

Royal Brompton & Harefield NHS Foundation Trust

Annual Report and Accounts 2018/19

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of the National Health Service Act 2006**

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1. Performance Report

1.1 Overview of Performance

As a public benefit corporation, Royal Brompton & Harefield NHS Foundation Trust has been an independent legal entity since 1 June 2009. The powers of the Trust are set out in the National Health Service Act 2006, as amended by the Health and Social Care Act 2012. The Trust governance arrangements are set out in the Constitution of Royal Brompton & Harefield NHS Foundation Trust and include the Trust's membership, the Council of Governors and the Board of Directors.

Royal Brompton & Harefield NHS Foundation Trust is a partnership of two specialist heart and lung hospitals, Royal Brompton Hospital in Chelsea, London and Harefield Hospital near Uxbridge. We are a national centre, the largest specialist heart and lung centre in the country and among the largest in Europe, as such our patients come from all over the UK (and beyond). The nature of the diseases and conditions we treat means many are with us for a lifetime of specialist care, and we are proud of the life-changing and life-saving treatments that our dedicated clinical teams provide.

Our integrated approach to caring for patients, adults and children, has been replicated around the world and has gained the Trust an international reputation as a leader in heart and lung diagnosis, treatment and research.

In common with other specialist trusts, we treat patients with rare and complex conditions and our clinical teams are skilled in the development and early adoption of new therapies and techniques. We are at the forefront of innovation in healthcare and are often responsible for breakthroughs in treatments, which are then adopted by the NHS and elsewhere.

The following pages constitute the Annual Report of Royal Brompton & Harefield NHS Foundation Trust for the period 1 April 2018 to 31 March 2019, its ninth full year as a Foundation Trust. The information contained in this Report is presented and prepared in accordance with the requirements set out by NHS Improvement in the *NHS Foundation Trust Annual Reporting Manual 2018/19*.

Summary of overall performance

The Trust is committed to the provision of high-quality services for patients of all ages. During 2018/19 the Trust cared for more than 210,000 patients at our outpatient clinics and nearly 40,000 patients of all ages on our wards.

NHS Improvement has continued to keep the Trust in Segment 2 under its Single Oversight Framework (SOF). More information about performance against the SOF indicators can be found in section 2.5 of this Annual Report.

The financial outcome for the year was a deficit of £31.7m (after a revaluation loss of £7.6m and Sustainability and Transformation Funding of £10.8m).

Joint Statement from the Chair and Chief Executive

Our Trust continues to deliver high standards of care to our patients. We are proud of our work, and above all, of the quality, compassion and commitment of our staff. We are not complacent and always seek ways to become better.

2018/19 has been the first year of delivery of the plans developed in 2017/18 by the Trustwide 'Darwin' programme to transform the productivity and efficiency of our clinical services while continuing to provide uninterrupted, high quality care for patients. An important area of focus has been on reducing the length of stay and getting patients back to their homes and families sooner: at Harefield, more than 50% of patients are being admitted on the day of their surgery, rather than arriving the night before, resulting in 620 fewer nights spent in hospital. At Royal Brompton, 49% of our cardiology patients now have an invasive procedure, recover in a comfortable chair and go home the same day. In the Lung division, new interstitial lung patients no longer need to attend multiple clinics or stay for three nights as inpatients to be tested, diagnosed and given an initial treatment plan: instead all their tests and their outpatient appointment with the consultant lung physician are scheduled into a single day. These and many other initiatives have been welcomed enthusiastically by patients. We will seek to build on these successes in 2019/20 towards further 'stretch' productivity targets, through which a long-term fully sustainable financial and operational platform for the Trust can be achieved.

In June 2018, we welcomed an inspection of all our three sites by our regulator, the Care Quality Commission (CQC), who followed this up in November 2018 with a further visit focused on the 'Well-Led' domain of their assessment framework. The CQC published their report in February 2019, in which they awarded the Trust an overall rating of Good. Surgical services at Harefield and medical services at Royal Brompton were rated Outstanding, with all other core services rated as Good. The teams at Harefield were commended for their approach to a number of issues around safety, culture and innovation, and recognised for new ways of working that have been introduced as part of the Darwin programme. 'Outstanding practice' was also identified in Critical Care and Paediatrics at Royal Brompton. The CQC inspection took place as the flu season was beginning, and as work on our collaboration with King's Health Partners approached some tight deadlines. Despite these competing demands, it was clear to the CQC that we are an organisation that steadfastly prioritises the delivery of the best possible specialist care for patients.

In our last Annual Report, we described the far-reaching potential of our key strategic ambition: the emerging collaboration with King's Health Partners (KHP) as a globally significant network in cardiovascular and respiratory care and research. Since approval by the Trust Board of the initial Feasibility Study in May 2018, work has continued in 2018/19 to set out in more detail what our Partnership will seek to deliver to patients – namely becoming the largest co-ordinated system of life-long heart and lung care in the UK. The partners will bring together a new, leading specialist centre for patients of all ages, tailored to individual patient needs, treating the most difficult of conditions and with unique training and research facilities. Although the Partnership is still in its infancy, we have already begun to engage patients, their families and representatives, members of the public and statutory bodies in helping to shape the proposals: so far there has been widespread enthusiasm for our ambitions. During 2019 we will seek approval for our strategic business case and monitor NHS England's public consultation on our ideas. We will also make progress in starting to deliver joint services, bringing colleagues together to work as single teams across hospital sites, where pooling our resources will bring benefits to patient care, training and research.

Recognising that it could be some time before the partnership is finalised, we continue to invest in the provision of leading-edge services at our hospitals. Having secured planning permission in 2017/18, over the past 12 months we have been planning in detail the construction of an Imaging Centre at Royal Brompton. This building will contain three MRI scanners, a high-end CT scanner, a fluoroscopic bronchoscopy suite and ten echocardiography rooms. Centralising imaging in this way will not only enable further minor developments and improvements elsewhere in the hospital but will significantly improve

patients' experience on many of our diagnostic and follow-up outpatient and daycase pathways. We have been working under the NHS's P22 construction procurement framework with our construction partner Kier towards finalising a Guaranteed Maximum Price (GMP) for the whole programme in early June, as well as a comprehensive set of detailed designs for all four floors of the building and its linkages to Sydney, Britten and Chelsea Wings. We have already begun to decant areas of the hospital directly affected by the programme, and we anticipate that the building will be ready for use in spring 2021. Meanwhile at Harefield the Imaging Centre, Juniper Ward, the Private Patients outpatients' facility and the six-bed extension to the ICU have enjoyed their first full year of use. The MRI suite in particular has seen significant activity growth from an expanding inherited cardiac conditions service, and from now being able to scan high risk patients from other hospitals as well as offering a one stop scanning service for patients with pacemakers.

The medical education and simulation directorate received a visit in the autumn of 2018 from Health Education England (HEE) to assess cardiology and core medical training programmes at both sites. The HEE team provided positive feedback across all posts: a recommendation to improve training for cardiology trainees at Royal Brompton Hospital has already been actioned via a 'task and finish' group. HEE have also provided c.£250k in grant income for various projects, including two aimed at helping doctors taking a break from clinical training to feel supported when out of their programme and appropriately upskilled and mentored on return. Leadership development has been focusing on simulation, formation of leadership development groups and extended learning opportunities through lunchtime seminars, action learning sets and peer learning, coaching and mentoring. Simulation funding bids coordinated through our Simulation Centre have funded multi-professional learning in non-invasive ventilation and airway skills, carer support for patients with long-term tracheostomies, and faculty development for regional simulation programmes at basic, intermediate and advanced level. The library and knowledge service continued to work at a local and national level with the HEE services as well as with local libraries in Kensington and Chelsea and Hillingdon, holding health literacy events and extending lending schemes to patients of the hospitals as an exchange of learning opportunities.

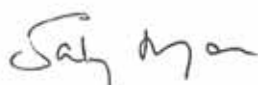
Our workforce is our organisation. Over three-quarters of our staff would recommend our Trust as a place to work and we continue to attract talent from all over the world. This year we have developed a number of programmes to improve the experience of our employees at the Trust. In Organisational Development and Learning we have invested in a new learning platform and created a state-of-the-art learning environment that will be the foundation for all learning at the Trust for a generation. Although we see relatively low sickness absence at the Trust, we have started a long-term programme to drive staff health and well-being. We continue to encourage staff to speak up when there are issues in the workplace. As part of a programme around our values and how we behave at work, we have invested in a Trust mediation service for the early and positive resolution of grievances and allegations of bullying. This will continue to be a focus for us as our culture evolves and our workforce develops.

We continue to deliver safe and compassionate services to our patients, service users, carers and volunteers thanks to the dedication and commitment of our staff.



Robert J Bell
Chief Executive

23 May 2019



Baroness (Sally) Morgan of Huyton
Chair

23 May 2019

For queries regarding this Annual Report please contact the Trust Secretary, Royal Brompton & Harefield NHS Foundation Trust, Sydney Street, London SW3 6NP 0207 349 7713 www.rbht.nhs.uk

Our Vision and Values

Our vision is to be the UK's leading specialist centre for heart and lung disease, developing services through research and clinical practice to improve the health of people across the world.

The Trust will achieve this vision by:

- improving patient safety and satisfaction
- providing world class specialist treatments that others cannot offer
- bringing innovation to clinical practice through our research partnerships
- attracting, developing and retaining world-class clinical leaders
- investing in services, technologies and facilities to support new service models at both sites.

We are supported in this by active patient and community groups who enthusiastically encourage and challenge us to deliver our goals.

Our Values

At the heart of any organisation are its values; belief systems that are reflected in thought and behaviour. When values are successfully integrated throughout an organisation, the result is a shared outlook and consequent strength, from performance through the style of communications to the behaviour of employees.

Our three-core patient facing values are:

We care

We believe our patients deserve the best possible treatment for their heart and lung condition in a clean, safe place.

We respect

We believe that patients should be treated with respect, dignity and courtesy and that they should be well informed and involved in decisions about their care. We always have time to listen.

We are inclusive

We believe in making sure our specialist services can be used by everyone who needs them, and we will act on any comments and suggestions which can help us improve the care we offer.

And the following values support us in achieving them:

We believe in our staff

We believe our staff should feel valued and proud of their work and know that we will attract and keep the best people by understanding and supporting them.

We are responsible

We believe in being open about where our money goes, and in making our hospitals environmentally sustainable.

We discover

We believe it is our duty to find and develop new treatments for heart and lung disease, both for today's patients and for future generations.

We share our knowledge

We believe in sharing what we know through teaching so that what we learn can help patients everywhere.

Key issues and risks for the Trust

During 2018/19, the Trust continued to identify a number of issues and risks that could affect the safe and effective delivery of our services. The principal issues addressed in 2018/19 by the Risk & Safety Committee included the Care Quality Commission Inspection, Learning From Deaths and Quality Impact Assessments for Darwin projects. More information can be found in the Committee's report on page 40. The principal issues addressed by the Audit Committee were the Trust as a 'going concern', the impact of the independent revaluation of the Trust's property portfolios, the amount of incentive funding, the adequacy of financial provisions, the assessment of the control environment and the findings by the external auditor regarding the Quality Report. More information can be found in the Committee's report on page 34.

Our Top Trust Risks are listed and covered in greater detail in the Annual Governance Statement (page 78). They include: Management of the Estate, Cyber Risks, Project Implementation and Fraud Risk. The Trust's Audit Committee and Risk and Safety Committee meet regularly to ensure these risks are monitored, mitigated and addressed; their reports are on page 34 onwards. An assessment of our significant risks is discussed annually by our Board. One new major risk was identified during the year, a 'no deal' exit from the European Union.

The Board Assurance Framework is the framework for identification and management of the issues and programmes that are key to achieving the Trust's strategic objectives, and of the strategic risks that might compromise their achievement. The Board Assurance Framework is described in more detail on page 44 and page 78.

Our position in the healthcare market

A growing market

Heart and lung diseases are the world's biggest killers. Demand for treatment is high and increasing, a result of both increased need and national policy initiatives to meet that need. Long-term survival has improved for many diseases and more patients in later years are being seen by our experts. The adoption of new technologies, such as percutaneous valve programme, also makes possible the treatment of patients who may previously have been too unwell for major surgery.

Our international role

The Trust does not operate in a single, local health economy. Patients are referred by NHS colleagues in other parts of the United Kingdom and from other countries, either through government schemes, or as private patients. The size of the patient population served by the Trust creates the opportunity to undertake research projects on a scale that is attractive to global enterprises and academia.

A strong reputation

Our strong reputation, both in the UK and internationally, enables us to maintain and grow our market position, both by developing new interventions and by securing referral patterns through established networks of referring hospitals.

NHS Services

The majority (over 80%) of NHS services provided by the Trust are commissioned by NHS England. The bulk of the remainder is commissioned by Clinical Commissioning Groups (CCGs) which cover the whole population of England. The services commissioned by NHS England, and those commissioned by CCGs, are commissioner-requested services covered by the Trust's NHS Provider Licence issued by NHS Improvement. Only a small proportion of our services are commissioned by NHS Trusts located close to our hospitals.

Private Patients Unit

The Trust's world class private patient business at both Royal Brompton and Harefield hospitals, operates under the brand name 'Royal Brompton and Harefield Hospitals Specialist Care'. The income derived from private practice is used to support NHS services and infrastructure and is reported as part of the overall financial position.

2018/19 continued to be a challenging year for the UK private patient market, particularly the UK private medical insurance sector which saw little growth in subscriptions. The International markets, particularly the Gulf Cooperation Council (GCC) countries, have seen a gradual decline since 2015/16 in Middle East Embassy admissions. This has been driven by referring countries seeking to reduce the numbers of patients treated abroad except for very complex cases and for areas such as oncology which are not well provided for in their home countries.

In addition to external factors the Private Patient revenues were impacted by the departure of two consultants with significant Private Patient caseloads

Whilst these factors put pressure on the Trust's private patient revenues, we still achieved good growth during the year from £38.2m to £41.6m, an increase of 9%. Whilst inpatient activity fell from last year, we saw an increase in the numbers of international patients and a more complex case-mix, including the use of implantable devices.

The Wimpole Street Outpatient and Diagnostic centre had a strong performance both in terms of consultant and diagnostic activity. Whilst the majority of the work continues to be from the Trust's own consultants, external consultants and third-party diagnostic referrals continue to play an important part of the Centre's business. This financial year we saw 13% of consultations being held by honorary consultants and 15% of the diagnostics performed being referred by third party referrers or honorary consultants.

The new facilities and services at Harefield Hospital, opened in October 2017 have had a positive impact on the Private Patient revenues, attracting complex heart and lung patients from the GCC and central London.

Research and Development

Research plays a vital role in the Trust's mission to provide the best possible specialist care for patients in the NHS and beyond.

During 2018/19, there was a decrease in research income by £1m to £6.2m compared with 2017/18. This was partly due to a decrease of almost £700k in Research Capability Funding from NIHR.

The NIHR Respiratory Clinical Research Facility has been fully staffed and has been able to support a large number of commercial and non-commercial research projects. Over 2,100 patients were recruited into NIHR portfolio research, a 30% increase compared to last year (1,638 patients). In addition, patients consented to donate their tissue for retention within the Trust's three ethically approved Biobanks, with many more participating in the full range of our research endeavours. The Trust was part of the West London NHS Genomic Medicine Centre which ended during the year and in total 173 Trust patients agreed to take part in the National 100k Genome project for rare diseases.

Other highlights include:

- Trust researchers and their collaborators were successful in securing over £10m (£8.8m in 2017/18) of grant funding awarded by a variety of funding bodies including the NIHR, British Lung Foundation, British Heart Foundation, independent charities and the Health Foundation. Of the £10m awarded, £3.6m was received by the Trust. These monies will be drawn down over a number of future years as the constituent grants progress;
- Commercial research income including collaborative research, contract research, consultancy and service agreements contributed around £2.0m to research activity at the Trust;
- Two Trust Researchers were appointed Medical Directors at two separate charities, Dr Nicholas Hopkinson (Medical Director for the British Lung Foundation) and Dr Sonya Babu-Narayan (Associate Medical Director for the British Heart Foundation);
- Professor Anita Simonds, Consultant Respiratory Physician was elected President of the European Respiratory Society (ERS);
- An invitation from NIHR to take part in a pilot project for a new way of nationally costing commercial research projects was received. The invitation was extended to the Trust due to the high volume of commercial research being carried out;
- Trust sponsored research trial into dilated cardiomyopathy, TRED HF, highlighted the need for lifelong medication. The project was led by Dr Sanjay Prasad and Dr Brian Halliday and the findings were published in the Lancet;
- Following research carried out at the Trust by Professor Pallav Shah and his research team, two pioneering lung treatments, Bronchial thermoplasty and Endobronchial valves, received NICE approval; and
- During 2018/19, Trust researchers produced 889 peer-reviewed publications, including letters and abstracts, with its academic partner, Imperial College London, making the Trust a leading centre for cardiovascular, critical care and respiratory research.

The Trust continues to be an engaged partner within the Imperial College Academic Health Science Centre and is actively participating in collaborative research and education activities with Imperial College, Imperial College Healthcare NHS Trust and Royal Marsden NHS Foundation Trust. This includes running an AHP research programme across the Trusts. The Trust also continues to develop its research relationship with Liverpool Heart and Chest Hospital through the Institute of Cardiovascular Medicine and Science, running collaborative clinical trials and developing shared education and clinical services. The Trust's discussions

around future collaboration in research with King's Health Partners have also intensified during the year.

Education

The Trust recognises the value of high-quality education and training and is committed to developing its workforce to provide excellent patient care and meet future challenges through quality improvement, service development and innovation. It recognises that an effective education strategy embeds a culture of learning which, through collaboration, supports the retention of a motivated, knowledgeable and skilled workforce. In addition, by working together across disciplines, existing activities can be co-ordinated, which facilitates the development of income-generating opportunities including online education, short courses and training fellowships as part of the visitors and observers programme.

The Trust receives c.£4.84 million from Health Education England (HEE) in the annual learning and development agreement (LDA). This includes £502k for nursing placements, £316k for undergraduate training (short-term placements for 70-90 undergraduate medical students per year) and £4.02 million for 113 postgraduate placements (a combination of salary support and placement fee, with additional support for trainees working less than full-time).

Going Concern

The Directors have carefully considered the financial position of the Trust and its expected future performance given the demanding financial context in which it is operating.

Key factors have included:

- Anticipated levels of clinical activity and income;
- Anticipated levels of operational costs and planned savings;
- The level of planned capital expenditures, including the proposed new imaging centre and costs associated with the collaboration with King's Health Partners;
- The continuing availability of borrowing facilities, including a planned bridging facility to finance the proposed imaging centre; and
- The anticipated receipt of incentive funding in the form of Provider Sustainability funding (PSF) and Financial Recovery Funding (FRF) for meeting and bettering the Trust's financial targets set by our regulator, NHS Improvement.

These factors have been the subject of sensitivity analysis against which the Trust's capacity to mitigate downside risks has been assessed.

Having made appropriate enquiries, the Directors have concluded that there is a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

1.2 Performance Analysis

Our performance is regulated by two national statutory bodies: Care Quality Commission and NHS Improvement (NHSI). Performance against Trust key performance indicators is monitored and tracked at Board and Division level.

Trust Financial Performance for 2018/19

The Trust is reporting a deficit for the year of £31.7m (2017/18 – surplus of £75.4m) after paying a dividend on Public Dividend Capital of £7.7m (2017/18- £6.8m).

This result reflects a downward revaluation of investment properties £7.6m (2017/18 – upward revaluation of £62.0m) and total earned STF (Sustainability & Transformation Funding) of £10.8m (2017/18 - £51.0m). The Trust's planned result for the year was a break-even result after a planned revaluation gain of £20m which equalled the financial target ('control total') set by its regulator NHS Improvement. The planned revaluation gain of £20m did not materialise as the expected lifting of Transport for London's safeguarding of Chelsea Farmers Market, a Trust-owned investment property, did not occur: indeed, there was, as noted above, a reduction in valuation of £7.6m owing to softening values in the Central London real estate market driven at least in part by Brexit-related uncertainties.

Because of the investment property revaluation loss, the Trust did not achieve its financial target for quarter 4 of 2018/19. As a result, it did not earn £4m of potential Provider Sustainability Fund (PSF) incentive funding which also contributes to its accounting deficit. Finally, in common with many Trusts, the Trust was not fully funded for the uplift in Agenda for Change salaries backdated to 1 April 2018.

After stripping out the effects of the investment property revaluation, the resulting loss of PSF and the shortfall in Agenda for Change funding, the Trust's underlying deficit was £21.5m (2017/18 - £26.8m).

As a result of these significant and continuing deficits the Trust contracted, in 2017, with Boston Consulting Group to undertake a transformation project (the 'Darwin' programme) designed to re-engineer and streamline many clinical and other processes. This was, and remains, a multi-year project generating in-year savings of approaching £10.7m (2017/18 - £2m). These savings – which represent sustainable efficiencies resulting from new clinical pathways and other modalities, rather than simply cost-cutting measures – are expected to continue over the coming year and beyond as transformation measures are embedded. Quality impact assessments are undertaken on all changes to clinical pathways to ensure that patient care is not compromised.

Despite the constrained financial position of the NHS, the Trust invested a further £11.85m in fixed assets during the year (2017/18 - £21.2m). These investments reflect the continuing need to expand and improve facilities, equipment and IT systems. Of particular note is the design and engineering expenditure incurred on the Trust's proposed new imaging centre, expected to come on stream in mid-2021. The original intention was to fund the construction of the imaging centre from the proceeds of sale of Chelsea Farmers Market. However, due to the continuing safeguarding of that property by Transport for London pending a decision on the route of Crossrail 2, the Trust's professional advisers have recommended that the Trust should not sell this property now. As a result, the Trust is arranging a bridging facility with a financial institution in order to fund the construction of the imaging centre.

A significant factor depressing cash is slow payment for the Trust's services by a small number of Middle Eastern debtors. Nevertheless, the Trust had a positive cash balance of £15.7m at 31 March 2019 (2018 - £17.6m after drawing down £10m against a working capital borrowing facility).

In 2014 and 2015 the Trust secured loan facilities totalling £50m on favourable terms from the Independent Trust Financing Facility (ITFF). These were fully drawn down by April 2017. The Trust is making annual repayments totalling £4.9m (including interest) which will cease with full repayment of ITFF loans in 2029. The total outstanding balance at 31 March 2019 was £42.6m (2018 - £46.1m).

The Trust also benefits from a £10m borrowing facility from a private sector banking institution to enable the fit out in 2015/16 of private patient facilities at Wimpole Street. At 31 March 2019 the outstanding balance on this loan, which will be fully repaid in 2022, amounted to £7m (2018 - £8.5m).

Note: The Trust's annual accounts have been prepared under a direction issued by NHS Improvement pursuant to paragraph 24(1) of Schedule 7 to the National Health Service Act 2006.

Trust Performance Against Key Healthcare Targets 2018/19

The NHS Improvement Single Oversight Framework details a number of performance targets to help NHS Improvement oversee NHS Trusts and NHS Foundation Trusts in England, using one consistent approach. The framework is seen as a supportive mechanism to help NHS Improvement identify if trusts need any help or support.

The overarching purpose of the Single Oversight Framework is for NHS Improvement to be able to help NHS providers achieve and maintain Care Quality Commission ratings of 'Good' or 'Outstanding', meet NHS constitution standards, manage their resources effectively and work alongside local partners.

Our performance against key clinical performance targets within the Single Oversight Framework is shown in the table below.

Single Oversight Framework

Indicator	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	2018/19	Target
Clostridium difficile	1	2	1	0	0	4	1	1	1	0	1	0	12	23
MRSA Bacteraemia	0	1	0	0	0	0	0	0	0	0	1	0	2	0
Maximum time of 18 weeks from point of referral to treatment (RTT)	92%	94%	92%	93%	93%	92%	93%	94%	93%	95%	94%	93%	93%	92%
Cancer - 62 day Urgent GP referral to first definitive treatment (09/05/2019 Shap shot from NHSD)	71%	64%	56%	56%	67%	31%	39%	55%	100%	64%	57%	50%	59%	85%
Percentage of wait- times for a diagnostic test > 6 wks	0	0	0	0	0	0	0	0	0	0.61%	0	0	0.07%	1%
Never Events	0	0	0	0	0	0	0	1	0	0	0	0	1	0

The Single Oversight Framework was operated by NHS Improvement throughout 2018/19.

During this period:

- There were 12 cases relating to *Clostridium difficile*; equivalent to 6.02 infections per 100,000 bed days and no lapses in care were identified. We undertook Post Infection Reviews for all *Clostridium difficile* infections and improvements were implemented where necessary;
- There were two cases of MRSA bacteraemia. Post Infection Reviews were undertaken for all Hospital Onset MRSA infections. Outcomes and learning were presented to the Infection Control Committee and the divisional quality and safety committees, who have oversight of the implementation of action plans;
- The 18-week referral to treatment time was reported as achieving 93% over the course of the year based on the data held in the Trust Patient Administration System. This exceeded the target of 92%. However, we continue to work on improving the quality of RTT data. Please see the Quality Report at Annex 1 of this document for more details;
- The 62-day cancer target (the time from GP consultation to first definitive treatment) did not meet the national standard of 85%. However, it should be noted that this national standard is designed for use in hospitals delivering a broad range of cancer services involving both long and short pathways. The 85% standard is intended to be an average set across both long and short pathways. The Trust is a specialist centre providing surgical treatment for lung cancer patients. This is an inherently long pathway. It starts with the initial GP referral, usually made locally to a hospital to carry out the diagnostic portion of the pathway, before referring the patient on to our Trust. Choices made by patients regarding the taking of treatments and operations can adversely affect the calculation this target;
- The Trust met the standard for 6-week diagnostic waits throughout the period; and
- Never Events are clinical incidents that should never occur. There was one Never Event during the year which related to a malpositioned nasogastric tube. This matter was fully investigated, and lessons learned to ensure similar events do not recur.

Further details of patient pathway performance and data quality with respect to the 18-week referral to treatment time targets are given in the Quality Report which can be found in Annex 1 of this report.

Link Between KPIs, Risk and Uncertainty

The Trust's Board Assurance Framework forms part of the Trust's risk management strategy and is the framework for identification and management of strategic risks. In turn, risks and uncertainty arising from performance, in pursuit of our strategy, are addressed as part of the Trust's risk management process.

Each area of service within the Trust is required to regularly update its risk register to ensure that performance issues are both identified and addressed, with corresponding actions and mitigations monitored in a timely manner.

The Trust's Risk and Safety Committee is the committee with umbrella oversight for the Board Assurance Framework. The Committee has regular oversight reviews at all levels, from service level meetings, directorate and divisional reviews and every meeting of the Board of Directors receives reports on risk, quality and performance. This approach ensures that key performance indicators are assessed together within the organisational assurance structure

and set within the framework for managing risk and uncertainty ensuring accountability and transparency.

Operational and Financial Performance by Division

Royal Brompton Heart Division (including Children's services)

In 2018/19, Royal Brompton Heart division generated a contribution of £21.0m, based on total income of £139.7m. This end of year position represents a decrease compared to 2017/18, when contribution was £23.5m and total income was £141.6m.

Total NHS income was £120.5m in 2018/19, broadly in line with that generated in 2017/18 of £120.2m.

Adult ECMO activity has continued to grow and generated £8.1m of income, £2.3m greater than the previous year and representing growth of 41%, though critical care income reduced by £1.0m, 9%.

Children's services income reduced by £1.0m from £47.7m in 2017/18 to £46.7m. This reduction is largely within critical care income and due to a particularly high level of activity in 2017/18 compared to other years.

Private patients generated income of £17.7m which was below plan by £1.1m, reflecting a reduction of 293 inpatient spells from 2017/18. This income has fallen compared to both the previous two years: 2016/17 generated £21.1m and 2017/18 generated £19.8m. Private inpatient activity totalled 1,378 spells in 2018/19, a decline of 21%, 378 spells from last year.

Pay costs increased by 1.6% from £75.4m in 2017/18 to £76.5m, in line with national pay award and inflation. The division delivered £2.6m of pay efficiency savings. This was achieved within paediatrics through management of agency spend as well as skill-mix reductions, and in adults through the improved flow of day case activity in the new Squire Centre, facilitating the closure of 17 beds on York ward.

Divisional non-pay costs amounted to £42.2m, a £0.5m reduction compared to the previous year.

Harefield Heart Division

In 2018/19, Harefield Heart division generated total income of £101.0m and a contribution of £9.6m. This compares to total income of £93.9m and a contribution of £10.0m in 2017/18. The 7.6% increase in income was driven by the 2017/18 expansion to Harefield Hospital providing additional inpatient beds and imaging facilities.

There were 7,580 inpatient and day-case spells in 2018/19. This was ahead of levels achieved in 2017/18 by 455.

Although both cardiology and cardiac surgery NHS spell numbers were behind plan they increased from 2017/18, with income respectively £0.6m and £1.2m higher.

Transplant and Ventricular Assisted Device (VAD) activity was lower than in 2017/18, although heart transplants at 36 were 3 higher than prior year. Activity in 2018/19 stood at 36 heart transplants, 49 lung transplants, and 32 VAD implants, compared with 33 heart, 56 lung, 5 heart and lung transplants and 39 VAD implants in 2017/18.

Private patient income at £8.4m was £3.2m ahead of 2017/18, representing growth of 62%. The increase in income was largely driven by the new private patient ward finished in late 2017/18, which gave an increase of 11 ward beds and four high dependency beds. There was also an increase in the number of international patients and the complexity of patients treated.

Pay budgets were underspent by £1.2m due to difficulties in recruiting to the additional posts put in to support the Harefield Hospital expansion. However, vacancy rates reduced from 15% in April 2018 to 7% in March 2019. Total pay costs of £55.0m increased by £3.5m from 2017/18.

Total non-pay costs at £36.4 increased by £4.1m from 2017/18, particularly for drugs, and to support adult extracorporeal membrane oxygenation (ECMO) and decontamination services. Growth was also seen in the number of trans-catheter aortic valves (TAVIs) implanted. However, there was a reduction in implanted cardioverter defibrillators (ICDs).

Lung Division

The Lung division continues to experience income growth due to increased activity. The division generated total income of £95.6m and a contribution of £30.2m. This compares to total income of £86.9m and a contribution of £23.8m in 2017/18. Of total income, NHS services accounted for £90.0m (2017/18: £81.6m), and private practice £4.5m (2017/18: £4.5m); non-clinical income accounted for the remainder.

Increased activity was seen across all NHS services with the total improvement of £8.4m being driven by inpatient activity £2.9m and high-cost contract-excluded drugs £3m. Driving the inpatient variance, the asthma service has seen an increase in activity driven by biologic drug treatment and there has also been an increase in complex bronchoscopy activity. Critical care and outpatient income each increased by £0.5m.

Pay costs reduced by 1% from £34.3m in 2017/18 to £33.9m, thanks to significant efficiency measures.

Compared to 2017/18, non-pay costs increased from £28.8m to £31.5m. The majority of the increase was due to higher numbers of patients requiring high cost drugs, matched by corresponding income received from NHS England.

Environmental Matters

As an NHS organisation, and as a spender of public funds, we have an obligation to work in a way that has a positive effect on the communities for which we commission and procure healthcare services. Sustainability means spending public money well, the smart and efficient use of natural resources and building healthy, resilient communities. By making the most of social, environmental and economic assets we can improve health both in the immediate and long term even in the context of rising cost of natural resources. Spending money well and considering the social and environmental impacts is enshrined in the Public Services (Social Value) Act 2012.

