that they are fit enough for surgery. In 2015, we launched our pre-op health MOT which is a wider health and wellbeing assessment. This helps to inform their wellbeing journey well beyond their surgery –

empowering patients not only to accelerate their post-operative recovery but to improve their wellbeing overall, if they choose to take up the offer.

Nuffield Health patients are able to choose the date of their surgery. Should the pre-op health MOT indicate, for example, that a wellbeing programme of healthy eating and weight loss prior to surgery would be beneficial, patients can choose to delay surgery and undertake an appropriate programme. In 2016, further work will be done to evolve our processes, as we engage with our patients and employees to learn how we can improve and enhance the offering.

“

All our health and wellbeing physiologists are trained to a Master's degree level in physiology, anatomy, biochemistry and disease management. They have extensive training in behaviour change techniques including motivational interviewing, which is the NICE guideline backed manner in which to coach healthy behaviours.

”



## A pathway to wellbeing with healthy eating and exercise

We all need support on our personal health and wellbeing journey. Sedentary lifestyles and food temptations are a constant challenge to our waistline and cardiovascular health. When healthy eating is combined with an appropriate exercise programme, we can create a powerful force for remarkable health and wellbeing outcomes.

Because of our integration of health and wellbeing, we have the ability to offer support to our members across our network. Led by our highly trained team of nutritional therapists, in 2015 we launched our personalised Healthy Weight programme. It is the first truly integrated and expert-led weight management programme on the market.

Designed around our members, their health goals and their lifestyle, the 12 week programme focuses on the key elements of good health – a balanced diet and regular physical activity. Our expert team provide an excellent mix of personalised coaching, practical workshops and group focused activity, empowering our members to make sustainably healthier food and lifestyle choices. All participants who took part in 2015 lost weight and on average lost 6cm from their waists.



### SUPPORTING DIABETES IMPROVEMENTS



At our Harrogate fitness and wellbeing gym, one of our Healthy Weight Programme participants was diagnosed with Type 2 diabetes. She emailed Gwen, our Nutritional Therapist at Harrogate:

*"I have just received the results of my HbA1c blood test, the gold standard test for diabetics as it measures blood glucose over a three month period. It is down to 53 mmol/mol, which is a reduction of three points versus last time and my doctor is quite surprised as usually it increases with age. I am delighted with this result as it has been static for years after a previous increase. The massive reduction of the sugar in my diet is the prime reason for this, as work commitments have prevented me getting to the gym quite as often as I have committed to do...thank you – a job very well done."*



## Effective

– continued

### Proactive guidance for better outcomes

In late 2015, we launched a new Concierge Service for our corporate fitness and wellbeing members to guide them along their health and wellbeing pathway effectively. Working behind the scenes, our concierges liaise with our medical clinic GPs to arrange consultant appointments and then work with our members to help them ensure attendance and appropriate follow-up. Over 2016, we will refine the service and explore ways to build out the programme in line with our One Nuffield Health strategy.

### Alleviating depression through exercise

NICE guidance recommends exercise as an intervention which helps people with mild to moderate anxiety and depression. Our occupational health team were concerned that because of the underlying health condition, motivation to exercise is often low. In response, they developed a three month supported exercise referral pathway through Nuffield Health fitness and wellbeing gyms. Introduced in 2015, the feedback has been very good.

“

2,200 patients participated in Recovery Plus, our enhanced post-surgery discharge programme.

”

“

At our Cheltenham hospital and in partnership with Gloucestershire Sports Injury and Exercise Medicine, we opened a new clinic treating sports injury and providing rehabilitation. Based in the physiotherapy department, it is the first of its type in the country.

”



## Helping children and teenagers with cystic fibrosis

Cystic fibrosis is a genetic condition in which the lungs and digestive system become clogged with thick sticky mucus, with symptoms including recurring chest and lung infections and significant breathing difficulties.

Our cystic fibrosis programme started in 2011 when the Great Ormond Street Hospital team were searching for some better exercise facilities for children and teenagers being treated for cystic fibrosis in hospital. Our Bloomsbury fitness and wellbeing gym is two minutes from the hospital and has excellent facilities.

Running for five years and now available at 17 of our fitness and wellbeing gyms, we provide free gym membership to children and teenagers referred from Great Ormond Street Hospital as well as their parent or carer. We also offer free personal training to support the children and teenagers with their exercise plan. To date 65 personal trainers have undergone training and more than 100 children and teenagers are signed up to the programme. 1,850 personal training sessions have also been delivered.

We aim to keep the children out of hospital as much as possible, to prevent deterioration in the disease and to encourage a normal childhood and full participation in school and extracurricular activities.

## Looking forward

Our One Nuffield Health strategy will focus on enabling our patients and members to benefit from a connected organisation. By leveraging our growing connected services, we can enable patients to benefit from the many and varied services we can offer them to achieve their goals as well as drawing upon our network to maximise our work for the public benefit.

## Our 2016 objectives: effective

Develop a new clinical care pathway for women undergoing breast cancer treatment

Embed a supportive joining pathway into our fitness experts for people with known chronic disease or health concerns

Offer educational grants to all consultants with practising privileges at Nuffield Health with a specific focus on enhancing patient care or service quality

Continue to improve our occupational health offering through the use of fitness, nutrition and emotional health experts to encourage and support return to work

Recruit an expert to enhance data analysis to improve quality and clinical outcome measures

“

We offer health MOTs to all new gym members. This enables them to create a benchmark at the start of their wellbeing journey with us. Around 40 per cent of members take up this offer. In 2015, 62 per cent of people who had a second health MOT at six months saw an improvement in one or more health metrics.

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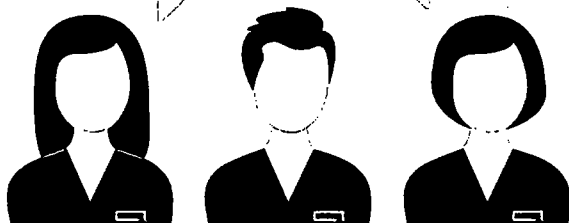
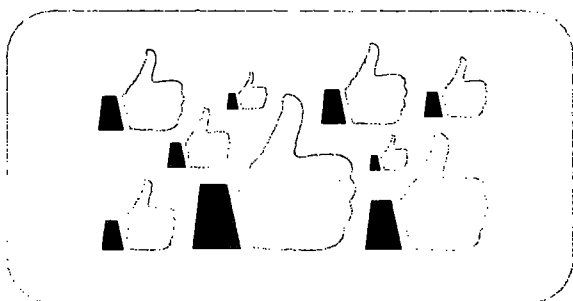


# Caring

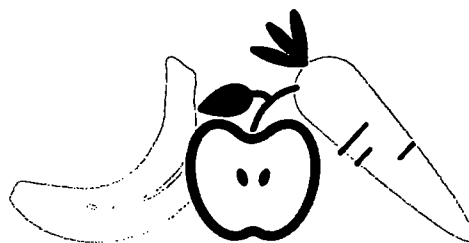
## 2015 highlights

We aimed to reduce escalated stage 2 and stage 3 hospital complaints by 25 per cent but actually achieved a reduction of

# 39%



**Our physiotherapy team achieved their highest ever customer satisfaction score**



## Our Healthy Start programme

won the award for



at the ukactive Training Awards



# By caring, we mean that employees involve and treat people with compassion, kindness, dignity and respect.

Caring extends to our community, because we see ourselves as an important enabler of health and wellbeing well beyond the doors of our facilities.

To all of us at Nuffield Health, this covers the simple gesture of a warm welcome, understanding and meeting individual needs and providing the best possible care and guidance. Our goal is to ensure we do this in a consistent way across all our health and wellbeing pathways.

We see our role as a partner to our members and patients on their individual health and wellbeing

journeys. We proactively involve them in planning and making decisions about their care and individual goals in order to maximise empowerment and independence.

## Meeting our 2015 objectives:

- We achieved a significant reduction in stage 2 and stage 3 complaints through enhancing our response to patient concerns and their resolution. The number not resolved at stage 3 and escalated to an independent external adjudicator fell from 10 in 2014 to 4 in 2015. This is explained further on pages 36 and 37

- Patient forums were held at 50 per cent of our hospitals, which was below our 100 per cent objective. We are thinking again about how we do this in order to increase attendance and engagement

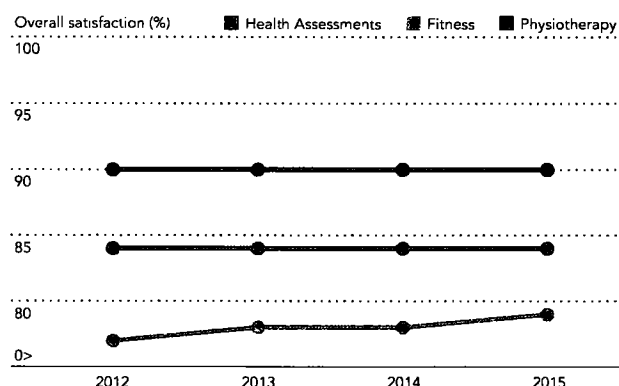
- All relevant employees were compliant with mental capacity and safeguarding training. This was extended to include training on dementia, deprivation of liberty and caring for people with learning disabilities

## Wellbeing satisfaction

We continued to experience a positive trend in customer satisfaction

### Wellbeing satisfaction

*Fitness, physiotherapy and health assessments*

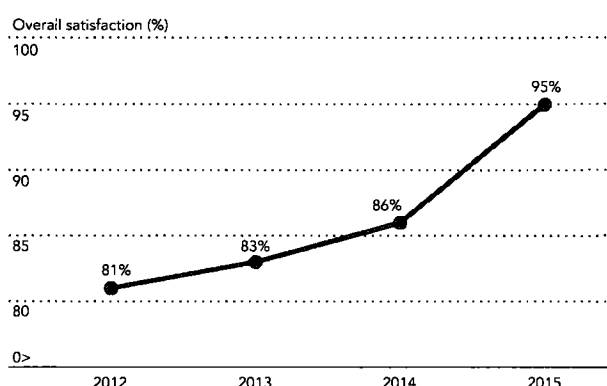


## Hospital satisfaction

We continued to experience a positive trend in patient satisfaction

### Hospital satisfaction

*All Nuffield Health hospitals average*



# Caring

– continued

## Understanding our customers' needs

We want to know where we have done well and where we can improve our customer experience. Surveys are a useful tool, however we also want customers to share their experiences with us in an open, collaborative environment, as true partners.

## A journey from hospital to wellbeing for cancer patients


Our Cambridge hospital and Cambridge fitness and wellbeing team have been working together to create an integrated cancer rehabilitation programme to enhance our cancer patients' quality of life by improving physical function and psychological and social wellbeing. A free 12-week gym membership, free health MOT on commencement and the delivery of a targeted wellbeing programme is offered. A further health MOT is given at 12 weeks to assess progress.

The programme started in the middle of 2015 and we are exploring ways to expand it, which would include equipping more of our personal trainers with cancer care knowledge.

## A healthy start

Our Healthy Start programme is a reflection of our charitable aims. It includes initiatives such as our tailored employability programme which is targeted at people with long-term health impairments. This intense programme involves medium to long-term work placements, sometimes offering the opportunity to gain a qualification, to help improve participant's chances of gaining sustainable employment. As a result of this programme is that we have our first wheelchair bound personal trainer working in one of our fitness and wellbeing gyms.

Healthy Start also reaches out to the Epsom community near our Support Centre and central office. It delivers initiatives to local charities such as Carers of Epsom, who can benefit from our facilities and expertise in healthcare. Initiatives include a six week pilates course and back workshops for carers as well as employment workshops for local young people. To date, over 100 local people have benefited from these initiatives.



**Nuffield Health**

**TAKING TIME TO CARE**

A customer's letter to our team at Warwick fitness and wellbeing gym:

*"As discussed I would be really grateful if you could highlight the outstanding levels of customer service I have received from your staff on a continued basis. I have to stress that this is actually from all of your staff whether it be in the gym, behind reception or in the pool but I would particularly like to mention your lifeguards Jack, Liam and Jonny.*

*As you know I am disabled and can only walk with a crutch and normally with a calliper but when in the pool area I cannot obviously wear this. Today on three separate occasions, once with each of Jack, Liam and Jonny, they actually prevented me from slipping over and ending up on the floor by holding on to my arm when walking on the pool side. Jonny helped me get into the sauna and even came in with me to help me sit on the top level which I like to do as it is warmer. The lifeguards also help me take a shower in between going from the sauna to the steam room. It costs nothing to be kind."*



We observed compassionate and caring interactions from all staff. Patients were positive about the care and treatment they received. One patient told us "I am looked after like a gold clock" another patient told us "I am super, super impressed". A third patient told us "They are really kind and reassuring".



Extract from the CQC inspection report of our Wessex hospital

## Caring for the environment

Nuffield Health is dedicated not only to the health and wellbeing of its patients, members and staff but also of the environment. Improving our energy efficiency and investing in renewable energy reduces greenhouse gas emissions.

In 2015 we embarked on a five year energy strategy, the Green Plan, with a target of reducing energy consumption by 25 per cent by 2020. We plan on achieving this through:

- Changing the culture around energy and encouraging people to make a positive impact in all aspects of their routine and behaviour
- Investing in energy technologies such as combined heat and power plants, LED lights, PV arrays, pool covers, and intelligent building management systems
- Being open and transparent about energy use across the business, with comprehensive monitoring and targeting, and ensuring energy is always on the agenda

Energy Champions across the organisation, challenge on-site teams to focus on local initiatives to reduce energy wastage.

They act as cultural change agents to encourage employees behaviour to be more focused on energy usage and review our operational practices to make sure that we are operating our sites as efficiently as possible.

Nuffield Health has already seen an eight per cent reduction on its energy consumption and reduced its carbon footprint, saving approximately £1 million in 2015. With significant investment in larger energy technologies in the coming year we are hoping to improve this reduction even further.

## Looking forward

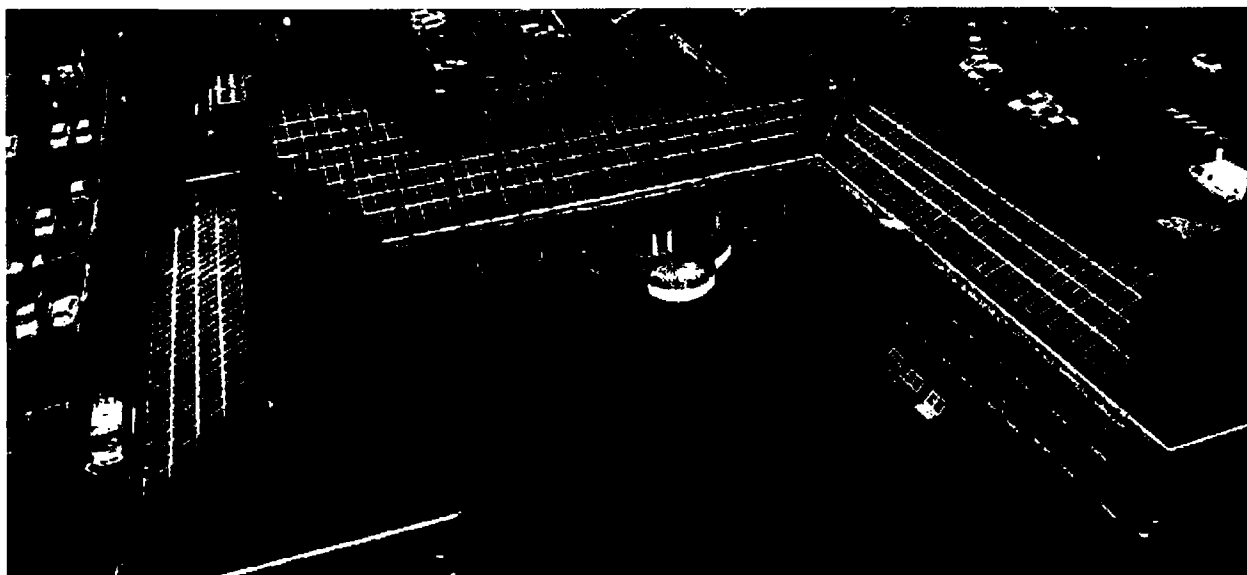
Fundamentally, we want to ensure all our staff have the time to care. It is how we engage with every hospital patient, every gym member, every person needing help through physiotherapy or any of the thousands of individual moments of engagement we have every day with all our customers. All our efforts to make our business more efficient and effective over the next year and beyond have the ultimate goal to enable all our people to work to their best ability to respond and meet the needs of our customers.

## Our 2016 objectives: caring

Roll out our club within a club initiative, to support specific member groups and communities within our gym locations, for example support for new parents and helping to reduce social isolation

Roll out of the 'Great Conversations' customer service training programme, with a focus on our hospitals

Aim to extend the patient forum concept across our fitness and wellbeing gyms to create additional opportunities to capture insights from our members



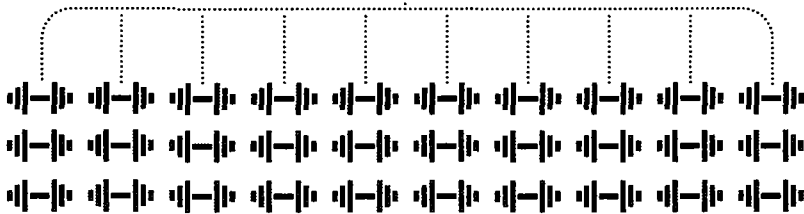
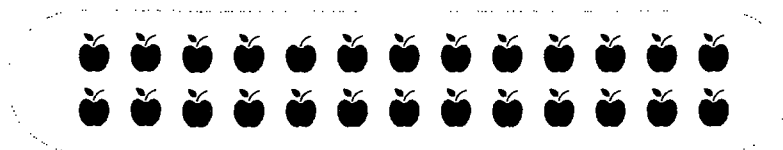


# Responsive

## 2015 highlights

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We have 26 nutritional therapists across



30 of our consumer fitness and wellbeing gyms



The average age  
of our most frequent  
gym attendees

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Joined up with Human Race as official health and wellbeing partner. Nuffield Health is now supporting over 50 events in triathlon, cycling, running and swimming



# We cannot stand still as an organisation. The health and wellbeing environment and the needs of our patients and members are always evolving. Every individual and community can benefit from habits that promote good health.

To fulfil our charitable objective, including advancing and promoting health and relieving ill health, we work hard to respond to individual needs and make a broader contribution to society. We do this by supporting or initiating effective services and programmes, aided by appropriately sited facilities.

When our patients have concerns or complaints they are encouraged to speak up informally or are guided through the formal complaints process, where this is required. Complaints are investigated openly and transparently, and lessons learned are shared to improve the quality of care – in line with our One Nuffield Health strategy. Where we are found not to have met our own expected ways of working we aim to respond quickly and effectively.

Being responsive is organising our products and services to provide wide access to meet people's needs. Through our One Nuffield Health strategy, we are bringing together our products and services more effectively to support people in improving their health and wellbeing.

