

Annual Report and Accounts 2017/18

Royal Brompton & Harefield NHS Foundation Trust

Royal Brompton & Harefield NHS Foundation Trust

Annual Report 2017-18

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1. Performance Report

1.1 Overview

The following pages constitute the Annual Report of Royal Brompton & Harefield NHS Foundation Trust for its seventh full year as a Foundation Trust, for the period 1st April 2017 to 31st March 2018. 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 2017-18*”.

Summary of Overall Performance

The Trust is committed to the provision of high quality services for patients of all ages. During 2017/18 the Trust cared for over 200,000 patients at our out-patient clinics and over 37,500 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 surplus of £75.4m (after a revaluation gain of £62m and Sustainability and Transformation Funding of £51m).

Joint Statement from the Chair and Chief Executive

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 from the womb, through childhood, adolescence and into adulthood and old age 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.

Research is central to the Trust's mission and our starting point is the needs of the patients we treat every day. By investigating the causes of their conditions and testing new ways of diagnosing and treating them, we have been responsible for many significant medical advances. We value our proud and rich history with the National Heart and Lung Institute of Imperial College London, a partnership which spans over 20 years.

We also recognise the value of high quality education and training and are committed to developing our workforce in order to offer the best possible specialist care for our patients now, and in the future.

Our clinical teams do not operate in a vacuum; fully integrated networks of care exist with partner organisations and many of our clinicians have joint appointments with neighbouring trusts. Our experts promote the principle of "shared care" through an expanding system of consultant-delivered outreach clinics, at which they see patients at over 30 hospitals across the South East, covering Essex, Sussex, Surrey, Hertfordshire and Middlesex. This system allows patients to benefit from specialist expertise in their local environment, with inpatient care at our hospitals available as needed.

A sustainable future

It is this recognition that 21st Century healthcare is less about single institutions and more about creating networks and systems of care, that was the catalyst for our planned collaboration with King's Health Partners (the Academic Health Sciences Centre comprising Guy's and St Thomas', King's College Hospital and South London and Maudsley NHS Foundation Trusts and King's College London).

Our vision is to create a health system of global significance, for a population of 12 million people in London and southern England at risk of and living with cardiovascular and respiratory conditions.

Our partnership would encompass cardiovascular and respiratory services for all ages, from foetus through to old age, for both common and rare conditions, and would be at the forefront of clinical care, research and translational medicine. Bringing the assets of each partner organisation together would provide a health solution that delivers outstanding outcomes and reduces unwarranted variation in a collaborative network for a large population.

It would accelerate the translation of innovation from bench to bedside, providing a highly attractive proposition for commercial partners and allowing the UK to remain a major player in health research and innovation, and would provide exceptional training opportunities for the next generation of the workforce.

It would also bring all adult and paediatric congenital heart disease (CHD) teams together, co-located on one acute and academic campus and delivering the benefits of a paediatric CHD service that is integrated with paediatric specialist services in Evelina London.

Our plans involve the relocation of the clinical academic services that are currently on the Royal Brompton site in a new purpose-built clinical academic facility at Westminster Bridge, in line with existing plans to develop Evelina London Children's Hospital on this campus. As well as services from Royal Brompton, the new facilities would accommodate KHP specialist clinical and academic cardiovascular services, with the exact model for respiratory still to be determined. Harefield Hospital and King's College Hospital would be key specialist hubs within the new network.

Cardiovascular and respiratory specialties currently represent a significant proportion of NHS healthcare spend, and our vision is rightly ambitious and far-reaching. The partnership will be unique in the world in its scale, breadth and depth of offer for clinical and research services, bringing together large cohorts for rare and complex conditions such as CHD, cystic fibrosis and home ventilation. As these proposals are developed further, the partnership model could conceivably extend to other partners.