In order to fulfil our responsibilities for the role we play, the following Low Carbon Vision statement has been included in our carbon management plan (CMP): "to minimise its environmental impact through effective carbon management. This will be achieved by adopting a long-term strategy, embedding good practice within the organisation, with all members of the organisation taking ownership and responsibility for reducing carbon emissions".

Sustainability plan

Currently the Trust's CMP is focused on core activities where it has the highest level of control and has prioritised energy usage in buildings as this accounts for the majority of the Trust's carbon footprint. The Trust reports its energy, water and waste annually to the NHS Sustainability Development Unit. It plans to broaden the scope of its sustainability plan to include further aspects of travel and procurement. Longer term wider sustainability issues will be considered including community impact, adaption, green space and biodiversity.

The Trust established a Carbon Management Group (CMG) chaired by the General Manager, Estates, Facilities and Capital Projects, to work with departments throughout the Trust in order to implement the plan. Membership of the group includes representatives from Estates, Nursing, Transport, IT, Human Resources and the Trade Unions.

To support the ambitions of the CMP a Carbon Reduction Project Register has been created and this is updated regularly to capture energy saving opportunities and track progress through to implementation. There are currently 77 projects identified of which approximately 30% have been completed. The Trust has been successful in our application for £175,000 of funding from the NHS Energy Efficiency Fund (NEEF) for LED lighting replacement schemes across both the Royal Brompton and Harefield sites. This may be awarded over a two-year period April 2019 to March 2021. This will save an estimated 375,000kWh/year (approximately 2% of the Trust's electricity consumption). A number of larger projects have been identified that are not currently viable as they require substantial capital investments and have extended payback periods. A range of energy saving projects have been implemented in 2018/19 including various LED lighting upgrades across both sites, IT rationalisation initiatives, together with improved heating ventilation and air conditioning (HVAC) control.

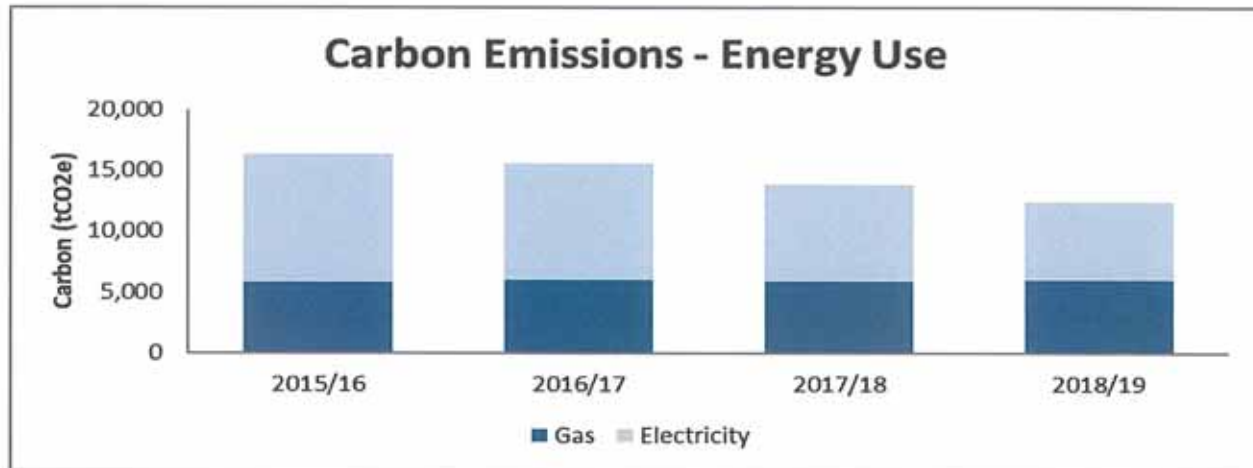
Performance

As a part of the NHS, public health and social care system, it is our duty to contribute towards achieving the ambition set in 2014 of reducing the carbon footprint of the NHS, public health and social care system by 34% (from a 1990 baseline) equivalent to a 28% reduction by 2020 from a 2013 baseline.

However, as a world-renowned heart and lung clinical and research centre, the Trust faces particular challenges. It needs to balance developing sustainably with providing continual advances in medical technology and patient care; this alongside increasing demand for our specialist services, which often requires new facilities and medical equipment.

It is not possible to fully assess the impact of this continued expansion. Consequently, the Trust is currently unable to set an absolute carbon target. To reflect this challenge, in 2016/17 the Trust adopted an energy performance KPI of patients treated/tonnes CO₂e to demonstrate progress with the CMP and improving the sustainability of the organisation.

Energy consumption, cost and carbon emissions

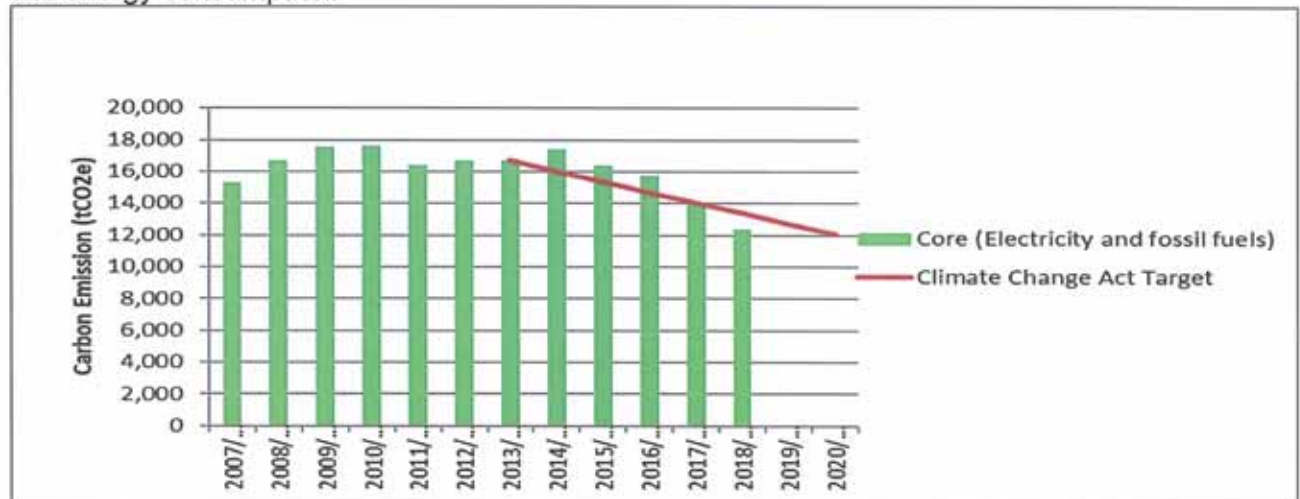


Resource		2014/15	2015/16	2016/17	2017/18	2018/19
Gas	Use (kWh)	27,593,630	27,857,572	28,499,496	27,733,341	28,460,070
	tCO ₂ e	5,789	5,830	5,956	5,880	6,045
Electricity	Use (kWh)	18,573,896	18,239,445	18,680,942	17,959,530	17,968,977
	tCO ₂ e	11,503	10,486	9,654	8,005	6,339
Total Energy CO ₂ e		17,293	16,316	15,610	13,885	12,384
Total Energy Spend		£3,011,650	£2,766,030	£2,590,590	£2,675,087	£3,093,594

The Trust spent £3,093,594 on energy in 2018/19 which is a 15.6% increase in energy spend from the previous year reflecting the increased utility costs, particularly electricity. There was a 1.6% energy consumption increase over the same period and a 10.8% reduction in carbon emissions. This large fall in emissions is due to the progressive decarbonisation of the national grid.

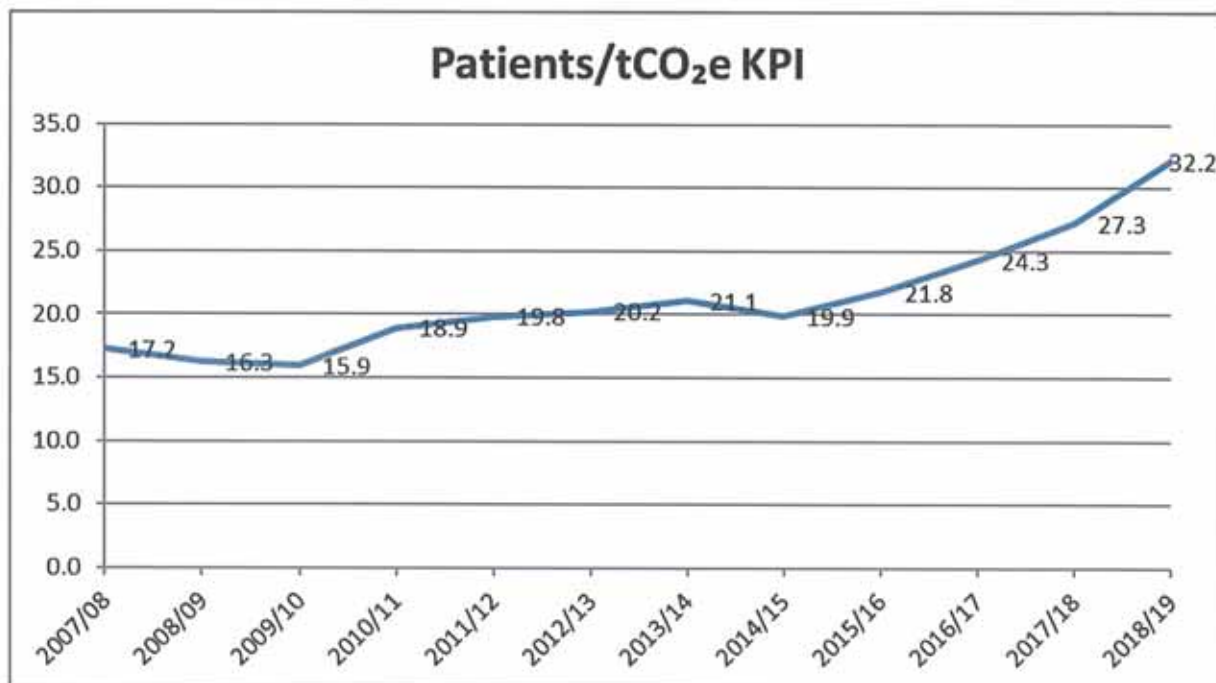
Performance against NHS Sustainability Development Strategy Target

The table below shows the Trust's carbon emissions from core activities against the Sustainability Development Strategy target. The emissions are significantly below the target albeit this is largely due to the decarbonisation of the national grid rather than reductions in site energy consumption.



Performance against Patient Numbers KPI

The chart below shows that since 2007/08 the KPI (Performance against Patient Numbers) has significantly improved with 32.2 patients/tCO_{2e} in 2018/19, an 87% increase. However, it should be recognised that the lower CO₂ conversion resulting from decarbonisation of the national grid has significantly contributed to the rising KPI values.



Note: analysis includes all patient bed days for NHS and private patients and NHS outpatients' attendances (excludes private outpatients).

Waste

The Trust has a zero waste to landfill policy. All clinical waste is disposed of at a high temperature energy from waste site in Hillingdon, with non-clinical waste being disposed of at Grundon's Energy recover plant. Currently approximately 6% of waste is recycled. The emissions associated with waste are approximately 27tCO_{2e}, which is minimal when compared to energy emissions (0.2%).

Travel

Since 2017/18 the Trust has commenced reporting transport emissions. In 2018/19 the total contract patient travel miles were 730,406 miles. This equates to emissions of 269tCO_{2e}, which represents 2.1% of the Trust's emissions.

Social, Community, Anti-Bribery and Human Rights Issues

At a strategic level social, community, anti-bribery and human rights issues are reflected within a range of strategic documents and enacted through Trustwide policies, and associated monitoring and reporting arrangements. Trustwide policies aim to ensure compliance with current legislation, regulation and national guidance. Associated risks are assessed and reflected within the Board Assurance Framework or risk registers.

The Trust recognises and works to ensure that it operates as a socially responsible organisation; is supportive of, and engages with, the diverse range of communities and interests in the delivery of its principal purpose as set out within the Constitution; and complies with and upholds the principles of human rights for all those who come into contact with the Trust.

The Trust has an Equality and Diversity Policy to ensure that there is equality of opportunity in the workplace, that dignity at work is safeguarded and that any issues relating to bullying and harassment are identified and addressed. The policy is linked to the core behaviours expected of employees. These have been promoted during 2018/19 through a series of educational initiatives throughout the organisation. This has helped to ensure that core behaviours are championed, and that staff are made aware of good practice. The Equality and Diversity Steering Group monitors the effectiveness of the policy and ensures that it is kept up to date. This group is chaired by the Human Resources Director.

The Trust does not tolerate any form of fraud, bribery or corruption by, or of, its employees, associates, or any person or body acting on its behalf. The Trust employs an independent dedicated agency to provide local counter fraud services to support staff in dealing with counter fraud issues. The Trust's Audit Committee agrees the work plan for the counter fraud specialist and this is updated on a regular basis as progress is made. The Trust also works closely with NHS Counter Fraud Authority on any major investigations. Details of our approach to anti-bribery are disclosed in the report of the Audit Committee on page 35 and the Staff Report in section 2.3 of this document. In 2018/19, the Trust appointed a Freedom to Speak Up Guardian to offer support for staff who wanted to raise concerns without utilising the formal HR options.

Events Since 31 March 2019

There have been no important events since the end of the financial year affecting the Trust requiring disclosure.

Accounting Officer's Statement

This Performance Report has been prepared in accordance with the requirements of the *NHS Foundation Trust Annual Reporting Manual 2018/19*.



.....
Robert J Bell
Chief Executive

23 May 2019

2. Accountability Report

2.1 Directors' Report

Introduction

The Trust's governance structure and arrangements are enshrined in the Trust's Constitution and include:

The Members:

Our Constitution makes provision for the Trust to be supported by a membership drawn from three constituencies, a public constituency, a staff constituency and a patient constituency. We have around 11,000 Members whom we regularly consult on Trust strategy and service planning. Our membership community is made up of the public, patients, carers and staff members. From these members, Governors are elected to our Council of Governors to represent their interests and influence the Trust's future plans. Members play an important role in ensuring that our services accurately reflect the needs and expectations of the communities that we serve.

The Council of Governors, with two committees:

- (i) The Nominations & Remuneration Committee of the Council of Governors which is responsible for appointing the Chair of the Trust Board and the Non-Executive Directors, and also for setting and reviewing their remuneration.
- (ii) The Membership Steering Committee of the Council of Governors which is responsible for developing, reviewing and implementing the Trust's Membership Strategy.

The Trust Board of Directors to which operational management is devolved. The Board has established four Board Committees to facilitate its direction and monitoring role:

- (i) Audit Committee
- (ii) Risk & Safety Committee
- (iii) Nominations & Remuneration Committee
- (iv) Finance Committee

These Committees enable the Board to discharge its responsibilities regarding the management of the financial, risk and control environment within which the Trust operates and to oversee senior managers' pay and conditions.

Detailed disclosures regarding the Council of Governors, the Board of Directors and each of the committees are set out in the next section of the Annual Report.

There is a Redevelopment Advisory Steering Group which includes members drawn from both Executive and Non-Executive Directors. However, it has not been constituted as a formal committee of the Trust Board during 2018/19, although it meets every two months to review progress on major property development programmes, their related risks and plans.

Council of Governors, Trust Board and Committees

The Board of Directors and Council of Governors have distinct roles. The Board is responsible for the direction, all aspects of operation and performance, and for effective governance of the Trust, with the Council of Governors being responsible primarily for seeking assurance about the performance of the Board.

Council of Governors

The Constitution makes provision for a Council of Governors comprising both elected and appointed members. The elected Governors are drawn from the membership and the appointed Governors represent key stakeholders with whom the Trust is engaged.

The role of the Council of Governors is to challenge the Board and hold the Non-Executive Directors to account for the Board's performance. It appoints or removes the Chair of the Trust and other Non-Executive Directors of the Trust; approves the appointment of the Chief Executive; and decides the remuneration and other terms and conditions of the Non-Executive Directors. Non-Executive Directors are normally appointed for three years and may be re-appointed for a further three years. They may be removed by the Council of Governors following due process under the powers given by the NHS Act 2006. The process followed by the Council of Governors in relation to the appointments of the Chair and Non-Executive Directors is that the Nominations and Remuneration Committee makes recommendations to the Council of Governors for approval. The Council of Governors receives and considers the Trust's annual accounts, any auditor's reports on those annual accounts, and the annual report from the Board of Directors.

The Council of Governors also:

- (i) provides views to the Board of Directors in respect of forward plans
- (ii) is consulted by the Board of Directors in relation to strategic matters affecting the Trust
- (iii) approves and reviews the membership strategy
- (iv) approves any purchase or sale of Trust property assets
- (v) approves the appointment of the Trust's external auditors.

The Council of Governors met four times during 2018/19. Details of attendance, including that of Board members, are given in the table on the following pages of this report.

Nominations and Remuneration Committee of the Council of Governors

Members of the Committee who served during 2018/19 were:

Name	Attendance Actual/Possible
Anthony Archer (Chair of the Committee to 30 January 2019)	5/5
John Hensley (Chair of the Committee from 31 January 2019)	2/4
Baroness (Sally) Morgan (Chair of the Trust)	5/5
Steve Caddick (from 31 January 2019)	0/0
George Doughty (Lead Governor)	3/5
Professor Claire Hogg	4/5
Paul Murray (from 31 January 2019)	0/0
Jennifer Sano (until 31 December 2018)	3/4
Dr Ejikeme Uzoalor	3/5

Please see the Remuneration Report (section 2.2) for further information about the work of this Committee during 2018/19.

The Council of Governors Attendance

Name	Date of Appointment/ Election	Term of Appointment	Term Expired	Appointing Body/ Constituency	Attendance Record Council of Governors Actual/Possible
Governors					
Tim Ahern	24.1.19	3 years		Royal Borough of Kensington & Chelsea	0/1
Lady Victoria Borwick (previously an RBKC appointee)	26.1.19	3 years		Patient	3/4
Helena Bridgman	1.7.18	3 years		Patient	2/3
Steve Caddick	1.7.18 (2 nd term)	3 years		Staff	4/4
Brenda Davies	1.1.17 (2 nd term)	3 years		Patient	4/4
Revd Patrick Davies	7.3.19	3 years		Public	0/0
George Doughty (Lead Governor)	1.7.18 (2 nd term)	3 years		Public	4/4
Elizabeth Henderson	1.1.17	3 years		Staff	4/4
Cllr John Hensley	12.5.17	3 years		London Borough of Hillingdon	4/4
Prof Claire Hogg	1.7.18 (2 nd term)	3 years		Staff	1/4
Caroline Karlsen	1.7.18 (2 nd term)	3 years		Patient-Carer	3/4
Rt Hon Michael Mates	7.3.19	3 years		Public	0/0
Paul Murray	1.7.18	3 years		Patient	3/3
Sean O'Reilly	1.1.18	3 years		Patient	2/4
Maxine Ovens	1.7.18	3 years		Staff	1/3
Stephen Palmer	1.7.18	3 years		Staff	2/3
Pravin Shah	26.1.19	3 years		Public	0/0
Jeremy Stern	1.7.18 (2 nd term)	3 years		Patient	2/4
Dr Ejikeme Uzoalor	1.1.17 (2 nd term)	3 years		Patient	4/4
Prof Jadwiga Wedzicha	31.1.19	3 years		Imperial College	0/0
Leavers in the year					
Anne McDermott	1.6.15 (2 nd term)	3 years	31.5.18	Staff	0/1
Dr Laura Price	1.4.17	3 years	31.5.18	Staff	0/1
Stuart Baldock	1.12.16	3 years	30.6.18	Patient	0/1
Edward Waite	1.7.15 (2 nd term)	3 years	30.6.18	Patient	1/1
Jennifer Sano	1.1.16	3 years	31.12.18	Public	0/3
Robert Parker	1.1.16	3 years	31.12.18	Public	4/4
Anthony Archer	1.4.16	3 years	31.1.19	Public	3/4

Other attendees at the Council of Governors meetings including Board Members:				Attendance Actual/Possible
Chair				4/4
Chief Executive				4/4
Medical Director				2/4
Associate Chief Executive - Finance				4/4
Chief Operating Officer				2/2
Director of Nursing & Clinical Governance				1/4
Director of Development and Partnerships				4/4
Director of Commissioning and Service Development				4/4
NED: K Owen				2/3
NED: A Vallance-Owen				3/4
NED: L Alexander				1/4
NED: R Jones				3/4
NED: L Bardin				4/4
NED: S Friend				4/4
NED: M Batten				4/4
Non-Independent NED: Professor K Fox				3/4
NED: J Hogben				1/1
NED: Professor P Hutton				0/0
NED: Dr J Khan				0/0
Trust Secretary				4/4

Governors' Interests at 31 March 2019

NAME	CONSTITUENCY/APPOINTED BY	DECLARATION
Tim Ahern	APPOINTED The Royal Borough of Kensington and Chelsea	Director: Louise Hewlett Property Consultants Ltd Member: Conservative Party
Lady Victoria Borwick	PATIENT North West London	Founder and Trustee: Edwin Borwick Charitable Trust Director: Poore Ltd, Second Poore Ltd Member: Conservative Party Husband is a Trustee of the Royal Brompton & Harefield Hospitals Charity
Helena Bridgman	PATIENT Elsewhere	Bank Nursing contract: Salisbury NHS Foundation Trust Freelance Nationally Accredited Advanced Communication Skills Trainer Trainer: Oakhaven Hospice Trust, Lymington, Hants and Oxford Centre for Education & Research in Palliative Care

Steve Caddick	STAFF	Member: Labour Party
Brenda Davies	PATIENT Bedfordshire and Hertfordshire	None
Revd Patrick Davies	PUBLIC Rest of England and Wales	None
George Doughty Lead Governor	PUBLIC North West London	None
Elizabeth Henderson	STAFF	Director: Friends of Royal Brompton (Charity) Director: 215NKR London Ltd
Cllr John Hensley	APPOINTED London Borough of Hillingdon	Councillor: London Borough of Hillingdon Trustee: Michael Sobell House Charity
Prof Claire Hogg	STAFF	Director: S. Padley Ltd Trustee: The Brompton Fountain Charity
Caroline Karlsen	PATIENT Carers	Director: C-Squared Consulting Ltd Trustee: Cystic Fibrosis Trust Independent Member: National Information Board (NIB)
Rt Hon Michael Mates	PUBLIC South of England	Honorary President Royal British Legion – Midhurst Branch
Paul Murray	PATIENT South of England	Nominated as an Attendee by the Somerville Foundation: Patient-Public Reference Group of the RBHFT and King's Health Partners Partnership RBHT Chelsea site services reconfiguration programme – NHSE hurdle and evaluation criteria event
Sean O'Reilly	PATIENT Bedfordshire and Hertfordshire	None
Maxine Ovens	STAFF	None
Stephen Palmer	STAFF	None
Pravinchandra Shah	PUBLIC Bedfordshire and Hertfordshire	Joint owner (with wife): Centra Pharmacy trading as Abalane Ltd
Jeremy Stern	PATIENT North West London	Director: PromoVeritas Ltd Director: PromoVeritas Holdings Ltd
Dr Ejikeme Uzoalor	PATIENT Elsewhere	Member: Labour Party
Prof Jadwiga Wedzicha	APPOINTED Imperial College	Professor of Respiratory Medicine, National Heart and Lung Institute Editor: the American Journal of Respiratory and Critical Care Medicine (owned by the American Thoracic Society a non-commercial venture)

GOVERNORS WHOSE TENURE ENDED DURING 2018/19		
Anthony Archer	PUBLIC Bedfordshire and Hertfordshire	Partner: JWA Governance Services LLP Partner: Bridgewater Leadership Advisory (private partnership) Senior Advisor: Steele Solutions Limited (trading as nCube Home) Member: General Synod of the Church of England Member: Crown Nominations Commission Trustee: Ozanne Foundation
Stuart Baldock	PATIENT Elsewhere	Member: Conservative Party Associate Member: The Conservative Medical Society
Anne McDermott	STAFF	None
Robert Parker	PUBLIC South of England	Fitness to Practise Assessor and a Registration Assessor: Health and Care Professions Council
Dr Laura Price	STAFF	None
Jennifer Sano	PUBLIC Rest of England and Wales	Member: Lay Governance Group Royal College of Pathologists Member: Conservative Party
Edward Waite	PATIENT South of England	Councillor: Sevenoaks Town Council Non-Executive Director: Stag Community Arts Centre Sevenoaks Member: Liberal Democrats

Total number of Governors at 31 March 2019 - 20

Governors' Expenses

Name	£
Anthony Archer	£500
Brenda Davies	£476
Sean O'Reilly	£113
Robert Parker	£115
Dr Ejikeme Uzoalor	£152
Helena Bridgman	£488

These expense claims cover travel expenses for attendance at:

- Meetings of the Council of Governors, committees and working groups
- PLACE (Patient-Led Assessments of the Care Environment) meetings
- GovernWell courses (National Training Programme for NHS Foundation Trust Governors provided by the Foundation Trust Network)
- Interview panels for the appointment of Non-Executive Directors.

Trust Board of Directors and Committees

Led by an independent Chair, the Board of Directors is appointed to exercise the powers of the Trust on its behalf. It plays a key role in shaping the strategy, vision and purpose of the organisation and has a collective responsibility for the performance of the Trust.

Board members bring a wide range of experience and expertise to the stewardship of the Trust. The membership of the Board of Directors meets the requirements of the *NHS Foundation Trust Code of Governance* in respect of balance, completeness and appropriateness. The Board is composed of a Non-Executive Chair, seven independent Non-Executive Directors, one non-independent Non-Executive Director (Professor Kim Fox is considered non-independent due to his long association with the Trust as a member of staff, although at 1 June 2018, this was over five years ago, compliant with Code of Governance provision B.1.1.) and seven Executive Directors.

Non-Executive Directors are appointed to provide an independent perspective on, and challenge to, the discharge of the responsibilities of our Chief Executive as the Accounting Officer, who has delegated certain of his powers and functions to his colleague Executive Directors.

Board members are responsible for seeking assurance that risks to the Trust and the public are managed and mitigated effectively.

The arrangements for the appointment and removal of Non-Executive Directors by the Council of Governors are set out in the Trust's Constitution, which is available on the Trust's website. Non-Executive Directors are appointed for a period of three years in the first instance. All of our Board members meet the standards of Code Provision B.2.2 and the Fit and Proper Person Test in Regulation 5 of *The Health and Social Care Act 2008 (Regulated Activities) Regulations 2014*.

Between 1 April 2018 and 31 March 2019, the Trust Board convened on six occasions.

Board Composition, Committee Duties and Attendance

Name	Role/Committee	Attendance Record (Actual/Possible)				
		Trust Board	Audit Committee	Risk & Safety Committee	Nominations & Remuneration Committee	Finance Committee
Chair Baroness (Sally) Morgan of Huyton	Trust Board Chair Nominations and Remuneration Committee Finance Committee	6/6	-	-	2/2	10/11
Executive Directors						
Robert Bell	Chief Executive Finance Committee	6/6	-	-	-	8/11
Robert Craig	Chief Operating Officer (to 25.7.18) Director of Development and Partnerships (from 25.7.18) Finance Committee	5/6	-	-	-	1/3
Joy Godden	Director of Nursing and Clinical Governance	6/6	-	-	-	-
Dr Richard Grocott-Mason	Medical Director Finance Committee	6/6	-	-	-	5/11
Nicholas Hunt	Director of Commissioning and Service Development	6/6	-	-	-	-
Jan McGuinness (from 25.7.18)	Chief Operating Officer Finance Committee	5/5	-	-	-	7/8
Richard Paterson	Associate Chief Executive – Finance Finance Committee	6/6	-	-	-	11/11

Name	Role	Attendance Record (Actual/Possible)				
		Trust Board	Audit Committee	Risk & Safety Committee	Nominations & Remuneration Committee of the Trust Board	Finance Committee
Non-Executive Directors						
Lesley-Anne Alexander (Term ended 25.2.19)	Risk & Safety Committee Nominations and Remuneration Committee	5/5	-	5/5	2/2	-
Luc Bardin	Audit Committee Risk and Safety Committee Finance Committee Education, Training and Research NED	6/6	2/5	1/5	-	8/11
Mark Batten	Finance Committee (Chair)	5/6	-	-	-	11/11
Prof Kim Fox	-	6/6	-	-	-	-
Simon Friend	Trust Board Deputy Chair Audit Committee (Chair) Risk & Safety Committee Finance Committee Nominations and Remuneration Committee	5/6	5/5	5/5	1/1	10/11
Janet Hogben (appointed 1.12.18)	Audit Committee Nominations and Remuneration Committee (Chair)	2/2	0/0	-	1/1	-
Prof Peter Hutton (appointed 26.2.19)	Audit Committee Risk and Safety Committee (Chair)	1/1	0/0	0/0	-	-
Richard Jones	Nominations and Remuneration Committee Finance Committee	6/6	-	-	1/1	10/11
Dr Javed Khan (appointed 26.2.19)	Risk and Safety Committee Safeguarding NED	1/1	-	0/0	-	-
Kate Owen (term ended 30.11.18)	Audit Committee Nominations and Remuneration Committee (Chair)	3/4	3/4	-	1/1	-
Dr Andrew Vallance-Owen (term ended 25.2.19)	Senior Independent Director Audit Committee Risk & Safety Committee (Chair) Nominations and Remuneration Committee	5/5	5/5	5/5	1/1	-
Other Attendees						
Richard Connett (left 31.5.18)	Director of Performance & Trust Secretary	1/1	2/2	1/1	-	-
Neil Netto (from 25.6.18)	Trust Secretary	5/5	3/3	3/4	-	-

Note - The Chief Executive and Executive Directors, although attendees at Board Committee meetings, are not formally members of those Committees other than the Finance Committee.

The table in the Governors section of this report demonstrates that Executive and Non-Executive Directors shown above have also been in attendance at meetings of the Council of Governors in order to understand the views of Governors. Non-Executive Directors also attended the Annual Members' Meeting at which the views of members were expressed. It should be noted that some Governors are also regularly present at meetings of the Trust Board.