#### Meeting our 2015 objectives:

- We listened to feedback around our HealthScore™ digital service and in response we intend to release new digital health and wellbeing tools
- Commenced our school wellbeing pilot at Wood Green School, Oxfordshire
- Our new mobile responsive website NuffieldHealth.com helped us bring to life the things we do to help our patients and members. This is done via case studies, advice, guidance as well as colleagues sharing their expertise
- Became the official health and wellbeing partner with Human Race, the UK's largest mass participation events company; supporting over 50 events in triathlon, cycling, running and swimming



# Responsive

– continued

## Responding to the challenge of obesity

With temptation in every supermarket aisle and sedentary lifestyles fuelling the obesity epidemic and its impact on healthcare budgets, obesity is one of the UK's most pressing health and wellbeing issues.

As we discuss in the effectiveness section, we are responding to the challenge from the individual customer level and with broader initiatives that promote behaviours to create a culture of healthy living. It is through changing behaviours that we can have the biggest impact. This is not about fad dieting or rapid, unsustainable weight loss, but genuine change.

For example, we now have 26 nutritional therapists across 30 of our fitness and wellbeing gyms, who are advising our customers on integrating healthy eating with exercise for real lifestyle change and long-term health and wellbeing. All our nutritional therapists are members of both the British Association for Applied Nutrition and Nutritional Therapy and the Complementary and Natural Healthcare Council. We want to accelerate this by enabling our clients to access a total health and wellbeing programme through digital offerings and we will be exploring this over the coming year.



### WORKING WITH LOCAL SCHOOLS



To help create and maintain strong links with local communities in Cambridge, the newly rebuilt Nuffield Health Cambridge Hospital commenced an educational partnership with local school St Faith's. The programme included a Medical Experience Day to give children first hand experience of a real-life hospital. This was so popular there are plans to make it a regular fixture in the school's calendar. The school was also involved in designing the gardens, with eco-features including bug boxes. During the build, artwork created by some pupils was used as the hoardings to surround the construction site to add colour and vibrancy to what would otherwise have been a drab location.

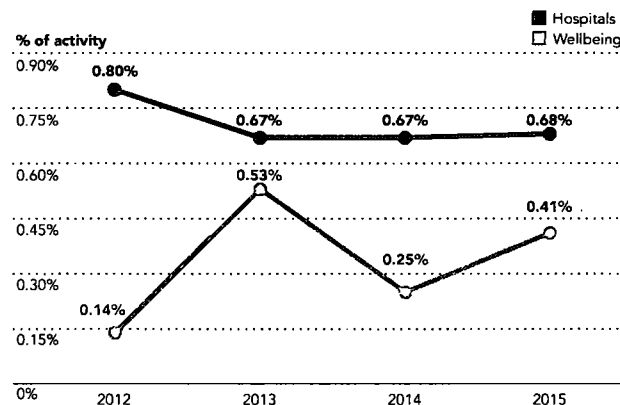
“

The average age of our most frequent gym attendees is 67 and we work hard to meet their mental and physical wellbeing needs with innovative, targeted programmes.

”

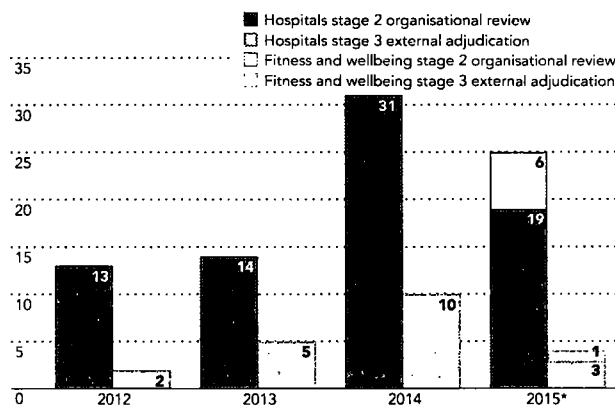
## Customer complaints

2012 – 2015



## Complaints escalated

\*Hospitals and fitness and wellbeing



## Responding to 'Red Flag' symptoms

We have the largest network of physiotherapists in the UK outside the NHS which are accessible across both our hospital and fitness and wellbeing gyms. All our physiotherapists are Health & Care Professions Council and Chartered Society of Physiotherapy registered. With this very large network, it is essential we have consistent ways of working.

We support our physiotherapists through post graduate training or other opportunities for professional development. This equips them to respond most effectively to client needs – whether clinically or non-clinically, including a strong focus on 'Red Flag' symptoms. For example, one of our physiotherapists noted particular warning signs on a patient, and referred for further investigation, which enabled a diagnosis of spinal cancer and the opportunity for treatment.



### PRACTICAL SUPPORT IN OCCUPATIONAL HEALTH



We provide occupational health services to corporate clients across a range of industries. One of our clients in the telecommunications industry employs riggers to climb masts and carry out repair work at height. They climb in all weathers, have to carry kit and wear a harness. There are medical standards that have to be met in order to be passed fit to climb. Most occupational health services carry out the medical and advise if the employee is fit or unfit to climb. Nuffield Health is different as we are able to utilise our wider platform to support those who fail the medical to reach the required standard.

A 23 year old man attended occupational health for his first climbers medical. He had no significant medical issues, however he failed his medical due to a poor grip strength score and he was unable to achieve the minimum standard on the Chester step test (a measure of aerobic capacity) for his age.

He admitted at the medical that he did no regular exercise. The medicals are carried out by our occupational health physiologists who are trained in motivational coaching techniques. During the coaching session the employee was given advice and a 12 week personalised exercise plan. He was also given three months free access to our gyms and he could contact the occupational health team if he had any problems or needed any further support.

The employee was reassessed after three months. He had improved to the point where he was now strong enough to pass the grip strength test for his age. He also passed the Chester step test with a 40% improvement in his performance. The employee was very happy and reported improved sleep, fitness and energy levels. The employer was also very happy as they now had a new fit and healthy member of their climbing team.

## Complaints

The number of stage 2 complaints not resolved at a local Nuffield Health hospital and escalated for review by a senior manager with no connection to the location involved fell from 31 in 2014 to 19 in 2015, equating to a 39% reduction. The number of stage 3 complaints where a complaint is still not resolved at the organisational review stage and is escalated to an independent external adjudicator fell from 10 in 2014 to 4 in 2015, equating to a 60% reduction. Our aim for 2015 was a 25% reduction and we surpassed this.



# Responsive

– continued

## Responding to needs in the North West

In January 2016, we launched our new state-of-the-art Diagnostic Suite in Manchester. This is an important step on our journey to deliver complete health and wellbeing by integrating diagnostic services with primary care wellbeing services. The suite offers a wide range of scanning facilities, including MRI, plain X-ray, mammography, CT, DXA, non-invasive cardiology testing and ultrasound with liver and breast elastography. In keeping with our One Nuffield Health strategy, it will also offer health assessments, physiotherapy services and private GP appointments. The suite is part of our wider strategy allowing us the opportunity to build unique relationships with the local Manchester healthcare community as well as further solidifying our existing partnerships, in readiness for our connected hospital and wellbeing facility model, as we move forward with our plans for a new hospital in central Manchester.

## Doctor revalidation

Nuffield Health is a designated body for the purpose of General Medical Council doctor revalidation. We have a dedicated support line, website and newsletters to help our connected doctors. The medical society committee monitors progress on doctor revalidation compliance through the monthly doctor governance committee. Over the past two years we have improved our appraisal rate from 76 per cent to 86.5 per cent. The NHS England independent sector average is 85.5 per cent. We made 73 positive revalidation recommendations to the GMC and referred one doctor for non-engagement in the revalidation process. We will continue to work to improve appraisal rates, revalidation recommendations and support tools for our connected doctors.



### INTERGRATING SERVICES TO RESPOND TO EMPLOYER NEEDS

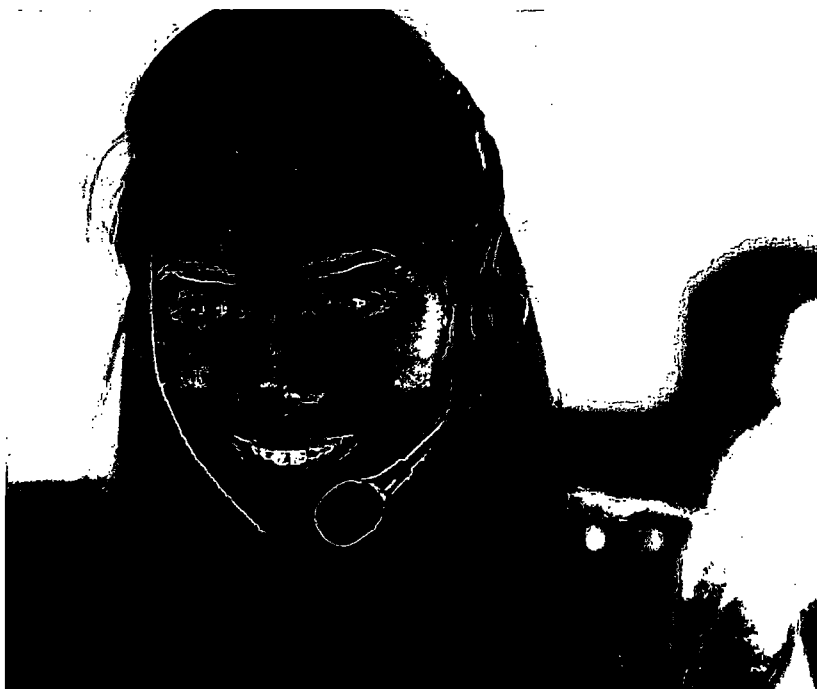


A pilot was initiated at British Gas where employees can be referred to our physiotherapy triage team not only for physiotherapy treatment, but for the wider range of services that Nuffield Health provides. Employees who identify a musculoskeletal symptom or call in sick because of a musculoskeletal problem are encouraged to call and speak to our team. Employees who are logged in absence due to musculoskeletal symptoms will automatically be referred to occupational health and on to the Nuffield Health triage team.

“

We have a telephone triage service where customers can contact us via a dedicated service to access a senior physiotherapist who can help rapidly diagnose an issue. If required, they can also arrange a face-to-face consultation.

”





## Our Nuffield Health Academy – helping our staff help our customers

Our Academy supports our employees through training and innovation, supporting them to respond to the changing needs of our members and communities. For example, when a pregnant client consulted one of our personal trainers on how to stay fit during this important time in her life, our personal trainer consulted our support team. Seeing a demand beyond this one client, our Academy is creating an online module to train our people to best help and work with our pregnant clients. The knowledge our trainers will get from the course will enable them to make the necessary adaptations to a member's exercise programme, so the member can continue with the sorts of exercise they enjoy in a safe and effective manner. It will also suggest exercises to help prevent common health issues at each stage of pregnancy.

## Looking forward

We want to empower our patients and members to achieve the level of health and wellbeing that is right for them – equipped with an understanding of their own, personal status. To do this, we must offer a truly joined up service. In 2016, we will be rolling out a series of new initiatives that will accelerate this vision, including a new Electronic Health Record which will be used across all departments and clinical support services.

## Our 2016 objectives: responsive

Enhancing and increasing the content of our website to provide expert health and wellbeing advice to patients, members and the public

Support all our nurse population through the new professional body requirement for revalidation

Provide the ability to join our gym locations, book fitness classes and physiotherapy online





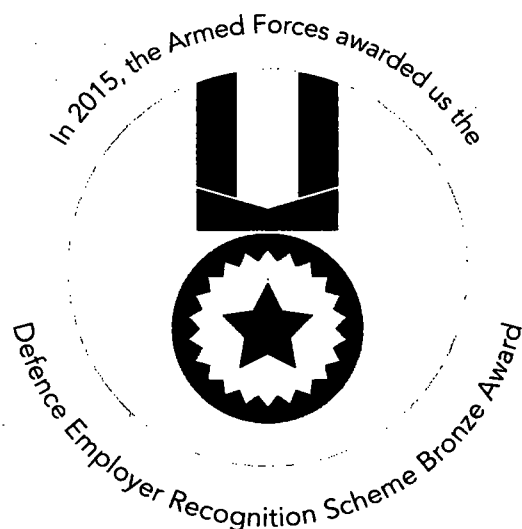
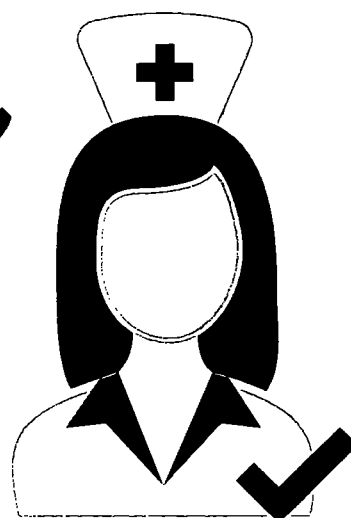
# People and leadership

## 2015 highlights

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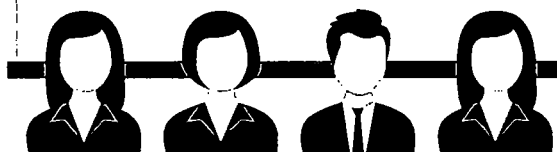
We launched our Preceptorship programme  
**‘A Confident Start’**  
for newly qualified nurses

**24 nurses were taken  
through the programme**



**400**  
of our leaders attended our

**‘For the love of life’  
workshops**



# An open, fair and transparent culture is at the heart of how we support our employees to perform to the best of their abilities. In turn, this enables them to provide high quality, person-centred care.

Our people embrace our values and beliefs and have the skills, knowledge and confidence to deliver quality health and wellbeing services. Through training, professional development opportunities and clear guidance on ways of working, we seek to cascade good practice throughout the organisation.

We seek to create an environment for our employees and customers that embraces diversity and inclusiveness, in a culture of mutual respect.

We offer fair remuneration and a range of benefits to support employee wellbeing, which allow us to recruit

and retain the best employees in our markets. In line with our One Nuffield Health strategy, we are working to standardise benefits across the organisation, where appropriate.

#### Meeting our 2015 objectives:

- Our board members and registered managers signed "Our Pledge", which captures a commitment to ensuring our ways of working are underpinned by integrity, openness, objectivity and accountability (including compliance with the NHS constitution and Corporate Governance framework)

- Rolled out our 'For the love of life' programme to all leaders and employees in continued support of our fundamental values
- Offered 85 work experience and placements throughout the organisation
- Took 24 nurses through our Preceptorship Programme
- Conducted two Leadership MOTs across the organisation

#### Leadership MOT Year on Year

	2013	2014	Apr-15	Oct-15
<b>Responses</b>	5,316	5,684	<b>6,041</b>	<b>5,884</b>
<b>% Response rate</b>	53%	63%	<b>73%</b>	<b>61%</b>
<b>How likely are you to recommend Nuffield Health as a place to work to friends and family (Net Promoter Score)</b>	+10	+27	<b>+31</b>	<b>+27</b>
<b>How likely are you to recommend Nuffield Health products or services to friends and family (% 'Extremely likely' or 'Likely')</b>	91%	93%	<b>92%</b>	<b>91%</b>



#### Leadership MOT

Our bespoke employee survey – the Leadership MOT is aligned to the NHS survey as far as possible, but adjusted to reflect Nuffield Health's wider workforce and to facilitate year on year comparisons. Like last year, the top scoring statement was again "I understand and champion the mission and purpose of Nuffield Health."

## People and leadership

– continued

“

Our team at Brentwood hospital celebrated 400 collective years of service at our annual long service awards.

”

### Employee wellbeing

We are the largest provider of employee wellbeing services in the country – supporting many of the UK's largest employers. This experience and knowledge helps and supports our approach to our own employee wellbeing. At the heart of our approach is a culture that genuinely respects our employees' contributions, and supports them to perform at their best and thrive. We have structured programmes to support this, encapsulated in our brand 'For the love of life'.

In 2015, 400 of our leaders attended 'For the love of life' workshops which they then cascaded to their teams. The workshops embedded 'For the love of life', ensuring everyone was

able to engage with and bring to life our values and beliefs. This step was paramount in embedding a unified, values driven Nuffield Health.

In 2015 we achieved the Pensions Quality Mark, which is the highest standard of excellence available to UK employers to demonstrate the benefits of their pension offering. This standard is recognised by the HR and Pensions industries, along with the Government and is one we are very proud to have achieved.

### Supporting new employees

The Nuffield Health Academy offers a wide variety of training and development via face-to-face support or through our Academy Online System. Our Academy team have also launched a new induction toolkit to use with all new starters, which consists of a workbook for the new starter and a support guide for the line manager and 'buddy'. A standardised approach to inductions helps to ensure our new starters get off to the best possible start, making them feel valued and invested in right at the beginning of their Nuffield Health career, and which in turn plays a part in increasing retention rates.



### PROTECTING OUR EMPLOYEES FROM INJURY



In 2015, we ran an employee wellbeing campaign on back care, in conjunction with a series of 'Meet Our Experts' back care events. The aim of the campaign was to help our people take better care of their backs and focused on building awareness on the various ways we can look after our backs via tips on prevention and treatment.



“

In 2015, we launched our own, bespoke healthcare certificate for the training of Healthcare Assistants.

”

## A healthy start

Our Healthy Start programme enables young people to improve their chances of gaining sustainable employment through work experience and gaining qualifications. Through the programme, we deliver a number of work placements, apprenticeship and traineeship initiatives, introducing people to the health and wellbeing sector.

In June 2015, we launched our first nationwide Healthcare Assistant Apprenticeship programme. From over 900 applicants, 13 apprentices were recruited, ranging in ages from 18-37, with many securing employment before the end of the programme. In September 2015 our pilot apprenticeship programme came to an end and by the end of the year, 84 per cent of those who started in 2014 were still in permanent employment with Nuffield Health.

Our traineeship programme is dedicated to helping people with a long term health impairment. These programmes combine work experience with dedicated individual support and development to help transition participants into employment. To date 14 people have taken part in traineeships and five gained employment at the end of their programme, while others found that the programme helped them

achieve employment elsewhere. In addition, a further 85 young people took part in a week's work experience across the country.

The success of the programme is due to the many individual Nuffield Health employees who are passionate about supporting and mentoring a young person to change their life.

## Training for employee growth and skills development

Our colleagues continue to benefit from Continuing Professional Development. We are industry leaders in training opportunities for physiotherapists and personal trainers and also offer comprehensive training on our unique products and services such as health MOTs and our Recovery Plus programme.

We also upgraded our mandatory learning modules and migrated existing e-learning into our new Learning Management System. The migration resulted in a new user friendly platform to access modules via our Academy Online system with new, accurate and easy to navigate reports made available to all employees. We have upgraded critical learning modules and redesigned other modules to be more engaging.



### HELPING EMPLOYEES AND CUSTOMERS HAVE GREAT CONVERSATIONS



Our 'Great Conversations for Service' programme gives teams the 'How' to deliver a great customer experience. It involves Neuro-Linguistic Programming techniques to have really good conversations on each interaction to help build rapport, influence others, and maintain an agreeable conversation – helping us build longer lasting relationships with our customers and teams.



“ Our Healthy Start programme won the award for Innovative Training Programme of the Year at the UK Active Training Awards. ”

# People and leadership

– continued

## A 'Confident Start' for our nurses

In April 2015, we launched 'Confident Start', our Preceptorship programme for our first group of newly qualified nurses. This programme represents a key strategic response to our retention challenges and our ageing nursing workforce. This year 44 per cent of our nurses within our hospitals were over the age of 51.