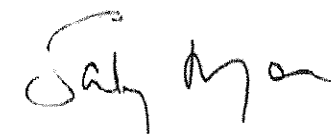
Following Trust Board approval of the partnership's Feasibility Study on May 16th 2018, we will now develop a Strategic Case, supported by NHS England, by the end of November 2019.

Today's healthcare and population challenges require an ability to adapt to the changing needs of patients with a fundamentally new solution, including the increased use of technology and new approaches to building relationships across NHS organisations and with commercial partners. We believe this collaboration offers such a solution, using the very best of what we do now as the foundation on which to build something truly exceptional.



.....
Robert J Bell
Chief Executive

24th May 2018



.....
Baroness (Sally) Morgan of Huyton

24th May 2018

For queries regarding this Annual Report please contact, in the first instance:

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The following sections are included within the Overview in order to provide summary information on some of the important aspects of the work of the Trust not covered elsewhere in this Annual Report.

Re-development

Providing patients with the best possible specialist treatment for heart and lung conditions in a clean, safe place requires a continuous cycle of improvement and redevelopment. Delivering care that is aligned with expectations for healthcare in the 21st century from buildings that were created in a different era (one of our buildings dates back to 1841), remains an ongoing challenge, but the Trust remains committed to investing in its clinical facilities and is advancing plans for redevelopment at both campuses.

Royal Brompton Hospital

Over the past twelve months progress the Trust has secured planning permission from the Royal Borough of Kensington and Chelsea for development on three sites:

- i) Chelsea Farmers Market,
- ii) the listed buildings at 117-123 Sydney Street,
- iii) the main hospital campus.

Phase One of the redevelopment plan is now underway with significant investment in a new Imaging Centre at the hospital. The centre will house state-of-the-art MRI and CT scanners along with echocardiogram, transoesophageal echocardiogram, bronchoscopy/fluoroscopy and X-ray suites. Centralising Imaging in this way will enable further improvements to be made to other parts of the Trust's estate.

Harefield Hospital

Major redevelopment at Harefield Hospital continued throughout 2017-18. Vital new capacity became available in December 2017 consisting of six intensive care beds, four high dependency beds, and sixteen new ward beds. An additional 250 critically ill patients can now be treated at Harefield each year, including those suspected of having TB or other infectious diseases, who will be cared for in two new isolation rooms. A new Imaging Centre containing new MRI and CT scanners also opened in December 2017 along with expanded outpatient facilities.

Our Values

At the core of any organisation are its values: belief systems that are reflected in thought and behaviour.

Our values were developed by staff for staff. We have three core patient-facing values and four others which support them.

Our three **core** values are:

1. We care

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

2. 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.

3. 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.

The following values support us in achieving them:

1. 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.

2. We are responsible

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

3. 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.

4. We share our knowledge

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

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 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.

Private Patients Unit

The Trust continues to develop and invest in its world-class private patient business at both Royal Brompton and Harefield hospitals, 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.

2017/18 proved to be a challenging year for the Private Patients Unit. The UK market, particularly the UK private medical insurance sector, continues to be difficult with little growth, and the Trust has seen a decline in revenues driven by two other factors; the departure of consultants with significant Private Patient caseloads and a continued reduction in sponsored patients from the Middle East requiring complex treatment.

During the year a number of consultants who had developed a significant private practice left the organisation, either as a result of relocation to their home countries, retirement or illness. New consultants have begun to establish their private practice but these are not yet on the same scale.

Since 2015/16 there has been a gradual decline in Middle East Embassy admissions from Kuwait and Qatar. This has been driven by referring countries seeking to reduce the numbers of patients treated abroad.

These events together helped to contribute to a fall in the Trust's private patient income to £38.2m in 2017/18 (from £39.9m in 2016/17). Nevertheless, efforts are being made to grow revenues from private patient income. As new consultants become established, their private practices are expected to develop. New facilities and services will have a positive impact on capacity. Juniper Ward at Harefield Hospital opened in October 2017. This new ward consists of 16 ensuite rooms and 4 HDU beds for the use of both Private and NHS patients. Although the ward is available to all patients, the plan is to ensure the majority of rooms are available for Private Patients. In December 2017 a new Private Outpatients' suite was opened providing an additional consulting room and a new treatment and echo room. The new capacity will allow consultants to develop their private practice at Harefield hospital leading to increased private practice revenues.