Directors' Interests

The Trust has an obligation as a Foundation Trust to compile and maintain a register of Directors' interests, which might influence their role. The register is available to the public, in accordance with the Freedom of Information Act, through written application to the Trust's Chief Executive. The Trust is also required to publish in its annual report the directorships of any member of the Board in companies that are likely to, or seek to, conduct business with the NHS. In this context, declarations of the Directors of Royal Brompton & Harefield NHS Foundation Trust are as follows:

Chair

Baroness (Sally) Morgan of Huyton

Member - House of Lords Science & Technology Committee

Vice Chair - Council King's College London (KCL)

Chair - Ambition School Leadership (Charity)

Trustee - Frontline (Charity)

Board Advisor – Absolute Return for Kids (ARK) Charity

Trustee – National Heart & Lung Institute Foundation

Non-Executive Director - Countryside Properties plc

Trustee – Education Policy Institute

Master Elect – Fitzwilliam College, University of Cambridge (from 1 October 2019)

Deputy Chair

Simon Friend

Member - General Council, Royal Academy of Arts

Chair - Audit Committee, Royal Academy of Arts

Member - Finance Committee, Royal Academy of Arts

Non-Executive Director - Bevan Brittan LLP

Chair - Audit & Risk Committee, Bevan Brittan LLP

Member - Remuneration Committee, Bevan Brittan LLP

Trustee and Chair - Community Services Committee, Jewish Care

Member – Remuneration and Nominations Committee, Jewish Care

Senior Independent Director

Dr Andrew Vallance-Owen MBE (until 25 February 2019)

Chair - Private Healthcare Information Network

Chair - Medical Advisory Council, Medcover AB (EU and India)

Chair - Scientific Advisory Board, 'iamYiam'

Deputy Chair of Governors - Epsom College in Malaysia

Board Member - Institute of Cardiovascular Medicine & Science

Chair - Association of Independent Healthcare Organisations, Cosmetic Surgery Forum

Trustee - Joint Council for Cosmetic Practitioners

Trustee - Cosmetic Practice Standards Authority

Non-Executive Directors

Lesley-Anne Alexander CBE (until 25 February 2019)

Chair – Red Door Ventures Ltd (to May 2018)

Non-Executive Director - Metropolitan Housing Association

Member - National Council for Voluntary Organisation (NCVO)

Member - Association of Chief Executives of Voluntary Organisations (ACEVO)

Trustee - MicroLoan Foundation

Fellow - Royal Society of Arts (RSA)

Freeman - Guild of Entrepreneurs

Ambassador - Alzheimer's Society

Owner - Alexander Original Cakes

Member - Labour Party

Luc Bardin

Director - Strategic Partnering Ltd

Director - The Strategic Brand Ltd

Adjunct Professor - Imperial College Business School

Advisory Board Member - MSc Strategic Marketing, Imperial College Business School

Advisor - UK Government Cabinet Office on Strategic Partnering

Mark Batten

Chair - Audit Committee and Non-Executive Director - Picton Property Income Limited

Non-Executive Director and Chair (designate) - Audit and Risk Committee – Armour Holdings' UK Regulated Entities

Non-Executive Director and Chair (designate) - Audit Committee – Assured Guaranty

Europe plc Non-Executive Director – Catalyst Business Finance Limited

Non-Executive Director - Floreat Overseas Holdings Limited

Senior Advisor - UK Government Investments (UKGI)

Governor - Westminster School

Professor Kim Fox

Board Member - Institute of Cardiovascular Medicine & Science (ICMS)

Director - Versalius Trials Ltd

Trustee - Magdi Yacoub Institute

Trustee - National Heart & Lung Institute Foundation

Advisor – Celixir plc

Advisor - Servier Pharmaceuticals Ltd

Advisor - European Society of Cardiology (Past President)

Data & Safety Monitoring Board Member - TauRx Pharmaceuticals

Janet Hogben

Board Trustee – Canal & River Trust

Board Member – Ice Wharf Company Ltd

Professor Peter Hutton

Director – Edgbaston Health Ltd

Patron – Birmingham Museums

Richard Jones

Director - RJ Real Estate Consulting Ltd

Non-Executive Director - Commercial Development Advisory Group, Transport for London

Independent Director - Ribston UK Industrial Partnership

Occasional contributor - Real Estate related programmes at Cambridge University

Independent Investment Committee Member - Henley Secure Income Property Unit Trust

Dr Javed Khan

Chief Executive – Barnardo's

Independent Member – Grenfell Recovery Taskforce

Director – JayKay Associates Ltd

Kate Owen (until 30 November 2018)

Vice President - Council, University of Reading

Fellow - Windsor Leadership Trust (Charity)

Trustee - Imperial College Union

Executive Directors

Robert J Bell

Chair - University Hospitals Association (UK)

Board Member - Imperial College Health Partners

Board Member - Institute of Cardiovascular Medicine and Science

Visiting Professor - Imperial College

Robert Craig

Nothing to declare

Joy Godden

Nothing to declare

Dr Richard Grocott-Mason

Director - RM Grocott-Mason Ltd

Nicholas Hunt

Chair - Governing Body of Manor Farm Community Junior School

Chair - Governing Body of Jordans School

Jan McGuinness

Nothing to declare

Richard Paterson

Chair - Hurlingham Court Ltd

Directors' Profiles

Chair

Baroness (Sally) Morgan was appointed by the Council of Governors' as the Trust's Chair on 1 January 2017 for a term of three years.

Baroness Morgan was made a life peer in 2001. She has served as minister of state in the Cabinet Office, political secretary to the Prime Minister and director of government relations at 10 Downing Street, Chair of OFSTED and board member of the Olympic Delivery Authority.

After serving as a local councillor and working as a secondary school teacher, Baroness Morgan worked for Tony Blair when he was leader of the opposition. Following the 1997 general election she was appointed as political secretary to the Prime Minister and head of the Prime Minister's political office. She then served as minister of state in the Cabinet Office before returning to Downing Street as director of government relations.

Since leaving government in 2005, Baroness Morgan has held a number of appointments in the public and private sector. She was the chair of OFSTED, the Office for Standards in Education, from 2011 to 2014 and sat on the board of the Olympic Delivery Authority for its six-year duration. She is currently a member of the House of Lords Science & Technology Select Committee.

Baroness Morgan has been a lay member of the Council of King's College London, since 2013, and was appointed vice-chair in September 2016. She is also a member of the Council's Estates Strategy Committee and the Fellowships and Honorary Degrees Committee.

Currently she is chair of Ambition School Leadership (a UK education charity) and board advisor to Ark, which runs academies in the UK and works internationally in education. She is a Non-Executive Director of Countryside Properties plc.

Deputy Chair

Simon Friend joined the Board in August 2017. He was a chartered accountant and partner at PricewaterhouseCoopers LLP (PwC), where his career spanned more than 30 years. He has extensive experience of finance, governance and audit in healthcare, pharmaceutical and life sciences settings, leading the firm's Global Pharmaceutical and Life Sciences Industry Group, and was a member of PwC's UK and Global Board.

He has a depth of expertise in finance and audit, as well as a thorough understanding of governance across a range of sectors, technical rigour and board experience at the highest level. Simon is also a trustee and chair, Community Services at Jewish Care, a charity providing residential and day care facilities and is a member of the General Council at the Royal Academy of Arts and on the Board of Bevan Brittan LLP, a Bristol-based law firm.

Non-Executive Directors

Lesley-Anne Alexander CBE held the post of chief executive of the Royal National Institute of Blind People (RNIB) from 2004 to 2016. Prior to this she was director of operations for the Peabody Trust and director of housing for the London Borough of Enfield. She joined Royal Brompton & Harefield NHS Foundation Trust as a Non-Executive Director in February 2013. She was awarded a CBE in the Queen's 2012 Birthday Honours list in recognition of her services to the voluntary sector. Her period of office as a Non-Executive Director of the Trust ended on 25 February 2019.

Luc Bardin was appointed to the Board in June 2015 and brings a wealth of experience in leadership and strategic transformation to the Trust. He spent many years in executive roles with BP plc, including group chief sales and marketing officer, CEO of multiple businesses,

and CEO and founder of the "Strategic Accounts" division. He was a group vice president for 12 years and a member of the BP Downstream ExCo. His career in global business leadership spans 30 years and, alongside BP, he has worked for Burmah Castrol, Hoechst and Pechiney groups.

Since January 2014, he has been executive chairman of Strategic Partnering Ltd and THE Strategic Brand Ltd. He is the author of *Strategic Partnering - remove chance and deliver consistent success*, published in 2013 and THE Strategic Brand, published in 2017. Luc is an adjunct professor at Imperial College Business School, and has an MBA and qualifications in engineering, political science and finance.

Mark Batten was appointed to the Board in November 2017 and has brought a broad experience of corporate finance, restructuring, financial services and real estate. Mark is a recently retired senior partner at PricewaterhouseCoopers LLP (PwC) and a chartered accountant. He has worked extensively with the UK & Irish Treasury on the restructuring of UK & Irish banking systems through the course of the financial crisis and with a number of other government departments advising on various restructuring matters. He has many contacts within government and financial regulatory authorities.

Mark is a Non-Executive Director of Picton Property Income (a UK listed property company) and a senior advisor to UK Government Investments, part of HM Treasury.

Janet Hogben started her career with BP where she spent 21 years, before moving to North American conglomerate Seagram as organisational capability director for Europe, Middle East and Africa.

After Seagram was taken over by Diageo and Pernod Ricard in 2002, Janet was invited to join Diageo's management team as HR director for global corporate functions. She later became the company's global talent and organisation strategy director. Janet spent 10 years with the business, before leaving to become HR director for EDF Energy in the UK. She became responsible for a range of HR issues including health, safety and well-being.

Janet retired in 2017 and has since become a trustee of the Canal & River Trust. She joined Royal Brompton & Harefield NHS Foundation Trust in December 2018.

Professor Peter Hutton until 2018 was a consultant anaesthetist at University Hospital Birmingham and Honorary Professor at the University of Birmingham. He also undertook medical examiner duties. In the past, he has served on hospital boards in both executive and non-executive roles, and has a major interest in medical ethics and medical safety.

During his career he has served on a number of national bodies, such as the GMC and the Bar Standards Board, and between 2007 and 2009 as joint clinical lead for unscheduled care for NHS London.

Peter was also president of the Royal College of Anaesthetists (2002-2003) and chair of the Academy of Medical Royal Colleges (2002-2004). He established and chaired a Home Office ethics group to manage the ethical aspects of forensic DNA analysis (2008-2010), and more recently was the independent hospital consultant advisor to the two Mid-Staffs inquiries.

In 2014, he was appointed by the Home Office to lead an enquiry into forensic pathology services in England and Wales, and has recently led a review of 'age and the anaesthetist' for the Association of Anaesthetists of Great Britain and Ireland. Peter joined the Trust in February 2019.

Richard Jones joined the Trust Board as a Non-Executive Director in February 2014. He is an experienced real estate executive director. He brings to the Board extensive expertise in investment and asset performance and management gained from a long career with Aviva Investors as Head of European Life Funds, Managing Director UK Real Estate and, most recently, Managing Director of Aviva Clients and Global Asset Management. While in this role

he was a member of the Aviva Investors Global Real Estate Board, chair of the Real Estate Operational Management Group and chair of the Real Estate Sustainability Group. Richard is the Chair of the Trust's Redevelopment Advisory Steering Group, a member of the Finance Committee and the Nominations and Remuneration Committee.

He is currently a Non-Executive Director of the Transport for London Commercial Development Advisory Group, the Independent Director of the Ribston UK Industrial Partnership, an Independent Investment Committee member of Henley Secure Income Property Unit Trust and occasional contributor to Real Estate related programmes at Cambridge University.

Dr Javed Khan is the CEO of Barnardo's, leading over 8,000 members of staff and more than 20,000 volunteers. He is a leading figure in the UK public and voluntary sectors. He regularly advises government ministers and is a high-profile contributor in the media and at national and international conferences. Javed is a member of the advisory board for the Children's Commissioner for England and was a lay member of Hounslow Clinical Commissioning Group.

He began his teaching career in the West Midlands and became head of department, assistant principal and then director of development in a further education college. In 2015 he was awarded an honorary doctorate by Birmingham City University. His previous roles include Chief Executive at Victim Support, Executive Director on the London Serious Youth Violence Board and Director of Education at Harrow Council. Javed joined Royal Brompton & Harefield NHS Foundation Trust in February 2019.

Kate Owen runs a consulting business advising on change and development in organisations. She retired as vice president executive development at BP in 2005 having worked with the company for 24 years. Her 35-year industry career spanned line management, general HR work, training and organisational transformation. Her previous experience was in retail and the public sector. She spent nine years on the Board of HM Revenue and Customs, was Chair of the Conference Board (Europe) Organisation and Business Council, a member of the Ministry of Defence Armed Forces Training and Education Steering Group and a member of the UK Government Risk Review Steering Group. Kate is currently a Vice President, Council University of Reading, a Trustee of Imperial College Union and a Fellow of the Windsor Leadership Trust. Her period of office as a Non-Executive Director of the Trust ended on 30 November 2018.

Andrew Vallance-Owen FRCSEd trained as a surgeon in Newcastle upon Tyne but, after holding various positions on the staff of the BMA including head of policy development, became group medical director of Bupa in 1995. Following his retirement from Bupa in 2012, he has taken up a number of non-executive roles; he is chair of the Private Healthcare Information Network and the Royal Medical Foundation of Epsom College. He has a strong interest in outcome measurement, clinical audit and greater clinical accountability, and is a passionate advocate of patient feedback in service improvement and shared decision making. Andrew studied medicine at Birmingham University where he received an Honorary Doctorate. His period of office as a Non-Executive Director of the Trust ended on 25 February 2019.

Non-Independent Non-Executive Director

Professor Kim Fox has been a consultant cardiologist at the Trust as well as Professor of clinical cardiology and former head of the National Heart and Lung Institute, Imperial College, London. Kim is a Board Member of the Institute for Cardiovascular Medicine and Science (in partnership with Liverpool Heart and Chest Hospital). He is a Trustee of both the Magdi Yacoub Institute and National Heart and Lung Institute. He was appointed as Non-Executive Director (non-independent) to the Trust Board in June 2013.

Executive Directors

Robert J Bell joined the Trust as Chief Executive in 2005, from the William Osler Health Centre, Ontario, Canada, where he was president and chief executive officer. He has over 40 years' international experience in hospital and health services management. He is a member of the Board of Directors of Imperial College Health Partners and the Institute of Cardiovascular Medicine and Science. He has previously held positions as vice president Health Care and Life Sciences Market Sectors, Cap Gemini, Ernst & Young Canada Inc; partner at Ernst & Young and KPMG (Peat Marwick), Toronto; vice president, Hilton Universal Hospitals UK Ltd, London; vice president, International Services, Extendicare Inc (London and Toronto); executive director of District Health Councils in the Ministry of Health, Ontario; Treasury Board officer, Management Board of Cabinet, Government of Ontario; and systems engineer, Hospital for Sick Children, Toronto. He is a Bachelor of Applied Science in Industrial Engineering and a Master of Public Administration. In 2014 he was appointed a visiting Professor of Global Health Innovations by Imperial College and is also Chairman of University Hospitals Association (UK).

Richard Paterson served the Trust as interim Director of Finance in January 2011 for a six-month term. He subsequently joined the Trust as Associate Chief Executive – Finance, and was appointed to the Board in October 2011. He worked at KPMG, accountants and business advisors, for 40 years, appointed to the partnership in 1986 and retiring in 2010. In addition to client responsibilities for listed companies and public interest entities, his management roles included six years in charge of KPMG UK's infrastructure, government and healthcare division; head of markets for KPMG's Europe, Middle East and Africa region; and executive chair of the global professional indemnity insurance committee of the international board of KPMG.

Robert Craig is the Director of Development and Partnerships. He joined Harefield Hospital in 1995, having previously worked in community and general hospital services. Following the Trust merger in 1998, he became site director at Harefield and, in 2001, Deputy Director of Operations for the Trust. Robert has also fulfilled the roles of Director of Governance & Quality (2003-2006) and Director of Planning & Strategy (2006-2009) – in the latter post, he was responsible for the Trust's successful Foundation Trust application. Robert was appointed to the role of Chief Operating Officer in 2008 and as Director of Development and Partnerships in July 2018.

Joy Godden, Director of Nursing and Clinical Governance, joined the Trust in 1996 as a Senior Nurse, and worked as the general manager of the lung division between 2004 and 2015. Joy has a broad portfolio that has included a number of corporate projects.

Dr Richard Grocott-Mason, consultant interventional cardiologist, has worked at Harefield Hospital regularly since 1999 and was appointed divisional director of the heart division in October 2014. He has also held roles at The Hillingdon Hospitals NHS Foundation Trust, including clinical director for medicine, and joint medical director and responsible officer. He was appointed Medical Director of the Trust in 2016.

Nicholas Hunt, is Director of Commissioning and Service Development and also site director for Harefield Hospital, a role he took on in 2006. He has worked at Royal Brompton & Harefield NHS Foundation Trust since its inception. Nicholas began his career at Regional HQ, the forerunner of strategic health authorities. His subsequent career in NHS management has included both operational and strategic roles at a number of London hospitals.

Jan McGuinness was appointed Chief Operating Officer in 2018. Prior to this, she was director of patient experience and transformation, taking up the newly created post in April 2015 after having worked in healthcare over a number of years, and in three international settings, most recently in Canada. She has held numerous senior roles, both clinical and non-clinical. These include director of operations for The Alberta Heart Institute, regional director of cardiac services for Vancouver and Fraser health authorities and at Bupa Cromwell Hospital in London where she improved the patient experience. Her areas of expertise include quality improvement, patient safety and project management related to design and transformation.

Audit Committee Report

Role and responsibilities

The Committee's terms of reference state that it will provide the Trust Board with an independent and objective evaluation of the establishment and maintenance of an effective system of integrated governance, risk management and financial and non-financial internal controls that support the achievement of the organisation's objectives. Within this overarching framework the Committee:

- monitors the integrity of the Trust's financial reporting, compliance with auditing standards and the appropriateness of going concern assumptions;
- challenges, where necessary, the consistency of, and any changes to, accounting and accounting policies;
- reviews the Trust's strategy for the management of key financial risks, ensures the Trust has followed appropriate accounting policies and has made appropriate estimates and judgements;
- ensures that regular reviews are undertaken of governance, risk management and internal controls;
- maintains oversight of the Trust's financial systems, financial information and financial reporting in compliance with relevant law, guidance and regulation;
- reviews and monitors the effectiveness of the Trust's internal audit and counter-fraud functions;
- reviews and monitors the effectiveness of the external audit process, the maintenance of the external auditor's independence and objectivity, and agrees the policy in relation to the external auditor's provision of non-audit services; and
- assesses the disclosures in the narrative sections of the Annual Report to ensure that they are fair, balanced and understandable.

In carrying out its activities the Committee fully recognises the interests of the Trust's Governors and Members.

The Committee's responsibilities and activities dovetail with those of the Finance and Risk & Safety Committees and procedures are in place to avoid both omission and duplication. It is an integral part of the Trust's Board Assurance Framework.

Composition of the Committee

The members of the Committee who served during the period under review are disclosed on page 25 of this Annual Report. Committee meetings are also regularly attended by the Chief Executive Officer, Associate Chief Executive – Finance, Chief Operating Officer, Medical Director, Trust Secretary and other senior members of the finance team.

During 2018/19 Dr Vallance-Owen chaired the Risk & Safety Committee, whose agenda links closely to that of the Audit Committee, particularly as regards risk identification and management. Simon Friend, who has chaired the Audit Committee since 1 August 2017, is also a member of the Risk & Safety, Finance and Nominations and Remuneration Committees.

Summary of Committee meetings

Since the approval of the 2017/18 Annual Report and Accounts the Committee has met on five occasions at which the following aspects were considered:

- July 2018
 - Progress reports from internal audit and counter-fraud services
 - A report by the Trust's counter-fraud service on the Hospital to Home service
 - A sector update from the external auditors on relevant developments in accounting and reporting
 - A private session to discuss the appointment and fees of the external auditor for the 2018/19 financial year
- October 2018
 - Progress reports from internal audit and counter-fraud services
 - An internal audit report on GDPR (General Data Protection Regulation)
 - External audit plan for 2018/19
 - A Trust risk report
 - An update on the Hospital to Home service
- February 2019
 - Progress reports from internal audit and counter-fraud services
 - Internal audit and counter-fraud plans for 2018/19
 - Internal audit reports on business continuity and infection control
 - The counter-fraud service workplan for 2019/20
 - A report by the external auditors on audit planning and sector developments
 - The Trust's emergency preparedness, resilience and response
 - Presentation on and discussion of the Trust's clinical library strategy
- April 2019
 - Progress updates from the internal audit and counter-fraud services
 - Internal audit reports on Serious Incidents and financial controls
 - Internal Audit Plans for 2019/20
 - 2018/19 Internal Audit Report including Head of Internal Audit Opinion
 - Review of the draft 2018/19 Annual Financial Statements
 - The valuation of the Trust's investment properties for financial reporting purposes
 - Reappointment of Auditors
- May 2019
 - Review of the final draft 2018/19 Annual Report and Accounts, including the governance statements
 - External auditor reports on financial and quality accounts
 - Trust going-concern assessment
 - Private session with the external auditors
 - Year end accounting treatments of debtor provisions and development costs
 - Committee effectiveness

Significant issues relating to the 2018/19 Annual Report and Accounts

The principal issues addressed have been:

- The Trust's ability to continue as a 'going concern'. The Committee considered cash flow projections for both 2019/20 and 2020/21 (the latter in summary form) including sensitised versions; evaluated the key assumptions underpinning the cash flows; and assessed the reliability of historical forecasts, following which it recommended that the Trust Board make the statement set out on page 10 of this Annual Report.
- The impact on the Trust's financial statements of the independent revaluation of the Trust's operational and investment property portfolios as at 31 December 2018 (updated to consider the position at 31 March 2019). This included a reduction in the valuation of investment properties as a result of a deterioration in market sentiment in part related to uncertainty from the United Kingdom's proposed exit from the EU.
- The amount of incentive funding, both Provider Sustainability Fund and Financial Recovery Fund, receivable by the Trust for achieving its 'control total' (financial target) for each of 2019/20 and 2020/21.
- The adequacy of provisions, for example in relation to debtors and contractual disputes, which are by their nature judgmental.
- An assessment of internal control environment and its impact on statements made in the Annual Report and Accounts.
- The findings by the external auditor regarding the Annual Accounts and Quality Report.

All matters in relation to the 2018/19 Annual Accounts were resolved to the satisfaction of both the Committee and the Trust's external auditors without requiring accounting adjustments. Where such adjustments are proposed by the auditors, the Committee considers both their nature and materiality in deciding whether the Trust should record them. No significant adjustments were proposed for the year under review.

Risk management and internal control

In tandem with the Risk & Safety Committee, which principally focuses on clinical and related risks, the Audit Committee keeps under review the overall risk profile and the financial risks to which the Trust is exposed. Throughout the financial year the Board, through the Committee and assisted by the Internal Audit function, reviews the effectiveness of internal control and the management of risk. The Internal Audit function reports into the Committee and has authority to review any relevant part of the Trust and has a planned schedule of reviews that coincide with the Trust's risks. It also considers the output of the Trust's counter-fraud provider. From all these sources of data the Committee seeks to assess the quality and adequacy of the internal financial controls in place at the Trust. No new major financial risks were identified during the year.

During the year under review, the Trust's internal auditors (KPMG) issued four reports. One report found significant assurance (Financial Controls) and three reports found significant assurance with minor improvement opportunities (Infection Control, Business Continuity and Serious incidents). In all, there were no high priority recommendations and six medium and seven low priority recommendations. The review of Financial Controls made no recommendations for improvement.

Across the reviews and reports, 'medium' and 'low' priority recommendations were also made by the Trust's external and internal auditors aimed at improvements in systems and processes. The Committee monitors the implementation by executive management of all auditor recommendations. All recommendations have been accepted by management, or are under consideration, and the necessary actions have been agreed and are underway. There were no overdue responses to recommendations at the end of the year under review.

The Trust's counter-fraud service did not identify any matters of significant financial concern during the year under review emerging either from its own work programme or from reports by members of staff or the public.

Hospital to Home Service

This service, commissioned by NHS England Specialised Commissioning, comprises a pathway for paediatric home ventilation patients including those of other Trusts. The application of the service to other patient cohorts is under consideration. A cornerstone of the service is a software platform developed and previously run by a third party, but since taken in house by the Trust.

As reported in the Trust's 2017/18 Annual Report, following a whistleblowing incident the Trust commissioned a fact-finding review by the internal auditors which identified a number of weaknesses in internal control and included three 'high' priority and a number of less significant recommendations for improvement.

These recommendations were accepted by the Trust and put into effect. However, as the previous arrangements surrounding *Hospital to Home* were deemed possibly to be inappropriate, the Trust's counter-fraud service undertook its own investigation which was then superseded by a further investigation by the NHS Counter Fraud Authority. This last investigation continues and expects to conclude before the end of 2019.

External audit

The Committee engaged regularly with the external auditor over the course of the financial year. A summary of the meetings of the Committee and the significant issues relating to the Annual Report and Accounts is given above: they include consideration of the external audit plan, matters arising from the audit of the Trust's financial statements including any going concern considerations, the review of the Trust's quality accounts and any recommendations on control and accounting matters proposed by the external auditor. There is also a private session held with the external auditor at which executive management is not present. The Committee has formally reviewed the independence of the External Auditor, who has provided a letter confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with its professional standards. The Audit Committee regularly carries out an evaluation of the effectiveness of the external audit process. This is achieved through assessment by individual Committee members and attendees of performance against a set of pre-determined criteria. The Committee also undertakes a regular self-evaluation process with input from members and other Trust attendees. During 2018/19 no additional fees were earned by the external auditors for other assurance work. A formal tender process was last conducted for the provision of the external audit service in 2014 and a decision was taken to re-appoint Deloitte LLP to that role. The Committee had therefore recommended to the Governors that Deloitte LLP be retained for a fifth year for the audit of the Trust's 2018/19 accounts. As Deloitte LLP would have been our Auditor for five years by the time of the next AGM of the Council of Governors, as a matter of good governance, a full tender process will be carried out in respect of the external audit service later this year.

Internal audit

Each year the Committee reviews and approves the internal audit plan, and reviews internal audit reports and the internal auditor's annual report and head of internal audit opinion. These items are discussed with the internal auditors at Committee meetings, as are the outstanding recommendations from both internal and external auditors and how these are responded to by management.

Counter-fraud service

Each year the Committee reviews and, where appropriate, approves the counter-fraud annual risk assessment and work plan, progress reports and annual report. Details of individual referrals are considered and actions by executive management are noted.

Finance Committee Report

Role and responsibilities

Since September 2017 the Finance Committee has been a formally constituted committee established by the Trust Board to which it is directly accountable. Prior to that date the Committee had been an ad hoc Board committee which carried out a similar role. This change in status followed a recommendation resulting from a 'Well-Led' governance review of the Trust carried out in 2016/17 by PricewaterhouseCoopers LLP.

The Committee's objectives are:

- To monitor and oversee on a regular basis: the financial performance of the Trust, budgets and planning, liquidity and borrowings, cash and revenue forecasts, cost accounting systems and financial policies.
- To consider and, where appropriate, to recommend to the Board with respect to: operating practices which may impact on financial performance; aspects of financial performance which could be detrimental to achieving the Trust's financial objectives; financial reporting processes and formats; and financial aspects of the Trust's strategic planning. Committee recommendations are commensurate with the safety and well-being of Trust patients.

The Committee reports to the Trust Board at each Board meeting and at such other times as the Chair of the Trust may request. In carrying out its responsibilities the Committee reviews monthly finance reports and annual budgets and receives reports, principally from the finance team, on other significant financial matters.

Composition of the Committee

The members of the Committee who served during the year under review are disclosed on pages 25 and 26 of this Annual Report. Its membership comprises both executive and non-executive Board members. The Chair of the Audit Committee is also a member of the Committee. Other senior members of the finance team attend regularly; other Trust employees do so by invitation in accordance with the Committee's meeting agenda.

Summary of Committee meetings

Since the approval of the 2017/18 accounts there have been eleven meetings of the Committee. At each meeting there was a review and discussion of the latest monthly finance report which includes details of variances against budget.

Other matters considered and discussed were:

- June 2018
 - Approval of the Trust's costing processes and systems supporting the Trust's reference costs return and CTP-PLICS (patient level costing) return in line with national cost collection guidance
 - An update report on the 2018/19 operational plan
- July 2018
 - An update on the financing of the proposed imaging centre
 - Write-offs of uncollectible NHS Overseas debtors

- September 2018
 - An update on the reference cost and CTP-PLICS submission discussed at the June meeting of the Committee
 - Progress and fee arrangements in relation to the Trust's transformational Darwin programme
- October 2018
 - Critical care income reporting
 - An update of the Trust's Standing Financial Instructions (SFIs)
- November 2018
 - Proposed extension to the Trust's working capital borrowing facility (RCF)
 - 2019/20 planning requirements and tariff proposals, including proposals to amend market forces factors (MMF) embedded within tariff
- December 2018
 - A further paper on critical care income reporting
 - Improvement in financial performance in Q2 and approval of related fees
 - Draft submission to NHS England for financial aspects of the proposed collaboration with King's Health Partners
- January 2019
 - An update on the private patient market
 - Basis of delinquency provision against private patient debtors
 - Write offs of uncollectible NHS Overseas debtors
 - 2019/20 'control total' (financial target) and cashflow forecast
 - Review of the financial standing of the Trust's chosen contractor for its imaging centre project
- February 2019
 - Consideration and approval of Q3 consultancy fees in relation to the Trust's Darwin transformation programme
- March 2019
 - Private patient expansion plan
 - Post-project evaluation of Harefield redevelopment
 - Approval of 2019/20 Operational Plan
 - Financial status of NW London Strategic Transformation Partnership (STP)
- April 2019
 - Imaging Centre – an update on proposed borrowing facilities
 - Reference Costs/Costing Transformation Programme submission
- May 2019
 - Consideration of the Trust's going concern status (in parallel with the Audit Committee)

The Risk & Safety Committee Report

Role and responsibilities

The Committee provides the Trust Board with independent and objective evaluation of whether the systems and processes in place in the Trust to manage risks, especially patient safety risks, are complete, appropriate, and working as intended and, through its work, will encourage continuous quality improvement.

In respect of risk management, the Committee reviews the trust's overall risk management systems, including clinical, infrastructure and risks to compliance with the terms of its NHS Provider Licence and, in particular, the Quality Governance Framework. Financial and corporate risks are overseen by the Audit Committee.

The Committee seeks assurance that the organisation has appropriate risk management processes in place to ensure delivery of the annual plan, and to ensure compliance with the registration requirements of the quality regulator.

In respect of financial and other risks covered by the Audit Committee, it draws on the work of that committee.

In respect of risks relating to patient safety and health & safety, the Committee reviews all sources of assurance on patient safety, clinical effectiveness, and patient and staff experience.

These include:

- Performance reports;
- Internal assessments - including, but not limited to, any reviews by internal audit and clinical audit; and
- External assessments - including, but not limited to, any reviews by Department of Health arm's length bodies or regulators / inspectors and professional bodies with responsibility for the performance of staff or functions.

In carrying out its activities the Committee is mindful of the interest of the Trust's Governors and Members.

Composition of the Committee

The members of the Committee who served during the period under review are disclosed on pages 25 and 26 of this Annual Report. Committee meetings are also regularly attended by the Chief Executive Officer, Associate Chief Executive – Finance, Chief Operating Officer, Medical Director, Director of Nursing & Clinical Governance and Trust Secretary.

Dr Vallance-Owen chaired the Committee during 2018/19. The Committee's agenda links closely to that of the Audit Committee, particularly as regards risk identification and management. The chair of the Audit Committee is also a member of the Risk & Safety Committee.

Summary of Committee meetings

Since the approval of the 2017/18 Annual Report and Accounts the Committee has met on five occasions. These sessions considered the following subjects:

- July 2018
 - Quality improvement presentation: resilience programme
 - CQC preparation for inspection
 - Learning from Deaths
 - Serious Incidents
 - Top Trust risks – estate management
 - Quality Impact Assessment
 - Complaints
 - Safeguarding
 - Controlled Drugs
 - Governance & Quality Committee minutes
- September 2018
 - Quality improvement presentation: Improving the culture in theatres
 - CQC inspection
 - Top Trust risks - workforce
 - Tissue Governance
 - End of Life care
 - Infection Prevention & Control
 - Freedom to Speak Up self-assessment
 - Learning from Deaths
 - Serious Incidents
 - Controlled Drugs
 - Governance & Quality Committee minutes
- November 2018
 - Quality improvement presentation: national patient survey results
 - CQC inspection update
 - Top Trust risks – deteriorating patient
 - Learning from deaths
 - Freedom to Speak Up
 - Medicines Optimisation
 - Mental Health
 - Serious Incidents
 - Governance & Quality Committee minutes
 - Controlled drugs
 - Safer Working results
- February 2019
 - Quality improvement presentation: Reducing length of stay in cardiac surgery
 - CQC inspection results
 - Top Trust risks – failure to comply with external regulations, EU exit planning
 - 7 Day Services
 - Health & Safety

- Serious Incidents
 - Governance & Quality Committee minutes
 - Organ donation audit results
 - Safer Working results
- April 2019
- Quality improvement presentation: Quality Awards winner
 - CQC update
 - Cancer Service
 - Patient Safety Alerts – including ratification of new policy
 - Quality Priorities 2018/19 and 2019/20
 - Top Trust risks - Emergency preparedness, planning and resilience
 - Learning from Deaths
 - Serious Incidents
 - Controlled Drugs
 - Governance & Quality Committee minutes
 - Safer Working results

The Committee's responsibilities and activities dovetail with those of the Audit Committee and procedures are in place to avoid both omission and duplication.