The programme has been designed to help ensure that our newly qualified nurses have protected time and expert support to help them apply academic knowledge. It is all about giving our nurses the best start possible. The programme brings together innovative development opportunities ranging from face-to-face workshops, workplace shadowing, and virtual learning to masterclasses.

## Recruiting economically and efficiently

Our recruitment strategy is focused on brand led direct resourcing, which puts our employee value proposition at the centre of our resourcing process.

Using our in-house team of recruitment experts, we go direct to the external market, communicating our key messages and our point of difference on why Nuffield Health is a unique and great place to work. We build brand awareness through multi-channel campaigns using both traditional press, digital channels and social media networks. As such, we recruit engaged talent at all levels across the organisation without the reliance on recruitment agencies.

In 2015 we re-launched [nuffieldhealthcareers.com](http://nuffieldhealthcareers.com) which is the hub for all our recruitment communications.

We have continued to engage with the Armed Forces community through Defence Relationship Management and the Career Transition Partnership (CTP); attending 12 events and promoting our services and vacancies through the CTP website. Our efforts in engaging with, and recruiting over 50 individuals from the armed forces since 2013, were recognised in May, when we gained the Defence Employer Recognition Scheme Bronze Award.

“In 2015, our cost per new employee hire was £258, compared with £1,413 in 2011.”



Nuffield Health received the Bronze Award from the Defence Employer Recognition Scheme



## Looking forward

Our focus in the year ahead is continuing to unify our people policies, processes and benefits across the organisation so we act as One Nuffield Health. This encompasses our GPs, nurses, physiotherapists, fitness teams and all other professional and support staff who help us make a difference to the health and wellbeing of our customers and community.

The focus on One Nuffield Health will enable the organisation to be fit for the future. Our updated strategy and purpose will identify why and what we do and by re-defining our values and beliefs we will be able to clearly articulate how we do things to achieve success. We will be working on ways of connecting our leadership population in order to deliver our strategy and purpose and defining what capabilities and competencies we need throughout the organisation to deliver that now and in the future.

“Our innovative work on the Confident Start programme for nurses has earned us a nomination for the 2016 Recruiter Awards.”

## Our 2016 people and leadership objectives

Embed an open, fair and transparent culture by continuing to run our Leadership MOT survey and asking our people for their feedback, listening and taking action and particularly focusing on areas where concerns have been highlighted

Support our people with new approaches to diversity and inclusion, including further investment in our Healthy Start programme aimed at supporting people with health related challenges to gain practical work experience

Continue our investment in our leadership programmes where we will build on the 'For the love of life' workshops ensuring our beliefs and behaviours reflect the One Nuffield Health strategy. We will create and launch a new development programme to support all registered managers to enable them to deliver a high level of quality care for our customers and patients

Provide professional development programmes for our clinicians. We will focus on developing and launching a CPD programme for our nurses aligned to the requirements of nurse revalidation. We will also continue to invest in the CPD programme for our physiotherapists, creating an industry leading learning curriculum

Redefine our operating model to reflect our One Nuffield Health strategy including alignment of divisions, central office support functions, embracing digital technology and new service line delivery



# Quality and safety framework

The quality and safety framework in Nuffield Health comprises both internal and external assurance. Internal assurance operates across the organisation in subject specific risk, safety and quality management processes, with feedback loops to ensure lessons are learned as part of our continual improvement methodology.

External assurance includes verification of compliance to regulation and certification against defined standards from relevant bodies such as the BSI. The regulatory bodies whose requirements we meet are listed in Appendix 4.

The BQSC is responsible for oversight of the audit programmes, supported by relevant expert advisory groups (EAGs). It reviews audit outcomes on behalf of the board of trustees. The committee, supported by external experts where required (see Appendix 3), also undertake audits of our suppliers to assure the quality of the products and services to be used in, or associated with Nuffield Health.

## The CQC

The CQC performs regulatory monitoring and inspection in our 29 hospitals and 31 registered medical clinics in our fitness and wellbeing gyms in England. In the majority of areas we demonstrated good compliance.

The CQC have a four point rating for inspection results: Outstanding, Good, Requires Improvement and Inadequate. In 2015, the CQC undertook four inspections of Nuffield Health hospitals in Bristol, Plymouth, Derby and Wessex and one pilot inspection of the Nuffield Health Bristol Fitness and Wellbeing gym which equated to a 'Good' rating.

### Nuffield Health

Hospital	Rating
Bristol	Requires Improvement
Plymouth	Requires Improvement
Derby	Good
Wessex	Good

Nuffield Health Bristol Hospital was rated overall as 'Requires Improvement'. The hospital received 'Good' by the CQC across the adult wards, operating theatres, outpatients and diagnostics services. We were also pleased that the dedication, commitment and flexibility of frontline staff was recognised, as was the high quality care delivered to patients. Children's services were rated as 'Requires Improvement' and we took

immediate steps to address the findings and in the short time since the inspection, we have worked proactively and constructively with the CQC.

Nuffield Health Plymouth Hospital was rated overall as 'Requires Improvement'. The hospital received 'Good' by the CQC across outpatients and diagnostics services, which were found to be well led and safe. The CQC also highlighted that surgical services were outstanding for patient care, receiving consistently positive feedback. The inspectors were keen to point out that this rating is not given lightly. Surgery and children's services were rated as 'Requires Improvement' and we took immediate steps to address. Since the inspection, we have worked proactively and constructively with the CQC.

Nuffield Health Wessex Hospital was rated 'Good' overall by the CQC. The services at this hospital were mainly safe, effective, caring, responsive and well led. The hospital took into account individual patient needs and preferences when designing the delivery of well-planned services to its patient



population. Reception staff were observed to deliver excellent and timely care to a patient who had presented for an appointment but who was in considerable pain. The endoscopy service was noted as 'Requires Improvement' and we are working hard to develop the service.

Nuffield Health Derby Hospital was rated 'Good' by the CQC. The inspectors noted feedback from patients who were continually positive about the 'polite, helpful and kind' staff. Staff were highly motivated and cared for patients in ways which promoted their privacy and dignity.

The overall leadership of the hospital was good and staff felt able to discuss improvements for their patients and services and to raise concerns.

The hospital's new anaesthetic procedure was highlighted, whereby patients undergoing certain procedures are given targeted spinal anaesthesia lasting only for the duration of the procedure which means patients can start eating, drinking and moving around immediately and can be discharged sooner.

Areas for improvement include patient outcome measures in endoscopy and cancer as well as ensuring compliance with mandatory training requirements and major incident responsibilities.

## Healthcare Inspectorate Wales (HIW)

The Vale Hospital and Cardiff Bay Clinic are subject to registration and inspection by HIW. HIW did not inspect the hospital and clinic in 2015.

## Healthcare Improvement Scotland (HIS)

Our hospital in Glasgow is registered and inspected by HIS. HIS uses a six point rating system to report the outcome of its inspection process: Excellent, Very Good, Good, Adequate, Weak and Unsatisfactory.

In 2015 HIS rated our Glasgow Hospital as having three areas as Very Good and two as Good after their March inspection.

## Quality standards

We maintain a number of certifications for quality standards that are subject to external audit by bodies who are themselves subject to external accreditation, usually by the United Kingdom Accreditation Service (UKAS). These include:

### SEQOHS

Safe, Effective Quality Occupational Health Service – Operated by Royal College of Physicians on behalf of the Faculty of Occupational Medicine

### OHSAS 18001

Occupational health and safety management best practice standard for customers and staff in health and safety

## ISO 27001

Information security management system certification and full compliance with the NHS Information Governance Toolkit

## CPA/ISO 15189

Pathology/Medical Laboratory certification scheme across all pathology laboratories

## ISO 9001/ISO 13485

Medical devices – Quality management systems – Requirements for regulatory purposes and compliance with Medical Device Directive 93/42/EEC Article 12 Annex V. Sterile Services certification for the manufacturer of sterile procedure packs. The Notified Body is audited by MHRA

## MQEM

Macmillan Quality Environment Mark for standards of environment for people living with cancer (scheme assessed by DNV (Det Norske Veritas)

We continue to work towards achieving ISO 14001 accreditation. In 2015 we achieved ISO 9001:2008 Quality Management Systems certification across our physiotherapy, health assessments and corporate fitness services.

# Risk management and principal risks

## Overall approach

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

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

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

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

In September 2014 the Trustees considered the organisation's overall approach to risk and approved an updated Risk Management Strategy. Throughout 2015 the risk management strategy has continued to be embedded through the roll out of electronic risk registers and adoption of risk registers within EAGs, whose responsibility it is to support the sites and services in the identification and management of risks. The introduction of greater automation, visibility and alignment in the risk reporting environment continues to provide greater assurance of ward to board governance assurance and the control of risk throughout the organisation.

It is the responsibility of the Board of Trustees to establish the risk management structure, policy and strategy for the organisation as a whole. In addition, the Board of Trustees reviews the high level risks to the organisation using the following domains: Strategic, Financial, Operational, Quality & Safety, Legal, Regulatory and Contractual and Reputational.

## Strategic risks

The current Trustee risk register contains a number of risks which all have high gross risk ratings (which is the combined risk score before any mitigating actions or controls have been put in place). The key risks identified with the highest net risk scores (after mitigating actions and controls have been put in place) remain similar to those identified last year and can be summarised as:

- The risk that economic recovery is not sustained or becomes protracted which is mitigated by ongoing monthly business reviews and clear capital rationing and other cost containment measures as required
- The risk that NHS policy changes exclude independent providers, which is mitigated by the implementation of the Group's five year plan, increased overall hospital efficiency and ensuring there is not too great a reliance on NHS work at any one site
- The risk that low cost gyms will polarise the market and threaten full service providers, which is mitigated by Nuffield Health's differential health and wellbeing offering and brand investment
- The risk that a leading consumer or healthcare brand leverages into the wellbeing and self-pay space, which is mitigated by its ongoing investment in the Nuffield Health brand, by ensuring a national network of physical assets and by investment in internal leadership programmes

Serious untoward incidents, particularly those of a clinical nature, are a key area of focus from a risk perspective and detail of ongoing work in this area is provided in the Safe section of this report.

A focus this year has also been on the increasing risk of information security and cyber crime which the Trustees have reviewed in detail to assure themselves that Nuffield Health has a range of actions and controls in place to deal with this.

The first line of defence includes cyber security technology such as antivirus, firewalls and encryption, operational information security processes and controls and increasing training to improve workforce awareness and behaviours.

The second line of defence includes a structured information security management system, supplier assurance protocols, security testing and a focus on risk management and compliance.

The third line of defence includes Nuffield Health's own internal audit procedures and also the use of external assurance reviews.

## 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 2015 there were £69 million of unutilised bank loan facilities and a further £5 million of unused overdraft facility.

The Group's available loan facilities are:

- £230 million bank loans and overdraft facilities, repayable in October 2021
- £100 million secured loan notes, £55 million repayable in October 2024 and £45 million in December 2026
- £19 million stakeholder bond, repayable July 2018

### 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 modifying the interest rate exposure through the use of interest rate swaps, details of which are set out in note 22 in the Financial Statements and an element of fixed rate borrowing.

## Financial review

- Year of investment with good growth in existing activities
- Investment in acquisitions and capital assets totalled £99 million
- Reorganisation to better deliver connected healthcare to the UK population
- Revenue growth has continued, up £57 million (8 per cent) in the year
- EBITDA is up £5 million (6 per cent)

The key financial indicators are:

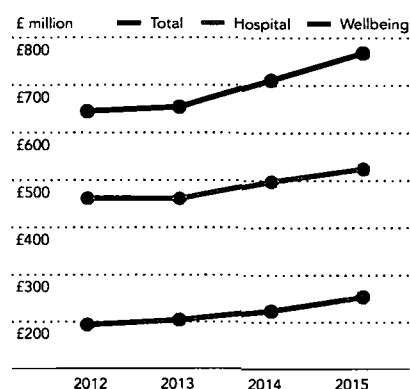
	2015	2014
Turnover	<b>£768m</b>	£711m
EBITDA*	<b>£86m</b>	£81m
EBITDA* as percentage of Group turnover	<b>11.2%</b>	11.4%
Total operating surplus excluding exceptional items	<b>£24m</b>	£17m
Return on capital employed (ROCE)**	<b>16.1%</b>	15.9%
Capital expenditure***	<b>£99m</b>	£81m
Leverage (total debt divided by EBITDA excluding exceptionals)	<b>3.2</b>	3.2

\* EBITDA is Group operating surplus with normal depreciation, amortisation and exceptional items added back

\*\* ROCE is adjusted EBITDA as a percentage of the net book value of fixed assets

\*\*\* Capital expenditure is additions and acquisitions to intangible and tangible fixed assets

### Turnover 2012 – 2015



### Trading

Turnover continues to grow, revenue up £57 million, EBITDA £5 million and both operating and net surplus excluding exceptional items are £7 million higher than 2014. The improvements are in line with expectations.

## Hospitals

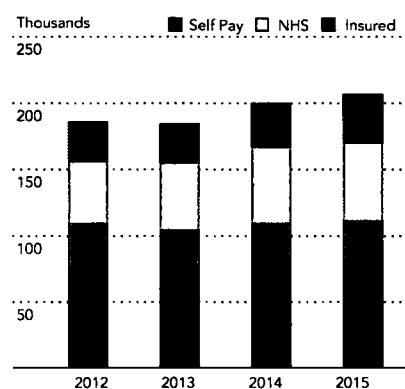
In 2015, the hospital division increased its turnover by £27 million (5 per cent) compared to the previous year. The year has been characterised by a strong growth in self-pay (12 per cent) activity.

The number of NHS procedures grew significantly in the first half of the year but following the announcement by Monitor that it was suspending a number of the fines and penalties in relation to waiting lists, and there was a reduction in the number of procedures in the second half of the year compared with the previous year. The year on year growth was 2 per cent.

Insured procedures increased by 2 per cent in the year.

The hospitals are being affected by the shortage of nurses with the resultant increase in agency fees. EBITDA is £4 million (4 per cent) higher than 2014.

## Hospital procedures 2012 – 2015



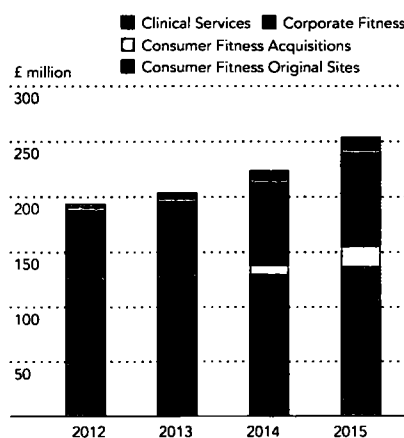
## Wellbeing

Wellbeing's turnover is £30 million (13 per cent) up in the year with increases in all areas.

- Consumer fitness and wellbeing turnover has increased by £17 million of which £10 million is from gyms acquired in the past two years
- The corporate fitness and wellbeing market is mature with increased competition, especially in London. Over the year turnover grew by 13 per cent
- Clinical services, comprising physiotherapy and health assessments, had a successful year, growing by 27 per cent

Wellbeing's EBITDA is £8 million, 52 per cent higher.

## Wellbeing turnover 2012 – 2015



## Central

The brand campaign and additional marketing has increased central costs by £7 million.

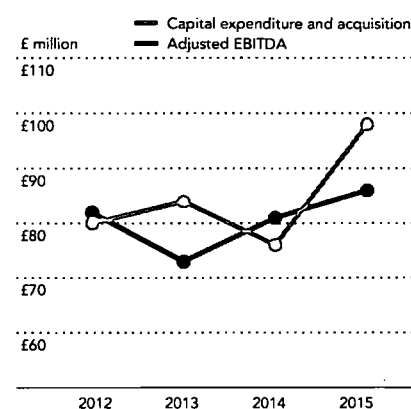
## Investment in the future

The Group uses the funds it generates from trading, along with loan finance, to maintain its existing assets and to invest in improving the patients', customers' and consultants' experiences by increasing the services available, making it simpler for them to deal with us, creating a more pleasant environment and modernising the equipment. The chart below shows the close relationship between the investments and adjusted EBITDA.

The major items invested in the year are the redevelopment of the Cambridge hospital, investment in the Manchester Diagnostic Suite and other hospital locations, upgrading our MRI and CT provision and investment in our IT infrastructure.

Two gyms were acquired with the purchase of The Health Club Collection Ltd in June 2015 of which expands our health and wellbeing services in London.

## Capital expenditure and acquisitions, adjusted EBITDA and depreciation and amortisation 2012 – 2015



# Financial review

– continued

## Exceptional items

### **HealthScore™**

The Executive Board reviewed the UK digital health market and in 2015 put on hold the further development of HealthScore™. The Charity is committed to the health of the nation and remote healthcare and digital health coaching can contribute to this. However in 2016 the board decided that HealthScore™ was not the solution and that it should be discontinued. As a result an impairment charge of £7 million has been made to the consolidated income statement and consolidated statement of financial activities.

### **Reorganisation**

Nuffield Health's strategy is to provide integrated health and wellbeing services, from preventive activities, through early diagnosis to restoration of health. The Trustees concluded that to effectively achieve this strategy it is necessary to reorganise the Charity.

As explained in the Chairman's statement, there have been changes to the Executive team and operational structure. These changes should speed up the connection of our services for the benefit of the Charity's actual and potential users. Unfortunately this has meant a number of people have left the Charity. The reorganisation costs are £4 million. It is forecasted that this will save £2 million per year.

### **Credit, liquidity and interest rate risk**

These risks and the management of them are described in the risk management and principal risks section on page 49.

## Financial stability and reserves

The Board's aim is to ensure the Charity continues to deliver its charitable services. This is only possible if the Group has sufficient cash and loan facilities to continue investing in its activities, meet its liabilities and repay or refinance its borrowings. The key to this is the Group's cash flows in both the short and medium term.

The Board assesses the cash flow forecasts on a regular basis to ensure that there is sufficient borrowing capacity to protect against a fall in income and that the loan covenants are met.

The forecasts show that the Group has enough internally generated cash and medium term borrowings to meet its operating and investment needs. The available undrawn loan facility at 31 December 2015 is £69 million and the next most substantial repayment of borrowings is in July 2018 when £19 million is due.

There are no freely available reserves because a significant portion of the operational fixed assets are funded from the general unrestricted fund. The Group has used and will use most of its surplus cash from operating and financing activities to invest in fixed assets that improve or increase the Charity's charitable activities; therefore negative free reserves are expected for the foreseeable future.

To ensure financial viability, the Trustees do not target reserves but monitor and forecast cash, liquidity and funding requirements.

## Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the consolidated balance sheet, consolidated cash flow statement and notes 21 and 32. In addition, the risk management section and note 22 outline the Group's objectives, policies and processes for managing its financial risk and detail its hedging activities.

The Trustees have 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. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

## New Accounting Standards

This is the first year that Nuffield Health could apply the Financial Reporting Standard 102 – The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland and Charities SORP (FRS 102) Accounting and Reporting by Charities: Statement of Recommended Practice. The impact on the financial statements is set out in note 39. They have a negligible impact on the prior year's net surplus or trading performance.

There are two major changes to the financial statements, which affect the interest charge in consolidated income statement and consolidated statement of financial activities.