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. Research activities are guided by a Board approved strategy to integrate research with clinical activity, seeking to enhance and further the Trust's reputation in pioneering, world class cardiothoracic research.

During 2017/18, research income, £7.2m (2016/17 £10.9m), was substantially reduced due to the loss of Biomedical Research Unit funding from 1 April 2017. The Trust was successful in securing funding from NIHR for its Respiratory Clinical Research Facility which is now fully staffed and supporting current and new studies. Over 1,200 patients were recruited into NIHR portfolio research studies and 500 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 is part of the West London NHS Genomic Medicine Centre and during the financial year 2017/18, 145 Trust patients have agreed to take part in this National 100k Genome project for rare diseases.

Other highlights include:

- Trust academics and their collaborators were successful in securing £10m 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, £3m 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 £2.1m to research activity at the Trust.
- Over £800k funding specifically to research projects led by allied health professionals, nurses and healthcare scientists including physiotherapists, physiologists and pharmacists.
- Two high value awards made to Mr Eric Lim (£1.3m NIHR) and Professor Stuart Cook (£2m BHF).
- Three Royal College of Physicians/NIHR Awards (ten awarded nationally), recognising outstanding contribution to research, to Dr William Man, Dr Justin Garner and Dr Nick Simmonds.
- Young Investigator Awards for Dr Upasana Tayal (American College of Cardiology and London Cardiovascular Society) and Dr Brian Halliday (British Society for Heart Failure).
- A commendation from NIHR for high numbers of open commercial clinical trials (ranked second in North West London to Imperial College Healthcare NHS Trust) and recruitment into clinical trials to time and target; 75% commercial and 100% non-commercial in 2017/18/ Particular recognition was given to Cystic Fibrosis with recruitment of first global and first European patients into multi-national studies.
- Promising outcomes for new cystic fibrosis drugs following two phase III trials led by researchers at the Trust, published in the New England Journal of Medicine in November 2017.
- During 2017-18, Trust researchers produced 862 peer-reviewed publications (790 2016/17). With its academic partner, Imperial College London, the Trust is the leading centre for cardiovascular, critical care and respiratory research. The third RAND analysis (2016) of influential biomedical and health research highlighted that the Trust produces more highly cited publications about respiratory and critical care medicine than any other hospital trust in England.

Having joined the Imperial College Academic Health Science Centre in June 2016, the Trust is actively participating in collaborative research and education activities with Imperial College, Imperial College Healthcare Trust and the The Royal Marsden NHS Foundation Trust. This includes contributing to the National Health Informatics Collaborative project by sharing lung cancer data and participating fully in the re-launched Research Development Programme across the AHSC during 2017/18. 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.

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. A three year multi-professional education strategy supports the core values of the Trust and is flexible and adaptable to meet the challenges of providing high quality clinical care in a financially accountable environment. 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 £4.8 million from Heath Education England (HEE) in the annual learning and development agreement (LDA). This includes c. £590k for nursing placements, £250k for undergraduate training (short term placements for 70-90 undergraduate medical students per year) and £3.9 million for 120 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
- Planned savings targets
- The level of planned capital expenditures, including the proposed new imaging centre
- The planned sale of an investment property, including its probability, quantum of proceeds and timing
- The continuing availability of borrowing facilities, including a bridging facility to finance the proposed imaging centre
- The receipt of Provider Sustainability Funding (PSF) for meeting and bettering the Trust's financial targets set by its 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

Trust financial performance for 2017/18

The Trust has reported a surplus for the year of £75.4m (2016/17 - £11.3m) after paying a dividend on Public Dividend Capital of £6.8m (2016/17 - £6.1m).