Significant issues addressed in 2018/19

The principal issues addressed included:

- Care Quality Commission inspection. The Trust was scheduled for an inspection of both core services and 'Well-Led' in 2018/19. Overseeing the preparation, inspection and wash-up on behalf of the Board has formed an important part of the Committee's work in 2018/19. The final report was published in February 2019; and the Trust's overall rating improved to 'good' – with 'good' or 'outstanding' scored for all services assessed.
- Learning From Deaths. The Trust has refined and improved its approach to learning from deaths. As well as undertaking a mortality review of every inpatient who dies in the Trust, in 2018/19 the Trust has set up a new Trust Mortality Surveillance Group to share learning across the organisation, and to identify themes from the mortality review process. The quarterly report has been significantly revised and improved to provide a more holistic review of learning from deaths; and this is presented for discussion at the Risk & Safety Committee.
- Quality Impact Assessments for Darwin projects (cost efficiency projects). The Risk & Safety Committee has taken on responsibility for the oversight of this process and is receiving a summary report at every meeting; the Committee has had a full presentation on the use of a quality impact assessment for a Darwin project (reducing the length of stay of surgical patients) at the meeting in February 2019.

Risk management and internal control

In tandem with the Audit Committee, the Risk & Safety Committee keeps under review the overall risk profile of the Trust and has a particular focus on the clinical risks to which the Trust is exposed. In this work it is informed not only by management but also by staff working at the frontline, and in some cases also by reports from internal and external auditors or other review mechanisms. From all these sources of data the Committee seeks to assess the quality and adequacy of the internal controls in place at the Trust.

Starting in late 2017/18, and ongoing throughout 2018/19, the Trust has reviewed the approach to the risk register and is evolving the way in which Top Trust Risks are presented to the Risk & Safety Committee. There has been a move to ensure review of the risk register is a standing agenda item; and that an in-depth review of each of the Top Trust Risks is presented by the risk owner each year. The Board reviews the Risk Register once a year for significant risks.

One new major risk was identified during the year:

- 'No deal' exit from the European Union

Changes to other Top Trust Risks in 2018/19:

- ***Estates - Out-of-date areas, lack of modern facilities for patients/staff:*** this risk has been reduced from a score of 15 (amber) to 12 (amber) in light of the completion of various improvement works across all sites.
- ***Failure to maintain effective influence with key external stakeholders:*** this risk has been downgraded from Trust Risk status; it is now being managed as a corporate risk by the risk owner arising from better intelligence available, increased engagement with NHSE, and better representation from clinical teams.
- ***Failure to maintain designation for specialist clinical services:*** – decision made to remove this risk as a Top Trust Risk and link this risk to 'Failure to achieve expected standards of clinical care'.
- ***Failure to comply with external regulations risk:*** will continue to be monitored at the Risk & Safety Committee. An in-depth review of this risk was presented to the Committee in February 2019.
- ***Failure to maintain adequate liquidity:*** this risk has fluctuated throughout the year due to changes in financial performance and changes to financial cash flow projections. At 31 March 2019 there is a rising possibility of this risk crystallising. This risk is overseen by the Finance Committee.

As at 31 March 2019, there are no red rated Top Trust Risks on the Risk Register.

The Risk & Safety Committee has also overseen production of the Quality Report for 2018/19, reviewed progress against the Quality Priorities for 2018/19, and approved the selection of Quality Priorities for 2019/20. The Quality Report for 2018/19 can be found in Annex 1 of this document.

Board Assurance Framework

During 2018/19 further development took place to ensure that there is an effective and efficient Board Assurance Framework in place to give the Accounting Officer and Board sufficient, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved and cost-effective services.

Our Board Assurance Framework is the framework for identification and management of strategic risks that might compromise the achievement of our strategic objectives. The purpose of the BAF is to:

- Provide timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues
- Facilitate escalation of risk and control issues requiring visibility and attention by senior management, by providing a cohesive and comprehensive view of assurance across the risk environment
- Provide an opportunity to identify gaps in assurance needs that are vital to the organisation, and to address them
- Provide critical supporting evidence for the production of the Annual Governance Statement.

During 2018/19 the Audit, Risk and Safety and Finance Committees continued to adopt a robust approach to reviewing and monitoring risks associated with their respective remits. Each Committee considers any gaps in risks, the effectiveness of controls and the extent to which they are assured by the evidence presented for each risk. From September 2019, Board seminars are presented with the Risk Register incorporated within a broader Strategy Assurance Summary. This will present a structured update on a broad set of programmes, initiatives, issues and opportunities. All of these programmes and issues are linked to, and help deliver or develop, one of our strategic capabilities.

In turn, these capabilities combine as a strategy to deliver our mission to be a leading centre in the delivery of care for patients with heart and lung diseases, and to help differentiate the Trust from our competitors and guide how we optimise our use of resources. Some programmes/issues are sufficiently wide-ranging to be linked to several of these capabilities – e.g. the Trust's collaboration with King's Health Partners.

As with the Risk Register, each of these programmes and issues is owned by, or linked to, a (Board or non-Board) Executive Director.

The Assurance Summary (including the full Risk Register, and the full set of programmes and issues, linked to their strategic capabilities) will be circulated before Board meetings, along with an agenda for focused discussion on an appropriate selection of both risks and programmes/issues drawn from the Summary. Any recommendations made as a result of this discussion are taken on by the director owning the relevant risk or programme / issue and reported through the Board committee structure. The Board can then effectively review updates from Committee Chairs in relation to their respective oversight of their elements of the BAF and the extent of their assurance.

Our assurance framework provides the reliable evidence that underpins the assessment of the risk and control environment for the Annual Governance Statement (from page 79) supported by independent appraisal from our internal auditor.

Performance Evaluation of the Board of Directors

The Board of Directors recognises the importance of ensuring ongoing assessment of its own performance, that of its committees and of its directors, including the Chair, to ensure all aspects remain fit for purpose and support the sustainability of the Trust and the delivery of its strategic vision.

Monitor published guidance on the Well-Led Framework for governance reviews in April 2015 and NHS Improvement maintained the requirement to carry out these reviews since its inception on 1 April 2016.

Foundation Trusts are required to undertake a Well-Led Governance Review every three years. During 2016/17, the Trust commissioned PricewaterhouseCoopers LLP (PwC) to facilitate an evaluation of the Board of Directors. PwC was appointed following a competitive tendering process. PwC does not have any other connection to the Trust; Non-Executive Directors Simon Friend and Mark Batten are both former partners of PwC, but the appointment of PwC predates their involvement with the Trust.

The review was carried out between September and December 2016 and the findings were reported to the Trust Board at a Board Seminar held on 25 January 2017.

No material governance concerns were identified, and this finding was communicated to NHS Improvement in early February 2017 as required.

The *NHS Foundation Trust Code of Governance* only requires an external review of Board performance every three years and therefore the next one is expected to be undertaken during 2019/20.

The Chair evaluates through appraisal all Non-Executive Directors. Similarly, the Chief Executive evaluates the Executive Directors; and the Senior Independent Director evaluates the Chair. Through individual interviews by Chair with each Board Member during 2018/19 the Trust Board, as appropriate, also undertook the annual evaluation of its own performance and that of its Nominations and Remuneration Committee. Other Committees undertook their own evaluation processes.

Board of Directors

The Board of Directors brings a wide range of experience and expertise to the Trust and during 2018/19 has continued to deliver effective governance of the organisation. The Directors have been responsible for preparing this Annual Report and the associated Accounts and Quality Report and consider that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

During 2018/19 the Board of Directors comprised:

Non-Executive Directors	Executive Directors
Chair Baroness (Sally) Morgan of Huyton	Chief Executive and Accountable Officer Robert J Bell
Deputy Chair Simon Friend	Associate Chief Executive – Finance Richard Paterson
Luc Bardin	Director of Development and Partnerships Robert Craig
Mark Batten	Director of Nursing & Clinical Governance Joy Godden
Professor Kim Fox	Medical Director and Responsible Officer Dr Richard Grocott-Mason
Professor Peter Hutton (from 26 February 2019)	Director of Service Development Nick Hunt
Janet Hogben (from 1 December 2018)	Chief Operating Officer Jan McGuinness (from 25 July 2018)
Richard Jones	
Dr Javed Khan (from 26 February 2019)	
Lesley-Anne Alexander (term ended 25 February 2019)	
Kate Owen (term ended 30 November 2018)	
Andrew Valance-Owen (term ended 25 February 2019)	

Further details of Board members, and their periods of office, are provided in Section 2.2 of this Annual Report.

Directors' Statement

So far as the Directors are aware, there is no relevant audit information of which the NHS Foundation Trust's auditor is unaware. The Directors have taken all steps that they ought to have taken, as directors, in order to make themselves aware of any relevant audit information and to establish that the NHS Foundation Trust's auditor is aware of that information.



.....
Robert J Bell
Chief Executive
 On behalf of the Board of Directors

23 May 2019

Disclosures in the Public Interest

NHS Improvement guidance indicates that a set of key disclosures should be incorporated within the Annual Report.

Income Disclosures required by Section 43 (2A) and Section 43 (3A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012)

The Trust can confirm that the income from the provision of goods and services for the purposes of the health service in England, during the financial year 2018/19, was greater than the income received from the provision of goods and services for any other purposes.

Goods and services for the purposes of the health service in England continued to be delivered throughout 2018/19 and there was no detrimental impact on these services as a result of the other income received during this period.

Better Payment Practice Code

The better payment practice code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is the later. The Trust's performance against the code in 2018/19 has been calculated as follows:

Measure of Compliance	Number	£000s
Non-NHS		
Total non-NHS bills paid in the year	92,543	200,507
Total non-NHS bills paid within target	86,844	182,219
Percentage of non-NHS bills paid within target	94%	91%
NHS		
Total NHS bills paid in the year	2,035	47,946
Total NHS bills paid within target	1,828	46,748
Percentage of NHS bills paid within target	90%	98%
Total		
Total bills paid in the year	94,578	248,453
Total bills paid within target	88,672	228,967
Percentage of bills paid within target	94%	92%

Countering Fraud and Corruption

The Trust contracts with TIAA Ltd to provide counter-fraud services. TIAA Ltd is an accredited counter-fraud specialist. Investigations are carried out as required and outcomes reported to the Audit Committee.

Remuneration - salary and pension entitlements of directors

Details of the salary and pension entitlements of directors are set out in the Annual Remuneration Report, at section 2.2 of this document.

Accounting Policies for Pensions and Retirement Benefits

Accounting policies for pensions and retirement benefits are set out in note 9 of the Accounts, Annex 2 of this document.

Interest Paid under the Late Payment of Commercial Debts (Interest) Act 1998

Information regarding these is disclosed in note 12.2 of the Accounts.

Staff Consultations

During 2018/19 The Trust has concluded the following formal consultations / organisational changes:

- Corporate Services:
 - Respiratory Biomedical Research Unit (BRU), Respiratory Clinical Research Facility, revised budget affecting number and skill range of staff;
 - HR, Organisational Change structure, Darwin transformation of HR function, new roles, new operating model and supporting technology;
- Heart Division, consultation on the number of Congenital Heart Surgeons;
- Lung Division, Outpatient Services in Fulham Wing, a revision of administrative roles and job descriptions along with operational hours of the Outpatient Service;
- (Apheresis) Cardiology, Change in Service needs, reduction in the number of days that the Apheresis Unit was operating due to a fall in activity;
- (Perfusion) Surgery, Organisational Change structure, a change of the structure of the Perfusion Department following a site report from the College of Perfusion;
- Rehabilitation & Therapies, integration of complex discharge and therapy teams to improve team communication; and
- Paediatrics, change in HCA role.

Public Consultations

A series of community liaison events held, inviting local residents to comment on the imaging centre proposal at Royal Brompton Hospital. Other public events were held to consult on our proposed collaboration with King's Health Partners.

Ill-health Retirements

Details of ill-health retirements during the period are disclosed in note 8 of the Accounts.

Other Operating Revenues

Details of Other Operating Revenues are disclosed in note 4 of the Accounts.

Data Loss/Confidentiality Breach

During 2018/19 there were no incidents classified as a 'Level 2' serious incident.

Cost Allocation and Charging Requirements

The Trust has complied with HM Treasury and Office of Public Sector Information guidance with regard to cost allocation and charging.

Value of Fixed Assets

As noted in the section of this report dealing with Trust Financial Performance for 2018/19, the Trust's operational and investment portfolios were revalued as at 31 December 2018 by independent valuers (see Note 17.1 to the Financial Statements).

Donations

The Trust has made no charitable or political donations during the period.

Events since 31 March 2019

There have been no post-balance sheet events requiring disclosure.

Financial Instruments

The extent to which the Trust employs financial instruments is set out in note 26 to the Accounts.

Related Party Transactions

During the year the Trust had numerous material transactions with the Department of Health and Social Care and with other entities for which the Department is regarded as the parent. In addition, the Trust had a number of material transactions with Imperial College of Science, Technology and Medicine (relating to research projects). Related party transactions are set out in note 28 to the Accounts.

2.2 Remuneration Report

Annual Statement of Remuneration

The Chief Executive has confirmed, in line with the *NHS Foundation Trust Annual Reporting Manual 2018/19* (s2.49), that the definition of senior managers to be used for this Remuneration Report covers the Chair, and the Executive and Non-Executive members of the Trust Board.

The Nominations and Remuneration Committee of the Trust Board (composed of Non-Executive Directors) met on 28 March 2018 in order to agree remuneration for the Executive Directors during 2018/19.

The remuneration of Executive Directors increased as shown in the table in page 53 of this report.



23 May 2019

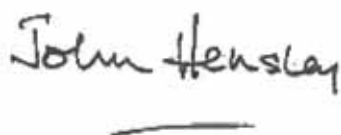
.....
Janet Hogben

Chair of the Nominations and Remuneration Committee of the Trust Board

Annual Statement of Remuneration Continued

During 2018/19, the Nominations and Remuneration Committee of the Council of Governors (composed of Governors and the Chair of the Trust) met in April, June, September and November of 2018 and again in January 2019.

Remuneration of the Non-Executive Directors did not change between 2017/18 and 2018/19.



23 May 2019

.....
John Hensley

Chair of the Nominations and Remuneration Committee of the Council of Governors

Senior Managers' Remuneration Policy

The Trust policy is for all Executive Directors to be on permanent Trust contracts with six months' notice. Salaries are awarded on an individual basis, taking into account the skills and experience of the post holder, and comparable salaries for similar posts elsewhere. Salary data, taken where appropriate from other NHS organisations and other public-sector bodies, is benchmarked. Pay is also compared with that of other staff on nationally agreed Agenda for Change Terms and Conditions, and Medical and Dental Terms and Conditions. Remuneration consists mainly of salaries (which are subject to satisfactory performance) and pension benefits in the form of contributions to the NHS Pension Fund.

The policy for Non-Executive Directors is to appoint on fixed term contracts of three years. Non-Executive Directors are not generally members of the Pension Scheme, and receive their emoluments based on benchmarking data for similar posts elsewhere in the NHS.

Future Policy Table					
Item	Salary / Fees	Taxable Benefits	Annual Performance Related Bonus	Long-Term Related Bonus	Pension Related Benefits
Support for the short and long-term strategic objectives of the Foundation Trust	Ensure the recruitment / retention of directors of sufficient calibre to deliver the Trust's objectives	None	Ensures recruitment / retention of a high calibre Medical Director	None	Ensure the recruitment / retention of directors of sufficient calibre to deliver the Trust's objectives
How the component operates	Paid in even twelfths	None	Clinical Excellence Award; only available to medical staff	None	Contributions paid by both employee and employer
Maximum payment	As set out on page 54 of this Annual Report	None	As set out on page 54 of this Annual Report	None	Lifetime allowance for taxation purposes; £1,030,000 from April 2018
Framework used to assess performance	Trust appraisal system	None	Clinical Excellence Awards	None	N/A
Performance Measures	Tailored to the post concerned	None	Tailored to the post concerned	None	N/A
Performance period	Concurrent with the financial year	None	Concurrent with the financial year	None	N/A
Amount paid for minimum level of performance and any further levels of performance*	Salaries / Fees are agreed on appointment and set down in the contract of employment	None	There are a number of different levels of clinical excellence awards and the amount awarded depends upon an external assessment of the individual undertaken by their peers.	None	N/A
Explanation of whether there are any provisions for recovery of sums paid to directors, or provisions for withholding payments	Any overpayments may be recovered	None	Any overpayments may be recovered	None	N/A

*In the case of the Medical Director, the Clinical Excellence Award is based upon his standing within the specialty of Cardiology. This is assessed by his peers, not by the Trust, although the payment is made by the Trust.

Annual Report on Remuneration

Nominations & Remuneration Committee of the Trust Board

The Nominations and Remuneration Committee of the Trust Board (composed of Non-Executive Directors) met in November 2018 and in March 2019.

In discharging its responsibilities to oversee the remuneration of the Executive Directors, the Committee has taken into account information concerning the performance of the Executive Directors supplied by the Chief Executive. The Committee has been advised by the Hay Group in respect of benchmarking rates of pay for senior managers across London. The Hay Group is not connected to anyone at the Trust in any respect, and does not provide any other services to the organisation.

The policy on the pay of Executive Directors during 2018/19 was based upon comparison with salaries paid to directors of comparable healthcare organisations. The Chief Executive undertakes an objective-setting exercise with each senior manager and performance against these objectives is kept under review by the Chief Executive. The Chief Executive is in turn appraised by the Chair of the Trust. The Trust did not consult employees when preparing the senior managers remuneration policy.

The contracts of senior managers are normally awarded on the basis of a substantive contract.

During 2018/19 Robert Craig, Chief Operating Officer, was appointed as Director of Development and Partnerships; Jan McGuinness, as Chief Operating Officer; and Dr Rishi Das-Gupta as Chief Innovation & Technology Officer. Robert and Jan are also Board Executive Directors.

Members of the Committee, and their attendance are shown on page 26 of the Annual Report.

Nominations & Remuneration Committee of the Council of Governors

The Nominations and Remuneration Committee of the Council of Governors (composed of Governors and the Chair of the Trust) met five times during 2018/19.

In discharging its responsibilities to oversee the remuneration of the Chair and the Non-Executive directors, the Committee has taken into account information concerning the performance of the Chair and the Non-Executive Directors.

During 2018/19, following the expiry of the terms of office of K Owen, L-A Alexander and Dr A Vallance-Owen, the Nominations and Remuneration Committee of the Council of Governors recommended the Non-Executive Director appointments of Janet Hogben, Professor Peter Hutton and Dr Javed Khan. All of these recommendations were subsequently ratified by the full Council of Governors.

When dealing with the appointment of a Chair or Non-Executive Director, the Committee considers the appropriateness of obtaining external advice and support. The views of the Chair and the Board of Directors are taken into account as appropriate on the qualifications, skills and experience required for each position in order to identify suitable candidates. Following an open and transparent selection process the Committee makes recommendations to the Council of Governors for appointment. The appointment and renewal of a Chair and Non-Executive Director is decided by the Council of Governors.

The remuneration of the Non-Executive Directors did not change between 2017/18 and 2018/19.

Members of the Committee, and their attendance are shown on page 20 of the Annual Report. The terms of reference of the Committee are available on request from the Trust Secretary.

The following Table shows the date of appointment of directors, together with the type of contract issued and the unexpired term of appointment where applicable:

Name	Role	Date Appointed	Contract / Unexpired Period at 31 March 2019
Baroness (Sally) Morgan	Chair	1 January 2017	9 months
Robert J Bell	Chief Executive	28 March 2005	Substantive contract, no end date specified
Dr Andrew Vallance-Owen	Senior Independent Director	26 February 2013 Renewed 26 Feb 2016	Left 25 Feb 2019
Lesley-Anne Alexander	Non-Executive Director	26 February 2013 Renewed 26 Feb 2016	Left 25 Feb 2019
Luc Bardin	Non-Executive Director	1 June 2015 Renewed 1 June 2018	26 months
Mark Batten	Non-Executive Director	1 November 2017	19 months
Prof Kim Fox	Non-Executive Director	1 June 2013 Renewed 11 May 2016	2 months
Simon Friend	Non-Executive Director Deputy Chair	1 August 2017	16 months
Janet Hogben	Non-Executive Director	1 December 2018	32 months
Prof Peter Hutton	Non-Executive Director	26 February 2019	35 months
Dr Javed Khan	Non-Executive Director	26 February 2019	35 months
Richard Jones	Non-Executive Director	25 February 2014 Renewed 25 Feb 2017	11 months
Kate Owen	Non-Executive Director	6 October 2010 Renewed 6 Oct 2017 Renewed 8 Oct 2018	Left 30 Nov 2018
Robert Craig	COO Director of Development & Partnerships	22 October 2008 to 25 July 2018 From 25 July 2018	Substantive contract, no end date specified
Joy Godden	Director of Nursing and Clinical Governance	29 July 2015	Substantive contract, no end date specified
Dr Richard Grocott-Mason	Interim Medical Director	27 July 2016	Substantive contract, no end date specified
Nicholas Hunt	Director of Service Development	23 July 2014	Substantive contract, no end date specified
Richard Paterson	Associate Chief Executive - Finance	26 October 2011	10 months
Jan McGuinness	Chief Operating Officer	25 July 2018	Substantive contract, no end date specified

Note: renewal of Non-Executive Director appointments is dated from the meeting of the Council of Governors at which the appointment was ratified. The term of the appointment itself is contiguous with the preceding term and this is reflected in the calculation of the unexpired period.

The standard notice period for an Executive Director is six months. No termination payments have been made to Executive Directors during the reporting period.

Salary and Pension Entitlements of Directors (Audited Information)

£000 unless otherwise stated	1 April 2018-31 March 2019							1 April 2017-31 March 2018									
	Salary	Other Remuneration	Taxable Benefits	Annual Performance Related Bonuses	Long-Term Performance Related Bonuses	Pension Related Benefits	TOTAL	Expenses	Salary	Other Remuneration	Taxable Benefits	Annual Performance Related Bonuses	Long-Term Performance Related Bonuses	Pension Related Benefits	TOTAL	Expenses	
	(bands of £5000)	(bands of £5000)	Rounded to the nearest £100	(bands of £5000)	(bands of £5000)	(bands of £2500)	(bands of £5000)	Rounded to the nearest £100	(bands of £5000)	(bands of £5000)	Rounded to the nearest £100	(bands of £5000)	(bands of £5000)	(bands of £2500)	(bands of £5000)	Rounded to the nearest £100	
Baroness Morgan Chairman	60 - 65						60 - 65	100	60 - 65							100	
Robert J. Bell Chief Executive	285 - 290						285 - 290	1,000	280 - 285							300	
Dr R Groot-Mason Medical Director	70 - 75	140 - 145		35 - 40*		0 - 2.5	250 - 255		70-75	120-125		45-50*		nil	240 - 245		
Robert Craig Director of Development & Partnerships	170 - 175					55 - 57.5	225 - 230		165 - 170					40 - 42.5	205 - 210		
Jan McGuinness Chief Operating Officer	150 - 155					37.5 - 40.0	190 - 195		130 - 135					120 - 122.5	250 - 255		
J. Godden Director of Nursing	130 - 135					70 - 72.5	200 - 205		125 - 130					42.5 - 45.0	170 - 175		
Richard Paterson Associate Chief Executive - Finance	200 - 205						200 - 205	600	200 - 205						200 - 205	100	
Nick Hunt Director of Service Development	130 - 135					nil	130 - 135		125 - 130					nil	125 - 130		
Kate Owen Non-Executive Director (until 31/1/18)	10 - 15						10 - 15		15 - 20						15 - 20		
Neil Lerner Non-Executive Director (until 31/5/17)									0 - 5						0 - 5	200	
Dr Andrew Vallance-Owen Non-Executive Director (until 25/02/19)	20 -25						20 - 25		20 - 25						20 - 25	100	
Lesley-Anne Alexander Non-Executive Director (until 25/02/19)	10 - 15						10 - 15		15 - 20						15 - 20		
Kim Fox Non-Executive Director	0 - 5	30 - 35					30 - 35		0-5	30-35					30 - 35		
Richard Jones Non-Executive Director	15 - 20						15 -20	700	15 - 20						15 - 20	1,100	
Philip Dodd Non-Executive Director (until 26/7/17)									5 - 10						5 - 10		
Simon Friend Non-Executive Director (from 1/8/17)	20 - 25						20 -25		10 - 15						10 - 15		
Mark Batten Non-Executive Director (from 1/11/17)	20 - 25						20 - 25		5 - 10						5 - 10		
Janet Hogben Non-Executive Director (from 2/01/19)	0 - 5						0 - 5										
Javed Khan Non-Executive Director (from 26/02/19)	0 - 5						0 - 5										
Peter Hutton Non-Executive Director (from 26/02/19)	0 - 5						0 - 5										
Luc Bardin Non-Executive Director	15 - 20						15 - 20		15 - 20						15 - 20		
* Clinical Excellence Award																	

* Clinical Excellence Award

The reported figure for pension benefits is calculated under the HMRC method for valuing pension benefits, and reflects the real increase in value of the individual's pension entitlement in the year, less employee contributions

Cabinet Office Senior Pay Transparency Threshold

£150,000 is the threshold used in the Civil Service for approval by the Chief Secretary to the Treasury, as set out in guidance issued by the Cabinet Office. The threshold is £150,000 to align with the Cabinet Office senior pay transparency threshold. The Cabinet Office approvals process does not apply to NHS Foundation Trusts but is considered a suitable benchmark above which NHS Foundation Trusts should make this disclosure.

It can be seen from the table on page 53 of this report that four members of the Trust Board receive a salary greater than £150,000, disclosed pro rata as required. The Nominations and Remuneration Committee of the Trust Board has taken steps to satisfy itself that this level of remuneration is reasonable through benchmarking comparisons with Trusts of a similar size and complexity.

Fair Pay Multiple Requirements (Audited Information)

Median salary for Trust employee	2018/19	2017/18
	£39,030	£36,793

The highest paid officer of the Trust (total remuneration £285k-£290k, 2017/18 £280k-£285k) represented a multiple of 7.4 times that of the median employee (2017/18: 7.7).

**Pension Entitlements of Directors
(Audited Information)**

Name and title	Real increase/ (decrease) in pension at retirement age at 31 March 2019 (bands of £2,500) £000	Real increase/ (decrease) in lump sum at retirement age at 31 March 2019 (bands of £2,500) £000	Total accrued pension at retirement age at 31 March 2019 (bands of £5,000) £000	Lump sum at retirement age to accrued pension at 31 March 2019 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2019 £000	Real increase/ (decrease) in Cash Equivalent Transfer Value £000	Cash Equivalent Transfer Value at 31 March 2018 £000	Employer's contribution to pension
Robert J. Bell Chief Executive	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dr Richard Grocott-Mason Medical Director	0.0 - 2.5	2.5 - 5.0	55.0 - 60.0	170.0 - 175.0	1,311	139	1,149	20
Robert Craig Director of Development & Partnerships	2.5 - 5.0	0.0 - 2.5	70.0 - 75.0	170.0 - 175.0	1,385	200	1,162	25
Joy Godden Director of Nursing	2.5 - 5.0	10.0 - 12.5	55.0 - 60.0	170.0 - 175.0	1,351	201	1,128	19
Jan McGuinness Chief Operating Officer	2.5 - 5.0	0.0 - 2.5	10.0 - 15.0	0	157	53	101	22
Nick Hunt Director of Service Development	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Pension calculations are provided by NHS Pensions Agency (NHSPA)

Robert Bell retired from the existing scheme on 14 March 2016

Nick Hunt retired from the existing scheme on 31 December 2016

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme, or arrangement to secure pension benefits when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004/05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

There is no CETV for employees who have reached retirement age as defined by the scheme of which they are a member. Officers who were over the retirement age for 'the 1995 section', and who have now changed to 'the 2008 section' with its higher retirement age, will have acquired a CETV during the year.

Real increase (decrease) in CETV - this reflects the change in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Off-Payroll Arrangements

In May 2012, HM Treasury published 'Review of the tax arrangements of public sector employees' the focus of which was the minority of individuals who are engaged to provide services within the public sector and who do not have PAYE and NICs deducted at source, and are therefore 'off-payroll'. The review recommended that for all new engagements and contract renewals:

- Board members and/ or senior officials with significant financial responsibility should be on the organisation's payroll, unless there are exceptional circumstances, in which case the Accounting Officer should approve the arrangements, and such exceptions should exist for no longer than six months; and
- engagements of more than six months in duration, for more than a daily rate of £245 (deemed 'highly paid'), should include contractual provisions that allow the Trust to seek assurance regarding the PAYE and NICs obligations of the individual, and to terminate the contract if that assurance is not provided.

The Trust engages 'highly paid' individuals off-payroll in circumstances where the engagement is of a project and/or specialist nature and as such does not fit the requirements of a permanent role and has put in place the contractual provisions as recommended in the review. The tables below, which follow reporting requirements as defined in the *NHS Foundation Trust Annual Reporting Manual*, disclose the position at the Trust at 31 March 2019.

Off-Payroll engagements longer than six months	
For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months:	
No. of existing arrangements as of 31 March 2019	14
of which:	
No. that have existed for less than one year at time of reporting	8
No. that have existed for between one and two years at time of reporting	4
No. that have existed for between two and three years at time of reporting	2
No. that have existed for between three and four years at time of reporting	0
No. that have existed for four or more years at time of reporting	0

New Off-payroll engagements	
For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last longer than six months:	
No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	8
of which:	
No. assessed as within the scope of IR35	6
No. assessed as not within the scope of IR35	2
No. engaged directly (via PSC contracted to the Trust) and are on departmental payroll	0
No. of engagements reassessed for consistency/assurance purposes during the year	7
No. of engagements that saw a change to IR35 status following the consistency review	0

Off-payroll board member/senior official engagements

For any off-payroll engagements of Board Members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019:

No. of off-payroll engagements of Board Members, and/or, senior officials with significant financial responsibility, during the financial year.	0
No. of individuals that have been deemed "Board Members, and/or, senior officials with significant financial responsibility", during the financial year. This figure must include both off-payroll and on-payroll engagements.	19

Exit packages

Reporting of compensation schemes - exit packages 2018/19	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Exit package cost band (including any special payment element)	Number	Number	Number
<£10,000	2	-	2
£10,000 - £25,000	-	2	2
£25,001 - £50,000	1	3	4
£50,001 - £100,000	1	2	3
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
>£200,000	1	-	1
Total number of exit packages by type	5	7	12
Total resource cost (£)	£524,879	£324,091	£848,970

Reporting of compensation schemes - exit packages 2017/18	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Exit package cost band (including any special payment element)	Number	Number	Number
<£10,000	1	6	7
£10,000 - £25,000	2	13	15
£25,001 - £50,000	2	4	6
£50,001 - £100,000	-	1	1
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
Total number of exit packages by type	5	24	29
Total resource cost (£)	£105,024	£472,862	£577,886

Exit packages: other (non-compulsory) departure payments	2018/19		2017/18	
	Payments agreed Number	Total value of agreements £000	Payments agreed Number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs	4	176	17	385
Early retirements in the efficiency of the service contractual costs	1	85	-	-
Contractual payments in lieu of notice	-	-	5	80
Exit payments following Employment Tribunals or court orders	2	63	2	8
Non-contractual payments requiring HMT approval	-	-	-	-
Total	7	324	24	473
Of which:				
Non-contractual payments requiring HMT approval are made to individuals where the payment value was more than 12 months' of their annual salary	-	-	-	-

Average numbers of employees (WTE basis)

Average number of employees (WTE basis)	Permanent Number	Other Number	2018/19 Total Number	2017/18 Total Number
Medical and dental	507	3	510	509
Ambulance staff	-	-	-	-
Administration and estates	907	58	964	981
Healthcare assistants and other support staff	204	4	209	198
Nursing, midwifery and health visiting staff	1,371	55	1,425	1,375
Nursing, midwifery and health visiting learners	-	-	-	-
Scientific, therapeutic and technical staff	599	30	630	655
Healthcare science staff	-	-	-	-
Social care staff	-	-	-	-
Other	-	-	-	-
Total average numbers	3,587	150	3,737	3,718
Of which:				
Number of employees (WTE) engaged full-time on capital projects	-	-	-	-

This Remuneration Report has been prepared having regard to the requirements of the *NHS Foundation Trust Annual Reporting Manual 2018/19*.