- The financial returns on pension assets recorded in these statements are £3 million lower in 2014. It does not affect the value of the pension deficit in the balance sheet
- The interest rate derivatives are put onto the balance sheet and movements in market value processed through the consolidated income statement and consolidated statement of financial activities reducing the 2014 cost by £3 million

## Other charities

The Group is the Trustee of The Desmond Hayton Williams Fund. The Fund was wound up in 2015 and its assets of £0.1 million transferred to Nuffield Health and used in the Healthy Start programme.

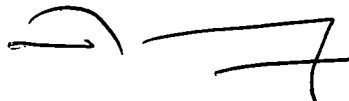
## Donations and bequests

Donations and bequests amounting to £0.1 million were received during the year. The Trustees would like to express their thanks to donors and their representatives.

The Strategic Report of the Board of Trustees to the members approved by

**Russell Hardy**  
Chairman

25 May 2016



# Report of the Board of Trustees

## Chairman's introduction



“

The Board is responsible for setting strategy, ensuring that there are the necessary financial, human and physical assets to meet strategic aims.

”

### Dear stakeholders

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

Thirteen board meetings of the Trustees were held in the year, in addition to the Annual General Meeting. Trustees also visited the Charity's hospitals, fitness and wellbeing gyms and other facilities.

Responsibility for the day-to-day running of the Charity is delegated to the Executive Management team.

The Group Chief Executive, the Chief Financial Officer and other senior executives also attend meetings of the Trustees.

**Russell Hardy**  
Chairman

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a vertical stroke.



# Governance and remuneration

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

## Trustees

The members of the Board of Trustees during the financial year were:

<b>Mr Russell S M Hardy</b>	<i>Chairman; member of the Executive Remuneration and Succession Committee; member of the Governors' Remuneration Committee; member of the Audit Committee; member of the Finance and Investment Committee; chair of the Nominations Committee; chair of the Nuffield Health Pension &amp; Life Assurance Scheme</i>
<b>Mrs Joanne M Shaw</b>	<i>Deputy Chairman; Chair of the Board Quality &amp; Safety Committee; member of the Nominations Committee</i>
<b>Mr Martin W Bryant</b>	<i>Chair of the Finance and Investment Committee; member of the Audit Committee</i>
<b>Ms Fiona E Driscoll</b>	<i>Chair of the Audit Committee; member of the Executive Remuneration and Succession Committee; member of the Finance and Investment Committee</i>
<b>Dame Denise M Holt</b>	<i>Member of the Board Quality &amp; Safety Committee; Executive Remuneration and Succession Committee</i>
<b>Mr David W Lister</b>	<i>Member of the Board Quality &amp; Safety Committee</i>
<b>Mr P Guy McCracken LVO</b>	<i>Chairman of the Executive Remuneration and Succession Committee; member of the Nominations Committee; member of the Finance and Investment Committee</i>

## Trustees' appointment and appraisal

New Trustees are appointed in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments. Newly appointed Trustees undertake an induction programme to enable them to understand the workings of the organisation. Each year, the Chairman conducts a review with each Trustee. Additionally, there is a review into the effectiveness of the Board of Trustees.

## Trustees' remuneration

The report to the members from the chairman of the Trustees' Remuneration Committee is on page 60. Amounts paid during 2015 are set out in note 10 of the financial statements.

## Executive remuneration statement

Nuffield Health is one of the UK's leading not-for-profit healthcare organisations, employing over 12,000 people in a range of roles across our hospitals and fitness and wellbeing gyms. We are committed to being an employer of choice, able to attract and retain talented people who will deliver superior and sustained performance and meet our charitable objectives. We aim to meet the highest standards in everything that we do and our values govern how we reward our employees.

Our pay practices are fair and equitable and are linked to both Group and individual performance. All our employees enjoy the same Group wide

benefits package designed to support and enhance personal wellbeing and to help them to be well, feel well and stay well.

Remuneration for all senior executives, including the Chief Executive Officer, is determined by the Executive Remuneration and Succession Committee, under delegated authority from Nuffield Health's Board of Trustees. It is our policy that total remuneration packages, comprising base salary, pension contributions, performance based annual bonus and Group wide employee benefits, should be competitive whilst also reflecting the organisation's charitable status.

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

# Board committees

## Executive Remuneration and Succession Committee

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

## Nominations Committee

The names of prospective Trustees are referred to the Nominations Committee. This committee also considers recommendations for appointment for membership of the Charity. No person may be appointed as a Trustee unless he or she is a member.

In 2015 the Nominations Committee did not need to meet.

## Audit Committee

The Audit Committee meets at least twice each year. Representatives of the external and internal auditors attend,

as do the Chief Executive Officer and Chief Financial Officer. Its main duties are to assist the Board by providing independent and authoritative advice on the accuracy of financial reporting and the effectiveness of financial controls and systems, as well as the assessment of financial and commercial risk. The Committee oversees the effectiveness of the Group's risk management systems in co-operation with the BQSC. The Audit Committee also recommends the appointment of the external and internal auditors.

## Board Quality & Safety Committee

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

Each year, the Committee publishes an annual Quality Report which includes

the outcomes of the various elements of the safety and quality programmes in place across all services provided by Nuffield Health.

## Finance and Investment Committee

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

Meeting/Attendee	Board of Governors	Executive Remuneration and Succession Committee	Board Quality & Safety Committee	Finance & Investment Committee	Audit Committee
<b>Number of meetings in 2015</b>	13	2	4	7	3
<b>Number attended</b>					
Mr Russell S M Hardy Chairman	13	2	–	6	3
Mrs Joanne M Shaw	12	–	4	–	–
Mr Martin W Bryant	13	–	–	7	3
Ms Fiona E Driscoll	12	2	–	6	3
Dame Denise M Holt	12	2	3	–	–
Mr David W Lister	12	–	4	–	–
Mr P Guy McCracken LVO	11	2	–	6	–

# Trustees' review of our objectives

Each year, the Trustees review the Charity's objectives, its activities and the degree to which the services it provides are made accessible to the public. This review examines the Charity's achievements and the outcomes of its activities in the previous 12 months, together with the benefits delivered to users of the Charity's services. Crucially, the Trustees' review also ensures that the Charity remains focused on providing public benefit.

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

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

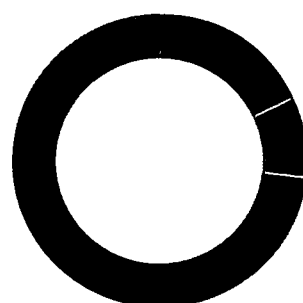
These include:

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

The Trustees have concluded that the objectives of the Charity remain entirely for the public benefit. The Trustees are also satisfied that the activities of the Charity are overwhelmingly carried out to fulfil its charitable objectives; that there are no activities that are inconsistent with its objectives; and that the Charity meets the requirements of the policies described above. In addition, the Trustees are confident that plans are in place for 2016 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.

In 2015, 27 per cent of our revenues came from low cost or free at the point of delivery products and services. With 9 per cent from products and services costing customers less than £1 per day, 18 per cent of our revenues at market rates were from products and services free at the point of delivery to the patient or customer that were purchased by the NHS.

Share of turnover



Free at point of delivery	18%
Less than £1 per day	9%
Over £1 per day	73%

# The Executive Board

Senior staff manage the activities of the Charity. At the date when the Annual Report and Financial Statements were approved, the following senior staff were in place:

## Steve Gray

*Chief Executive Officer  
from 1 December 2015*

Steve has over 25 years' experience within leadership, commercial and operational roles primarily in the healthcare sector. Steve is leading the vision of creating One Nuffield Health placing members, patients and customers at the heart of the organisation and all of the activities that are undertaken.

## Dr Andrew Jones

*Chief Operating Officer*

Andy joined Nuffield Health in 2007, after working as a GP for a number of years. He has previously held the roles of the organisation's first Medical Director and Managing Director of Corporate Wellbeing leading the growth in Nuffield Health clinical services.

## Alan Payne

*Chief Digital & Information Officer  
from 1 December 2015*

Alan has a proven record as a successful digital and technology leader, with over 25 years' experience in bringing digital innovation, knowledge and the ability to deliver globally across multiple businesses and support functions.

## Greg Hyatt

*Chief Financial Officer*

Greg is an experienced Chief Financial Officer, with extensive knowledge and understanding of both the leisure and healthcare sectors. He has been a key player in supporting the strategic and operational changes throughout the organisation.

## Luke Talbutt

*General Counsel & Company Secretary*

Since 2010, Luke has held the responsibility of running the Legal, Quality & Safety team and sitting as Secretary to the Board of Governors, Board Quality and Safety committee. Luke has many years' experience within the charitable and pharmaceutical sectors.

## Caroline Smith

*Business Development Director  
from 1 February 2016*

Caroline has a wealth of industry experience spanning a wide range of healthcare services. This involves regulated and unregulated outsourced services in the pharmaceutical industry and direct to the NHS.

## Chris Blackwell-Frost

*Chief Customer Officer  
from 4 April 2016*

Chris' background spans 25 years across the healthcare and pharmaceutical sectors. He has built an exceptional track record in strategic marketing, acquisitions and brand development.

## Dr Davina Deniszczyc

*Medical Executive Director*

Davina joined Nuffield Health six years ago. She has held roles as London Clinical Lead, Professional Head of Physicians and Medical Director for Wellbeing. She continues to practice as a GP and leads for Nuffield Health on patient care, safety and maintaining the very highest professional standards.

## Debbie Mansfield

*HR Director*

Debbie is vastly experienced within the fields of Human Resources and Leadership Development. She has held a number of managerial roles at Nuffield Health since joining in 2006. Her knowledge and leadership are vital in creating the future working culture of the organisation and ensuring that we continue to attract the best people.

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## Executive Board departures 2015

### David Mobbs

*Chief Executive Officer  
– Until November 2015*

### Marcus Powell

*Group Organisational Development  
& HR Director  
– Until November 2015*

### Rebecca McCheyne

*Group Digital Services Director  
– Until December 2015*

### KP Doyle

*Deputy Chief Executive Officer  
& Hospital Director  
– Until November 2015*

### Ian Smyth

*Group Chief Brand Officer  
– Until December 2015*

**7 out of 9**  
of our Board come from a  
clinical or health background



**From left to right:** Greg Hyatt, Dr Davina Deniszczyc, Alan Payne, Dr Andrew Jones, Caroline Smith, Steve Gray, Luke Talbutt, Debbie Mansfield and Chris Blackwell-Frost

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# Mr Douglas Gardner's report of the Trustees' Remuneration Committee to the members

The Trustees' Remuneration Committee was established in August 2000, following the approval of the Charity Commission to permit the remuneration of the Trustees.

During 2015, the members of the Committee were Lady Forester, Mr Michael Smith and myself, as Chairman. The Secretary of the Committee is Mr Luke Talbutt, General Counsel & Company Secretary of Nuffield Health.

The Committee met on 1 December 2015 and also in attendance was Mr Russell Hardy, Chairman of the Board of Governors. Mr Hardy provided the Committee with an update on the key highlights which are set out elsewhere in this report.

Mr Hardy also gave an update on a number of key Executive level changes towards the end of the year, with Steve Gray being appointed to replace David Mobbs as Chief Executive Officer from 1 December 2015. There would also be some restructuring of the Executive Board.

An external organisation, CV4 Consulting, had been appointed at the start of the year to carry out a review of the Charity's corporate governance structures and conduct Governor appraisal. It had been impressed by the organisation's governance arrangements and risk management processes and Mr Hardy had used the external view to provide individual appraisal feedback for each of the Governors who all continue to perform well. Three of the existing Board are due to retire by 2019, the remainder retiring in the period 2020 to 2023. It was therefore anticipated that new Governors would need to be recruited in the next 12-18 months to ensure appropriate numbers are in place prior to the start of 2019.

The Committee was asked to consider the remuneration of the Trustees, to take effect from 1 January 2016.

The Committee reviewed the paper, 'Report to the Governors' Remuneration Committee 1 December 2015. The Committee noted there had been no increase in Governor remuneration since 2009 when the remuneration had first been agreed with the Charity Commission. The concerns expressed by Mr Hardy regarding recruitment of new Governors and motivation of the existing Governors in an increasingly difficult regulatory environment was becoming a key issue for the Charity. The Chairman agreed that this was becoming an issue for many organisations and he knew a number of individuals who had left Non-Executive roles due to the increasing regulatory burden and increasing commitment and expectation being placed on Directors and Non Executives. The Committee noted that there was no proposed change to the mechanism agreed with the Charity Commission to assess annual awards but that the baseline remuneration should be increased.

On reviewing the detailed proposal, the Committee agreed that a change was required and therefore requested that the Company Secretary, supported by Bircham Dyson Bell LLP, submit a formal request on behalf of the Committee.

The Committee agreed with this recommendation and the approach and noted that the financial impact on the Charity would be an increased cost of £69,000 per annum with total remuneration moving from £250,000 per annum to £319,000 per annum.

The Committee noted that it had previously agreed to conduct an external appraisal of the Governors every two years. In light of the external report from CV4 Consulting for 2015, the proposal for 2016 was that the Chair of the Board of Governors would conduct an individual appraisal for each Governor and provide an update on their performance at the Committee meeting scheduled for 7 December 2016.

Finally, I would like to thank Lady Forester and Mr Michael Smith for their help and support during the year and I am most grateful to them for devoting the necessary time and effort to the Committee's affairs.

**Mr Douglas Gardner**

Chairman: Trustees' Remuneration Committee

# Trustees' responsibilities for the financial statements

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

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

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

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

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

The Trustees confirm that:

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

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

## Relationship with subsidiaries

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

The subsidiaries' performances and net assets are immaterial in relation to the totals for the Group, with the exception of the impairment of the HealthScore™ developed on behalf of the Charity by Healthscore Limited.

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

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

# Appointment of auditors

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Grant Thornton UK LLP offer themselves for reappointment as Auditor in accordance with Section 485 of the Companies Act 2006. Resolutions will be proposed at the Annual General Meeting to reappoint them and to authorise the Trustees to fix the remuneration of the Auditors for the year ending 31 December 2016.

The Report of the Board of Trustees to the Members approved by the Board of Trustees.

**Russell Hardy**  
Chairman

25 May 2016



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

We have audited the financial statements of Nuffield Health for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

## Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 61, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent charitable company's affairs as at 31 December 2015 and of the Group's and the parent charitable company's incoming resources and application of resources, including the Group and the parent income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

**Carol Rudge**

Senior Statutory Auditor  
For and on behalf of  
Grant Thornton UK LLP  
Statutory Auditor,  
Chartered Accountants  
London

25 May 2016

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

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# Consolidated income statement

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
<b>Turnover</b>	2	<b>767.5</b>	710.8
<b>Cost of services</b>			
Before exceptional items		<b>(722.2)</b>	(671.7)
Exceptional items	5	<b>(8.4)</b>	2.7
<b>Gross surplus</b>		<b>36.9</b>	41.8
<b>Support and governance costs</b>			
Before exceptional items	3	<b>(21.4)</b>	(21.9)
Exceptional items	5	<b>(3.0)</b>	(0.5)
<b>Total operating surplus analysed as:</b>			
Operating surplus before exceptional items		23.9	17.2
Exceptional items		(11.4)	2.2
<b>Total operating surplus and surplus before interest and tax</b>	6	<b>12.5</b>	19.4
<b>Net interest payable and similar income</b>	7	<b>(16.4)</b>	(16.5)
<b>(Deficit)/surplus on ordinary activities before taxation</b>		<b>(3.9)</b>	2.9
<b>Tax on (deficit)/surplus on ordinary activities</b>	12	<b>–</b>	(0.2)
<b>(Deficit)/surplus after tax for the financial year</b>		<b>(3.9)</b>	2.7

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.

# Consolidated statement of financial activities

## for the year ended 31 December 2015

	Note	Group		Charity	
		Total funds*		Total funds*	
		2015 Total £m	2014 Total £m	2015 Total £m	2014 Total £m
<b>Income and endowments from</b>					
Donations and legacies	2	0.1	0.1	0.1	0.1
Charitable activities	2	765.1	709.2	763.9	709.4
Other trading activities	2	2.3	1.5	–	–
Investments	2 and 7	0.1	0.3	0.2	0.9
<b>Total income and endowments</b>	2	<b>767.6</b>	711.1	<b>764.2</b>	710.4
<b>Expenditure on charitable activities</b>					
Before exceptional items	3	(741.4)	(691.8)	(741.6)	(691.5)
Exceptional items	5	(11.4)	2.2	(15.2)	(4.9)
<b>Other expenditure</b>					
Other trading activities		(2.2)	(1.8)	–	–
Interest payable	7	(16.5)	(16.8)	(16.8)	(16.7)
Taxation	12	–	(0.2)	–	–
<b>Total expenditure</b>		<b>(771.5)</b>	(708.4)	<b>(773.6)</b>	(713.1)
<b>Net (expenditure)/income analysed as:</b>					
Net income before exceptional items		7.5	0.5	5.8	2.2
Exceptional items		(11.4)	2.2	(15.2)	(4.9)
<b>Net (expenditure)/income</b>		<b>(3.9)</b>	2.7	<b>(9.4)</b>	(2.7)
<b>Other recognised gains and losses</b>					
Actuarial gains/(losses) on defined benefit retirement scheme	8	25.6	(21.2)	25.6	(21.2)
<b>Net movement in funds</b>		<b>21.7</b>	(18.5)	<b>16.2</b>	(23.9)
Fund balances at 1 January	39	80.2	98.7	84.9	108.8
<b>Fund balances at 31 December</b>	1	<b>101.9</b>	80.2	<b>101.1</b>	84.9

\* Total funds for the Group and Charity include restricted funds of £0.8m (2014-£0.8m) and permanent endowments of £0.1m (2014-£0.1m)

All amounts derive from continuing activities.

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

# Balance sheets

at 31 December 2015

		Group		Charity	
	Note	2015 £m	2014 £m	2015 £m	2014 £m
<b>Fixed assets</b>					
<i>Intangible assets</i>	13	<b>53.2</b>	43.6	<b>53.9</b>	38.4
<i>Tangible assets</i>	14	<b>483.2</b>	464.8	<b>479.3</b>	460.6
<i>Investments</i>	16	<b>0.2</b>	0.2	<b>21.1</b>	15.9
		<b>536.6</b>	508.6	<b>554.3</b>	514.9
<b>Current assets</b>					
<i>Stocks</i>	17	<b>8.1</b>	7.5	<b>8.1</b>	7.5
<i>Debtors</i>	18	<b>72.9</b>	72.7	<b>74.1</b>	79.2
<i>Cash at bank and in hand</i>	33	<b>3.3</b>	13.8	<b>3.2</b>	13.1
		<b>84.3</b>	94.0	<b>85.4</b>	99.8
<b>Creditors: amounts falling due within one year</b>	19	<b>(152.7)</b>	(136.8)	<b>(172.4)</b>	(146.3)
<b>Net current liabilities</b>		<b>(68.4)</b>	(42.8)	<b>(87.0)</b>	(46.5)
<b>Total assets less current liabilities</b>		<b>468.2</b>	465.8	<b>467.3</b>	468.4
<b>Creditors: amounts falling due after more than one year</b>	20	<b>(273.7)</b>	(261.2)	<b>(273.7)</b>	(261.2)
<b>Provisions for liabilities</b>	23	<b>(12.3)</b>	(14.9)	<b>(12.2)</b>	(12.8)
<b>Net assets excluding post retirement liabilities</b>		<b>182.2</b>	189.7	<b>181.4</b>	194.4
<b>Post retirement defined benefit liabilities</b>	8	<b>(80.3)</b>	(109.5)	<b>(80.3)</b>	(109.5)
<b>Net assets</b>		<b>101.9</b>	80.2	<b>101.1</b>	84.9
<b>Income funds</b>					
<i>Restricted funds</i>	1	<b>0.8</b>	0.8	<b>0.8</b>	0.8
<i>Unrestricted funds:</i>					
<i>General fund</i>		<b>181.3</b>	188.8	<b>180.5</b>	193.5
<i>Post retirement reserve</i>		<b>(80.3)</b>	(109.5)	<b>(80.3)</b>	(109.5)
<i>Total unrestricted funds</i>	1	<b>101.0</b>	79.3	<b>100.2</b>	84.0
<i>Total income funds</i>		<b>101.8</b>	80.1	<b>101.0</b>	84.8
<b>Permanent endowment</b>	1 and 24	<b>0.1</b>	0.1	<b>0.1</b>	0.1
<b>Group funds</b>		<b>101.9</b>	80.2	<b>101.1</b>	84.9

The accounting policies and notes on pages 68 to 101 form part of these financial statements.

Approved and issued by the Board of Trustees on 25 May 2016

  
Russell Hardy  
Chairman

  
Steve Gray  
Chief Executive Officer

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

# Consolidated cash flow statement

## for the year ended 31 December 2015

	Note	2015 £m	2014 £m
<b>Cash generated from operating activities</b>			
Before exceptional items	27	<b>80.2</b>	82.8
Exceptional items	27	<b>(1.9)</b>	(1.4)
		<b>78.3</b>	81.4
<b>Cash flows from investing activities</b>	28	<b>(91.0)</b>	(69.5)
<b>Cash flows from financing activities</b>	31	<b>(2.8)</b>	(10.8)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(15.5)</b>	1.1
Cash and cash equivalents at 1 January		<b>13.8</b>	12.7
<b>Cash and cash equivalents at 31 December</b>	33	<b>(1.7)</b>	13.8
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>(Decrease)/increase in cash and cash equivalents for the financial year</b>		<b>(15.5)</b>	1.1
Cash inflow/(outflow) from changes in debt and lease finance		<b>(10.4)</b>	(20.2)
Change in net debt resulting from cash flows	32	<b>(25.9)</b>	(19.1)
New finance leases	32	<b>(0.2)</b>	(0.9)
<b>Movement in net debt in the financial year</b>		<b>(26.1)</b>	(20.0)
<b>Net debt at 1 January</b>	32	<b>(248.5)</b>	(228.5)
<b>Net debt at 31 December</b>	32	<b>(274.6)</b>	(248.5)

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# Accounting policies

## for the year ended 31 December 2015

### a) Company information

Nuffield Health is a company limited by guarantee without share capital incorporated in England. The registered office is Epsom Gateway, Ashley Avenue, Epsom, Surrey KT18 5AL. In the event of the Charity being wound up the liability in respect of the guarantee is limited to £1 per Charity member. There were 68 members on 31 December 2015.

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

### 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.

This is the first year in which the financial statements have been prepared under Charities SORP (FRS 102) and FRS 102. An explanation of how the transition has affected the financial position and performance is set out in note 39.

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

### c) Going concern

After reviewing the Group's forecasts and their accompanying risks the Trustees have a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for the foreseeable future and as a result they continue to adopt the going concern basis in preparing the Annual Report and accounts. At the end of the year there were £69 million of undrawn loan facilities.

### 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 continues to be consolidated until the date control ceases. Control is achieved where Group has the power to govern the undertaking's financial and operating policies so as to benefit from its activities.

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

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

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

### e) Significant judgements and estimates

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

#### Defined benefit pensions and other post retirement benefits

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

#### Estimation of useful lives and residual values of fixed assets

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

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

#### **Impairments of tangible fixed assets and computer software**

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

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

#### **Goodwill**

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

#### **Provisions**

Provisions are liabilities where the amount and/or the timing of the settlement are uncertain. The onerous lease provision is the single largest provision (£9.1 million (2014 – £9.7 million)), its value is significantly impacted by the estimate of the future increases in market value. The self insured provision for medical negligence and product liability claims is affected by the estimate of future claims and the Trustees take advice from a third party actuary in determining the amount to be provided. Details for these and other provisions are set out in note 23.

#### **f) Funds**

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

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

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

#### **g) Income and turnover**

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

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

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

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

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

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

#### **h) Expenditure**

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

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

#### **i) Exceptional items**

Exceptional items are material events or transactions that are undertaken as part of the Group's ordinary activities which individually or if of a similar type in aggregate where their disclosure is relevant to an understanding of the Group's financial performance.

# Accounting policies

## for the year ended 31 December 2015 – continued

### j) Termination benefits

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

### k) Financial derivatives

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

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

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

### l) Foreign currency

#### Group entities

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

- asset and liabilities at the closing rate; and
- income and expenditure at the average exchange rate

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

#### Transactions and balances

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

### m) Intangible fixed assets

#### Goodwill

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

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

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

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

#### Computer software

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

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

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

- 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; and
- it is probable there will be future 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 reliably measured.

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



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

Tangible fixed assets are transferred from assets in the course of construction at practical completion of the project. No depreciation is charged while assets are in the course of construction; depreciation on assets in the course of construction commences at practical completion.

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

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

## o) Impairment of intangible and tangible fixed assets

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

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

## p) Purchase and disposal of properties

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

## q) Investments

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

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

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

## r) Stocks

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

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

## s) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are measured at the Trustees' best estimate of the expenditure required to settle the obligation at the balance sheet date. If such an obligation is not capable of being 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.

# Accounting policies

for the year ended 31 December 2015 – continued

## t) Defined benefit pension schemes and other post retirement benefits

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

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

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

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

## u) Defined contribution pension schemes

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

## v) Leased assets

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

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

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

The benefits of lease incentives are recognised as a reduction to the rental expense over the lease term on a straight line basis. Under the previous UK accounting standards the benefits are spread until market value applies, when less than the lease term. The Group is using the transitional relief available to continue to spread the benefits over the shorter period on leases that commenced prior to the transition date 1 January 2014.

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

## w) Financial instruments

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for evidence of impairment. An impairment loss is recognised in the Consolidated Income Statement and Consolidated Statement of Financial Activities.

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

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

# Notes to the financial statements

## for the year ended 31 December 2015

### 1. Fund analysis

#### Group

	Permanent £m	Restricted £m	Unrestricted £m	2015 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2014 Total £m
<b>Incoming resources from generated funds</b>								
<i>Donations, gifts and legacies</i>	-	-	0.1	0.1	-	0.1	-	0.1
<i>Other sources of income</i>	-	-	767.5	767.5	-	-	711.0	711.0
<i>Total incoming resources</i>	-	-	767.6	767.6	-	0.1	711.0	711.1
<i>Total resources expended</i>	-	-	(771.5)	(771.5)	-	-	(708.4)	(708.4)
<b>Net (expenditure)/income</b>	-	-	(3.9)	(3.9)	-	0.1	2.6	2.7
<i>Other recognised gains and losses</i>	-	-	25.6	25.6	-	-	(21.2)	(21.2)
<i>Transfer between funds</i>	-	-	-	-	-	(0.6)	0.6	-
<b>Net movement in funds</b>	-	-	21.7	21.7	-	(0.5)	(18.0)	(18.5)
<i>Fund balance at 1 January</i>	0.1	0.8	79.3	80.2	0.1	1.3	97.3	98.7
<b>Fund balance at 31 December</b>	0.1	0.8	101.0	101.9	0.1	0.8	79.3	80.2

#### Charity

	Permanent £m	Restricted £m	Unrestricted £m	2015 Total £m	Permanent £m	Restricted £m	Unrestricted £m	2014 Total £m
<b>Incoming resources from generated funds</b>								
<i>Donations, gifts and legacies</i>	-	-	0.1	0.1	-	0.1	-	0.1
<i>Other sources of income</i>	-	-	764.1	764.1	-	-	710.3	710.3
<i>Total incoming resources</i>	-	-	764.2	764.2	-	0.1	710.3	710.4
<i>Total resources expended</i>	-	-	(773.6)	(773.6)	-	-	(713.1)	(713.1)
<b>Net (expenditure)/income</b>	-	-	(9.4)	(9.4)	-	0.1	(2.8)	(2.7)
<i>Other recognised gains and losses</i>	-	-	25.6	25.6	-	-	(21.2)	(21.2)
<i>Transfer between funds</i>	-	-	-	-	-	(0.6)	0.6	-
<b>Net movement in funds</b>	-	-	16.2	16.2	-	(0.5)	(23.4)	(23.9)
<i>Fund balance at 1 January</i>	0.1	0.8	84.0	84.9	0.1	1.3	107.4	108.8
<b>Fund balance at 31 December</b>	0.1	0.8	100.2	101.1	0.1	0.8	84.0	84.9

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 2. Turnover and income analysis

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Income from charitable activities</b>				
<i>Hospital services</i>	<b>524.7</b>	497.5	<b>524.7</b>	497.5
<i>Wellbeing services</i>	<b>251.4</b>	222.5	<b>250.2</b>	222.7
<i>Other services</i>	<b>0.1</b>	–	<b>0.1</b>	–
<i>Income from charitable activities before inter-company sales</i>	<b>776.2</b>	720.0	<b>775.0</b>	720.2
<i>Inter-company sales</i>	<b>(11.1)</b>	(10.8)	<b>(11.1)</b>	(10.8)
<i>Net income from charitable activities</i>	<b>765.1</b>	709.2	<b>763.9</b>	709.4
<i>Donations</i>	<b>0.1</b>	0.1	<b>0.1</b>	0.1
<i>Other trading income</i>	<b>2.3</b>	1.5	<b>–</b>	–
<b>Turnover</b>	<b>767.5</b>	710.8	<b>764.0</b>	709.5
<b>Income from investments</b>	<b>0.1</b>	0.3	<b>0.2</b>	0.9
<b>Total income</b>	<b>767.6</b>	711.1	<b>764.2</b>	710.4

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

### 3. Expenditure on charitable activities

#### Group

	Direct activities		Support and governance costs		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<b>Continuing activities</b>						
<b>Normal</b>						
Staff and related costs	241.9	213.3	41.0	36.2	282.9	249.5
Third party fees	129.0	132.2	–	–	129.0	132.2
Supply costs	113.3	103.7	–	–	113.3	103.7
Depreciation and amortisation	51.8	54.3	10.6	9.4	62.4	63.7
Other costs	120.1	111.5	33.7	31.2	153.8	142.7
	656.1	615.0	85.3	76.8	741.4	691.8
Support costs transferred to direct activities	63.9	54.9	(63.9)	(54.9)	–	–
After recharge	720.0	669.9	21.4	21.9	741.4	691.8
<b>Exceptional</b>						
Staff and related costs	1.1	(0.2)	3.0	(0.1)	4.1	(0.3)
Depreciation and amortisation	7.3	(2.5)	–	0.6	7.3	(1.9)
<b>Total exceptional</b>	8.4	(2.7)	3.0	0.5	11.4	(2.2)
<b>Expenditure on charitable activities</b>	<b>728.4</b>	<b>667.2</b>	<b>24.4</b>	<b>22.4</b>	<b>752.8</b>	<b>689.6</b>

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

# Notes to the financial statements

for the year ended 31 December 2015 – continued

## 3. Expenditure on charitable activities – continued

### Charity

	Direct activities		Support and governance costs		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<b>Continuing activities</b>						
<b>Normal</b>						
Staff and related costs	242.8	213.6	41.0	36.2	283.8	249.8
Third party fees	129.0	132.2	–	–	129.0	132.2
Supply costs	113.7	104.0	–	–	113.7	104.0
Depreciation and amortisation	50.2	52.8	10.6	9.4	60.8	62.2
Other costs	120.6	112.1	33.7	31.2	154.3	143.3
	656.3	614.7	85.3	76.8	741.6	691.5
Support costs transferred to direct activities	63.9	54.9	(63.9)	(54.9)	–	–
After recharge	720.2	669.6	21.4	21.9	741.6	691.5
<b>Exceptional</b>						
Staff and related costs	1.1	(0.2)	3.0	(0.1)	4.1	(0.3)
Depreciation and amortisation	0.5	(3.0)	–	0.6	0.5	(2.4)
Other costs	–	–	10.6	7.6	10.6	7.6
<b>Total exceptional</b>	1.6	(3.2)	13.6	8.1	15.2	4.9
<b>Expenditure on charitable activities</b>	<b>721.8</b>	<b>666.4</b>	<b>35.0</b>	<b>30.0</b>	<b>756.8</b>	<b>696.4</b>

## 4. Governance costs

	2015 £m	2014 £m
Staff and related costs	1.5	1.7
Depreciation	–	0.1
Other costs	1.2	0.7
	2.7	2.5

## 5. Exceptional items

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

The streamlining of wellbeing management and central costs and the operational costs of the hospital division have resulted in unusual reorganisation costs which were expensed as an exceptional item in 2013. The over-estimated costs in 2013 were reversed in 2014.

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

Tangible fixed asset impairments in the hospital division were reversed in 2014. There were no reversals or impairments in 2015.

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

The review of the digital presence in 2014 has resulted in shortening of asset lives and early disposal of software as the systems are improved.

The exceptional (gains)/costs are:

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Cost of services</b>				
<i>Reorganisation costs</i>	1.1	(0.2)	1.1	(0.2)
<i>Impairment of intangible fixed assets</i>	7.3	–	0.5	–
<i>(Reversal) of impairment of tangible fixed assets</i>	–	(3.0)	–	(3.0)
<i>Digital assets</i>	–	0.5	–	–
	8.4	(2.7)	1.6	(3.2)
<b>Support and governance costs</b>				
<i>Reorganisation costs</i>	3.0	(0.1)	3.0	(0.1)
<i>Digital assets</i>	–	0.6	–	0.6
<i>Provisions against subsidiaries</i>	–	–	10.6	7.6
	3.0	0.5	13.6	8.1
<b>Total exceptional items</b>	11.4	(2.2)	15.2	4.9

## 6. Operating surplus

	2015 £m	2014 £m
<i>This is stated after charging or crediting (including VAT):</i>		
<b>Fees payable by the Charity for the audit of the Charity's annual accounts</b>	0.4	0.3
<b>Fees payable to the company's auditor and its associates for other services:</b>		
<i>Tax services</i>	–	0.1
<b>Total fees to the company's auditor</b>	0.4	0.4

Fees paid to Grant Thornton UK LLP for non-audit services to the charitable company itself are not disclosed in the individual accounts of Nuffield Health because the charitable company's consolidated accounts are required to disclose such fees on a consolidated basis.

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 6. Operating surplus – continued

	2015 £m	2014 £m
<b>Depreciation on tangible fixed assets:</b>		
On owned assets	50.5	51.1
On assets held under finance leases and hire purchase contracts for equipment and motor vehicles	1.3	3.1
Depreciation charge	51.8	54.2
Loss on disposal of tangible fixed assets	0.6	0.8
Normal depreciation	52.4	55.0
(Reversal) of impairment losses on tangible fixed assets	–	(3.0)
	52.4	52.0
<b>Amortisation of intangible fixed assets</b>		
Amortisation charge	9.6	8.5
Loss on disposal of intangible fixed assets	0.4	0.2
Normal amortisation	10.0	8.7
Exceptional impairment of intangible fixed assets	7.3	–
Exceptional depreciation charge on change of life on some digital assets	–	0.6
	17.3	9.3
<b>Operating surplus stated after charging or crediting:</b>		
Hire of plant and machinery (including operating lease charges)	5.0	5.3
Property operating lease rentals	36.6	33.8
Rental income from operating leases	0.8	0.3
Third party indemnity insurance	1.2	1.3

Indemnity insurance for the Trustees and officers amounted to £29,000 (2014 – £17,000).



## 7. Net interest payable and similar income

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Interest receivable</b>	<b>0.1</b>	0.3	<b>0.2</b>	0.9
<b>Interest payable</b>				
Bank loans and overdraft	(4.6)	(10.1)	(4.6)	(10.0)
Senior secured loan notes	(5.4)	(1.2)	(5.4)	(1.2)
Stakeholder bond	(1.1)	(1.1)	(1.1)	(1.1)
Finance charges in respect of finance leases	(0.3)	(0.2)	(0.3)	(0.2)
Unwinding of discounting on purchase of subsidiaries	–	(0.2)	–	(0.2)
Interest payable to subsidiaries	–	–	(0.3)	–
<b>Total interest payable</b>	<b>(11.4)</b>	(12.8)	<b>(11.7)</b>	(12.7)
Costs in connection with loan facilities	(1.2)	(1.7)	(1.2)	(1.7)
Costs in connection with the stakeholder bond	(0.2)	(0.2)	(0.2)	(0.2)
	<b>(12.8)</b>	(14.7)	<b>(13.1)</b>	(14.6)
Retirement benefit finance costs	(3.8)	(4.0)	(3.8)	(4.0)
	<b>(16.6)</b>	(18.7)	<b>(16.9)</b>	(18.6)
<b>Movement in fair value of derivatives</b>				
Opening fair value of interest rate derivative	1.1	18.1	1.1	18.1
Interest rate derivative buy out or resetting costs	–	(15.1)	–	(15.1)
Closing fair value of interest rate derivative	(1.0)	(1.1)	(1.0)	(1.1)
	<b>0.1</b>	1.9	<b>0.1</b>	1.9
<b>Interest payable</b>	<b>(16.5)</b>	(16.8)	<b>(16.8)</b>	(16.7)
<b>Net interest payable and similar income</b>	<b>(16.4)</b>	(16.5)	<b>(16.6)</b>	(15.8)

## 8. Defined benefit pensions and other post retirement benefits

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

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

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

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

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

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

The level of employer contributions in the year totalled £8.0 million (2014 – £7.8 million). The employer and the Trustees of the Scheme entered into an asset backed funding arrangement in March 2016 by which the freehold of the Nuffield Health Oxford Hospital (The Manor) was transferred to a Scottish Limited Partnership, with both parties being limited partners. This gives the Scheme a secured asset should the Charity become insolvent. As a part of this arrangement it is agreed the employer's contribution from 1 April 2016 for the next six years will be £2.0 million per year and £4.0 million thereafter plus administration costs that are estimated to be £0.6 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 actuarial valuations have been updated by an independent qualified actuary to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2015. 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 FRS 102 assumptions are:

	2015 % pa	2014 % pa
Rate of increase in medical inflation	4.1	4.1
Rate of increase for pensions in payment pre 1 August 2005 service	3.4	3.4
Rate of increase for pensions in payment post 31 July 2005 service	2.2	2.1
Rate of increase for deferred pensions	2.1	2.1
Discount rate (yield curve basis)	3.9	3.7
Inflation rate (CPI)	2.1	2.1