.....
Robert J Bell
Chief Executive
 On behalf of the Board of Directors

23 May 2019

2.3 Staff Report

Introduction

The Trust is proud of its staff and supports their professional and personal development. We recognise that organisational health and good staff engagement are key to employee satisfaction, productivity and the quality of service we deliver to our patients. We have established programmes in health and well-being, organisational development and our culture. We continue to develop comprehensive people initiatives that promote organisational health and the values-driven work environment to which we aspire.

The results of the 2018 Staff Survey were published by the NHS Coordination Centre in March 2019. The Trust again performed well on overall staff engagement with a score of 3.95 out of 5 which is the national average for acute specialist Trusts.

Existing Initiatives

The Trust's Chief Executive holds regular Staff Forums and informal meetings with employees across the organisation. He not only updates staff on recent news and developments from a strategic perspective, but also listens to questions and comments from staff. Questions can be submitted in advance of any forum by anyone uncomfortable asking a question in public. We continue to encourage staff to be confident to speak up. The content of the forums is published on the intranet to inform anyone unable to attend.

The Trust has a staff magazine 'In Touch', which is complemented by the monthly 'What's New?' news bulletin, both of which are distributed throughout the Trust. The 'Trust News' and 'Trust Matters' pages on the intranet are also widely used by Trust staff.

The Trust continues to encourage staff recognition locally within teams, and Trustwide with the popular pan-Trust 'Champions' Awards' run twice yearly. Nominations are made for individuals or teams from colleagues or customers who feel individuals have made an outstanding contribution to their team, service improvement, or delivering efficiencies. A ceremony is held where stories are shared, awards given, and successes celebrated. The results are published, and these often inspire others.

The Trust promotes Schwartz Rounds. These are confidential multidisciplinary forums open to all caregivers to discuss challenging social and emotional issues that arise when caring for patients. The aim of these forums is to help reduce staff stress whilst supporting them to provide compassionate healthcare.

A number of training programmes have been implemented that focus on our values and how employees interact with each other at work. We have also focused on workplace stress, conflict handling and team building. We take steps to promote positive mental health and support those experiencing mental ill health. We have invested in a Trust mediation service to resolve staff grievances and conflicts as they arise. All these programmes are tailored for departmental or individual needs. An employee assistance programme is available and our occupational health service continues to support staff with counselling and medical referrals.

We are proud of our award-winning nursery at Harefield Hospital, with permanent placements for 50 children from five months to five years old. The nursery also offers staff ad hoc childcare when unforeseen circumstances arise.

This year we started an inspiring organisational development programme with a number of specific interventions. These has included leadership training and coaching for those

returning to work after maternity or paternity leave, and the implementation of a Trustwide platform which will offer learning through collaboration and a number of different mediums.

Staff Consultations

The staff consultations undertaken during the year are listed in full on page 48.

Summary of Performance - NHS Staff Survey

The Trust participates in the annual NHS Staff Survey and the results of the 2018 survey are summarised below.

Response rate

At the time of sampling, 3,424 staff were eligible to receive the survey. Questionnaires were sent to all fixed term and permanent staff. This included staff directly employed by the Trust; it excluded staff working for external contractors. It also excluded bank staff unless they are employed directly elsewhere in the Trust.

2,026 members of staff took part in the survey. This is a response rate of 59%, an improvement on 2017 (54%) and in the upper quartile for response levels nationally. This was achieved by:

- A comprehensive communications plan that included examples of change delivered as a result of feedback from the last survey;
- Offering an option of electronic and paper methods for response;
- A witty weekly update showing teams' progress as staff completed the survey;
- Evidencing changes made since the last survey – cascaded through teams;
- A pre-launch email to all staff from the HR Director encouraging participation;
- A dedicated screensaver programme running at two separate points during the survey;
- Regular awareness-raising from the leadership team and senior management during the survey running period; and
- Managers across the Trust promoting the survey with their teams, encouraging participation, reassuring anonymity and focusing on the value of staff feedback.

Response Rate				
Trust 2016	Trust 2017	Trust 2018	Benchmarking Group Average 2018	Trust Improvement/ Deterioration
39%	54%	59%	54%	+5%

Top 5 Ranking Scores:

Top 5 Ranking Scores	Trust 2018
We were given feedback about changes made in response to reported incidents	76%
My organisation treats staff who are involved in an error, near miss or incident fairly	73%
When incidents are reported, my organisation takes action to ensure that they do not happen again	83%
I have not experienced physical violence from a manger	100%
I would recommend my organisation as a place to work	76%

Bottom 5 Ranking Scores:

Bottom 5 Ranking Scores	Trust 2018
The last time you experienced harassment, bullying or abuse at work, did you or a colleague report it?	41%
In the last month have you seen any incidents that could have hurt service users?	32%
The review or training included a discussion of the values of the organisation, as part of the appraisal process	35%
In the last 12 months have you experienced musculoskeletal problems as a result of work?	30%
In the last 12 months have you experienced harassment, bullying or abuse at work from other colleagues?	25%

From 2018 onwards, the results from questions are grouped to give scores in ten people themes. The scores for each theme are based on a score out of 10 for certain questions with the theme score being the average of those.

Scores for each theme, together with that of the survey benchmarking group (Acute Specialist Trust), are presented below.

We are above average, or close to average, on five of these measures. We are particularly proud of our results in Safety Culture and Quality of Care which are close to the best results in the UK and which rightly reflect the culture of our organisation. However, we have more to do on Health and Well-being, Immediate Manager Capability and Bullying and Harassment.

How we compare on the ten people themes

Theme	2018/19		2017/18		2016/17	
	Trust	Benchmarking Group	Trust	Benchmarking Group	Trust	Benchmarking Group
Equality, diversity and inclusion	8.9	9.3	8.9	9.3	9.0	9.3
Health and well-being	6.0	6.3	6.1	6.3	6.3	6.3
Immediate managers	6.9	7.0	6.8	6.9	6.9	6.9
Morale	6.1	6.3				
Quality of appraisals	5.8	5.7	5.8	5.5	5.8	5.5
Quality of care	7.9	7.8	7.9	7.7	8.0	7.8
Safe environment – bullying and harassment	8.0	8.2	8.0	8.4	8.1	8.3
Safe environment – violence	9.7	9.7	9.7	9.7	9.7	9.7
Safety culture	7.3	6.9	7.1	6.9	7.2	6.9
Staff engagement	7.4	7.4	7.4	7.4	7.6	7.5

Recommendations for addressing areas requiring improvement

The feedback from staff continues to be largely positive and in line with the other feedback from staff throughout the year. Our staff are highly engaged, patient focused and motivated; reporting excellent teamwork and communication throughout the Trust. They tell us they are proud to work for the Trust.

We continue to face challenges in culture with reported bullying and harassment. We will continue the values-led interventions which are improving areas where we have invested in

education and awareness. Some data on bullying suggests an issue with manager capability. We are working with managers on an ongoing capability training programme.

Last year we began a mediation programme for workplace grievances and disputes. We invested in establishing a successful Trustwide mediation service with over 80 mediations having taken place.

Listening groups continue where there have been higher reports of bullying or harassment. The Freedom to Speak Up Guardian is active across the Trust, and an Employee Assistance Programme (EAP) has been introduced.

Our employee health and well-being programme is being developed. We began with the introduction of yoga, pranic healing, mindfulness, walking and running groups, wellness forums, fitness challenges and resilience training. These initiatives are aimed at improving general staff health and reducing the incidence of work-related stress; they have been very popular. We now intend to develop a programme addressing mental health and stress management called Care for the Carers. This will pilot first at Harefield Hospital and then be rolled out Trustwide. It will be a framework that provides different levels of care and support for teams, and spaces for people to share their experiences. We will offer additional professional support for staff when times are tough.

The coming year will be a year focusing on management development. Our new learning platform, and a variety of other mediums, will enable managers to coach staff and create even higher performing teams. We plan to begin a different approach to performance and appraisals, by moving to one more closely linked to coaching and ongoing conversations on a quarterly or monthly basis.

The Trust's Employees

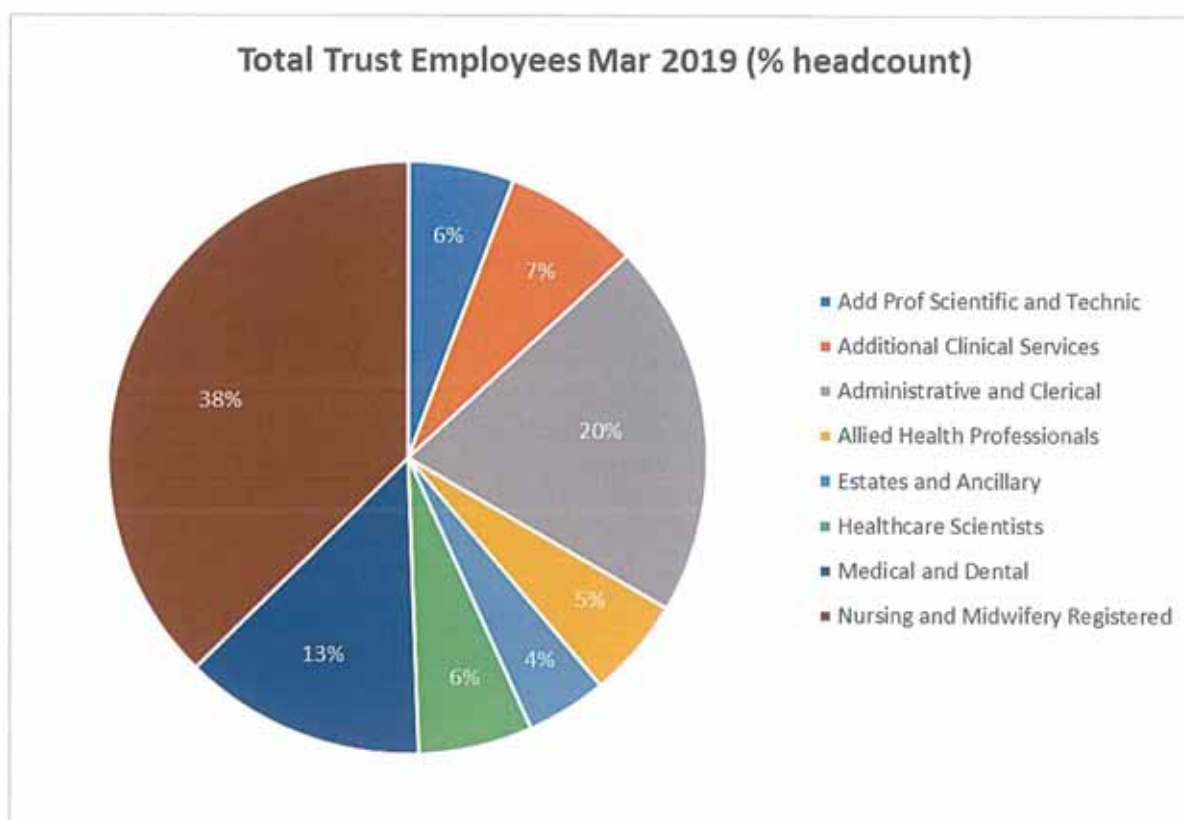
As at 31 March 2019, the Electronic Staff Record showed that the Trust employed 3,741 people either on permanent or fixed term contracts (expressed as headcount)¹.

Of these, 1,404 were registered as nurses and 488 were doctors. There were 204 allied health professionals and 274 people employed to provide additional clinical services (including healthcare assistants). Scientific and professional staff totalled 213 and there were 231 healthcare scientists. There were 163 estates and ancillary staff and the administrative and clerical staff numbered 764; this group includes ward clerks, medical secretaries, clinic receptionists as well as corporate teams such as Finance, Human Resources, Information Technology and members of the operational management team.

¹ Please note:

Workforce information is held in the Electronic Staff Record (ESR) which is the source of data used for external reporting of workforce matters, such as staff sickness. For the purposes of describing the Trust's employees the figures have been expressed as headcount. Elsewhere in this Annual Report, the reader will find reference to staff numbers derived from financial systems which may be expressed as whole-time equivalents (WTE) or full-time equivalents (FTE) which result in a lower figure when compared to headcount.

The chart below shows the composition of the workforce by staff group:



Within the nursing workforce, the main countries of origin of the nurses are:

Nationality	March 2018	March 2019
British	53%	52%
Filipino	6%	8%
Portuguese	7%	6%
Irish	5%	6%
Spanish	5%	4%
Indian	4%	4%
Italian	3%	3%
Polish	1%	1%
Australian	<1%	1%
Zimbabwean	1%	1%
Other Nationalities	Less than 1% each	

19.6% of the nursing workforce is from the European Union, excluding the UK. The impact that EU Exit may have on staff from the rest of the European Union, who are living and working in the UK, remains a concern.

The following table shows the breakdown of the number of female and male members of staff in each of the specified groups at 31 March 2019:

Role	Female	Male
Directors	5	9
Senior Managers (Grade 8c or above)	71	37
Employees	2,672	1,069

Staff Sickness

The following information has been taken from our Electronic Staff Record and covers the period 1 April 2018 to 31 March 2019:

Available Days FTE	Days Lost FTE	Absence Rate %
1,266,648	33,149	2.62%

The absence rate of 2.73% on average per employee compares favourably with 4.22% for the average across other organisations from information provided to the Trust by NHS Improvement.

Occupational Health Service

Staff members are referred to our occupational health service in line with the Trust's Sickness Absence Management policy, or when managers are concerned about a staff member's health and well-being or fitness to work. New entrant health screening takes place along with workplace immunisations.

The main causes of sickness absence are attributed to stress/anxiety and musculoskeletal conditions. To help address these issues, and reduce time lost from work, physiotherapy and counselling services are available to staff. We continue to offer help and support on more general health awareness issues.

The Seasonal Flu Campaign for 2018/19

Part of NHS England's plan to ensure the NHS was prepared for winter was to increase the uptake of flu vaccinations by frontline staff. The Trust was again required to document staff having, or declining, the flu vaccination. This NHS mandate still causes concern for employees. Nevertheless, it was possible to identify 10.3% of staff as choosing not to have the vaccination. Taking the numbers of staff not wishing to have the vaccination into account increased the overall staff response rate to 71.2%.

A seasonal flu vaccination campaign for staff started in September 2018 to increase uptake for the protection of patients and staff.

60.9% of frontline healthcare workers were vaccinated this season; a decrease of 3.5% compared to the previous flu season. The average uptake amongst London Trusts this season was 64%.

Most flu vaccinations were administered at the beginning of the campaign but are available until March 2019 which is beyond the reporting period.

During the flu campaign workplace vaccination clinics were established in various departments. Walk-in clinics were offered in the Occupational Health Departments of both Royal Brompton and Harefield Hospitals from September 2018 to December 2019. Staff who could not attend the walk-in clinics or clinics off-site, were offered individual appointments. Some of our Senior Clinicians visited wards to raise awareness and our Board members were visible having the vaccination.

To increase uptake of the flu vaccination, and to ensure all staff had the opportunity to take part, managers were provided with regular anonymised information about the percentage of staff in their teams who had the vaccination or declined it. Providing this information enabled managers to encourage teams with low engagement rates.

Health and Safety

Health and Safety training is provided to all staff when they join the organisation. This is supported with ongoing training throughout their employment to ensure safety awareness and good practice is maintained. Additional specialist training relevant to the nature of individual roles is also provided. Site-based committees have been established to ensure that safety concerns can be raised through local safety representatives. The Trust also supports staff well-being at work through a comprehensive occupational health service to ensure that they, members of the public and patients enjoy a safe environment where occupational and safety risks are minimised. Health and Safety is supported and reported at Board level.

Policies in Relation to Disabled Employees and Equal Opportunities

The Trust has an Equality and Diversity Policy which was reviewed in May 2015.

The Trust is committed to ensuring equality of opportunity for all patients and staff, by maintaining a culture in which any form of discrimination is unacceptable. Patients, their families and carers, and the staff who care for them deserve to feel respected, valued and empowered. The Trust is committed to eliminating all forms of discrimination on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation, in line with current legislation.

The Trust ensures that for people with a disability, full and fair consideration of their applications is given during the recruitment process, having regard to their particular aptitudes and abilities. Reasonable adjustments are made as required for people with a disability, and for those who become disabled during their employment. The Trust's Equality and Diversity Policy contains clear guidance for managers in respect of training, career development and promotion of people with a disability.

During 2018/19 the Trust continued to meet its obligations, under the public-sector equality duty, to publish annual equality information in the form required by the regulations.

Workforce Race Equality Standard

The Trust completed its 2017/18 Workforce Race Equality Standard (WRES) submission in August 2018 which was published on the Trust's website in autumn 2018 with an accompanying action plan.

In 2018 more focus was placed on the WRES and on developing an action plan to support key targets. The data itself showed some improvement against some of the indicators when compared at a regional and national level, but some indicators were slightly reduced compared to the previous year.

An action plan was delivered to focus specifically on the areas where results were not as positive as the Trust expected. The action plan included investigation training for managers, a simplified Grievance and Bullying and Harassment policy, trained mediators leading to a launch of the mediation service and the continuation and expansion of listening groups for staff. The action plan is under continual review and it is expected that the Trust's 2019 submission will be more representative given the increased return rate (59%) on the 2019 Staff Survey. In addition to the Trust's 2018 WRES plan, the central WRES team is supporting a new BME network for staff.

Information on Policies and Procedures with Respect to Countering Fraud and Corruption

Staff are provided with information on policies and procedures with respect to countering fraud and corruption through the Trust's Conflict of Interest Policy. The Trust's provider of counter fraud services, TIAA, carries out awareness raising activities and provides counter fraud training on a regular basis.

Analysis of Staff Costs

This table provides an analysis of staff costs which follows the format in the FTC template. It is the format specified within the Staff report section of the NHS FT Annual Reporting Manual 2018/19.

Staff costs	Permanent	Other	2018/19	2017/18
	£000	£000	Total	Total
			£000	£000
Salaries and wages	175,943	3,652	179,595	174,070
Social security costs	19,341	-	19,341	18,791
Apprenticeship levy	849	-	849	824
Employer's contributions to NHS pensions	18,787	-	18,787	18,408
Pension cost - other	-	-	-	-
Other post-employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	653	-	653	1063
Temporary staff	-	10,059	10,059	8,545
Total gross staff costs	215,573	13,711	229,284	221,700
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	215,573	13,711	229,284	221,700
of which				
costs capitalised as part of assets	-	-	-	-

In 2018/19 the Trust paid £3.664m in consultancy fees.

Trade Union Disclosures

These disclosures are made in order to ensure compliance with the Trade Union (Facility Time Publication Requirements) Regulations 2017.

Table 1

Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

<i>Number of employees who were relevant union officials during the relevant period</i>	<i>Full-time equivalent employee number</i>
11	11

Note: in preparing this table, the assumption was made that all trade union officials are members of the Joint Staff Committee.

Table 2

Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

<i>Percentage of time</i>	<i>Number of employees</i>
0%	
1-50%	11
51%-99%	
100%	

Note: An assumption was made that 10% of trade union officials' working hours are spent on facility time.

Table 3**Percentage of pay bill spent on facility time**

Provide the figures requested in the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

<i>First Column</i>	£
Total cost of facility time	£49,595
Total pay bill	£228,631,000
The percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.022%

Note: This calculation is dependent upon the assumptions made above.

Table 4**Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

100%

2.4 Disclosures NHS Foundation Trust Code of Governance

Compliance with the NHS Foundation Trust Code of Governance

Royal Brompton & Harefield NHS Foundation Trust has applied the principles of the *NHS Foundation Trust Code of Governance* on a 'comply or explain' basis. *The NHS Foundation Trust Code of Governance*, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. The Trust keeps its governance arrangements under regular review, including membership of Board committees and their terms of reference.

The Trust is required to provide a specific set of disclosures in our Annual Report to meet the requirements of the *NHS Foundation Trust Code of Governance*. All provisions which require a supporting explanation in the Annual Report, even where we are compliant with the provision, are described in the appropriate section. A reference to the location of these disclosures is contained in the table below to avoid unnecessary duplication.

Code Provision	Page Number	Code Provision	Page Number	Code Provision	Page Number
A.1.1	20	B.5.6	75	C.3.9	34
A.1.2	25 & 26	B.6.1	45	D.1.3	N/A
A.5.3	21	B.6.2	45	E.1.5	26
B.1.1	27-33	C.1.1	46	E.1.6	74
B.1.4	25 & 27-33	C.2.1	79	E.1.4	75
B.2.10	49 & 51	C.2.2	87		
B.3.1	27	C.3.5	N/A		

The Trust is compliant with the requirements of the *NHS Foundation Trust Code of Governance* apart from the following provision where explanation is required:

B.2.4. The chairperson or an independent non-executive director should chair the nominations committee(s). At the discretion of the committee, a governor can chair the committee in the case of appointments of non-executive directors or the chairman.

At a meeting of the Nominations and Remuneration Committee of the Council of Governors, held on 12 January 2017, Governors were of the firm view that this Committee must be chaired by a Governor and terms of reference to this effect were ratified by the Council of Governors when it met on 23 February 2017. The Trust Chair is a member of the Committee.

Membership Report

New members of the Trust are assigned to a constituency and geographical catchment in line with the criteria for membership set out in our Constitution. There are three constituencies: patient, public and staff. The patient constituency has a subcategory for carers. As the Trust is a national provider of specialist cardiac and respiratory services, the geographical catchments for the patient and public constituencies span the whole of the United Kingdom (UK). They consist of: North West London, Bedfordshire & Hertfordshire, South of England, the Rest of England & Wales (for public members) and 'Elsewhere' (for patient members, which includes both Wales and Scotland). The eligibility requirements for the membership constituencies are as follows:

Patients' Constituency – an individual who has attended the Trust's hospitals, in the three years immediately preceding the date of an application to become a member, as either a patient or as the carer of a patient, and who has reached a minimum age of 16 years.

Public constituency – an individual must reside in one of the four geographical constituencies and have reached the minimum age of 16 years.

Staff constituency – the Trust has employed an 'opt out' system for staff membership. Staff who are eligible for membership are those who are employed by the Trust under a contract which has no fixed term or has a fixed term of at least 12 months or has been continuously employed by the Trust under a contract of employment for at least 12 months. Individuals who exercise functions for the Trust but do not hold a contract of employment - e.g. those employed by a university who hold an honorary contract, who are a contractor or those employed by contractors - may also become members of the staff constituency. Volunteers to the Trust do not qualify for membership under the staff constituency but are invited to become public members.

Members of staff who are eligible to be members are informed about the Trust's status as a Foundation Trust and membership at monthly induction sessions for new staff. Members of the staff constituency may opt out of staff membership by notifying the membership manager. When members of staff leave the Trust, they are invited to become public members.

Membership Strategy and Engagement

The Membership Steering Committee was established in June 2011 and reports to the Council of Governors. During 2018/19 it has been chaired by a patient governor and includes representation from both public and staff governors. Its remit includes development and implementation of the membership strategy which details the Trust's plan for recruitment, engagement and communication with members. The Membership Strategy for 2018-2020 was formulated by the Membership Steering Committee then ratified by the full Council of Governors when it met on 31 January 2018. A new membership strategy is currently being developed. The first draft was presented to the Membership Steering Committee in February 2019. The final draft will be presented to the Council of Governors later in 2019.

The Trust is mindful of its duties to ensure a representative membership, in both patient and public constituencies. These are enshrined in the Health and Social Care Act 2012. During 2018/19, the membership manager, in conjunction with the Membership Steering Committee, has been exploring a number of methods to recruit members with a view to ensuring that the membership is representative of the communities served by the Trust. The Membership database, hosted by Membership Engagement Services (MES), has functionality which enables comparisons to be made between the general population of the UK and the membership of the Trust.

Engaging Members

The Trust held its ninth Annual Members' Meeting on 18 July 2018 and approximately 60 members attended. The next Annual Members' Meeting will be held on 17 July 2019 and once again all members will be invited. The Trust has engaged with its members in a number of ways during 2018/19. A Members' event featuring a talk on implantable cardiac devices was held at Royal Brompton Hospital in June 2018. Further events are planned for 2019 including a demonstration of the Clinical Skills and Simulation Unit in April, a joint event with Royal Brompton and Harefield's Hospital Charity in October at Harefield Hospital, and a tour of the respiratory inpatient department at Royal Brompton Hospital in the autumn. Members have also been invited to a number of patient open days organised by clinical teams and research departments. Others have been engaged via volunteering, participating in national and local patient surveys, voting for governors in elections and standing for election.

Analysis of Membership at 31 March 2019: Membership Size and Movements

		2017/18	2018/19
Public	At year start (April 1)	2,828	2,783
	New members	19	16
	Members leaving	(64)	(35)
	At year end (31 March)	2,783	2,764
Staff	At year start (April 1)	3,495	3,541
	New members	1,128	454
	Members leaving	(1,082)	(387)
	At year end (31 March)	3,541	3,608
Patient	At year start (April 1)	4,740	4,676
	New members	121	33
	Members leaving	(185)	(164)
	At year end (31 March)	4,676	4,545
TOTAL		11,000	10,917

In Year Movements

	Members Leaving	Members Joining	Net
Public	35	16	-19
Staff	387	454	+67
Patient	164	33	-131
TOTAL	586	503	-83

Growing the Membership

The membership profile of the Trust is different to most other Trusts because, as a specialist Trust, there is no 'local community'. Without a local community defined by geography, the main strategy for recruitment of new Members is to attract in-patients before they are discharged. Patient Members are also encouraged to recruit public Members such as family members and friends. Work to recruit inpatients and day-case patients is mainly undertaken by hospital volunteers and the Membership Manager.

Ensuring a Representative Membership

Analysis of the membership database by age, gender and ethnicity is undertaken to ensure that positive action can be taken to address any areas of under-representation so that the Trust membership is representative of the population that it serves. The demographics of the population of England are taken as the benchmark for the purposes of comparison.

Communication with Members

The Trust's Human Resources department sends a 'welcome letter' to new staff. During monthly induction training for new staff, the Membership Manager gives a presentation on the role of the Foundation Trust and the 'opt-out' system for staff Members. For new patient and public members, a welcome letter is sent by the Membership Manager.

The Trust maintains contact with its members through a newsletter, 'Patient Focus'. The newsletter is sent out twice a year, by post or email whichever is preferred. It is also available on the Trust's website. A function of the MES database allows the newsletter to be distributed to Members' 'households' rather than individuals who live at the same address. This has reduced the number of newsletters making the process more cost effective. Members' events are advertised on the Trust website and intranet as well as in the Members' newsletters.

The Trust intends to canvass the opinion of Members and the public by publishing its forward plan, including objectives, priorities and strategy, via the Members' newsletter.

Contact details for people who wish to become Members, or Members who would like to communicate with Governors and the Membership Manager:

There is a generic email address available for members to communicate with governors:

governors@rbht.nhs.uk

There is also an email address for members who wish to contact the Membership Manager:

members@rbht.nhs.uk

2.5 NHS Improvement's Single Oversight Framework

Single Oversight Framework

NHS Improvement's Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care;
- Finance and use of resources;
- Operational performance;
- Strategic change; and
- Leadership and improvement capability (Well-Led).

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A Foundation Trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

The Single Oversight Framework has applied throughout 2018/19.

Segmentation

NHS Improvement has continued to keep the Trust in Segment 2 under its Single Oversight Framework (SOF). The financial outcome for the year was a deficit of £31.7m after a revaluation loss of £7.6m and Provider Sustainability Funding of £10.8m (2017/18 - surplus of £75.4m after a revaluation gain of £62m and Sustainability and Transformation Funding of £51m). The Trust's underlying financial performance, excluding exceptional items, was on plan for both years. This segmentation information is the Trust's position as at 10 April 2019. Current segmentation information for NHS Trusts and Foundation Trusts is published on the NHS Improvement website.

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Area	Metric	2018/19 scores				2017/18 scores			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial sustainability	Capital service capacity	4	4	4	4	1	4	4	4
	Liquidity	1	1	1	1	1	3	2	1
Financial efficiency	I&E margin	4	4	4	4	1	4	4	4
Financial controls	Distance from financial plan	4	1	1	1	1	1	1	1
	Agency spend	3	3	2	2	1	1	1	1
Overall scoring		3	3	3	3	1	3	3	3

2.6 Statement of Accounting Officer's Responsibilities

Statement of the Chief Executive's Responsibilities as the Accounting Officer of Royal Brompton & Harefield NHS Foundation Trust

The NHS Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum* issued by NHS Improvement.

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Royal Brompton & Harefield NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Royal Brompton & Harefield NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Department of Health and Social Care Group Accounting Manual* and in particular to:

- observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* (and the *Department of Health and Social Care Group Accounting Manual*) have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance;
- confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Foundation Trust's performance, business model and strategy; and
- prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above-mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the *NHS Foundation Trust Accounting Officer Memorandum*.



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Robert J Bell
Chief Executive and Accounting Officer

23 May 2019

2.7 Annual Governance Statement 2018/19

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims, objectives; it can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control, is based on an ongoing process designed to identify and prioritise the risk to the achievement of the policies, aims and objectives of Royal Brompton & Harefield NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The current system of internal control has been in place in Royal Brompton & Harefield NHS Foundation Trust for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust operates a Board Assurance Framework, within which the key risks are identified that may prevent the Trust from achieving its stated objectives outlined in the Trust's strategy. The BAF consists of inter-related components: risk management structure (including roles and responsibilities), risk identification and assessment, action planning, monitoring, risk control review and assurance measures. The Board reviews and provides the appropriate level of assurance on the effectiveness of internal control to the Trust's patients, its Council of Governors and stakeholders. A committee of the Board, the Risk & Safety Committee, with membership of the Trust's Non-Executive Directors and attended by the Executive Directors, has primary responsibility for seeking assurance that systems, processes and outcomes contribute to the Trust's aims and values and objectives relating to patient safety and quality, a safe and clean hospital environment and staff satisfaction. The Committee ensures that there is evidence of robust governance and assurance processes in these areas. It is assisted in this regard by the Audit and Finance Committees of the Board.

The Governance & Quality Committee is a Trustwide committee with oversight of the Divisional governance activities and reports into the Risk & Safety Committee. The Governance & Quality Committee is chaired by the Medical Director & Responsible Officer and provides scrutiny of the Trust's risk management issues against an integrated governance and patient safety agenda. It receives reports on clinical and non-clinical issues, from each of the clinical divisions, to ensure that it can identify examples of both good and poor practice so that these areas operate to the highest clinical and quality standards. With representation from each of the clinical and non-clinical divisions present at meetings, the Trust is able to share best practice and respond to identified weaknesses.