The post retirement mortality assumptions used to value the benefit obligation mortality tables based on S2PA at 31 December 2015 and S1NM/FA mc at 31 December 2014. Assumed life expectancies on retirement age at 65 are:

		2015 Years	2014 Years
Retiring today	Males	22.7	23.4
	Females	24.6	25.7
Retiring in 20 years time	Males	24.8	25.6
	Females	26.5	27.2

The returns on the plan assets are:

	2015 % pa	2014 % pa
Growth assets	0.6%	5.0%
Matching assets including liability hedge	(1.0%)	45.8%

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<b>Operating surplus</b>						
Service cost						
Administrative costs	0.7	0.6	–	–	0.7	0.6
Current service and settlement costs	0.1	0.1	–	–	0.1	0.1
	0.8	0.7	–	–	0.8	0.7
<b>Net interest payable/(receivable):</b>						
Interest on schemes' assets	(11.6)	(12.8)	–	–	(11.6)	(12.8)
Interest on schemes' liabilities	15.2	16.6	0.2	0.2	15.4	16.8
<b>Total charged to finance expenses</b>	<b>3.6</b>	<b>3.8</b>	<b>0.2</b>	<b>0.2</b>	<b>3.8</b>	<b>4.0</b>
<b>Total in net income</b>	<b>4.4</b>	<b>4.5</b>	<b>0.2</b>	<b>0.2</b>	<b>4.6</b>	<b>4.7</b>

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

	2015 £m	2014 £m
Actual return on schemes' assets	3.5	44.5
Less interest on schemes' assets	(11.6)	(12.8)
	(8.1)	31.7
On obligations – interest costs	33.7	(52.9)
<b>Net actuarial gains/(losses) on defined benefit retirement schemes</b>	<b>25.6</b>	<b>(21.2)</b>

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<b>Fair value of scheme's assets</b>						
Growth assets	216.1	212.1	–	–	216.1	212.1
Matching assets including liability hedge	96.4	105.0	–	–	96.4	105.0
Other assets	4.8	2.6	–	–	4.8	2.6
	317.3	319.7	–	–	317.3	319.7
Present value of funded obligations	(390.8)	(421.8)	–	–	(390.8)	(421.8)
	(73.5)	(102.1)	–	–	(73.5)	(102.1)
Present value of unfunded obligations	(2.4)	(2.6)	(4.4)	(4.8)	(6.8)	(7.4)
<b>Net liabilities</b>	<b>(75.9)</b>	<b>(104.7)</b>	<b>(4.4)</b>	<b>(4.8)</b>	<b>(80.3)</b>	<b>(109.5)</b>

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

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<i>Opening defined benefit obligations</i>	<b>(424.4)</b>	(367.6)	<b>(4.8)</b>	(4.1)	<b>(429.2)</b>	(371.7)
<i>Current service and settlement costs</i>	<b>(0.1)</b>	(0.1)	–	–	<b>(0.1)</b>	(0.1)
<i>Benefits paid</i>	<b>13.2</b>	12.0	<b>0.2</b>	0.3	<b>13.4</b>	12.3
<i>Interest cost</i>	<b>(15.2)</b>	(16.6)	<b>(0.2)</b>	(0.2)	<b>(15.4)</b>	(16.8)
<i>Actuarial (gains)/losses</i>	<b>33.3</b>	(52.1)	<b>0.4</b>	(0.8)	<b>33.7</b>	(52.9)
<b>Closing defined benefit obligations</b>	<b>(393.2)</b>	(424.4)	<b>(4.4)</b>	(4.8)	<b>(397.6)</b>	(429.2)

The cumulative actuarial losses recognised in the statement of financial activities at 31 December 2015 were £118.1 million (2014 – £143.7 million).

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

	Defined benefit pension funds		Retirement healthcare		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<i>Opening fair value of plan assets</i>	<b>319.7</b>	280.0	–	–	<b>319.7</b>	280.0
<i>Interest income</i>	<b>11.6</b>	12.8	–	–	<b>11.6</b>	12.8
<i>Actuarial gains</i>	<b>(8.1)</b>	31.7	–	–	<b>(8.1)</b>	31.7
<i>Contributions paid</i>	<b>8.0</b>	7.8	<b>0.2</b>	0.3	<b>8.2</b>	8.1
<i>Scheme administrative costs</i>	<b>(0.7)</b>	(0.6)	–	–	<b>(0.7)</b>	(0.6)
<i>Benefits paid</i>	<b>(13.2)</b>	(12.0)	<b>(0.2)</b>	(0.3)	<b>(13.4)</b>	(12.3)
<b>Closing fair value of plan assets</b>	<b>317.3</b>	319.7	–	–	<b>317.3</b>	319.7

### 9. Defined contribution pension schemes

	2015 £m	2014 £m
<i>The amounts charged to the income and expenditure account and statement of financial activities</i>	<b>9.8</b>	9.3
<i>Contributions owing to the pension schemes at 31 December</i>	<b>1.7</b>	1.5

## 10. Trustees

The Trustees are the same as Directors under company law.

	2015 £	2014 £
<b>Fees paid to the Trustees and money purchase pension contributions:</b>		
Mr R S M Hardy	52,750	48,714
Mr M W Bryant	35,000	35,350
Mr P G McCracken	35,000	35,000
Ms F E Driscoll	34,650	35,350
Mrs J M Shaw	32,900	35,411
Dame D Holt	28,000	28,000
Mr D W Lister	28,000	28,000
Ms J L Wesson	-	8,750
	<b>246,300</b>	<b>254,575</b>

The total value of money purchase pension contributions is £5,425 (2014 – £4,757). Travel and subsistence paid on behalf of or reimbursed to all the Trustees was £14,518 (2014 – £21,281) in the year.

## 11. Employees

	Number	2015 WTE	Number	2014 WTE
<b>Average number of employees:</b>				
Hospital division	6,322	4,528	5,879	4,226
Wellbeing division	5,890	3,334	4,154	2,866
Support and governance	127	122	103	100
<b>Total</b>	<b>12,339</b>	<b>7,984</b>	<b>10,136</b>	<b>7,192</b>

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

	2015	2014
<b>Number of employees in defined contribution pension schemes at year end</b>	<b>8,556</b>	<b>6,835</b>

	2015 £m	2014 £m
<b>Staff costs during the year:</b>		
Wages and salaries	228.5	204.5
Social security costs	19.1	18.4
Other pension costs		
Defined benefit scheme administrative costs (note 8)	0.7	0.6
Defined benefit current service and settlement costs (note 8)	0.1	0.1
Defined contribution (note 9)	9.8	9.3
Agency costs	16.2	13.9
	<b>274.4</b>	<b>246.8</b>

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 11. Employees – continued

#### Termination benefits

	Charged to consolidated statement of financial activities		Accrued at year end	
	2015 £m	2014 £m	2015 £m	2014 £m
Individual redundancy and terminations	0.9	1.3	–	–
Exceptional reorganisations, redundancy and terminations	3.9	(0.3)	2.3	–
	4.8	1.0	2.3	–

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

	2015 Number	2014 Number
£60,000 to £69,999	98	79
£70,000 to £79,999	57	38
£80,000 to £89,999	20	20
£90,000 to £99,999	28	22
£100,000 to £109,999	19	11
£110,000 to £119,999	10	10
£120,000 to £129,999	11	13
£130,000 to £139,999	6	9
£140,000 to £149,999	3	8
£150,000 to £159,999	2	3
£160,000 to £169,999	5	5
£170,000 to £179,999	2	2
£180,000 to £189,999	–	3
£190,000 to £199,999	2	–
£200,000 to £209,999	1	1
£210,000 to £219,999	–	1
£220,000 to £229,999	1	–
£230,000 to £239,999	2	1
£240,000 to £249,999	1	–
£250,000 to £259,999	1	–
£270,000 to £279,999	1	–
£300,000 to £309,999	1	1
£310,000 to £319,999	1	–
£320,000 to £329,999	–	1
£340,000 to £349,999	–	1
£350,000 to £359,999	1	–
£370,000 to £379,999	–	1
£470,000 to £479,999	–	1
£770,000 to £779,999	1	–
£780,000 to £789,999	–	1
£1,250,000 to £1,259,999	1	–

	2015 £m	2014 £m
<i>Employer contributions towards defined contribution pension schemes for higher paid employees</i>	<b>2.3</b>	1.6

	Number	Number
<i>Number of higher paid employees to whom retirement benefits are accruing under the defined contribution pension scheme</i>	<b>268</b>	226

The total emoluments and employee benefits for the Executive Managers, who are the key management personnel, in the year is £4.3 million (2014 – £3.1 million). The increase over last year is accounted for by contracted termination and redundancy payments related to restructuring described in the Chairman's Statement on page 4 and the Financial Review on page 52 and note 5.

David Mobbs (the previous Chief Executive Officer) was the highest paid employee in 2015 and 2014.

Steve Gray, the new Chief Executive Officer started on 1 December 2015 with a base salary of £400,000 per annum.

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

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

The subsidiary companies have tax losses available to carry forward against future taxable profits or sufficient shareholder funds to gift aid taxable profits to the Charity. No deferred taxation asset has been recognised within the financial statements at 31 December 2015 in respect of these losses because they are unlikely to be recovered.

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Current tax</b>				
<i>United Kingdom corporation tax at 20.25% (2014 – 21.5%)</i>				
<i>by subsidiaries</i>	-	0.2	-	-

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 13. Intangible fixed assets

	Group			Charity		
	Goodwill £m	Computer software £m	Total £m	Goodwill £m	Computer software £m	Total £m
<b>Cost</b>						
At 1 January 2015	57.6	59.7	117.3	58.6	52.1	110.7
Acquisitions	4.0	–	4.0	4.0	–	4.0
Additions	–	27.6	27.6	–	25.3	25.3
Disposals	(0.2)	(3.9)	(4.1)	–	(3.9)	(3.9)
Fair value adjustments (note 14)	(5.1)	–	(5.1)	(5.1)	–	(5.1)
At 31 December 2015	56.3	83.4	139.7	57.5	73.5	131.0
<b>Amortisation</b>						
At 1 January 2015	36.2	37.5	73.7	36.4	35.9	72.3
Charge for year	3.0	6.6	9.6	3.0	5.1	8.1
Impairment	–	7.3	7.3	–	0.5	0.5
Disposals	(0.2)	(3.5)	(3.7)	–	(3.4)	(3.4)
Fair value adjustments (note 14)	(0.4)	–	(0.4)	(0.4)	–	(0.4)
At 31 December 2015	38.6	47.9	86.5	39.0	38.1	77.1
<b>Net book value at 31 December 2015</b>	17.7	35.5	53.2	18.5	35.4	53.9
<b>Net book value at 31 December 2014</b>	21.4	22.2	43.6	22.2	16.2	38.4

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

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

The fair value adjustment arises from the finalisation of the fair value of the purchase of nine fitness and wellbeing centres in 2014 which resulted in an increase in the value of leasehold assets. The fair value of this acquisition was updated following the one carried out for the purchase of The Health Club Collection Ltd in 2015, which identified the fair value of the assets was significantly greater than their book value.

Computer software was disclosed in equipment and motor vehicles within tangible fixed assets in the 2014 financial statements.

Additions to computer software during the year included capitalised internal project development costs of £1.1 million (2014 – £0.7 million). The internal project development costs capitalised to date are £6.9 million (2014 – £5.8 million).



## 14. Tangible fixed assets

Group	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>						
At 1 January 2015	29.5	246.2	51.4	116.3	456.5	899.9
Additions at cost	39.1	–	1.4	10.8	12.9	64.2
Acquisitions	–	–	–	2.2	0.5	2.7
Disposals	(0.1)	(4.9)	–	–	(25.2)	(30.2)
Transfers	(43.3)	21.7	1.5	–	20.1	–
Fair value adjustments (note 13)	–	–	–	5.1	–	5.1
At 31 December 2015	25.2	263.0	54.3	134.4	464.8	941.7
<b>Depreciation</b>						
At 1 January 2015	–	87.2	9.4	36.0	302.5	435.1
Charge for year	–	5.9	1.9	6.0	38.0	51.8
Disposals	–	(4.9)	–	–	(23.9)	(28.8)
Fair value adjustments (note 13)	–	–	–	0.4	–	0.4
At 31 December 2015	–	88.2	11.3	42.4	316.6	458.5
<b>Net book value at 31 December 2015</b>	25.2	174.8	43.0	92.0	148.2	483.2
<b>Net book value at 31 December 2014</b>	29.5	159.0	42.0	80.3	154.0	464.8

The gross amount on which depreciation on freehold buildings is being provided is £240.4 million (2014 – £223.6 million).

The net book value of equipment and motor vehicles held under finance leases and similar hire purchase contracts is £3.8 million (2014 – £4.9 million).

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 14. Tangible fixed assets – continued

Charity	Assets in course of construction £m	Freeholds £m	Long leaseholds £m	Short leaseholds £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>						
<i>At 1 January 2015</i>	29.5	234.8	51.4	122.6	454.8	893.1
<i>Additions at cost</i>	39.1	–	1.4	10.8	12.9	64.2
<i>Disposals</i>	(0.1)	(4.9)	–	–	(25.2)	(30.2)
<i>Transfers</i>	(43.3)	21.7	1.5	2.2	20.9	3.0
<i>Fair value adjustments (note 13)</i>	–	–	–	5.1	–	5.1
<i>At 31 December 2015</i>	25.2	251.6	54.3	140.7	463.4	935.2
<b>Depreciation</b>						
<i>At 1 January 2015</i>	–	84.1	9.4	37.6	301.4	432.5
<i>Charge for year</i>	–	5.8	1.9	6.1	38.0	51.8
<i>Disposals</i>	–	(4.9)	–	–	(23.9)	(28.8)
<i>Fair value adjustments (note 13)</i>	–	–	–	0.4	–	0.4
<i>At 31 December 2015</i>	–	85.0	11.3	44.1	315.5	455.9
<b>Net book value at 31 December 2015</b>	25.2	166.6	43.0	96.6	147.9	479.3
<b>Net book value at 31 December 2014</b>	29.5	150.7	42.0	85.0	153.4	460.6

#### Group and Charity

Additions during the year included capitalised internal project development costs of £0.3 million (2014 – £0.2 million). The interest charges and internal project development costs capitalised to date are £10.5m (2014 – £10.6 million) and £6.6 million (2014 – £6.5 million) respectively.

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

## 15. Impairment

### Goodwill and tangible fixed assets

Goodwill and fixed assets are allocated to individual income generating units, where such an allocation is possible on a reasonable basis. Any central assets or overheads, which cannot be allocated to an individual income generating unit on a reasonable basis are allocated and tested for impairment at a divisional level.

The income generating units for the hospital division are hospitals located in a same town or city and are valued at the higher of net realisable value or value in use. The income generating unit for the consumer fitness and wellbeing gyms is all the sites and valued at value in use.

There are no indications in the year that an asset or income generating unit may be impaired as there was no change in the economic or competitive environment in which the income generating units operate. When the actual results for 2015 replace the forecasts used in the 2014 impairment calculation there would have been no change in the impairment.

The reversals or charges of impairments are included in exceptional items within cost of services and total expenditure.

### Computer software

Individual computer systems are tested for impairment when there is an indication that the activities that the system supports may not cover their costs. In calculating the value in use management estimates the share of the activities income that can be allocated to the computer system.

An impairment test was carried out on one computer system, HealthScore™. Prior to the year end it was decided to put on hold the development of HealthScore™. In 2016 it was decided to discontinue HealthScore™ because although the concept was sound, particularly when it was first developed, the digital marketplace where it sat has moved on considerably. Therefore HealthScore™ was fully impaired, the charge of £7.3 million is made to exceptional items within cost of services and total expenditure.

## 16. Fixed asset investments

Group	UK Listed investment £m	Unlisted investment £m	Total £m
<b>Market value</b>			
At 1 January and 31 December 2015	0.1	0.1	0.2

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

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

Charity	Subsidiary undertaking £m	UK Listed investment £m	Unlisted investment £m	Total £m
<b>Cost or market value</b>				
At 1 January	32.6	0.1	0.1	32.8
Acquisition	7.1	–	–	7.1
At 31 December 2015	39.7	0.1	0.1	39.9
<b>Provision for impairment</b>				
At 1 January 2015	16.9	–	–	16.9
Charge	1.9	–	–	1.9
At 31 December 2015	18.8	–	–	18.8
<b>Net book value at 31 December 2015</b>	20.9	0.1	0.1	21.1
<b>Net book value at 31 December 2014</b>	15.7	0.1	0.1	15.9

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 16. Fixed asset investments – continued

#### Subsidiary undertakings

The subsidiary undertakings in the Group at 31 December 2015 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
<b>Registered in England and Wales</b>				
Archer Leisure Ltd	Ordinary	–	100%	Dormant
Ark Leisure Management Ltd	Ordinary	–	100%	Dormant
Bladerunner Ltd	Ordinary	100%	–	Subsidiary holding company
Body and Mind Ltd	Ordinary	–	100%	Dormant
Cannons Adventures Ltd	Ordinary	–	100%	Dormant
Cannons Covent Garden Ltd	Ordinary	100%	–	Dormant
Cannons Group Ltd	Ordinary	–	100%	Subsidiary holding company
Cannons Health Clubs Ltd	Ordinary	–	100%	Dormant
Cannons Sports Clubs (UK) Ltd	Ordinary	100%	–	Dormant
Centre Court Tennis Ltd	Ordinary	–	100%	Dormant
Chichester Independent Hospital Ltd	Ordinary	100%	–	Dormant
Chichester (Leasing) Company Ltd	Ordinary	–	100%	Dormant
Corby Tennis Ltd	Ordinary	–	100%	Dormant
Greens Health & Fitness Ltd	Ordinary	100%	–	Dormant
Health Club Investments Group Ltd	Ordinary	100%	–	Subsidiary holding company
Health Club Investments Ltd	Ordinary	–	100%	Subsidiary holding company
Health Club Acquisitions Ltd	Ordinary	–	100%	Subsidiary holding company
Healthscore Ltd	Ordinary	100%	–	Software developer
ISC Estates Ltd	Ordinary	–	100%	Dormant
ISC Leasing (Ipswich) Ltd	Ordinary	–	100%	Dormant
ISC Projects Ltd	Ordinary	–	100%	Property company
Independent Surgery Centres Ltd	Ordinary	100%	–	Subsidiary holding company
Jonathan Webb Ltd	Ordinary	100%	–	Physiotherapy services
MSCP Holdings Ltd	Ordinary	100%	–	Subsidiary holding company
MSCP Wellbeing Ltd	Ordinary	–	100%	Dormant
Mythbreaker Ltd	Ordinary	100%	–	Subsidiary holding company
Nuffield Cosmetics Surgery Ltd	Ordinary	100%	–	Dormant
Nuffield Health Care Ltd	Ordinary	100%	–	Dormant
Nuffield Health Day Nurseries Ltd	Ordinary	100%	–	Nursery operator
Nuffield Health Wellbeing Ltd	Ordinary	–	100%	Consumer fitness centres
Nuffield Nursing Homes Trust	Ordinary	100%	–	Dormant
Nuffield Proactive Health Ltd	Ordinary	–	100%	Dormant
Nuffield Proactive Health Group Ltd	Ordinary	100%	–	Subsidiary holding company
Nuffield Proactive Health Medical Ltd	Ordinary	–	100%	Dormant
Pinnacle Leisure Group Ltd	Ordinary	–	100%	Dormant
Precis (1748) Ltd	Ordinary	–	100%	Dormant
Sherburne (Leasing) Company Ltd	Ordinary	–	100%	Dormant
The Food Calculator Ltd	Ordinary	–	100%	Dormant
Twickenham Leisure Ltd	Ordinary	100%	–	Dormant
Vale Health Partners Ltd	Ordinary	100%	–	Subsidiary holding company
Vale Healthcare Ltd	Ordinary	22%	78%	Hospital operator
Vardon Ltd	Ordinary	–	100%	Dormant
Wandsworth Leisure Ltd	Ordinary	100%	–	Dormant

None of the subsidiaries have a material impact on the Group's assets, liabilities and funds at the end of the year or on the Group statement of financial activities.