Directors across all areas of the Trust take responsibility for risk identification, management and mitigation within their areas of work and practice. The Divisions are

responsible for their own areas, and this is supported by Divisional Quality & Safety reports which contain a wide range of information including risks, incidents, complaints, clinical outcomes, clinical audits and compliance with best practice.

Training in risk management is available for all staff both at induction, and throughout their career. In addition, there are detailed guidance and support resources available through the intranet and a team of staff trained in risk management, including our emergency resilience team, to provide additional support to staff across the organisation.

To ensure that the Trust undertakes its activities within a safe environment, a health and safety lead has been appointed. The health and safety lead is supported by an external specialist contractor who assists with the monitoring of compliance with health and safety obligations. This contractor also provides specialist advice and training in fire, health, safety and manual handling issues.

4. The risk and control framework

As the Trust provides specialist and innovative tertiary cardiorespiratory services, there are risks to patients and the organisation inherent in the healthcare delivery, clinical innovation and research undertaken. The Trust recognises that not all risk can be eliminated or avoided, but specific risks can be effectively mitigated and managed. The level of risk deemed acceptable / tolerable (risk appetite) is kept under review by the Trust Board.

The Trust is committed to doing everything possible to reduce risk (avoidable harm and death) to patients and to deliver high quality, safe and cost-effective care. Its aim is to develop the characteristics of a high reliability organisation, consistently delivering high quality evidence-based care whilst recognising that for many patients there are risks associated with treatment which cannot be eliminated but can be controlled. The Trust commits to working with patients and their families to ensure that they fully understand the options for treatment including the potential risks, intended benefits, alternatives and effects of no treatment, and that they are assisted in balancing the risks to come to a decision to give fully informed consent for treatment and/or research.

Governance structures have been established to ensure that a detailed assessment of all identified risks (clinical, research, operational, financial and infrastructure) is performed and managed through the Risk Register where responsibility for mitigation or management of each risk is identified. It was agreed at the Risk & Safety Committee in July 2018 that the Top Trust Risks would be split into two categories Strategic and Operational. These are monitored and presented at the appropriate sub-committees to provide assurance to the Board.

Serious risks are identified as those posing a significant risk to the fulfillment of the organisation's strategic objectives, or the Trust's ability to comply with the requirements of the NHS Provider Licence granted by NHS Improvement. Therefore, serious risks are included on the Risk Register and are summarised as the Trust's top risks. Risks are subject to review by the Trust Board and/or its Risk & Safety, Audit and Finance Committees to assess mitigating actions, the adequacy of resources directed towards managing the risk and the level of assurance that the controls are effective. Lower scoring risks are managed within the division/department where they originate and held on the Risk Register.

The aim is not to remove all risk but to identify, assess and manage factors, internal and external to the Trust, which can threaten achievement of our objectives. Risk-taking then occurs in an appropriate, balanced and sustainable way across the full breadth of the Trust's portfolio. The Trust recognises that controlled risk-taking, within

defined parameters (policies, procedures, objectives, risk assessment, review and management and control processes) and agreed by the Trust Board, encourages creativity, optimises financial rewards and improves performance, thereby benefiting the patients in our care.

The Top Trust Risks are kept under review by the Trust Board, via the Risk & Safety Committee. For 2018/19 the Top Risks and their mitigating actions have included:

Top Risks	Mitigations
<p>Achievement of expected, required standards of clinical care</p>	<ul style="list-style-type: none"> • Medical director appointed as Responsible Officer, Divisional Directors/Care Groups Chairs responsible for clinical services; • Annual appraisal and established revalidation process for doctors and nurses; • Clinical structure based around care groups which focus on disease pathway and needs of patients, rather than staff professions; • Lead clinicians in Clinical Risk on each site and divisional directors have a leadership role for quality and safety in their division; • Service Level Agreements in place with other trusts to provide specialist input for patients requiring non-cardiothoracic care and treatment; • Proactive management strategy to monitor patients on the waiting list for treatment, including – pre-assessment clinics and regular telephone contact by Clinical Nurse Specialists; • Reporting from regular Governance & Quality Committee meetings, attended by Divisional Directors (clinical) and Executive Directors, to discuss clinical issues affecting the Trust: underpinned by the divisional Quality & Safety meetings, as well as by groups with a more specialised focus such as the Clinical Practice Committee (to assure the introduction of new procedures), Medicines Management Board, the Tissue Governance Oversight Board, the Research Management Committee and the Medical Devices Safety Group; • Medical devices policy and quarterly medical devices safety group meetings attended by trust Medical Device Safety Officer who attends the national group; • Routine review, implementation and audit of practice against (inter)national guidelines and standards e.g. NICE, SCTS, BTS – Clinical Effectiveness & Standards Oversight Committee; • Participation in relevant national clinical audits and registries; • Proactive engagement with all external stakeholders (and monitoring organisations) with external evaluation if needed; • Proactive approach to tackling any areas where expected standards are not being achieved, from local reviews to

<p>Failure to comply with external regulations</p>	<p>involvement of external/national agencies;</p> <ul style="list-style-type: none"> • Monthly clinical governance day, (10 per annum), where non-essential clinical activity is suspended, including a peer review of all patients who die in hospital and review of outcomes and necessary actions; • Monthly Clinical Quality Review Group led by commissioners (NHS England); • CQC and NHSI requirements evaluated regularly; • Joint appointments in non-cardiothoracic specialties with other healthcare providers. <ul style="list-style-type: none"> • All key targets are monitored and reported to the Trust Board, either routinely or by exception through the Clinical Quality Report; • NHS England is aware of the three Single Oversight Framework Targets not met during 2018/19 - the targets relating to MRSA Bacteraemia, 62-day cancer referral to definitive treatment and Never Events; • Robust bottom-up process of internal control through review of performance information at meetings of the Operational Management Team, Management Committee, Governance and Quality Committee, Risk & Safety Committee and the Trust Board; • Clinical Quality Report is presented to Trust Board at every meeting to ensure regular tracking of performance; • Regular oversight of key performance indicators by commissioners through the Clinical Quality Review Group.
<p>Estates - Out-of-date areas, lack of modern facilities for patients/staff</p>	<ul style="list-style-type: none"> • A three-year programme of works (including costs) developed and on track to reduce the maintenance backlog; • Progress against this plan is being monitored by the COO and through the Capital Working Group; • Maintenance risks are individually listed on the Risk Register; • A planned, preventative maintenance (PPM) programme focused on high-risk areas; • Capital investment in Estates backlog maintenance, with further funding for 2019/20 approved.
<p>Estates – General maintenance backlog</p>	<ul style="list-style-type: none"> • Planned, preventative maintenance (PPM) programme focused on high-risk areas and issues; • Increased investment in Estates requirements overseen by Capital Working Group; • Funding agreed and Capital programme for 2019/20 underway. Capital Expenditure Requisition Forms for all approved schemes; • Buildings have been risk assessed and deemed acceptable for occupancy;

<p>Failure to execute property redevelopment programme effectively and within budget</p>	<ul style="list-style-type: none"> • Hospital improvement planning continues including the development of a new imaging centre at Royal Brompton Hospital; • Water filters fitted in all augmented care units and any other outlets where adverse water quality counts are recorded. • Existence of the Redevelopment Advisory Steering Group, an ad hoc Committee of the Trust Board which meets regularly to review progress; • Continuous involvement of the Chief Executive and Associate Chief Executive – Finance; • Appointment of leading property, financial, tax and legal advisors to the project team; • Application of, and compliance with, the Trust's SFIs for major capital projects; • Application of and compliance with NHS Improvement's requirements for major capital projects; • Establishment and maintenance of a detailed project model which includes milestones, cash flows and sensitivities; • Production of a forward plan for the capital programme facilitates integration and funding requirements; • Phasing of redevelopment such that capital expenditure, wherever possible, is funded from earlier disposals.
<p>Failure to maintain adequate liquidity</p>	<ul style="list-style-type: none"> • Trust has initiated a 'transformation' programme to review all areas of operational performance with the aim of significant improvements to the cost base; • Trust reviews of all clinical recording and coding to ensure appropriate classification and reimbursement under HRG4+; • Processes in place to monitor and forecast liquidity levels; • Process for planning and managing capital spend in line with available internal and external funding; • Stock management programme bulk purchases need to be agreed by Finance; • Revolving Credit Facility maintained to meet any short-term cash requirements; • Suitable internal monitoring processes are in place for accurate reporting to the Trust Board and its committees to determine timely remedial action where required; • Securing appropriate long-term borrowing facilities.
<p>Cyber vulnerability</p>	<ul style="list-style-type: none"> • Digital Services and Operations (in Technology & Digital Information Division) have implemented a number of technical solutions aimed at preventing, monitoring, detecting and reporting security risks, including an upgraded wired and wireless network and new firewalls.;

Staff Recruitment & Retention

- Anti-virus software has been installed on all servers and PCs plus an on-site consultant reviews monthly, proactive perimeter threat detection and third-party monitoring and reporting;
- Since June 2018 the Trust has been covered under a cyber insurance policy.

Recruitment and Talent attraction controls:

- The Trust recruits using NHS jobs, generalist and specialist agencies, UK and overseas job fairs;
- We leverage our brand and personal contacts for referral – we attract Talent;
- We engage directly with universities for newly qualified key professionals;
- We have a growing focus on apprenticeships;
- We are commencing the introduction of new roles e.g. Physician Associates;
- We work with other organisations for secondments;
- We have started a programme for 16 to 18 year olds to build a future workforce.

Staff and Talent Retention controls:

- The Trust has a new Talent and succession planning methodology linked to personal development and learning about to be trialled;
- Our transformation programme is delivering change to enable less service pressure and more efficiency;
- Accommodation that we offer to new joiners when available;
- We offer a typical range of staff benefits;
- We have central London subsidised parking;
- We offer well-established professional development provisions;
- We provide Occupational Health and a confidential Employee Helpline;
- We offer Yoga, Mindfulness and Relaxation classes;
- We run a twice-yearly Trustwide staff recognition award scheme and local recognition within departments;
- We have implemented an industry-leading approach to bullying and harassment to continue to address the staff survey findings;
- Leadership programmes in place - AHSC course for senior and future leaders; Strengths leadership for Clinical G Leads launching in October with a Leadership for Women pilot;
- Values-led leadership workshops are being implemented throughout the Trust;
- 'The way we work together' education and training on behaviour.

<p>Impact of collapse of King's Health Partners (KHP) collaboration (collaboration with King's Health Partners (KHP) is the Trust's key strategic alliance, intended as the platform on which the future strength of the clinical and academic endeavour of all related organisations can flourish).</p> <p>Impact of a 'no deal' exit from the European Union</p>	<ul style="list-style-type: none"> • The Trust and King's Health Partners (Guy's & St Thomas' NHSFT; King's College Hospital NHSFT; King's College London) have committed resources and time to planning and development of detailed proposals for a wide-ranging collaboration. These resources are managed within a full-time Programme Management Office that oversees the various workstreams. • The Department of Health and Social Care (DHSC) is leading the response to EU Exit across the health and care sector. DHSC is also the key contact for the sector with the Department for Exiting the EU (DExEU) and the Cabinet Office. NHS England and NHS Improvement are working closely with DHSC to best prepare the NHS. We comply with the EU Exit Operational Guidance produced by DHSC which outlines the actions that providers and commissioners of health and social care services should take to prepare for, and manage, the risks of a no-deal exit scenario. The key areas addressed are: <ul style="list-style-type: none"> ○ Continuity of supply ○ Workforce ○ Reciprocal healthcare and overseas cost recovery ○ Clinical Trial Studies and European Reference Networks (ERNs) ○ Data • A 'no deal' EU Exit Action Plan has been established.
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There are many sources of assurance providing the evidence required to support the continuous assessment of the effectiveness of the management of risk and internal control. The structured mapping of assurances is a fundamental part of our Board Assurance Framework.

The risks detailed within the risk register are aligned to the Trust's objectives through the Board Assurance Framework and the Forward Planning process. The Risk Register is designed to reflect risks from all aspects of the organisation and provide details of the controls in place to mitigate the risks and identify where assurance can be found. The Risk Register provides, through ongoing review, assurance to the Board that these risks are being adequately managed and controlled and informs the collation of the Annual Governance Statement.

The Risk Register recognises, and is informed by, the Trust's wider role and risk profile as a leading centre for research and development, innovation, translational research and training. The views of the Trust's stakeholders are taken into account when managing risk. They include:

- NHS Improvement: the Foundation Trust regulator, which assesses the Trust's risk profile throughout the year using the Single Oversight Framework;
- Care Quality Commission (CQC): there is regular engagement with the CQC. Inspectors from the CQC attend meetings at the Trust in order to keep in touch with standards of performance. The Trust was last inspected in 2018/19, and achieved an overall rating of 'good';
- Monthly monitoring meetings are held with the Trust's coordinating commissioner, NHS England, to assess performance against the NHS Standard Contract – reported through the Clinical Quality Review Group (CQRG);
- King's Health Partners and Royal Brompton & Harefield NHS Foundation Trust Partnership Board: meetings of the Partnership Board continued during 2018/19 and included representation from NHS England;
- The External Services Scrutiny Committee of London Borough of Hillingdon reviews Trust performance;
- Healthwatch in Hillingdon and Central West London: the Healthwatch groups have established a management board and a number of sub-groups focusing on particular health areas. In particular, Healthwatch groups are involved with the development of the Trust's Quality Report;
- Our health partners and stakeholders in relation to key objectives and future referral patterns;
- The National Heart and Lung Institute of Imperial College London;
- Imperial College Health Partners, the Academic Health Science Network, of whom we are a founding member; and
- The Trust's joint venture partner in the Institute of Cardiovascular Medicine & Science, Liverpool Heart and Chest NHS Foundation Trust.

NHS Improvement's Well-Led Framework

A Well-Led Review was undertaken by PricewaterhouseCoopers LLP (PwC). The field work for this review was undertaken over the summer/ autumn of 2016 and the resulting report was presented to the Trust Board in January 2017.

The action plan was reviewed by the Nominations and Remuneration Committee of the Trust Board on 25 October 2017 and circulated to the Trust Board at the end of December 2017.

Changes made as a result of this review included the Finance Committee being constituted as a formal committee of the Trust Board.

During 2018/19, the Trust continued to work with the action plan derived from the recommendations made by PwC.

The CQC inspection in 2018 identified areas for improvement relating to strategic risk oversight by the Board, where documented evidence was not clearly presented a single coordinated document. This feedback has prompted a review of the minutes for Board seminars going forward, and a recognition of a need for clarification of the changing strategic objectives for the organisation within the Board Assurance Framework.

A Board seminar is planned for September 2019 to present the Trust's strategic objectives in the light of the progress of 'King's Health Partners' collaboration, as well as a routine full review of the 'Top Trust Risks' register, and a session to identify the areas for focus for an external Well-Led Review later in the year.

NHS Improvement's *Developing Workforce Safeguards Recommendations*

The Trust is compliant with the 'triangulated approach', recommended by NHS Improvement, to deciding staffing requirements described in National Quality Board's guidance. This combines evidence-based tools, professional judgement and outcomes to ensure the right staff with the right skills are in the right place at the right time.

High level workforce planning in the Trust has been described in the section above setting out mitigating actions for one of the Top Trust Risks, Staff Recruitment & Retention. The Trust follows the triangulated approach to staffing decisions as evidenced by:

- Right staff: A twice yearly review of nurse staffing establishments using SNC audit and professional judgement. High level peer review of staffing levels using Model Hospital data;
- Right skills: A new system to streamline mandatory training is being rolled out in 2020/21. Strong development and education programmes are being established and resourced i.e. a 'compassionate care programme'. Embedded Multi-Disciplinary Team working was recognised as a strength in CQC inspection 2018. Recruitment and retention programmes are in place, with lower than average (London) nurse vacancy levels;
- Right place and time: There is full engagement in Trust improvement and efficiency programmes. Senior oversight of staff deployment and working across clinical areas. Consistently lower than average sickness rates amongst nursing staff; and
- Care hours per NHS patient day data is reported to the Board, as are safety outcome measures like the Safety Thermometer, where the Trust reports consistently higher than average levels of harm free care.

Principal Risks to Compliance with NHS Provider Licence Condition 4: (Foundation Trust Governance)

The Board is able to assure itself of the validity of its Corporate Governance Statement, required under NHS Foundation Trust Condition 4(8)(b), through the established governance assurance processes of the organisation. It maintains ongoing oversight of compliance with those principles, systems and standards of good corporate governance which would reasonably be regarded as appropriate for a NHS Foundation Trust. To maintain ongoing compliance, the Board of Directors has continued to review the effectiveness of its internal control systems including compliance with the Code of Governance. The Audit and Risk & Safety Committees have a key role to play in this process, receiving detailed reports to support positive declarations of compliance which are triangulated against internal performance and assurance reporting, internal audit reports and the Board Assurance Framework, with any deviations of risks escalated to the Board of Directors.

Compliance with Condition FT4 of the NHS Provider Licence was reviewed by the Trust's internal auditors during 2017/18. The overall report rating was that of significant assurance, being the highest rating that can be achieved on the scale used by KPMG. The Trust complies with required governance arrangements and through the Audit Committee the Board was assured that there are no material risks to compliance. The systems continued in place during 2018/19 and the Trust

remained able to assure itself of the validity of its Corporate Governance Statement through:

- The 2016/17 external PwC review of the Trust against the Well-Led Framework (review every three years);
- The rating of significant assurance given by KPMG's internal audit review of compliance with Condition FT4 of the NHS Provider Licence;
- Regular consideration of organisational risks at the Board of Directors, its committees and deep dives in Board development sessions and at the Audit Committee;
- Internal audit reports to the Audit Committee on matters relating to governance, financial control and risk management;
- The review and approval of the Trust Scheme of Delegation incorporating Standing Financial Instructions by the Finance Committee in October 2018;
- Continuous reporting in accordance with the Single Oversight Framework to the Board of Directors.

Care Quality Commission (CQC)

The Trust is fully compliant with the registration requirements of the CQC. The Trust was inspected by the CQC during October and November 2018 and the inspection report was published in February 2019. Overall, the Trust was rated by the CQC as 'Good'. Within this rating Harefield Hospital was rated as 'Good' and Royal Brompton Hospital as 'Good'.

Register of Interests

The Trust has published an up-to-date register of interests for decision-making staff within the past 12 months, as required by the *Managing Conflicts of Interest in NHS* guidance.

NHS Employer

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

Environment

The Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Managing Public Money

There are a number of required disclosures which have been covered elsewhere in the Annual Report 2018/19. These include:

- Governance framework, to include the Board's committee structure, attendance records and the coverage of its work;
- Board committee reports;
- An account of corporate governance.

All of these required disclosures are made in section 2, the Accountability Report, which is contained within the main body of the Annual Report 2018/19.

Review of economy, efficiency and effectiveness of the use of resources

The development and reporting of patient level costing and service level reporting continues and is monitored by the Finance Committee of the Board. Monthly finance and performance reports are provided to the Board and used to identify opportunities for improving efficiency and profitability.

Information Governance

The Trust manages its risks related to data security through a number of different approaches. The Trust has a Board level Senior Information Risk Owner (SIRO). The SIRO has overseen the implementation of a wide range of measures to protect the data we hold.

In 2018/19 NHS Digital replaced the Information Governance Toolkit with the Data Security and Protection Toolkit. All organisations with access to NHS patient data and systems are required to complete the Data Security and Protection Toolkit self-assessment, testing their policy and processes against the National Data Guardian's ten data security standards. The new assessment is far reaching and covers personal confidential data, staff responsibilities, training, managing data access, process reviews, responding to incidents, continuity planning, unsupported systems, IT protection and the management of suppliers.

In the previous Toolkit the self-assessment included levels of compliance and a scoring system. In the new Toolkit, this has been replaced by a requirement to submit evidence for 100 mandatory questions.

In March 2019 we submitted our evidence for all of these questions. Our responses will work as a baseline for future years and we are currently developing a detailed work plan to ensure that we continue to strengthen our policies and practice for all aspects of information governance.

During 2018/19, there were no incidents classified as a 'Level 2' serious incident. Cyber security risk remained on the register of the Trust's Top Risks and subject to the Trust's risk management processes.

Data quality has been kept under review by the Performance and Information Team and policies are in place to monitor data quality which are compliant with NHS guidelines and incident reporting procedures.

Annual Quality Report

The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) regulations 2010 (as amended) to prepare Quality Accounts for each financial year. NHS Improvement (in exercise of the powers conferred by Monitor) has issued guidance to NHS Foundation Trust boards on the form and content of Annual Quality Reports which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual*. The completed Quality Report is subject to review by the Trust's external auditors.

The Risk and Safety Committee has a key role in monitoring the Quality Report's content, the determination of Quality Priorities, their ongoing monitoring and for providing assurance to the Board of Directors that robust quality governance arrangements are in place throughout the Trust and working effectively.

Quality data is reported to the Board each time it meets, the Risk and Safety Committee maintains oversight and undertakes scrutiny in order to inform the Board of the level of assurance, and the Governance & Quality Committee receives regular updates covering performance against quality and safety metrics at divisional level.

Stakeholders receive a draft version of the Quality Report for comment, with feedback received reflected in the final version. The involvement of stakeholders regarding how our priorities were consulted on and decided, is described in more detail in the Quality Report.

Data included within the report is based on the descriptors set out in national guidance and is subject to data quality checks as part of the Trust's performance assurance process. The Trust's Quality Indicator Assurance Framework (QIAF) tracks risks relating to data quality. Elective Waiting Time Data; limited assurance procedures, carried out by Deloitte LLP, of referral to treatment time data led to a modified opinion with regards to the accompanying Annual Quality Report 2018/19. Further details of the work being done with regards to the quality of elective waiting time data are given in the Quality Report. The Trust continually works to ensure where there are issues of data quality, they do not constitute a wider reliability issue in terms of data integrity. We have highly defined data structures that fit our regulatory reporting requirements. The functional and non-functional specifications set our data system's quality characteristics. Our data is subject to legal and regulatory requirements, external interfaces, performance tracking, authentication, assurance and external and internal audit.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the Quality Report attached to this Annual Report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Finance Committee and the Risk & Safety Committee and plans to address weaknesses and ensure continuous improvement of systems are in place.

The process which has been applied in maintaining and reviewing the effectiveness of the system of internal control has involved the following bodies:

The Board has exercised its role of oversight of the system of internal control through regular reports made by the Chair of the Audit Committee to the Board. Reports have been provided to the next meeting of the Trust Board following every meeting of the Audit Committee. At its meeting on 22 May 2019, the Board reviewed and approved the Annual Report and Accounts including the Annual Governance Statement and Quality Report.

The Audit Committee provides the Trust Board with an independent and objective evaluation of the establishment and maintenance of an effective system of integrated governance, risk management and financial and non-financial internal controls that support the achievement of the organisation's objectives. The conclusion of this Committee is that it has discharged its duties appropriately during 2018/19.

The Risk & Safety Committee provides the Trust Board with independent and objective evaluation of whether the systems and processes in place in the Trust to manage risks, especially patient safety risks, are complete, appropriate, and working as intended. The conclusion of this Committee is that it has discharged its duties appropriately during 2018/19. There was one never event during 2018/19. This involved a malpositioned nasogastric tube and was reported to NHS England and to the Risk & Safety Committee on 21 November 2018.

Clinical audits are regularly conducted across all clinical services of the Trust. Details of participation in the national clinical audit programme are detailed in the Quality Report, at Annex 1 of the Annual Report. The clinical audit team can confirm that it has fulfilled its duties throughout 2018/19.

Internal audit services are outsourced to KPMG, who have provided an objective and independent opinion to the Chief Executive, the Board and the Audit Committee on the degree to which risk management, control and governance support the achievement of the objectives of the organisation. The Quality Governance Framework and Risk Register assessments have to date identified no significant control issues.

KPMG's conclusion set out in its formal Head of Internal Audit Opinion, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, is that of 'Significant assurance with minor improvements required'.

KPMG's conclusion is based on the outcome of four reviews completed during the course of the year. These included reviews of financial controls, infection control, business continuity and serious incidents, to which the Trust is responding.

Deloitte LLP provides the Trust with its external audit assurance and reports on annual accounts.

The Counter Fraud Specialist (CFS) confirmed that during the course of the year:

- no frauds were subject to investigation that met the materiality threshold for referral to the Trust's external auditors; and
- no significant system failures or control weaknesses were identified that impact on the Trust's Annual Governance Statement.

5. Conclusion

My review confirms that we have a sound system of internal control that supports the achievement of our objectives. All significant areas of risk have been properly managed and are identified in this statement as part of the Risk and Control Framework section and are set out within the Audit Committee disclosures made in the Accountability Report of the Annual Report 2018/19. The Trust's counter-fraud service did not identify any matters of significant financial concern during the year under review emerging either from its own work programme or from reports by members of staff or the public.

I am satisfied that, to the best of my knowledge and using our processes, including having regard to NHS Improvement's Quality Governance Framework (supported by Care Quality Commission information, our own information on serious incidents and patterns of complaints), the Trust has, and will keep in place, effective arrangements for monitoring and continually improving the quality of healthcare provided to our patients.

Signed by the Accounting Officer


.....

23 May 2019

Robert J Bell
Chief Executive

Annex 1
Quality Report

Independent Auditor's report to the Council of Governors of Royal Brompton & Harefield NHS Foundation Trust on the Quality Report

We have been engaged by the council of governors of Royal Brompton & Harefield NHS Foundation Trust to perform an independent assurance engagement in respect of Royal Brompton & Harefield NHS Foundation Trust's quality report for the year ended 31 March 2019 (the 'quality report') and certain performance indicators contained therein.

This report, including the conclusion, has been prepared solely for the council of governors of Royal Brompton & Harefield NHS Foundation Trust as a body, to assist the council of governors in reporting Royal Brompton & Harefield NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2019, to enable the council of governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicators. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the council of governors as a body and Royal Brompton & Harefield NHS Foundation Trust for our work or this report, except where terms are expressly agreed and with our prior consent in writing.

Scope and subject matter

The indicators for the year ended 31 March 2019 subject to limited assurance consist of the national priority indicators as mandated by NHS Improvement:

- Maximum time of 18 weeks from point of referral to treatment in aggregate – patients on an incomplete pathway; and
- Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers, reported in accordance with official performance statistics based on 50:50 breach allocation rules.

We refer to these national priority indicators collectively as the 'indicators'.

Respective responsibilities of the directors and auditors

The directors are responsible for the content and the preparation of the quality report in accordance with the criteria set out in the 'NHS foundation trust annual reporting manual' issued by NHS Improvement.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the quality report is not prepared in all material respects in line with the criteria set out in the 'NHS foundation trust annual reporting manual' and supporting guidance;
- the quality report is not consistent in all material respects with the sources specified in section 2.1 of the NHS Improvement Detailed guidance for external assurance on quality reports 2018/19; and
- the indicators in the quality report identified as having been the subject of limited assurance in the quality report are not reasonably stated in all material respects in accordance with the 'NHS foundation trust annual reporting manual' and the six dimensions of data quality set out in the 'Detailed guidance for external assurance on quality reports'.

We read the quality report and consider whether it addresses the content requirements of the 'NHS foundation trust annual reporting manual' and supporting guidance, and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the quality report and consider whether it is materially inconsistent with:

- board minutes for the period 1 April 2018 to 23 May 2019;
- papers relating to quality reported to the board over the period 1 April 2018 to 23 May 2019;
- feedback from Commissioners,
- feedback from governors,
- feedback from local Healthwatch organisations,
- feedback from Overview and Scrutiny Committee,
- the trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009,
- the 2018 national staff survey,
- the 2017 national inpatient survey
- the Head of Internal Audit's annual opinion over the trust's control environment, dated May 2019;
- the Care Quality Commission inspection report dated 22 February 2019; and
- any other information included in our review.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively the 'documents'). Our responsibilities do not extend to any other information.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

Assurance work performed

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicators;
- making enquiries of management;
- testing key management controls;
- reviewing the process flow of the indicator with management;
- limited testing, on a selective basis, of the data used to calculate the indicator back to supporting documentation;
- comparing the content requirements of the 'NHS foundation trust annual reporting manual' to the categories reported in the quality report; and
- reading the documents.

A limited assurance engagement is smaller in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable measurement techniques which can result in materially different measurements and can affect comparability. The precision of different

measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision of these criteria, may change over time. It is important to read the quality report in the context of the criteria set out in the 'NHS foundation trust annual reporting manual' and supporting guidance.

The scope of our assurance work has not included governance over quality or non-mandated indicators, which have been determined locally by Royal Brompton & Harefield NHS Foundation Trust.

Basis for qualified conclusion

Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period

The "percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period" indicator requires that the NHS Foundation Trust accurately record the start and end dates of each patient's treatment pathway, in accordance with detailed requirements set out in the national guidance. This is calculated as an average based on the percentage of incomplete pathways which are incomplete at each month end, where the patient has been waiting less than the 18 week target.

Our procedures included testing a risk based sample of 20 items, and so the error rates identified from that sample should not be directly extrapolated to the population as a whole.

We identified a number of issues during testing (with some samples having more than one issue). We noted that:

- one instance where the start date recorded in the electronic patient record does not match the start date on the supporting documentation, resulting in incorrect reporting as a breach;
- one instance where the stop date in the electronic patient record did not match the stop date on the supporting documentation. This sample was incorrectly excluded from reporting;
- one instance where insufficient evidence was on file to support the stop date, however based on date recorded by management this sample has been incorrectly included from reporting as a breach;
- eight instances where the pathway was not a valid pathway. Although subsequently validated in all cases, this was not performed in a timely manner, resulting in misreporting for a number of months. This resulted in 6 instances of incorrect reporting of breaches and 5 instances of incorrect reporting of non-breaches (note that multiple samples were initially reported incorrectly as a non-breach and then updated to breach);and
- an additional four instances where the patient was incorrectly included or excluded from reporting. This included two instances where the sample was incorrectly reported as a non-breach instead of a breach and two samples which were incorrectly reported as breaches instead of non-breaches.

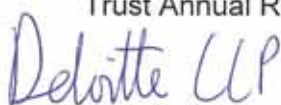
As a result of the issues identified, we have concluded that there are errors in the calculation of the "maximum time of 18 weeks from point of referral to treatment in aggregate – patients on an incomplete pathway" indicator for the year ended 31 March 2019. We are unable to quantify the effect of these errors on the reported indicator.

The "Referral to Treatment times (RTT)" section on page 34 of the Trust's Quality Report details the actions that the NHS Foundation Trust is taking to resolve the issues identified in its processes.

Qualified conclusion

Based on the results of our procedures, except for the matters set out in the basis for qualified conclusion section of our report, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2019:

- the quality report is not prepared in all material respects in line with the criteria set out in the 'NHS Foundation Trust Annual Reporting Manual';
- the quality report is not consistent in all material respects with the sources specified in 2.1 of the NHS Improvement Detailed requirements for external assurance for quality reports 2018/19; and
- the indicators in the quality report subject to limited assurance have not been reasonably stated in all material respects in accordance with the 'NHS Foundation Trust Annual Reporting Manual' and supporting guidance.



Deloitte LLP

St Albans, United Kingdom

23 May 2019

Annex 2

**FINANCIAL STATEMENTS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION
TRUST FOR THE YEAR 1st APRIL 2018 TO 31st MARCH 2019**

**FINANCIAL STATEMENTS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION
TRUST FOR THE YEAR 1st APRIL 2018 TO 31st MARCH 2019**

Accounts for the year 1st April 2018 to 31st March 2019

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INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS AND BOARD OF DIRECTORS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION TRUST

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Royal Brompton & Harefield NHS Foundation Trust (the 'foundation trust'):

- **give a true and fair view of the state of the foundation trust's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;**
- **have been properly prepared in accordance with the accounting policies directed by NHS Improvement – Independent Regulator of NHS Foundation Trusts; and**
- **have been prepared in accordance with the requirements of the National Health Service Act 2006.**

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 31.



The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by NHS Improvement – Independent Regulator of NHS Foundation Trusts.

Basis for opinion

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

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

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• NHS revenue recognition and debtor provisioning• Valuation of Chelsea Farmers' Market (CFM)• Property valuations• Management override of controls <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	<p>The materiality that we used in the current year was £3.92m which was determined on the basis of approximately 1% of the foundation trust's total revenue recognised in the year ended 31 March 2019.</p>

Scoping	Audit work was performed at the foundation trust's offices (both Harefield and Brompton) directly by the audit engagement team, led by the senior statutory auditor.
Significant changes in our approach to the audit	<p>We assessed that there was no longer a key audit matter in respect of Hospital to Home as the matter does not affect the arrangements to secure economy, efficiency and effectiveness in the use of resources in 2018/19.</p> <p>Other than the change to key audit matters as described above, there have been no significant changes in our approach to the audit in 2018/19 compared to 2017/18.</p>

Conclusions relating to going concern

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

- the accounting officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the accounting officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the foundation trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

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

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

NHS revenue recognition and debtor provisioning

Key audit matter description



We assessed the key audit matter as relating primarily to the recognition of whether NHS revenue that is unsettled at the year-end (either as a receivable or with potential repayment due), is valid, accurate and valued appropriately. In 2018/19, this revenue includes the Q4 bonus and incentive elements of Provider Sustainability Funding (PSF).

As described in note 1.24, Critical judgements in applying accounting policies, there are significant judgements in recognition of revenue from care of NHS patients and in provisioning for disputes with commissioners due to:

- the complexity of the Payment by Results regime, in particular in determining the level of overperformance and CQUIN (Commissioning for Quality and Innovation) revenue to recognise;
- the judgemental nature of accounting for disputes, including in respect of outstanding overperformance income; and
- the Provider Sustainability Funding (PSF) which is dependent on the foundation trust meeting certain financial performance targets and therefore recognition of this funding is affected by other accounting estimates.

Details of the foundation trust's income, including £304.5m (2017-18: £292.8m) from NHS England and Clinical Commissioning Groups, are shown in note 3.2. £10.8m of Provider Sustainability Funding (PSF) is disclosed in note 4 to the financial statements (2017-18: £51.0m of Sustainability and Transformation Funding (STF)). NHS and Department of Health and Social Care receivables, including accrued income, of £21.4m (2017-18: £63.2m) and total allowance for credit losses of £2.4m (2017-18: £2.7m) are shown in note 20.1 to the financial statements.

The majority of the foundation trust's income is commissioned by NHS England.

How the scope of our audit responded to the key audit matter



We evaluated the design and implementation of key controls in relation to revenue recognition.

We have assessed management's position regarding the principal disputes with commissioners. We have challenged management's assumptions and corroborated management explanations to documentary evidence, such as correspondence with commissioners.

We have reviewed the outcome of the Agreement of Balances process and testing a sample of difference to support. We have also tested a sample of unsettled balances through to cash received or to alternative evidence of validity of debtors and accrued amounts.

We have evaluated the adequacy of and rationale for the bad debt and contractual dispute provisions against NHS debtors.

Key observations



We did not identify any material misstatements through our procedures in respect of this key audit matter, and we consider the estimates made by the foundation trust to be within an acceptable range.

Chelsea's Farmers Market (CFM) valuation



Key audit matter description



The most significant judgement in preparing the 2018/19 financial statements is the valuation of the Chelsea Farmer's Market investment property, held at £87.3m at year end (2017/18: £94.5m). This has been identified as a separate Key Audit Matter due to the materiality of the valuation movements in respect of this asset.

Following granting of planning permission in the prior year, a revaluation gain was recognized. As at the end of the financial year, no decision had been made regarding a possible Crossrail 2 train station at Chelsea. An impairment was recognized due to movement in the property market, as discussed in Note 1.24, Critical judgements in applying accounting policies and Note 1.24.1 Sources of estimation uncertainty. Note 17 shows the total net impairment of £7.6m on investment properties.

Valuation movements on investment properties are recognised in the

deficit for the year.

How the scope of our audit responded to the key audit matter



We evaluated the design and implementation of controls over Chelsea's Farmers Market (CFM) valuation.

We used our real estate valuation specialists to evaluate the work of the foundation trust's valuer, including review and challenge of the key assumptions made in the preparation of the valuation. These include the potential timing of a sale and the proceeds that could be achieved based upon the location of a possible Crossrail 2 train station at Chelsea.

We have traced the valuation to the year-end accounts movements and tested their arithmetic accuracy and presentation in the financial statements.

We have reviewed and challenged the assessment that there were no material movements through to 31 March 2019 from the date of valuation of 31 December 2018.

We have reviewed the disclosures in notes 1.24, 1.24.1 and 17 and evaluated whether these provide sufficient explanation of the basis of the valuation and the judgements made in preparing the valuation.

We considered the impact of uncertainties relating to the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures.

Key observations



We did not identify any material misstatements through our procedures in respect of this key audit matter and the valuation assumptions are within an acceptable range.

Property valuation



Key audit matter description



The foundation trust holds property assets within Property, Plant and Equipment at a valuation of £158.6m (2017-18: £163.1m) and Investment Properties other than CFM of £6.4m (2017-18: £6.7m). The valuations are by nature significant estimates which are based on specialist and management assumptions (including the floor areas for a Modern Equivalent Asset, the basis for calculating build costs, the level of allowances for professional fees and contingency, the useful hypothetical alternative site and the remaining life of the assets, and for investment properties, assumptions about market conditions) and which can be subject to material changes in value as described in notes 1.24, 1.24.1, 15, 16 and 17.

As in previous years, the key judgements in the valuation of the foundation trust's property assets remain the adoption of an alternative site valuation for the Chelsea site, and the use of a reduced land area on the Harefield site. These assumptions reduce the carrying value of the estate.

The net valuation movement on the foundation trust's estate shown in note 15.1 is a revaluation gain of £2.8m on Property, plant and equipment and a total revaluation loss of £7.6m on Investment Properties in note 17.1 (which includes CFM, discussed above).

How the scope of our audit responded to the key audit matter



We evaluated the design and implementation of controls over property valuation, and tested the accuracy and completeness of data provided by the foundation trust to the valuer.

	<p>We used our real estate specialists to review and challenge the appropriateness of the key assumptions used in the valuation of the foundation trust's properties.</p> <p>We have traced the valuation to the year-end accounts movements and tested their arithmetic accuracy and presentation in the financial statements.</p> <p>We have reviewed and challenged the assessment that there were no material movements through to 31 March 2019 from the date of valuation of 31 December 2018.</p> <p>We have reviewed the disclosures in notes 1.24, 1.24.1, 15, 16, and 17 and evaluated whether these provide sufficient explanation of the basis of the valuation and the judgements made in preparing the valuation.</p> <p>We considered the impact of uncertainties relating to the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures.</p>
<p>Key observations</p> 	<p>We did not identify any material misstatements through our procedures in respect of this key audit matter and the valuation assumptions are within an acceptable range.</p>
<p>Management override of controls </p>	
<p>Key audit matter description</p> 	<p>We consider that there continues to be a heightened risk across the NHS that management may override controls to manipulate fraudulently the financial statements or accounting judgements or estimates. This is due to the increasingly tight financial circumstances of the NHS and incentives to meet or exceed control totals to receive STF funding.</p> <p>The foundation trust had an initial PSF allocation for the year of £11.5m, with a control total of (£0.2m), or (£11.7m) before PSF income. During the year, NHS Improvement announced that unused funds from the PSF would again be reallocated to providers exceeding their control total, matching improved results £ for £ and with any remaining amounts being paid as a bonus and a general distribution. Although the foundation trust did not achieve its control total it was allocated additional PSF general distribution funding of £3.3m.</p> <p>NHS Trusts and Foundation Trusts have previously been requested by NHS Improvement to consider a series of "technical" accounting areas and assess both whether their current accounting approach meets the requirements of International Financial Reporting Standards, and to remove "excess prudence" to support the overall NHS reported financial position. The areas of accounting estimate highlighted included accruals, deferred income, partially completed patient spells, bad debt provisions, property valuations, and useful economic lives of assets.</p> <p>Details of critical accounting judgements and key sources of estimation uncertainty are included in notes 1.24 and 1.24.1.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>Manipulation of accounting estimates</p> <p>Our work on accounting estimates included considering areas of judgement, including those identified by NHS Improvement. In testing each of the relevant accounting estimates, engagement team members were directed to consider their findings in the context of the identified fraud risk. Where relevant, the recognition and valuation criteria used were compared to the specific requirements of IFRS.</p>

We tested accounting estimates (including in respect of NHS revenue and provisions, and valuations, as discussed above), focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

We evaluated the rationale for recognising or not recognising balances in the financial statements and the estimation techniques used in calculations, and considered whether these were in accordance with accounting requirements and were appropriate in the circumstances of the foundation trust.

Manipulation of journal entries

We used data analytic techniques to select journals for testing with characteristics indicative of potential manipulation of reporting.

We traced the journals to supporting documentation, considered whether they had been appropriately approved, and evaluated the accounting rationale for the posting. We evaluated individually and in aggregate whether the journals tested were indicative of fraud or bias.

Accounting for significant or unusual transactions

We considered whether any transactions identified in the year required specific consideration.

We have considered the revaluation of Chelsea's Farmers Market as a separate key audit matter as described above.

Key observations



We have not identified any material misstatements or findings with respect to management override of controls and the reasonableness of accounting estimates, journal entries, and unusual/significant transactions.

Our application of materiality

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

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

Materiality	£3.92m (2017/18: £3.67m)
Basis for determining materiality	1% of revenue (2017/18: 1% of revenue)
Rationale for the benchmark applied	Revenue was chosen as a benchmark as the foundation trust is a non-profit organisation, and revenue is a key measure of financial performance for users of the financial statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £196k (2017/18: £183k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity, its environment and service organisations, including internal control, and assessing the risks of material misstatement. Audit work was performed at the foundation trust's sites in Brompton and Harefield directly by the audit engagement team, led by the engagement lead.

The audit team included integrated Deloitte specialists bringing specialist skills and experience in property valuations and information technology systems. Data analytic techniques were used as part of the audit testing, in particular to support profiling of populations to identify items of audit interest.

Other information

The accounting officer is responsible for the other information. The other information comprises the information included in the annual report including the Performance Report, Accountability Report, and Quality Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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

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

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

Responsibilities of accounting officer

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

In preparing the financial statements, the accounting officer is responsible for assessing the foundation trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the foundation trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the National Health Service Act 2006

In our opinion:

- the parts of the Directors' Remuneration Report and Staff Report to be audited have been properly prepared in accordance with the National Health Service Act 2006; and
- the information given in the Performance Report and the Accountability 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

Annual Governance Statement, use of resources, and compilation of financial statements

Under the Code of Audit Practice, we are required to report to you if, in our opinion:

- the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, is misleading, or is inconsistent with information of which we are aware from our audit;
- the foundation trust has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; or
- proper practices have not been observed in the compilation of the financial statements.

We have nothing to report in respect of these matters

We are not required to consider, nor have we considered, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Reports in the public interest or to the regulator

Under the Code of Audit Practice, we are also required to report to you if:

- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit; or
- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006 because we have reason to believe that the foundation trust, or a director or officer of the foundation trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

We have nothing to report in respect of these matters.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

Use of our report

This report is made solely to the Council of Governors and Board of Directors ("the Council and Board") of Royal Brompton & Harefield NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council and Board 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 foundation trust and the Council and Board, for our audit work, for this report, or for the opinions we have formed.



Ben Sheriff, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom

23 May 2019

Royal Brompton and Harefield NHS Foundation Trust

Annual Accounts for the year ended 31 March 2019

Foreword to the accounts

Royal Brompton and Harefield NHS Foundation Trust

These accounts, for the year ended 31 March 2019, have been prepared by Royal Brompton and Harefield NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Signed


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Name	Robert J Bell
Job title	Chief Executive
Date	23rd May 2019

Statement of Comprehensive Income

		2018/19	2017/18
	Note	£000	£000
Operating income from patient care activities	3	358,236	341,290
Other operating income	4	38,181	78,653
Operating expenses	6	(411,712)	(398,498)
Operating (deficit)/surplus from continuing operations		(15,295)	21,445
Finance income	11	173	55
Finance expenses	12	(1,313)	(1,348)
PDC dividends payable		(7,663)	(6,762)
Net finance costs		(8,803)	(8,055)
Other (losses)/ gains	13	(7,609)	61,973
(Deficit) for the year		(31,708)	75,363
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations	16	2,818	6,693
Total comprehensive (expense)/income for the period		(28,890)	82,056

There may be some minor rounding differences between the main accounts tables and supporting notes.

Statement of Financial Position

	Note	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Intangible assets	14	12,209	13,623
Property, plant and equipment	15	189,967	194,704
Investment property	17	93,653	101,210
Total non-current assets		295,829	309,537
Current assets			
Inventories	19	10,182	10,290
Receivables	20	49,916	83,190
Cash and cash equivalents	21	20,818	20,847
Total current assets		80,916	114,327
Current liabilities			
Trade and other payables	22	(47,318)	(54,200)
Borrowings	23	(11,115)	(18,665)
Provisions	24	(3,270)	(1,713)
Total current liabilities		(61,703)	(74,577)
Total assets less current liabilities		315,042	349,287
Non-current liabilities			
Borrowings	23	(43,596)	(49,192)
Provisions	24	(374)	(597)
Total non-current liabilities		(43,971)	(49,790)
Total assets employed		271,072	299,497
Financed by			
Public dividend capital		109,069	108,604
Revaluation reserve		57,405	54,587
Income and expenditure reserve		104,599	136,307
Total taxpayers' equity		271,072	299,497

Note 1 to 31 form part of these accounts.



Name Robert J Bell
Position Chief Executive
Date 23rd May 2019

Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2018 - brought forward	108,604	54,587	136,307	299,497
Surplus/(deficit) for the year	-	-	(31,708)	(31,708)
Revaluations	-	2,818	-	2,818
Public dividend capital received	465	-	-	465
Taxpayers' equity at 31 March 2019	109,069	57,405	104,599	271,072

Statement of Changes in Equity for the year ended 31 March 2018

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2017 - brought forward	108,567	47,894	60,943	217,404
Surplus/(deficit) for the year	-	-	75,363	75,363
Revaluations	-	6,693	-	6,693
Public dividend capital received	37	-	-	37
Taxpayers' equity at 31 March 2018	108,604	54,587	136,307	299,497

Information on reserves

Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as the public dividend capital dividend.

Revaluation reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the trust.

Statement of Cash Flows

	Note	2018/19 £000	2017/18 £000
Cash flows from operating activities			
Operating (deficit)/surplus		(15,295)	21,445
Non-cash income and expense:			
Depreciation and amortisation	6.1	20,765	18,932
Income recognised in respect of capital donations	4	(698)	(2,367)
decrease/ (increase) in receivables and other assets		33,820	(37,552)
decrease/(increase) in inventories		108	(333)
(decrease) / increase in payables and other liabilities		(5,811)	3,416
Increase / (decrease) in provisions		1,334	(340)
Other movements in operating cash flows		-	-
Net cash generated from / (used in) operating activities		34,222	3,200
Cash flows from investing activities			
Interest received		173	55
Purchase of intangible assets		(1,197)	(1,165)
Purchase of property, plant, equipment and investment property		(11,104)	(19,045)
Receipt of cash donations to purchase capital assets		698	2,367
Net cash generated from / (used in) investing activities		(11,430)	(17,788)
Cash flows from financing activities			
Public dividend capital received		465	37
Movement on loans from the Department of Health and Social Care		(3,880)	(1,380)
Movement on other loans		(11,498)	8,806
Interest on loans		(1,348)	(1,348)
PDC dividend (paid)		(8,404)	(6,022)
Net cash generated (used in)/from financing activities		(24,667)	93
(decrease) in cash and cash equivalents		(1,874)	(14,495)
Cash and cash equivalents at 1 April - brought forward		17,576	32,071
Cash and cash equivalents at 31 March	21	15,702	17,576

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2018/19 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Note 1.1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, investment property and certain financial assets and financial liabilities.

Note 1.1.2 Going concern

The Directors have carefully considered the financial position of the Trust and its expected future performance given the demanding financial context in which it is operating. Key factors have included:

- The Trust's anticipated cash flows over the next twelve months;
- The availability of borrowings, including the continuation of the Trust's revolving credit facility;
- Likely future developments in tariffs and specialist top ups;
- Achievement of planned savings targets; and
- The level of planned capital expenditures, including the proposed imaging centre at Royal Brompton Hospital.

These factors have been the subject of sensitivity analysis against which the Trust's capacity to mitigate downside risks has been assessed.

Having made appropriate enquiries, the Directors have concluded that there is a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Note 1.2.1 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). As directed by the GAM, the transition to IFRS 15 in 2018/19 has been completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract.

NHS injury cost recovery scheme

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Note 1.2.2 Revenue Grants and other contributions to expenditure

Government grants are grants from government bodies other than income from commissioners or Trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.3 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

Pension costs

NHS Pension Scheme

Most past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed in a way that would allow employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

NEST Pension Scheme

A small number of staff are members of the National Employment Savings Trust (NEST) scheme. Further information is provided in note 9 c)

Note 1.4 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.5 Property, plant and equipment

Note 1.5.1 Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost at least £5,000; or
- collectively, a number of items have an aggregate cost of at least £5,000 and individually cost more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control; or
- the items form part of the initial equipping and set-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a substantial asset, for example a building, includes a number of components with significantly different asset lives, eg, plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Note 1.5.2 Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements of the services being provided.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits (straight line). Freehold land is considered to have an infinite life and is not depreciated. Assets under construction are not depreciated until the asset is brought into use, except where there is doubt over the completion of the construction project.

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Note 1.5 cont'd

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

Note 1.5.3 De-recognition of assets

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
 - management are committed to a plan to sell the asset;
 - an active programme has begun to find a buyer and complete the sale;
 - the asset is being actively marketed at a reasonable price;
 - the sale is expected to be completed within 12 months of the date of classification as 'held for sale'; and
 - the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

The profit or loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount and is recognised as a non-operating item.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Note 1.5.4 Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

Donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Note 1.5.5 Useful economic lives of property, plant and equipment

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives is shown in the table below:

	Min life Years	Max life Years
Buildings, including dwellings	25	60
Plant and machinery	4	10
Transport equipment	2	7
Information technology	2	10
Furniture and fittings	4	10

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.6 Intangible assets

Note 1. 6.1 Recognition

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably.

Internally generated intangible assets

Internally generated goodwill, brands and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits, e.g., the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the expenses attributable to the asset during development.

Software

Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, e.g. application software, is capitalised as an intangible asset.

Note 1. 6.2 Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at market value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Where there is no value in use, the asset must be valued using depreciated replacement cost. Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits (straight line).

Note 1 6.3 Useful economic lives of intangible assets

The useful economic life reflects the total life and not the remaining life of an asset. The ranges of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Development expenditure	2	12
Software	2	10
Licences & trademarks	2	5

Note 1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. Work-in-progress comprises goods in intermediate stages of production. Partially completed patient episodes are not accounted for as work-in-progress but as receivables. This is because partially completed patient episodes are verified with NHS providers and commissioners as part of the intra-NHS debtor/ creditor balances agreement exercise.

Note 1. 8 Investment properties

Investment properties are measured at fair value. Changes in fair value are recognised as gains or losses in income/expenditure.

Only those assets which are held solely to generate a commercial return are considered to be investment properties. Where an asset is held, in part, for support service delivery objectives, then it is considered to be an item of property, plant and equipment. Properties occupied by employees, whether or not they pay rent at market rates, are not classified as investment properties.

Note 1. 9 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

Note 1. 10 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.11 Financial assets and financial liabilities

Note 1.11.1 Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

De-recognition

Financial assets are de-recognised when the contractual rights to receive cash flows from those assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.11.2 Classification & measurement

Financial assets and financial liabilities (including loans and receivables) are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified and subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Note 1.11 cont'd

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

Expected credit losses are estimated via a provision matrix that assigns differing percentages and timings in terms of categories of debt. These are based on an assessment of: past performance, current/future market and general economic conditions and any other considerations relevant to specific categories of debtor. Credit losses are not normally recognised in relation to other NHS bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Note 1.12 Leases

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property, plant and equipment.

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Operating leases

Other leases are regarded as operating leases and the rentals charged to operating expenses on a straight-line basis over the lease term. Operating lease incentives received are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

The Trust leases out investment properties under operating leases as a lessor. Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The implementation of IFRS 16 leases, in 2020, will remove the distinction between finance and operating leases. From then on most leases will be capitalised in the Statement of Financial Position reflecting the right to use the asset and the liability to pay for it. Exceptions are likely to be leases for under 12 months and leases for low value assets.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The Trust as Lessee

IFRS 16: The Department for Health & Social Care has determined that the new lease accounting standard will not be implemented in the NHS until April 2020.

Note 1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation as a result of a past event, for which it is probable that there will be a future outflow of cash or other resources, and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Clinical negligence costs

The NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 24.1 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays annual contributions to NHS Resolution and in return receives assistance with the costs of claims arising. The annual contributions and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

Other Provisions

Other provisions are recognised when the Trust has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In addition to widely used estimation techniques, judgement is required when determining the probable outflow of economic benefits relating to early voluntary retirement pension and injury benefit liabilities.

Non-NHS Doubtful Debt

The impairment assessment takes account of historical payment patterns, as well as economic and geo-political risks associated with our customer base.

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Trust's control) are not recognised as assets, but are disclosed where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Trust's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.15 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for

- (i) donated assets (including lottery funded assets),
- (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
- (iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.16 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of the assets concerned. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.17 Corporation tax

The Trust has no corporation tax liability. The Trust is a Health Service Body within the meaning of s519A of the Income and Corporation Tax Act 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this legislation. There is a power for HM Treasury to disapply the exemption in relation to specified activities of a Foundation Trust (s519A (3) to (8) of the Income and Corporation Taxes Act 1988) but this power has not been exercised.

Note 1.18 Foreign exchange

Both the functional and presentational currency of the Trust is £ sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.19 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual (FRM).

Note 1.20 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.21 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

Note 1.22 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2018/19.

Note 1.23 Standards, amendments and interpretations in issue but not yet effective or adopted

The GAM does not require the following Standards and Interpretations to be applied in 2018/19. These standards are still subject to HM Treasury FReM adoption.

- IFRS 16 leases - implementation 1 April 2020. This will bring most leases, where the Trust is a lessee, onto the Statement of Financial Position. The number and value of leases is referenced under note 1.12. However, the Trust does not expect to include leases with a total value of < £5k (none currently held), or remaining lease period of < 12 months as at 1st April 2020.
- Amendments to IAS 1 and IAS 8 - definition of material. The revision is the result of feedback that the original definition encouraged disclosure "just in case", thereby risking the masking of truly material disclosures.

Note 1.24 Critical judgements in applying accounting policies

The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

IFRS 15

Management have reviewed the impact of this standard, in particular in relation to overseas patients; research income; non-contracted income and the approach to provisioning for non-NHS debtors. For NHS income, the Trust adjusts the revenue recognition to reflect potential impacts of challenges or penalties and treats CQUIN payments as part of the transaction price for performance obligations under the contract. For research contracts under this standard, revenue is recognised as and when performance obligations are met. If there are no specific staged obligations, then revenue is recognised over time. These approaches have not changed as a result of IFRS 15.

Provisions

A provision is recognised when the Trust has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In addition to widely used estimation techniques, judgement is required when determining the probable outflow of economic benefits relating to early voluntary retirement pension and injury benefit liabilities.

Provision for impairment of receivables

Management have reviewed the impact of the implementation of IFRS 9. Judgement has been applied to decide when to write off revenue or to provide against the probability of not being able to collect debt.

Estimated asset lives and revaluations

Valuations by qualified surveyors are carried out each year having due cognisance to the latest RICS Guidance. Judgements are made regarding the condition of assets and estimated remaining lives are reviewed. Professional estimates are used to assess the fair value of land and buildings assets at each year end, in comparison to the carrying values, which may result in revaluation surpluses or deficits being recognised.

Revaluation of Chelsea Farmers' Market

One of the properties held by the trust for investment purposes – Chelsea Farmers' Market – had planning permission granted for the site during 2017/18 for residential and retail development, which increased its valuation by £61.9m. The subsequent revaluation in 2018/19 led to a decrease in value, reflecting the general state of the market and economic conditions. This valuation reduction of £7.2m is included in note 17.1 to these accounts (with £350k reduction relating to other investment properties).

Note 1.24.1 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- 1) The use of estimated asset lives in calculating depreciation and professional valuations can result in increases and decreases to property values.
- 2) Annual revaluation of the Trust's investment properties, in particular Chelsea Farmers Market (CFM), can have a material impact on the overall Trust position.
- 3) The Trust is required to review property, plant and equipment and investment properties for impairment.
- 4) The Trust has capitalised the costs of development work undertaken where it is believed that future economic benefit will be derived from that work. These benefits will be influenced by a range of internal and external factors, which therefore gives rise to uncertainty.
- 5) Provisions covering items for contractual disputes, impairment of receivables, early voluntary retirement pension contributions and injury benefit obligations (which are estimated using expected life tables and discounted at the pensions rate of 0.29%).
- 6) a range of factors, particularly (but not limited to) points 2 and 7 above, could impact on the Trust's receipt of PSF, or similar, funding.
- 7) The extent of the impact on the Trust resulting from the UK leaving the EU is not yet clear, although the extension to 31st October 2019 reduces that impact. The potential risk of material adjustments in the next financial year has not been quantified.

Note 1.25 Prior Year Disclosures

Prior year disclosures are presented on a comparable basis to current year equivalent items.

Note 1.26 Initial application of IFRS 9

IFRS 9 Financial Instruments as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The cumulative effect of initial application of this standard is recognised as an adjustment to reserves on 1 April 2018.

IFRS 9 replaces IAS 39 and introduces a revised approach to classification and measurement of financial assets and financial liabilities, a new forward-looking 'expected loss' impairment model and a revised approach to hedge accounting.

Under IFRS 9, borrowings from the Department of Health and Social Care, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings increased by £423k, and trade payables correspondingly reduced.

Reassessment of allowances for credit losses under the expected loss model resulted in a £0k decrease in the carrying value of receivables.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classification of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these receivables at 1 April 2018 was £73k.

Note 1.27 Initial Application of IFRS 15

IFRS 15 Revenue from Contracts with Customers as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the income and expenditure reserve on 1 April 2018.

IFRS 15 introduces a new model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11, IAS 18 and related Interpretations. The core principle of IFRS 15 is that an entity recognises revenue when it satisfies performance obligations through the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

As directed by the GAM, the Trust has applied the practical expedient offered in C7A of the standard removing the need to retrospectively restate any contract modifications that occurred before the date of implementation (1 April 2018).

The implementation of IFRS 15 has had no material impact on the Trust's accounts.

Note 2 Operating Segments

The segmental analysis below reflects the format of contribution reporting by the three clinical divisions of the Trust that is made monthly to the Trust Board.

	£000			
2018/19	RBH Heart	HH Heart	Lung	Total
NHS clinical income	120,526	91,672	89,981	302,179
Non NHS income	17,696	8,443	4,487	30,626
Non clinical income	1,494	897	1,161	3,552
Total income	139,717	101,011	95,629	336,357
Pay	(76,547)	(54,999)	(33,895)	(165,441)
Non pay	(42,170)	(36,434)	(31,510)	(110,113)
Total expenditure	(118,716)	(91,433)	(65,405)	(275,554)
Contribution	21,001	9,578	30,224	60,803
Contribution %	15%	9%	32%	18%
PSF -core				7,485
PSF - incentive				3,353
other income/(costs) net				(66,218)
Investment Property				(7,557)
Capital charges/ other				(29,574)
Deficit for the year				(31,708)

	£000			
2017/18	RBH Heart	HH Heart	Lung	Total
NHS clinical income	120,225	88,230	81,626	290,082
Non NHS income	19,763	5,208	4,459	29,430
Non clinical income	1,612	492	770	2,874
Total income	141,600	93,930	86,856	322,386
Pay	(75,369)	(51,535)	(34,275)	(161,179)
Non pay	(42,687)	(32,340)	(28,778)	(103,805)
Total expenditure	(118,056)	(83,875)	(63,053)	(264,984)
Contribution	23,545	10,055	23,803	57,403
Contribution %	17%	11%	27%	18%
STF -core				8,189
STF - incentive				38,285
STF - additional				419
other income/(costs) net				(69,314)
Revaluations				61,987
Capital charges/ other				(21,606)
Surplus for the year				75,363

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.2.1

Note 3.1 Income from patient care activities (by nature)	2018/19	2017/18
	£000	£000
Elective income	83,690	78,191
Non elective income	30,637	29,563
First outpatient income	5,090	4,403
Follow up outpatient income	12,173	11,364
High cost drugs income from commissioners (excluding pass-through costs)	36,954	33,471
Other NHS clinical income	144,649	144,531
Private patient income	41,577	38,171
Agenda for Change pay award central funding	2,240	-
Other clinical income	1,226	1,595
Total income from patient care activities	358,236	341,290

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2018/19	2017/18
	£000	£000
NHS England	249,315	241,779
Clinical commissioning groups	55,223	50,991
Department of Health and Social Care	2,240	-
Other NHS providers	4,692	4,364
NHS other	3,963	4,389
Non-NHS: private patients	41,577	38,171
Non-NHS: overseas patients (chargeable to patient) note 3.3	1,069	1,115
Injury cost recovery scheme	24	73
Non NHS: other	134	407
Total income from patient care activities	358,236	341,290

All income relates to continuing operations

Note 3.3 Overseas visitors (relating to patients charged directly by the Trust)

	2018/19	2017/18
	£000	£000
Income recognised in year	1,069	1,115
Cash payments received in-year	908	556
Amounts added to provision for impairment of receivables	221	299
Amounts written off in-year	75	1,069

Note 4 Other operating income

	2018/19	2017/18
	£000	£000
Other operating income from contracts with customers:		
Research and development (contract)	6,245	7,224
Education and training (excluding notional apprenticeship levy income)	5,980	5,804
Non-patient care services to other bodies	439	422
Provider Sustainability Fund (PSF) / Sustainability and Transformation Fund (STF) income - core	7,485	8,189
Provider Sustainability Fund (PSF) / Sustainability and Transformation Fund (STF) income - incentive / 1718 reallocation	3,353	42,775
Income in respect of employee benefits accounted on a gross basis	1,651	1,874
Other contract income	8,181	7,265
Other non-contract operating income		
Education and training - notional income from apprenticeship fund	18	-
Receipt of capital grants and donations	698	2,367
Charitable and other contributions to expenditure	3,220	1,905
Rental revenue from operating leases (note 10.1)	911	828
Total other operating income	38,181	78,653

All income relates to continuing operations

Note 5.1 Income from activities arising from commissioner requested services

Under the terms of its provider licence, the Trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2018/19	2017/18
	£000	£000
Income from services designated as commissioner requested services	313,193	301,523
Income from services not designated as commissioner requested services	83,224	118,420
Total	396,417	419,943

Note 6.1 Operating expenses

	2018/19	2017/18
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	2,493	1,453
Purchase of healthcare from non-NHS and non-DHSC bodies	298	-
Staff and executive director's costs	228,631	220,638
Remuneration of non-executive directors	215	199
Supplies and services - clinical (excluding drugs costs)	58,622	61,310
Supplies and services - general	12,543	11,323
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	49,172	44,509
Consultancy costs	3,664	4,954
Establishment	7,717	9,769
Premises	13,350	10,470
Transport (including patient travel)	2,665	2,117
Depreciation on property, plant and equipment	18,154	16,407
Amortisation on intangible assets	2,611	2,525
Movement in credit loss allowance: contract receivables / contract assets	836	-
Movement in credit loss allowance: all other receivables and investments	-	3,165
Increase/(decrease) in other provisions	1,390	57
Audit fees payable to the external auditor		
audit services- statutory audit	105	105
other auditor remuneration	11	11
Internal audit costs and counter fraud	165	96
Clinical negligence contributions paid	4,171	4,829
Legal fees	318	434
Insurance	301	298
Education and training	719	854
Rentals under operating leases	1,694	1,163
Redundancy costs	653	1,063
Car parking & security	3	3
Hospitality	285	345
Other	928	403
Total	411,712	398,498

All expenses relate to continuing operations

Note 7 Employee benefits

	2018/19	2017/18
	Total	Total
	£000	£000
Salaries and wages	179,595	174,070
Social security costs	19,341	18,791
Apprenticeship levy	849	824
Employer's contributions to NHS pensions	18,787	18,408
Termination benefits	653	1,063
Temporary staff (including agency)	10,059	8,544
Total staff costs	229,284	221,700

Note 7.1 Directors' remuneration

The aggregate amounts payable to directors were:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£000	£000
Salary	1,546	1,313
Employer's pension contributions	81	57
Total	1,627	1,370

Further details of directors' remuneration can be found in the remuneration report.