## 17. Stock

	Group		Group and Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Raw materials and consumables</b>	<b>8.1</b>	7.5	<b>8.1</b>	7.5
<b>Consignment stock not included in the balance sheet</b>	<b>15.0</b>	13.5	<b>15.0</b>	13.3

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.

## 18. Debtors falling due within one year

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<i>Trade debtors</i>	<b>50.4</b>	46.4	<b>50.1</b>	46.2
<i>Amount owed by Group undertakings</i>	–	–	<b>1.5</b>	6.8
<i>Other debtors</i>	<b>0.8</b>	4.2	<b>0.8</b>	4.2
<i>Prepayments and accrued income</i>	<b>21.7</b>	22.1	<b>21.7</b>	22.0
	<b>72.9</b>	72.7	<b>74.1</b>	79.2

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

Within other debtors there is £nil (2014 – £2.7 million) due from Vanguard Healthcare Limited that in 2014 was repayable more than one year after the year end and was repaid early in 2015.

## 19. Creditors: amounts falling due within one year

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<i>Bank overdraft</i>	<b>5.0</b>	–	<b>5.0</b>	–
<i>Obligations under finance leases</i>	<b>1.9</b>	3.0	<b>1.9</b>	3.0
<i>Bank loans</i>	–	0.5	–	0.5
<i>Other loans</i>	–	0.3	–	–
<i>Trade creditors</i>	<b>27.5</b>	39.6	<b>27.3</b>	39.6
<i>Amounts owed to Group undertakings</i>	–	–	<b>20.1</b>	11.0
<i>Social security and other taxes</i>	<b>7.4</b>	6.6	<b>7.3</b>	6.8
<i>Deferred/contingent consideration</i>	–	0.1	–	0.1
<i>Other creditors</i>	<b>34.6</b>	31.2	<b>34.6</b>	30.0
<i>Pension contributions</i>	<b>1.7</b>	1.5	<b>1.7</b>	1.5
<i>Accruals and deferred income</i>	<b>74.6</b>	54.0	<b>74.5</b>	53.8
	<b>152.7</b>	136.8	<b>172.4</b>	146.3

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

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

	Group and Charity	
	2015 £m	2014 £m
<b>Bank loans</b>	<b>151.0</b>	137.0
<i>Deferred expenses in connection with bank loans</i>	<b>(2.5)</b>	(3.3)
<i>Fair value of interest rate derivatives</i>	<b>1.0</b>	1.1
	<b>149.5</b>	134.8
<b>Stakeholder bond</b>	<b>18.7</b>	18.7
<i>Deferred expenses in connection with bond</i>	<b>(0.4)</b>	(0.6)
	<b>18.3</b>	18.1
<b>Secured loan notes</b>	<b>100.0</b>	100.0
<b>Obligations under finance leases</b>	<b>1.3</b>	2.8
<b>Deferred/contingent consideration</b>	<b>3.6</b>	2.8
<b>Other creditors</b>	<b>1.0</b>	2.7
	<b>273.7</b>	261.2

### 21. Borrowings

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Borrowings are repayable as follows:</b>				
<i>One year or less</i>				
<i>Finance leases</i>	<b>1.9</b>	3.0	<b>1.9</b>	3.0
<i>Bank loans</i>	–	0.5	–	0.5
<i>Bank overdraft</i>	<b>5.0</b>	–	<b>5.0</b>	–
<i>Other loans</i>	–	0.3	–	–
<b>In more than one but not more than two years:</b>				
<i>Finance leases</i>	<b>0.7</b>	1.7	<b>0.7</b>	1.7
<b>In more than two but not more than five years:</b>				
<i>Finance leases</i>	<b>0.6</b>	1.1	<b>0.6</b>	1.1
<i>Stakeholder bond</i>	<b>18.7</b>	18.7	<b>18.7</b>	18.7
<b>In more than five years:</b>				
<i>Bank loans</i>	<b>151.0</b>	137.0	<b>151.0</b>	137.0
<i>Secured loan notes</i>	<b>100.0</b>	100.0	<b>100.0</b>	100.0
	<b>277.9</b>	262.3	<b>277.9</b>	262.0

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

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

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

## 22. Financial derivatives

The financial derivatives in place are:

	Maturity	Fixed rate %	Principal £m
<b>In Charity and Group</b>			
<b>At 1 January 2015 and 31 December 2015</b>			
Interest rate swap into a fixed rate	2017	1.4%	50.0
Interest rate swap into a fixed rate deferred start from 2017	2021	2.4%	25.0

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 2015 is a liability of £1.0 million (2014 – £1.1 million). The derivatives are recognised in the balance sheet at their fair value as part of bank loans within creditors amounts falling due after more than one year. The movement in the fair values is included in interest payable within the consolidated statement of financial activities and the consolidated income statement.

During 2014 the derivatives that were in place at the beginning of the year were either bought out or the terms changed at a cost of £15.1 million and included in the interest in the consolidated income statement, consolidated statement of financial activities and note 7.

## 23. Provisions for liabilities

	Property related £m	Self insured £m	Other £m	Total £m
<b>Group</b>				
At 1 January 2015	11.7	1.7	1.5	14.9
Utilised in year	(0.7)	(0.4)	(0.3)	(1.4)
Charged/(released) in year	(1.9)	0.6	0.1	(1.2)
At 31 December 2015	9.1	1.9	1.3	12.3
<b>Charity</b>				
At 1 January 2015	9.6	1.7	1.5	12.8
Utilised in year	(0.7)	(0.4)	(0.3)	(1.4)
Charged in year	0.1	0.6	0.1	0.8
At 31 December 2015	9.0	1.9	1.3	12.2

The property related provisions are estimated costs to be incurred on premises that are vacant, where the leases are onerous, dilapidations and business rates.

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 23. Provisions for liabilities – continued

The costs of the vacant properties are certain. However their income from sub-lets and the timing of bringing the properties into use or of their disposal are uncertain. The provisions are discounted.

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

The provisions for dilapidations are recognised at the time of entering property leases when it is probable that there is an obligation and it can be reliably measured 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 £4.4 million (2014 – £3.8 million).

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

Contractual disputes are those identified by the Group, including instances where legal claims have been instigated and are being defended by the Group. Claims are considered by the Board of Trustees and are defended robustly where the Board concludes that the Group is not liable. Provision is made for the most likely outcome of each individual case, based upon the information available to the Board.

The other provisions are likely to be paid over the next three years.

### 24. Permanent endowments

The permanent endowments are held for the benefit of Nuffield Health Brentwood Hospital and Nuffield Health Manor Hospital in Oxford. The permanent endowment for the Brentwood Hospital is shares in a specific company, which had an administrator appointed in September 2014 and was dissolved in December 2015.

	Group and Charity	
	2015 £m	2014 £m
At 1 January and 31 December	0.1	0.1

### 25. Financial instruments

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Financial assets</b>				
<i>Measured at fair value through the income statement and statement of financial activities</i>	0.1	0.1	0.1	0.1
<i>That are equity instruments measured at cost less impairment</i>	0.1	0.1	21.0	15.8
<i>That are debt instruments measured at amortised cost</i>	54.4	64.4	55.6	70.3
<b>Financial liabilities</b>				
<i>Measured at fair value through the income statement and statement of financial activities</i>	1.0	1.1	1.0	1.1
<i>Measured at amortised cost</i>	340.0	353.1	359.8	342.6



## 26. Analysis of net assets between funds

The Group and Charity's assets and liabilities are all unrestricted except for £0.1 million (2014 – £0.1 million) of investments that are a permanent endowment and there are restricted funds comprising cash of £0.8 million (2014 – £0.8 million). The Group's unrestricted funds amount to £101.0 million (2014 – £79.3 million) and £100.2 million (2014 – £84.0 million) for the Charity.

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

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

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

	Group	
	2015 £m	2014 £m
<b>Total operating surplus</b>	<b>12.5</b>	<b>19.4</b>
<i>Exceptional items in operating surplus (note 5)</i>	<b>11.4</b>	(2.2)
<i>Depreciation and amortisation</i>	<b>62.4</b>	63.7
<b>Earnings before interest, tax, depreciation, amortisation, exceptional items and non-cash elements of post retirement benefits</b>	<b>86.3</b>	80.9
<i>(Increase) in stocks</i>	<b>(0.6)</b>	(0.1)
<i>(Increase) in debtors</i>	<b>(2.5)</b>	(4.3)
<i>Increase/(decrease) in creditors</i>	<b>7.1</b>	13.6
<i>(Decrease)/increase in provisions</i>	<b>(2.6)</b>	0.1
<b>Total cash flow from operations</b>	<b>87.7</b>	90.2
<i>Post retirement benefits – additional cash payments</i>	<b>(7.5)</b>	(7.4)
<b>Cash generated from operating activities before exceptional items</b>	<b>80.2</b>	82.8
<b>Exceptional cash outflow from operations</b>		
<i>Exceptional items in operating surplus (note 5)</i>	<b>(11.4)</b>	2.2
<i>Depreciation and amortisation</i>	<b>7.3</b>	(1.9)
<i>Increase/(decrease) in creditors</i>	<b>2.2</b>	(1.7)
<b>Total cash outflow from operating activities</b>	<b>(1.9)</b>	(1.4)

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 28. Cash flows from investing activities

	Group	
	2015 £m	2014 £m
Interest receivable	–	0.1
Receipts from sale of tangible fixed assets and computer software		
Before exceptional items	0.4	1.6
Exceptional	–	0.8
Receipt from sale of subsidiary (note 29)	2.8	4.0
Purchase of tangible fixed assets and computer software	(86.2)	(75.5)
Payment to acquire businesses and subsidiary undertakings (note 30)	(8.0)	(0.5)
	<b>(91.0)</b>	<b>(69.5)</b>

### 29. Receipt from sale of subsidiary

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

### 30. Payments to acquire businesses and subsidiary undertakings

The cash outflow in the year comprises:

	Group £m
Purchase of The Health Club Collection Ltd	(6.1)
Deferred consideration for business purchased in prior years	(1.9)
	<b>(8.0)</b>

#### The Health Club Collection Ltd

The Charity purchased 100 per cent of the voting equity instruments of The Health Club Collection Ltd (renamed MSCP Holdings Limited) on 2 June 2015 and hived up the trade and assets to the Charity on 1 July 2015.

The net assets and provisional fair value of the assets and liabilities arising from the acquisition of The Health Club Collection Ltd are:

	Fair value to the Group £m
Tangible fixed assets	2.7
Debtors	1.4
Creditors: amounts falling due within one year	(1.0)
Net assets purchased	3.1
Consideration	
Cash	6.1
Cancellation of loan owed from fellow subsidiaries that were not acquired	1.0
<b>Goodwill on acquisition of The Health Club Collection Ltd</b>	<b>4.0</b>

The useful life of the goodwill is five years.

### Businesses purchased in 2014

The fair value of the nine fitness and wellbeing gyms purchased in 2014 were finalised in 2015 with the result the value of tangible fixed assets increased by £5.1 million following a valuation of the leasehold improvements, which results in reduction in goodwill by the same amount.

## 31. Cash flows from financing activities

	Group	
	2015 £m	2014 £m
<i>Interest paid</i>	<b>(12.9)</b>	(12.0)
<i>Interest rate derivative buy out or resetting costs</i>	–	(15.1)
<i>Interest element of finance leases and hire purchase agreements</i>	<b>(0.3)</b>	(0.5)
<i>Payment of fees for new bank loans</i>	–	(3.4)
<i>Receipt from new bank loans</i>	<b>14.0</b>	–
<i>Receipt from issue of secured loan notes</i>	–	100.0
<i>Receipt from new other loans</i>	–	1.0
<i>Repayment of bank loans</i>	–	(77.5)
<i>Repayment of other loans</i>	<b>(0.8)</b>	(0.3)
<i>Repayment of capital element of finance leases and hire purchase agreements</i>	<b>(2.8)</b>	(3.0)
	<b>(2.8)</b>	(10.8)

## 32. Analysis of net debt

	Group			
	At 1 Jan £m	Cash flow £m	Non-cash changes £m	At 31 Dec £m
<i>Cash at bank and in hand (note 33)</i>	13.8	(10.5)	–	3.3
<i>Bank overdraft (note 19)</i>	–	(5.0)	–	(5.0)
<i>Bank loans due after more than one year (note 20)</i>	(137.0)	(14.0)	–	(151.0)
<i>Bank loans due within one year (note 19)</i>	(0.5)	0.5	–	–
<i>Other loans due within one year (note 19)</i>	(0.3)	0.3	–	–
<i>Secured loan notes due after more than one year (note 20)</i>	(100.0)	–	–	(100.0)
<i>Stakeholder bond due after more than one year (note 20)</i>	(18.7)	–	–	(18.7)
<i>Finance leases due within one year (note 19)</i>	(3.0)	2.8	(1.7)	(1.9)
<i>Finance leases due after more than one year (note 20)</i>	(2.8)	–	1.5	(1.3)
	<b>(248.5)</b>	<b>(25.9)</b>	<b>(0.2)</b>	<b>(274.6)</b>

The non-cash changes include finance lease arrangements entered into by the Group in respect of assets with a capital value at the inception of the lease of £0.2 million.

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 33. Cash and cash equivalents

	Group	
	2015 £m	2014 £m
Cash at bank and in hand	3.3	13.8
Overdraft	(5.0)	–
	(1.7)	13.8

### 34. Capital commitments

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
Contracted for but not provided in these financial statements	7.8	21.7	7.8	21.5

### 35. Obligations under leases and hire purchase contracts

	Group		Charity	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Future minimum rentals under non-cancellable operating leases:</b>				
<b>Land and buildings</b>				
Less than 1 year	35.2	34.4	35.4	34.6
Between 1 and 5 years	139.5	136.5	140.4	137.6
After 5 years	438.3	468.8	439.5	469.9
	613.0	639.7	615.3	642.1
<b>Other</b>				
Less than 1 year	0.5	0.8	0.5	0.8
Between 1 and 5 years	0.2	0.8	0.2	0.8
	0.7	1.6	0.7	1.6
<b>Future minimum payments due under finance leases and hire purchase agreements:</b>				
Less than 1 year	2.0	3.2	2.0	3.2
Between 1 and 5 years	1.4	3.0	1.4	3.0
	3.4	6.2	3.4	6.2

### 36. Contingent liabilities

The Charity has guaranteed the bank overdraft of Healthcode Ltd, its unlisted investment, to a value of £0.1 million (2014 – £0.1 million).

### 37. Related party transactions

Trustees and executive managers are considered to be key management personnel. Total remuneration of these individuals £4.5 million (2014 – £3.4 million).

The Charity has no other related party transactions in 2015, other than with wholly owned undertakings, and is using the exemption allowed by FRS 102 not to disclose transactions with wholly owned undertakings.

### 38. Post balance sheet event

As commented in note 8 the Charity and the Trustees of the Nuffield Health Pension and Life Assurance Scheme (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 sold to Nuffield Health Scottish Limited Partnership, with both parties being limited partners and the general partner is Nuffield Health (General Partner) Limited, a wholly owned subsidiary of Nuffield Health. The sale proceed is £91.2 million. The Trustees of the Scheme will take control of the general partner and therefore the freehold hospital should Nuffield Health become insolvent.

This transaction will have no effect on the consolidated financial statements as Nuffield Health Scottish Limited Partner is a wholly owned subsidiary of the Charity, through the Charity's 100 per cent control of the general partner under normal conditions.

At the point of transaction we estimate the Charity's financial statements will show an increase in borrowing of £77.1 million and recognition of an asset of similar value.

This is a non-adjusting post balance sheet event because the transactions happened in 2016 and did not relate to conditions that existed at the end of 2015.

# Notes to the financial statements

## for the year ended 31 December 2015 – continued

### 39. Transition to SORP (FRS 102) and FRS 102

The Group and Charity have adopted SORP (FRS 102) and FRS 102 for the year ended 31 December 2015 and restated the comparative prior year amounts.

The impact of the transition follows.

Explanation	Group		Charity	
	31 Dec 2014 £m	1 Jan 2014 £m	31 Dec 2014 £m	1 Jan 2014 £m
<b>Reconciliation of funds</b>				
<i>Previously stated total funds</i>	95.8	117.6	100.5	127.7
<i>Interest rate derivatives</i> (a)	(14.8)	(18.1)	(14.8)	(18.1)
<i>Holiday pay accrual</i> (b)	(0.8)	(0.8)	(0.8)	(0.8)
<i>Reclassification of computer software</i> (c)	–	–	–	–
<i>Net interest on defined benefit post retirement benefits</i> (d)	–	–	–	–
<b>Restated total funds</b>	<b>80.2</b>	<b>98.7</b>	<b>84.9</b>	<b>108.8</b>
				Group 2014 £m
<b>Reconciliation of net income/surplus after tax for the financial year</b>				
<i>Previously stated net income/surplus after tax for the financial year</i>				2.8
<i>Interest rate derivatives</i> (a)				3.3
<i>Holiday pay accrual</i> (b)				–
<i>Reclassification of computer software</i> (c)				–
<i>Net interest on defined benefit post retirement benefits</i> (d)				(3.4)
<b>Restated net income/surplus after tax for the financial year</b>				<b>2.7</b>

## Explanations

### (a) Interest rate derivatives

The Group and Charity were not previously required to recognise interest rate derivatives on the balance sheet and the effects of the derivatives were recognised in interest payable within the consolidated statement of financial activities and consolidated income statement.

SORP (FRS 102) and FRS 102 classify these derivatives as 'other financial instruments' and as hedge accounting is not being used the derivatives are brought into the balance sheet at their fair value and any subsequent changes in fair value are expensed or credited to the consolidated statement of financial activities and consolidated income statement.

The interest rate swaps in use at 1 January 2014 were not previously carried on the balance sheet. During September 2014 the Group settled about half of the outstanding swaps and reset the terms of the remaining swaps, as part of a wider refinancing exercise undertaken at that time. The costs incurred in settling and resetting the swaps totalled £15.1 million. In the prior year financial statements, and in compliance with previous GAAP, these 'break costs' were treated as an incidental transaction cost related to the refinancing exercise and, as such, the Group applied a policy of capitalising the break costs initially and subsequently amortising them to the income statement as a finance expense over the term of the related loans. As at 31 December 2014, £1.4 million had been charged as a finance expense and £13.7 million remained on the balance sheet, offsetting against the related loan liability. In applying the requirements of FRS 102, the Group needed to make transitional adjustments as follows: (1) to recognise the fair value of the swaps as at 1 January 2014 (a liability of £18.1 million) and as at 31 December 2014 (a liability of £1.1 million); and (2) to expense the carrying amount of the break costs previously capitalised (£13.7 million).