Note 7.2 Other auditor remuneration

	2018/19	2017/18
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	11	11
Total	11	11

Note 7.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2017/18: £2m).

Note 8 Retirements due to ill-health

During 2018/19 there was 1 early retirement from the trust agreed on the grounds of ill-health (1 in the year ended 31 March 2018). The estimated additional pension liabilities of this ill-health retirement is £19k (£130k in 2017/18).

The cost of ill-health retirements is borne by the NHS Business Services Authority - Pensions Division.

Note 9 Pension costs

Most past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of Scheme liability is carried out annually by the Scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019 is based on valuation data as at 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the Schemes is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Schemes was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Schemes relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

c) NEST Pension Scheme

A small number of staff are members of the National Employment Savings Trust (NEST). This is a defined contribution workplace pension scheme in the United Kingdom. It was set up to facilitate automatic enrolment as part of the government's workplace pension reforms under the Pensions Act 2008. Due to its public service obligation, any UK employer can use NEST to meet its new workplace duties as set out in the Pensions Act 2008.

Note 10 Operating leases

Note 10.1 Royal Brompton and Harefield NHS Foundation Trust as a lessor

The Trust owns four investment properties that are leased out under operating leases. From 1 April 2016, new operating leases were agreed, involving a minimum occupancy period of two years, thereafter either party being able to provide six months' notice to terminate.

Each lease is subject to the Landlord and Tenant Act 1954 and the 1995 Landlord and Tenant (Covenants) Act and will be renegotiated at market rate at the end of the lease term. None of the lease agreements provides for an option to purchase.

	2018/19 £000	2017/18 £000
Operating lease revenue		
Minimum lease receipts	911	828
Total	911	828
	31 March 2019 £000	31 March 2018 £000
Future minimum lease receipts due:		
- not later than one year;	455	414
Total	455	414

Note 10.2 Royal Brompton and Harefield NHS Foundation Trust as lessee

The Trust was a party to 23 operating leases with a total expenditure of £1,694k during the year to 31 March 2019 (£1,163k to 31 March 2018). One lease is for buildings (Wimpole Street private outpatient and diagnostic facility); one is for IT hardware, four are for vehicles and the rest are for plant & machinery. The Wimpole Street lease has a term of 15 years from its inception on 3 July 2015. Terms of renewal or extension to leases are agreed towards the end of the contract terms at market rents. Purchase options are not included in operating lease contracts.

In the case of any dispute between the Trust and the lessor regarding the condition of the assets when returned to the lessor, a jointly appointed expert will be used to arbitrate and to deliver a binding decision. Early termination sums are generally payable in respect of the period up to the end of the full contract, for the full contract price discounted at 4% per annum, and in the event of total loss of the asset, the discounted residual value of the asset.

There is a sub lease to a third party for part of the Wimpole St facility. There were no contingent rents payable.

	2018/19 £000	2017/18 £000
Operating lease expense		
Minimum lease payments	1,694	1,163
Total	1,694	1,163

Operating leases cont'd

	2019	2018
	£000	£000
Future minimum lease payments due:		
- not later than one year;	1,743	1,113
- later than one year and not later than five years;	6,055	4,136
- later than five years.	6,114	5,734
Total	13,912	10,983
Future minimum sublease payments to be received	(70)	(70)

One condition of the lease for the Wimpole Street private outpatient and diagnostic facility is the Trust's obligation for the removal (and consequent reinstatement works to the property) of all tenant fixtures, fittings, furniture and effects. The current lease expires in 2030, however it is possible that the lease would be extended or renegotiated and there is also uncertainty around the amount and extent of expenditure that would be required, as this is to be agreed with the landlord at the end of the lease.

Note 11 Finance income

Finance income represents interest received on assets and investments in the period.

	2018/19	2017/18
	£000	£000
Interest on bank accounts	173	55
Total finance income	173	55

Note 12.1 Finance expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money.

	2018/19	2017/18
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,024	1,113
Other loans	288	234
Total interest expense	1,312	1,347
Unwinding of discount on provisions	1	1
Total finance costs	1,313	1,348

Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

There was no interest paid for late payments of debts in the year to 31 March 2019 (to 31 March 2018: nil)

Note 13 Other gains / (losses)

	2018/19	2017/18
	£000	£000
Losses on disposal of assets	(53)	(12)
Total losses on disposal of assets	(53)	(12)
Fair value (losses)/gains on investment properties	(7,556)	61,985
Total other (losses)/gains	(7,609)	61,973

Assets with a net book value of £53k were disposed of in year (£12k in 2017/18).

Note 14.1 Intangible assets - 2018/19

	Software licences £000	Development expenditure £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2018 - brought forward	5,065	16,905	91	22,062
Additions	-	-	1,197	1,197
Reclassifications	171	1,108	(1,279)	-
Disposals / derecognition	(100)	-	-	(100)
Valuation / gross cost at 31 March 2019	5,136	18,013	9	23,159
Amortisation at 1 April 2018 - brought forward	2,720	5,719	-	8,439
Provided during the year	774	1,837	-	2,611
Disposals / derecognition	(100)	-	-	(100)
Amortisation at 31 March 2019	3,394	7,556	-	10,950
Net book value at 31 March 2019	1,742	10,457	9	12,209
Net book value at 1 April 2018	2,345	11,186	91	13,623

Development expenditure relates to IT project management and project delivery

Note 14.2 Intangible assets - 2017/18

	Software licences £000	Development expenditure £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2017	5,058	15,712	127	20,897
Additions	-	-	1,165	1,165
Reclassifications	7	1,193	(1,200)	0
Valuation / gross cost at 31 March 2018	5,065	16,905	91	22,062
Amortisation at 1 April 2017	1,913	4,001	-	5,914
Provided during the year	807	1,718	-	2,525
Amortisation at 31 March 2018	2,720	5,719	-	8,439
Net book value at 31 March 2018	2,345	11,186	91	13,623
Net book value at 1 April 2017	3,145	11,712	127	14,983

Note 15.1 Property, plant and equipment - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Total £000
Valuation/gross cost at 1 April 2018 - brought forward	28,590	126,703	8,432	7,860	63,202	13,920	248,707
Additions	-	-	-	10,651	-	-	10,651
Revaluations	(4,111)	(5,135)	534	-	-	-	(8,711)
Reclassifications	-	4,444	241	(8,537)	3,344	507	(0)
Disposals / derecognition	-	-	-	-	(894)	(99)	(994)
Valuation/gross cost at 31 March 2019	24,479	126,012	9,208	9,974	65,652	14,328	249,653
Accumulated depreciation at 1 April 2018 - brought forward	-	672	1	-	42,659	10,671	54,003
Provided during the year	-	11,481	488	-	4,971	1,213	18,154
Revaluations	-	(11,041)	(488)	-	-	-	(11,529)
Disposals / derecognition	-	-	-	-	(843)	(98)	(941)
Accumulated depreciation at 31 March 2019	-	1,112	1	-	46,787	11,785	59,686
Net book value at 31 March 2019	24,479	124,900	9,206	9,974	18,865	2,542	189,967
Net book value at 1 April 2018	28,590	126,031	8,430	7,860	20,543	3,250	194,704

Costs of assets under construction are shown net of impairments charged in prior years to operating expenses against the value of capitalised professional fees in relation to the intended redevelopment of the Trust's Chelsea campus. These fees total £16,299k at 31 March 2019 (31 March 2018: £12,462k) against which the cumulative impairment stands at £6,312k as at 31 March 2019.

£1,112k of accumulated depreciation has been incurred in respect of the Wimpole St leased facility.

Note 15.2 Property, plant and equipment - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Total £000
Valuation / gross cost at 1 April 2017	28,407	114,444	7,303	10,493	62,873	13,370	236,890
Additions	-	-	-	20,069	-	-	20,069
Revaluations	183	(4,197)	1,131	-	-	-	(2,883)
Reclassifications	-	16,456	(2)	(22,702)	3,761	556	(1,931)
Disposals / derecognition	-	-	-	-	(3,433)	(6)	(3,438)
Valuation/gross cost at 31 March 2018	28,590	126,703	8,432	7,860	63,202	13,920	248,707
Accumulated depreciation at 1 April 2017	-	234	-	-	40,621	9,510	50,365
Provided during the year	-	9,613	402	-	5,225	1,166	16,407
Revaluations	-	(9,175)	(401)	-	-	-	(9,576)
Disposals / derecognition	-	-	-	-	(3,187)	(6)	(3,193)
Accumulated depreciation at 31 March 2018	-	672	1	-	42,659	10,671	54,003
Net book value at 31 March 2018	28,590	126,031	8,430	7,860	20,543	3,250	194,704
Net book value at 1 April 2017	28,407	114,210	7,303	10,493	22,251	3,860	186,525

Note 15.3 Property, plant and equipment financing - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Total £000
Net book value at 31 March 2019							
Owned - purchased	24,479	118,333	8,988	9,974	14,600	2,531	178,906
Owned - donated	-	6,567	219	-	4,265	11	11,061
NBV total at 31 March 2019	24,479	124,900	9,206	9,974	18,865	2,542	189,967

Note 15.4 Property, plant and equipment financing - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Total £000
Net book value at 31 March 2018							
Owned - purchased	28,590	119,418	8,226	7,860	15,513	3,236	182,843
Owned - donated	-	6,612	205	-	5,030	13	11,861
NBV total at 31 March 2018	28,590	126,031	8,430	7,860	20,543	3,250	194,704

Note 16 Revaluations of property, plant and equipment

Land and buildings were valued by Montagu Evans (an independent valuer) as at 31 December 2018 in accordance with International Financial Reporting requirements. The valuer also confirmed that there had been no material movements between this time and 31st March 2019. The assets were valued by reference to the market conditions prevailing at the valuation date. The Trust's Chelsea campus for operational and support purposes (land and buildings) was valued on an alternative site basis and the land area valued at both campuses was reduced to reflect a notional adjustment to exclude space that would not be required in the reprovision of a modern equivalent asset.

The revaluation of land and buildings resulted in a net gain of £2,818k (gain of £6,693k in 2017/18), which is shown in note 15.1 as the net of the revaluation adjustment to cost/ valuation of £8,711k and to accumulated depreciation of £11,529k. This net gain is reported within other comprehensive income/expense on the Statement of Comprehensive Income.

Note 17.1 Investment Properties

	2018/19 £000	2017/18 £000
Carrying value at 1 April - brought forward	101,210	37,294
Movement in fair value	(7,557)	61,985
Reclassifications to/from PPE	-	1,931
Carrying value at 31 March	<u>93,653</u>	<u>101,210</u>

Note 17.2 Investment property income and expenses

	2018/19 £000	2017/18 £000
Investment property income	911	828

Investment properties were also valued as at 31 December 2018 by Montagu Evans in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and in accordance with International Financial Reporting requirements. The assets were valued by reference to the market conditions prevailing at the valuation date. The valuer also confirmed that there had been no material movements between this time and 31st March 2019.

Most properties are leased out on tenant repairing leases (meaning that the lessee retains responsibility for repairs and maintenance). The Trust incurs only minor costs in this respect, which are not considered material.

The elements of properties rented out for the purpose of relatives' accommodation are classified as investment property.

Note 18 Disclosure of interests in other entities

The Trust owns 100 per cent of the ordinary share capital of The Chelsea Private Hospital Ltd, a dormant company. The cost of this investment is £100.

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. Since November 2011 the Trust has had a 50:50 joint venture in The Institute of Cardiovascular Medicine and Science Limited ('ICMS'), a company limited by guarantee, with Liverpool Heart and Chest Hospital NHS Foundation Trust, being the other 50% holder. The founding partners have each contributed £100,000 in total to the funding of ICMS including their original respective contributions of £50,000.

Using the equity accounting method, the investment would be recognised initially at cost in the Trust's Statement of Financial Position and increased or decreased each year to reflect the Trust's share of the annual surplus or deficit, with the gain or loss being recognised in the Statement of Comprehensive Income.

However, the Trust has decided not to reflect any surplus or deficit from ICMS's activities in its accounts as it deems the impact to be immaterial. The Trust has made £nil contribution to ICMS's operating costs in 2018/19 (2017/18: nil).

The Trust has established, in collaboration with Imperial College and other nearby Trusts, Imperial College Healthcare Partners Limited ('ICHP'), a company limited by guarantee. This company provides central services to the Imperial Academic Health Science Partnership, in which the Trust participates.

Using the equity accounting method, the investment would be recognised initially at cost in the Trust's Statement of Financial Position and increased or decreased each year to reflect the Trust's share of annual surplus or deficit, with the gain or loss being recognised in the Statement of Comprehensive Income.

However, the Trust has decided not to reflect any surplus or deficit from ICHP's activities in the accounts as it deems the impact to be immaterial. The Trust has made nil contribution to ICHP's operating costs during the year (2017/18: nil).

Note 19 Inventories

	31 March 2019 £000	31 March 2018 £000
Drugs	1,497	1,446
Consumables	8,685	8,844
Total inventories	10,182	10,290

Inventories recognised in expenses for the year were £107,794k (2017/18: -£105,819k). Write-down of inventories in the year were £0k (2017/18: £0k).

Note 20.1 Trade receivables and other receivables

	31 March 2019 £000	31 March 2018 £000
Current		
Contract receivables*	54,451	-
Trade receivables*	-	13,091
Accrued income*	-	56,769
Allowance for impaired contract receivables / assets* (note 20.2)	(10,987)	-
Allowance for other impaired receivables (note 20.3)	-	(10,192)
Prepayments (non-PFI)	4,908	2,649
PDC dividend receivable	546	-
VAT receivable	423	190
Other receivables	575	20,683
Total current trade and other receivables	49,916	83,190

Of which receivables from NHS and DHSC group bodies:

Current	22,013	63,239
Non-current	-	-

*Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables, other receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis of receivables has not been restated under IFRS 15.

Trade and other receivables include £4,373k at 31 March 2019 (£4,757k at 31 March 2018) for partially completed patient episodes.

Note 20.2 Allowance for credit losses - 2018/19

	Contract receivables and contract assets £000	All other receivables £000
Allowance as at 1 Apr 2018		10,192
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	10,192	(10,192)
New allowances arising	2,085	-
Changes in existing allowances	(339)	-
Reversals of allowances	(910)	-
Utilisation of allowances (write offs)	(41)	-
Allowances as at 31 Mar 2019	10,987	-

Note 20.3 Allowances for credit losses - 2017/18

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

	All receivables £000
Allowances as at 1 Apr 2017	7,889
Increase in allowances	3,224
Amounts utilised	(862)
Unused amounts reversed	(59)
Allowances as at 31 Mar 2018	10,192

Note 21 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2018/19	2017/18
	£000	£000
At 1 April	20,847	32,668
Net change in year	(29)	(11,821)
At 31 March	20,818	20,847
Broken down into:		
Cash at commercial banks and in hand	39	71
Cash with the Government Banking Service	20,779	20,776
Total cash and cash equivalents as in SoFP	20,818	20,847
Bank overdrafts (GBS and commercial banks)	(5,116)	(3,271)
Total cash and cash equivalents as in SoCF	15,702	17,576

The Trust had a "paper only" overdraft for one day as at 31st March due to timing.

Note 21.1 Third party assets held by the Trust

The Trust held cash and cash equivalents on behalf of patients or other parties.

	31 March 2019	31 March 2018
	£000	£000
Monies on deposit	128	187
Total third party assets	128	187

Under the Tenancy Deposits Scheme, at 31 March 2019 the Trust held £70k (31 March 2018: £187k) in a deposit account for tenants renting accommodation owned by the Trust. These deposits are not recognised in reported cash and cash equivalents.

The Trust also held a deposit of £58k in respect of a third party commercial tenant at Wimpole Street.

Note 22 Trade and other payables (current)

	31 March 2019	31 March 2018
	£000	£000
Trade payables	10,049	9,966
Capital payables	2,441	2,894
Accruals	16,909	24,493
Receipts in advance (including payments on account)	9,737	8,207
Social security costs	2,684	2,718
Other taxes payable	2,743	2,582
PDC dividend payable	-	195
Accrued interest on loans*	-	423
Other payables	2,755	2,722
Total current trade and other payables	47,318	54,200
Of which payables to NHS and DHSC group bodies:	7,735	6,350

*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note 23. IFRS 9 is applied without restatement therefore comparatives have not been restated.

Note 23 Borrowings

	31 March 2019 £000	31 March 2018 £000
Current		
Bank overdrafts	5,116	3,271
Loans from the Department of Health and Social Care	4,268	3,880
Other loans	1,731	11,514
Total current borrowings	11,115	18,665
Non-current		
Loans from the Department of Health and Social Care	38,359	42,240
Other loans	5,238	6,952
Total non-current borrowings	43,596	49,192

Revolving credit facility

The Trust has a £10m Revolving Credit Facility, from Barclays Bank PLC which has a nil balance drawn down at 31 March 2019 (31 March 2018: £10m). The balance outstanding as @ 31st March 2018 was repaid in 2018/19.

Loans from the Department of Health and Social Care

A £30m loan facility from the Independent Trust Financing Facility, a Department of Health and Social Care funding entity, drawn down to support the Trust's capital expenditure programme from 2014/15 to 2016/17 is set at a fixed rate of 2.54%. Interest is calculated on any outstanding balance being £25.2m at 31 March 2019 (31 March 2018: £27.6m). Repayments on the loan commenced in April 2017 (with final repayment due in April 2029) and the amount due within 12 months is included within the current balance in the table above.

A further £20m loan facility from the Independent Trust Financing Facility drawn down to support the capital expenditure programme from 2015/16 to 2017/18 is set at a fixed rate of 2.06%. Interest is calculated on any outstanding balance being £17.04m at 31 March 2019 (31 March 2018: £18.5m). Repayments on the loan commenced in June 2017 (with final repayment due in June 2030) and the amount due within 12 months is included within the current balance in the table above.

Accrued interest on the above two loans amounts to £387k and is included in the current balance in the table above following adoption of IFRS 9.

Other loans

A £10m loan facility has been granted by Barclays Bank PLC to fund the costs associated with fitting out and equipping the leased suite of private patient outpatient and diagnostic facilities at Wimpole Street. During the period of the Progress Payment (PP) agreement interest only was payable, at 1.95%pa above base rate. The PP period concluded in January 2017 and the £10m capital balance then rolled into a 5 year amortising 'mortgage-style' loan facility, at an interest rate of 2.76%. Repayments commenced in January 2017 and at 31 March 2019 the balance is £7.0m (31 March 2018: £8.5m). The amount due within 12 months is included within the current balance in the table above. Equipment assets are pledged as full security against the loan.

Note 23.1 Reconciliation of liabilities arising from financing activities

	Loans from DHSC £000	Other loans £000	Total £000
Carrying value at 1 April 2018	46,120	18,466	64,586
Cash movements:			-
Financing cash flows - payments and receipts of principal	(3,880)	(11,498)	(15,378)
Financing cash flows - payments of interest	(1,060)	(288)	(1,348)
Non-cash movements:			-
Impact of implementing IFRS 9 on 1 April 2018	423	0	423
Application of effective interest rate	1,024	289	1,313
Carrying value at 31 March 2019	42,627	6,969	49,596

Note 24 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Pensions: injury benefits* £000	Legal claims £000	Redundancy £000	Other £000	Total £000
At 1 April 2018						
Arising during the year	232	441	74	485	1,078	2,310
Utilised during the year	4	2	20	-	2,506	2,532
Reversed unused	(36)	(21)	-	-	-	(57)
Unwinding of discount	-	-	(74)	(485)	(584)	(1,143)
At 31 March 2019	201	423	20	-	3,000	3,644
Expected timing of cash flows:						
- not later than one year;	50	200	20	-	3,000	3,270
- later than one year and not later than five years;	76	223	-	-	-	299
- later than five years.	75	0	0	-	-	75
Total	201	423	20	-	3,000	3,644

* In 2018/19 the analysis of provisions has been revised to separately identify provisions for injury benefit liabilities. In previous periods, these provisions were included within early departure costs. An amount of £441k as at 1st April 2018 has therefore been attributed to the injury benefits column above.

The provision for injury benefits relates to three former employees. Costs are billed quarterly by NHS Business Services Authority and charged to utilisation

The provision for pensions is calculated using expected life tables and is discounted over the estimated period of the pension. Costs are billed quarterly by NHS Business Services Authority

Note 24.1 Clinical negligence liabilities

At 31 March 2019, £80,059k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Royal Brompton and Harefield NHS Foundation Trust (31 March 2018: £84,275k).

Note 25 Contractual capital commitments

	31 March 2019 £000	31 March 2018 £000
Property, plant and equipment	3,898	4,023
Intangible assets	33	6
Total	3,931	4,029

Note 26 Financial instruments

Note 26.1 Financial risk management

International Financial Reporting Standard (IFRS) 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with NHS commissioners and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by most business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which this Standard mainly applies. The Trust has limited powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities rather than being held to manage the risks it faces in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Treasury activity is subject to review by the Trust's internal auditor.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust makes some purchases in foreign currency and these are converted to Sterling at the spot rate on the day of payment, and overall the Trust has minimal exposure to currency rate fluctuations.

Interest-rate risk

Where appropriate, the Trust may borrow from Government and commercial sources, as disclosed in Note 23. Interest rates on all three loans are fixed. The Trust therefore has minimal exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, it has low exposure to credit risk. The maximum exposure as at 31 March 2019 is in receivables from other customers, as disclosed in Note 20 and adequate consideration of impairment of receivables is made for such debtors on an annual basis.

Liquidity risk

Most of the Trust's operating costs are incurred under contracts with NHS commissioners, which are financed from resources voted annually by Parliament. The Trust funds its capital programme from its own resources and donations, and where necessary by accessing loans from government and commercial bodies.

Note 26.2 Carrying values of financial assets

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures are reported under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Carrying values of financial assets as at 31 March 2019 under IFRS 9				
Trade and other receivables excluding non financial assets	44,039	-	-	44,039
Other investments / financial assets	-	-	-	-
Cash and cash equivalents at bank and in hand	20,818	-	-	20,818
Total at 31 March 2019	64,857	-	-	64,857

	Loans and receivables £000	Assets at fair value through the I&E £000	Held to maturity £000	Available-for- sale £000	Total book value £000
Carrying values of financial assets as at 31 March 2018 under IAS 39					
Trade and other receivables excluding non financial assets	80,351	-	-	-	80,351
Other investments / financial assets	-	-	-	-	-
Cash and cash equivalents at bank and in hand	20,847	-	-	-	20,847
Total at 31 March 2018	101,198	-	-	-	101,198

Note 26.3 Carrying value of financial liabilities

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Held at fair value through the I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019 under IFRS 9			
Loans from the Department of Health and Social Care	42,627	-	42,627
Other borrowings	12,084	-	12,084
Trade and other payables excluding non financial liabilities	30,409	-	30,409
Total at 31 March 2019	85,120	-	85,120

	Other financial liabilities £000	Held at fair value through the I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2018 under IAS 39			
Loans from the Department of Health and Social Care	46,120	-	46,120
Other borrowings	21,737	-	21,737
Trade and other payables excluding non financial liabilities	29,707	-	29,707
Total at 31 March 2018	97,564	-	97,564

Note 26.4 Maturity of financial liabilities

	31 March 2019 £000	31 March 2018 £000
In one year or less	41,663	48,373
In more than one year but not more than two years	5,853	5,732
In more than two years but not more than five years	14,772	16,739
In more than five years	22,833	26,720
Total	85,120	97,564

Management considers that the carrying values of financial assets and liabilities are equal to their fair values.

Note 27 Losses and special payments

	2018/19		2017/18	
	Total number of cases	Total value of cases £000	Total number of cases	Total value of cases £000
	Number	£000	Number	£000
Losses				
Cash losses	7	1	10	-
Bad debts and claims abandoned	40	107	94	1,680
Stores losses and damage to property	12	73	12	75
Total losses	59	181	116	1,755
Special payments				
Ex-gratia payments	-	-	6	25
Total special payments	-	-	6	25
Total losses and special payments	59	181	122	1,780
Compensation payments received		-		-

There have been no individual cases in excess of £300k.

The table above outlines 59 cases of losses and special payments totalling £181k during the year to 31 March 2019 (year to 31 March 2018: 122 cases, £1,780k). These amounts are reported on an accruals basis when identified but exclude provisions for future losses.

Note 28 Related parties

The Trust is a body corporate established by order of the Secretary of State for Health and Social Care. During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust other than receipt of remuneration. The Department of Health and Social Care is regarded as a related party. During the year the Trust has had numerous material transactions with the Department, and with other entities for which the Department is regarded as the parent. These entities include NHS England, Clinical Commissioning Groups, NHS Foundation Trusts, NHS Trusts, NIHR, Health Education England, the NHS Litigation Authority and NHS Supply Chain.

In addition, the Trust had a number of material transactions with other Government departments and other central and local Government bodies. Most of these latter transactions have been with Imperial College of Science, Technology and Medicine (relating to research projects) and The London Borough of Hillingdon and the Royal Borough of Kensington and Chelsea (relating to national non-domestic rates). The Trust operates in close collaboration with the National Heart and Lung Institute of Imperial College of Science, Technology and Medicine to deliver education, research and medical care.

The Trust also had a number of transactions with non consolidated charities with connections to the Trust.

Note 28.1 Related Party Balances

	Receivable		Payable	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	£000	£000	£000	£000
Department of Health and Social Care Group				
Department of Health and Social Care	-	-	-	19
NHS England and CCGs	17,410	57,484	3,190	3,713
<i>of which >£250k:</i>				
NHS England	11,463	51,154	405	-
NHS Herts Valley CCG	-	-	-	1,088
NHS Slough CCG	-	775	-	-
NHS West London CCG	282	-	-	-
NHS Hounslow CCG	-	-	-	447
NHS Wiltshire CCG	-	445	274	-
NHS Central London CCG	-	-	416	350
NHS Harrow CCG	331	-	-	263
NHS Herefordshire CCG	361	336	-	-
NHS Hammersmith & Fulham CCG	-	305	-	-
NHS Bristol CCG	-	300	-	-
NHS Coastal West Sussex CCG	-	-	-	296
NHS Nene CCG	-	296	-	-
NHS Camden CCG	325	-	-	-
NHS Ealing CCG	-	-	-	295
NHS East Berkshire CCG	-	-	604	-
NHS Isle of Wight CCG	-	-	538	-
NHS Luton CCG	-	-	-	294
<i>Sub-total</i>	<i>12,762</i>	<i>53,611</i>	<i>2,237</i>	<i>3,033</i>
<i>%</i>	<i>73%</i>	<i>93%</i>	<i>70%</i>	<i>82%</i>
Foundation Trusts	2,551	3,993	3,888	1,570
NHS Trusts	1,332	1,564	612	410
Other DHSC Bodies	133	142	10	8
Total DHSC Group	21,426	63,183	7,700	5,720

Other Whole of Government (WGA)

Central Government Departments	750	537	8,546	8,192
<i>of which:</i>				
HMRC	423	190	5,427	5,300
NHS Pension Scheme	-	-	2,755	2,722
Sub-total	423	190	8,182	8,022
%	56%	60%	96%	95%
Local Government	-	-	-	-
TOTAL Other WGA	750	537	8,546	8,192

Other (non-WGA) related parties

Royal Brompton & Harefield Hospitals Charity	391	387	-	-
Total Non-WGA	391	387	-	-

Total related parties receivable and payable balances	22,567	64,107	16,246	13,912
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<i>Total non-related party receivable and payable balances</i>	<i>27,349</i>	<i>15,198</i>	<i>31,072</i>	<i>40,288</i>
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Total receivable and payable balance	49,916	79,305	47,318	54,200
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Note 28.2 Related Party Transactions

	Income		Expenditure	
	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Department of Health and Social Care Group				
Department of Health and Social Care	4,693	3,290	10	3
NHS England and CCGs	318,134	343,760	870	67
<i>of which >£2,000k:</i>				
NHS England	262,880	292,743	-	4
NHS Hillingdon CCG	7,839	7,231	-	-
NHS Herts Valleys CCG	4,146	3,771	-	-
NHS Ealing CCG	-	2,048	-	-
NHS Harrow CCG	2,929	2,194	-	-
NHS Buckingham CCG	2,090	-	-	-
NHS West London CCG	2,315	2,522	-	-
Sub-total	282,199	310,509	-	4
%	89%	90%	0%	6%
Foundation Trusts	5,053	4,335	11,906	5,656
NHS Trusts	2,833	2,667	2,116	1,954
Other DHSC Bodies	6,283	6,178	4,541	5,243
Total DHSC Group	336,996	360,230	19,443	12,923

Other Whole of Government (WGA)

Central Government Departments	5,071	4,739	41,508	40,544
<i>of which:</i>				
Welsh Assembly Government	3,626	3,479	17	12
NHS Blood & Transplant	1,011	976	2,496	2,493
HMRC	-	-	20,190	19,615
NHS Pension Scheme	-	-	18,787	18,408
Sub-total	4,637	4,455	41,490	40,528
%	91%	94%	100%	100%

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Local Government	-	-	-	7
TOTAL Other WGA	5,071	4,739	41,508	40,551
Other (non-WGA) related parties				
Royal Brompton & Harefield Hospitals Charity	3,918	4,272	-	-
Total Non-WGA	3,918	4,272	-	-
Total related parties income and expenditure	345,985	369,241	60,951	53,474
<i>Total non-related party income and expenditure</i>	<i>50,431</i>	<i>50,702</i>	<i>350,761</i>	<i>345,024</i>
Total income and expenditure	396,416	419,943	411,712	398,498

Note 29 Department of Health & Social Care related parties

The Annual Reporting Manual specifies that the key management of the Department of Health and Social Care and their related parties should be treated as related parties of the Trust. The related balances and transactions are as follows:

	Receivable year ended 31 March 2019	Payable year ended 31 March 2019	Income year ended 31 March 2019	Expenditure year ended 31 March 2019
	£000	£000	£000	£000
British Telecom	-	-	-	442
Medicines and Healthcare Products Regulatory Agency	-	3	-	4
Total	-	3	-	446

Note 30 Prior period adjustments

There have been no prior period adjustments

Note 31 Events after the reporting date

There were no disclosable events after the reporting date.