The combined effect of (1) and (2) above was to reduce Group funds as previously stated at 1 January 2014 by £18.1 million, and by £14.8m as previously stated at 31 December 2014 (£14.8 million reduction comprising the £1.1 million fair value liability of swaps at 31 December 2014, plus £13.7 million expensed in respect of the previously capitalised break costs). Additionally, owing to the combined effect of (1) and (2) above, the net surplus for the year ended 31 December 2014 as previously stated increased by £3.3 million. This was as a result of the movement in the fair value of the swaps between 1 January 2014 and 31 December 2014 (a credit to the income statement of £17.0 million) less the expensing of previously capitalised break fees (£13.7 million charge to the income statement).

### (b) Holiday pay accrual

Prior to the adoption of SORP (FRS 102) and FRS 102 the Group accrued holiday that was earned but not taken or paid at the year end for bank workers. Following the adoption of SORP (FRS 102) and FRS 102 an accrual was made for all workers. There was no impact on the 2014 consolidated statement of financial activities and consolidated income statement.

### (c) Reclassification of computer software

Computer software was included within equipment and motor vehicles in tangible fixed assets in the 2014 Report and Financial Statements. As computer software is not a tangible FRS 102 requires it to be included in intangible fixed assets when it meets the definition of a fixed asset.

The reclassification has no impact on the net funds of the Charity or Group or their net income/surplus after tax for the financial year.

The reclassification results in:

- an increase in the intangible fixed assets at the end of 2014 by £22.2 million with a compensatory reduction in tangible fixed assets; and
- amortisation increase in 2014 of normal charge £3.2 million, loss on disposal of £0.2 million and the exceptional charge on changing life of some digital assets £0.6 million with the same reduction in depreciation.

### (d) Net interest on defined benefit post retirement benefits

Under the previous United Kingdom generally accepted accounting practice the return on plan assets was calculated using an expected asset rate. SORP (FRS 102) and FRS 102 interest on the assets is calculated by multiplying the assets by the discount rate, which is based on the yield curve of high quality corporate bonds. The latter rate was lower than the former and therefore there is an increase in net interest payable of £3.4 million. There is no effect on the scheme liability as it was offset by a reduction in actuarial losses on defined benefit retirement schemes of £3.4 million.

### First time adopter exemptions

In accordance with FRS 102 paragraph 35.10, the Group has opted to take advantage of the exemption to elect not to apply section 19 Business Combinations and Goodwill to business combinations that were effective before the date of transition to FRS 102 and has not applied paragraphs 20.15A to lease incentives on leases commenced before the transition date.

# Appendices\*

## Appendix 1

### NHS quality account prescribed information 2015/16

#### Introduction to core NHS quality account indicators

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

This is the third year that Nuffield Health has presented NHS core quality account indicators. The information provided below is the format prescribed by NHS England for 2015/16 for the indicators that are most relevant to the services provided by Nuffield Health hospitals.

In 2015/16, Nuffield Health carried out 50,000 procedures (to the nearest thousand) for NHS funded patients. This represented 27 per cent of all relevant activity.

#### NHS England prescribed information

#### Nuffield Health statement

The data made available to the provider with regard to:

- (a) The value and banding of the Summary Hospital-level Mortality Indicator (SHMI) for the trust for the reporting period; and
- (b) The percentage of patient deaths with palliative care coded at either diagnosis or specialty level for the trust for the reporting period.

Nuffield Health is an independent sector provider and is currently not eligible to submit to the Trust SHMI indicator. All deaths (either Nuffield Health in-hospital or within 30 days of discharge [where known]) are reported to the CQC and therefore the number reported below will include patients who died in NHS Trusts and will be recorded in those SHMI results:

- 4 NHS patients died within 30 days of treatment in the reporting period (a rate of 0.008 per cent) and all were reported to the CQC
- Following analysis no trends were identified in the type of procedure undertaken or the provision of treatment or care
- Palliative care is not applicable as no NHS patients were referred by NHS for palliative care in 2015/16

Nuffield Health considers that this data is as described for the following reasons; people are protected from avoidable harm and cared for in a safe environment.

Nuffield Health intends to take the following action, to improve this number and so the quality of its services, by; continuing to conduct a root cause analysis of each unexpected death and to review them through the quality governance process in order to identify any trends and respond to them if identified.

\*The appendices are not audited by Grant Thornton UK LLP

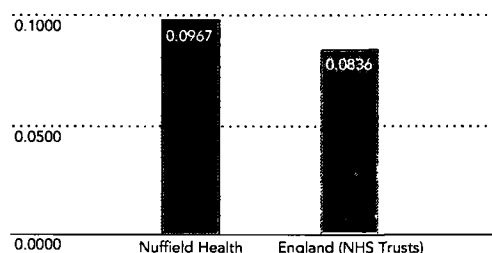


## NHS England prescribed information

The data made available with regard to the provider's patient reported outcome measures (PROMs) score, during the reporting period, for (i) groin hernia surgery:

### PROMs – Groin hernia repair adjusted health gain (EQ-5D index)

case mix adjusted health gain  
0.1500

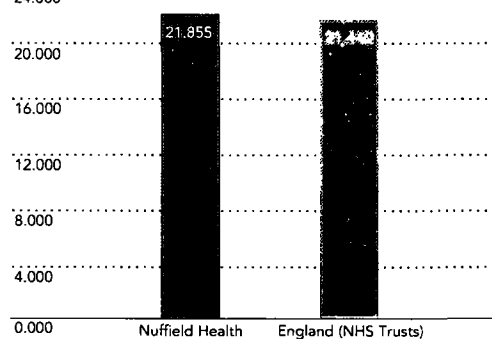


The data made available with regard to the provider's patient reported outcome measures score, during the reporting period, for (ii) varicose vein surgery.

The data made available with regard to the provider's patient reported outcome measures score, during the reporting period, for (iii) hip replacement surgery:

### PROMs – Hip replacement adjusted health gain (Oxford Hip score)

case mix adjusted health gain  
24.000



## Nuffield Health statement

Nuffield Health NHS PROMs score for:

- Groin hernia surgery is 0.097 (EQ-5D adjusted average health gain where higher score is better)

Nuffield Health considers that this data is as described for the following reasons; because we continue to help people recover from episodes of ill health by application of clinical good practice, delivered by well trained staff in a clinically safe environment.

Nuffield Health intends to take the following actions to improve the score, and so the quality of its services, by; the continual improvement of clinical practice and by engaging with patients in new ways to improve the percentage of patients responding to groin hernia repair PROMs.

Nuffield Health PROMs score for:

- Varicose vein surgery is not applicable as there is insufficient NHS activity in Nuffield Health to derive results

Nuffield Health PROMs scores for:

- Hip replacement surgery is 21.86 (Oxford Hip score adjusted average health gain where higher score is better)

Nuffield Health considers that this data is as described for the following reasons; because we continue to help people recover from episodes of ill health by application of clinical good practice, delivered by well trained staff in a clinically safe environment.

Nuffield Health intends to take the following actions to improve the score, and so the quality of its services, by; the continual improvement of clinical practice and by engaging with patients in new ways to improve the percentage of patients responding to hip replacement PROMs.

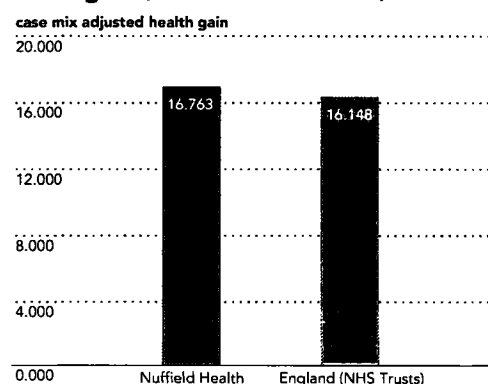
# Appendices

## – continued

### NHS England prescribed information

The data made available with regard to the provider's patient reported outcome measures score, during the reporting period, for (iv) knee replacement surgery:

#### PROMs – Knee replacement adjusted health gain (Oxford Knee score)



The data made available to the provider with regard to the percentage of patients readmitted to a hospital which forms part of the provider within 28 days of being discharged from a hospital which forms part of the provider, during the reporting period, for patients aged:

- (i) 0 to 15; and
- (ii) 16 or over

### Nuffield Health statement

Nuffield Health PROMs score for:

- Knee replacement surgery is 16.76 (Oxford Knee score adjusted average health gain where higher score is better)

Nuffield Health considers that this data is as described for the following reasons; because we continue to help people recover from episodes of ill health by application of clinical good practice, delivered by well trained staff in a clinically safe environment.

Nuffield Health intends to take the following actions to improve the score, and so the quality of its services, by; the continual improvement clinical practice and by engaging with patients in new ways to improve the percentage of patients responding to knee replacement PROMs.

The percentage of NHS patients readmitted to a Nuffield Health hospital within 28 days of being discharged from a Nuffield Health hospital for the reporting period was:

- 0 to 15 – not applicable
- 16 or over – 0.16 per cent

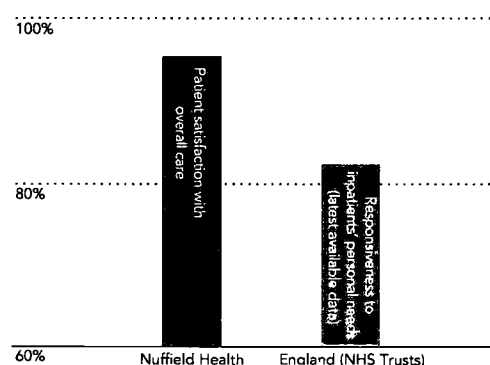
Nuffield Health considers that this data is as described for the following reasons; the readmission to hospital within 28 days to a Nuffield Health hospital is very low because people are effectively helped to recover from episodes of ill health or following injury.

Nuffield Health intends to take the following action to improve the number, and so the quality of services, by; standardising and improving the pre-assessment process, risk assessments and discharge process and by reviewing any trends in reasons why patients are readmitted (including to another hospital) and ensuring that lessons learned are embedded across Nuffield Health.

## NHS England prescribed information

The data made available to the provider with regard to the provider's responsiveness to the personal needs of its patients during the reporting period.

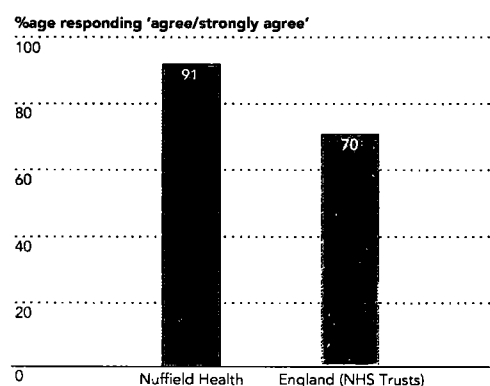
### Patient satisfaction measures 2015-16



### Friends and Family Test – Staff:

The data made available to the provider with regard to the percentage of staff employed by, or under contract to, the provider during the reporting period who would recommend the provider to their family or friends.

### Staff friends and family test outcomes 2014-15



## Nuffield Health statement

Nuffield Health's Patient Satisfaction Survey (PSS) is provided to all in-patients (NHS and private) and measures the responsiveness to the personal needs of our patients. The score was:

- 95.3 per cent for satisfaction with overall care for the reporting period

Nuffield Health considers that this data is as described for the following reasons; Nuffield Health continues to provide people with a positive experience of care.

Nuffield Health intends to take the following action to maintain (or where required) improve this percentage, and so the quality of its services, by; continually listening to patients and striving to exceed their expectations and by ensuring that lessons learned from complaints and poor experiences of in-patient care (as defined in NHS toolkit) are embedded across Nuffield Health.

Nuffield Health undertook a staff survey in 2015/16 which included an approved Friends and Family Test (FFT) question

- Nuffield Health staff FFT = 91 per cent

Nuffield Health considers that this data is as described for the following reasons; Nuffield Health continues to provide people with a positive experience of care and the staff are fully engaged in continually improving care and are willing to recommend to their friends and family.

Nuffield Health intends to take the following actions to improve this score, and so the quality of its services, by; continually improving the well-led aspects of care including brand leadership and launching a new development programme for registered managers to ensure the values and beliefs are fully embedded with all those engaged in delivering care to our patients.

# Appendices

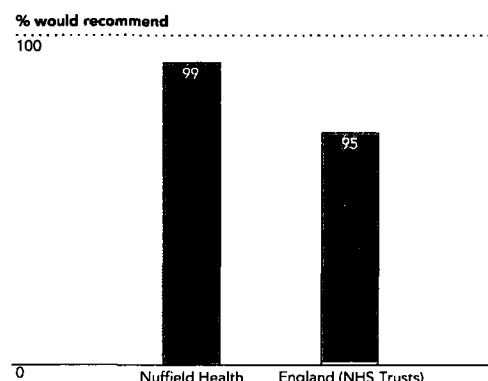
## – continued

### NHS England prescribed information

#### Friends and Family Test – Patient:

The data made available to the provider for all acute providers of adult NHS funded care, covering services for inpatients and patients discharged from Accident and Emergency (types 1 and 2).

#### Patients' friends and family test outcomes 2014-15



The data made available to the provider with regard to the percentage of patients who were admitted to hospital and who were risk assessed for venous thromboembolism (VTE) during the reporting period.

The data made available to the provider with regard to the rate per 100,000 bed days of cases of *Clostridium difficile* infection reported within the provider amongst patients aged 2 or over during the reporting period.

### Nuffield Health statement

Nuffield Health has a specific patient Friends and Family Test that is consistent with the questions asked of all NHS patients. At the end of the 2015/16 reporting period (March 2016):

- Nuffield Health patient FFT = 99 per cent (inpatients only as no A&E services provided) would recommend

Nuffield Health considers that this data is as described for the following reasons; Nuffield Health continues to provide people with a positive experience of care that they are willing to recommend to their friends and family.

Nuffield Health intends to take the following action to improve this score, and so the quality of its services, by; continual improvement of the leadership programmes.

Nuffield Health undertook VTE risk assessments on:

- 99.2 per cent of patients admitted to hospital during the reporting period

Nuffield Health considers that this data is as described for the following reasons; Nuffield Health treat and care for people in a safe environment and protect them from avoidable harm.

Nuffield Health intends to take the following actions to improve this percentage, and so the quality of its services, by; continuing to audit documentation and with external verification through the Quality Assurance Review (QAR) peer to peer audit process.

Nuffield Health rate of cases of *Clostridium difficile* infection is:

- 2.01 per 100,000 bed days

Nuffield Health considers that this data is as described for the following reasons; Nuffield Health treats and cares for people in a safe environment and protects them from avoidable harm by having high standards of infection prevention and control, including using single patient bedrooms.

Nuffield Health intends to take the following actions to improve this rate, and so the quality of its services, by; continual improvement of our already high standards of infection prevention including the development of a cleaning skills course at our Academy-the 'Cleanliness Passport' for housekeepers and Healthcare Assistants (HCAs).

## NHS England prescribed information

The data made available to the provider with regard to the number and, where available, rate of patient safety incidents reported within the provider during the reporting period, and the number and percentage of such patient safety incidents that resulted in severe harm or death.

## Nuffield Health statement

Nuffield Health had the following patient safety incidents relating to NHS patients during the reporting period:

- Number of all patient safety incidents = 2,255
- Rate (percentage of episodes) = 4.56 per cent
- Number resulting in severe harm/death = 4
- Rate (percentage severe harm/death) = 0.01 per cent

Nuffield Health considers that this data is as described for the following reasons; Nuffield Health treats and cares for people in a safe environment and protects them from avoidable harm, including following good practice guidance such as World Health Organisation (WHO) safety checklist and being open and honest when things do go wrong (Duty of Candour).

Nuffield Health intends to take the following actions to improve these measures, and so the quality of its services, by; continual improvement in patient safety including standardising processes, working to embed the principals enshrined in the National Safety Standards for Invasive Procedures (NatSSIPs), and striving to ensure that learning from safety incidents is embedded in hospitals and conducting a peer to peer QAR of every hospital operating theatre department using the Association for Perioperative Practitioners audit standards.

# Appendices

– continued

## Appendix 2

### Internal and external audit

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

Infection Prevention EAG

Radiology EAG

Pathology EAG

Medicines Management EAG

Information and Risk EAG

Children's Services & Safeguarding EAG

Decontamination EAG

Annual Radiation Protection EAG

Primary Care Nursing EAG

Health Assessment & Primary Care Doctor EAG

Physiotherapy EAG

Occupational Health EAG

Fitness & Nutrition EAG

Physiology & Clinical Wellbeing EAG

Health & Safety EAG

## Appendix 3

### External Advisors

Nuffield Health is grateful for the support of the following external advisors who are subject matter experts and advise and/or attend the relevant committees and forums.

<b>Dr Ishmail Badr</b>	<i>Physicist, Radiation Protection and Laser Protection Advisor</i>
<b>Mr Ian Clements</b>	<i>Managing Director (Quadriga), Health &amp; Safety Advisor</i>
<b>Dr Matthew Dryden</b>	<i>Consultant Microbiologist, Infection Prevention &amp; Control Advisor</i>
<b>Dr Alban Killingback</b>	<i>Physicist, Ultrasound Advisor</i>
<b>Professor Iain Lyburn</b>	<i>Consultant Radiologist &amp; Radiology Advisor</i>
<b>Dr Rak Nandwani</b>	<i>Consultant, Genitourinary Medicine, Sexual Health Advisor</i>
<b>Dr Hafiz Qureshi</b>	<i>Consultant Haematologist, Blood Transfusion Advisor</i>
<b>Dr Marc Rea</b>	<i>Physicist, Magnetic Resonance Imaging Safety Advisor</i>
<b>Mr Tom Hall</b>	<i>HSSU External Advisor, Authorised Engineer (Decontamination) (AE(D))</i>
<b>Dr Tim Boswell</b>	<i>Theatre Advisor</i>
<b>Dr Mike Weinbren</b>	<i>Water Safety Advisor</i>

## Appendix 4

### Regulatory frameworks

Regulators of health and care professionals, products and services:

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

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

- **The Radiological Protection Centre (RPC)** continues to independently assure that Nuffield Health uses ionising and non-ionising radiation safely in order to protect the wellbeing and safety of patients and staff.
- All Nuffield Health pathology facilities are accredited by **Clinical Pathology Accreditation (CPA)** and are also all compliant with **Blood Safety Quality Regulations (BSQR)**.
- All six HSSUs 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.

# Professional advisors

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## External auditor

### **Grant Thornton UK LLP**

Grant Thornton House  
22 Melton Street  
Euston Square  
London NW1 2EA

## Internal auditor

### **Deloitte LLP**

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1 Stonecutter Street  
London EC4A 4TR

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## Solicitors

### **CMS Cameron McKenna**

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160 Aldersgate Street  
London EC1A 4DD

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## Bankers

### **Barclays Bank Plc**

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# Glossary of terms

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

# Contact and registered office details

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