This result reflects a revaluation of investment properties £62.0m (2016/17 - £27.2m) and total earned STF (Sustainability & Transformation Funding) of £51.0m (2016/17 - £15.6m). The Trust's planned result for the year was a deficit of £5.7m (2016/17 – deficit of £6.8m) which reflected the financial target ('control total') set by its regulator NHS Improvement.

The vast majority of the investment property revaluation gain related to the Chelsea Farmers Market (CFM) site (reflected in the Statement of Comprehensive Income in accordance with generally accepted accounting principles) related to the CFM site. During the year under review, the Trust secured planning permissions for the redevelopment of CFM for residential and retail use, linked to a planning permission for improvement works at Royal Brompton Hospital. As a result, the market value of CFM was substantially enhanced and that uplift has been recognised in the Trust's 2017/18 accounts.

Of the STF recognised in the year, £8.2m (2016/17 - £4.8m) was earned for achieving the control total and the balance of £42.8m (2016/17 - £10.8m) for improving on it. This improvement was largely attributable to the revaluation gain referenced above although there was also a modest improvement in underlying performance relative to plan.

After stripping out both the investment property revaluation and the element of STF recognised for delivering a result ahead of the Trust's control total, the underlying deficit was £26.8m (2016/17 - £26.6m) after taking credit for STF earned for achieving the Trust's control total.

Clearly continuing deficits of this order are unsustainable so, during the year under review, the Trust contracted with Boston Consulting Group to undertake a transformation project designed to re-engineer and streamline many clinical and other processes. This is a multi-year project although its first fruits – savings of approaching £2m – became apparent in 2017/18. The scale of savings – which represent efficiencies resulting from new clinical pathways and other modalities, rather than simply cost-cutting measures – are expected to increase substantially 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 adversely affected.

Despite the constrained financial position of the NHS, the Trust invested a further £21.2m in fixed assets during the year (2016/17 - £21.6m). These investments in its future reflect the continuing need to expand and improve facilities, equipment and IT systems. Of particular note was the completion in year of new and improved facilities at Harefield Hospital comprising imaging, intensive care and other additional ward capacity for both NHS and private patients.

In part as a result of these investments, the Trust took the decision to draw down its £10m working capital facility towards the end of the financial year resulting in a (positive) cash balance of £17.6m at 31 March 2018. It is anticipated that this borrowing will be repaid from the £45m of outstanding STF, receipt of which is expected in August of this year.

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 £5.0m (including interest) which will cease with full repayment of ITFF loans in 2029. The total outstanding balance at 31 March 2018 was £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 2018 the outstanding balance on this loan, which will be fully repaid in 2022, amounted to £8.5m.

With the anticipated receipt of the £45m of outstanding STF monies, the Trust's liquidity will have improved significantly over the past 12 months. This is reflected in the going concern statement on page 10 of this Annual Report.

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 2017/18

There are national healthcare targets that enable the regulators and other institutions to compare and benchmark the performance of organisations. Trusts are required to report against the targets that are relevant to them. The table below shows the key healthcare targets that this Trust reports to the Trust Board and also externally.

Single Oversight Framework

Indicator	National Target/ Threshold	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	2017/18
<i>Clostridium difficile</i> - Cases due to lapses of care	23	0	1	0	0	0	0	0	0	0	0	0	0	1
MRSA Bacteraemia	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maximum time of 18 weeks from point of referral to treatment (RTT)	92%	92.42	92.20	92.71	92.71	92.67	93.29	94.08	93.31	92.93	93.41	92.51	91.86	92.85%
Cancer - 62 day Urgent GP referral to first definitive treatment	85%	93.33	33.33	81.82	70.00	64.29	63.64	70.83	84.62	100.00	100.00	62.50	75.00	75.17%
Maximum 6 – week wait for diagnostic procedures	1%	0.	0	0	0	0	0	0	0	0	0	0	0	0.0%
Never Events	0	0	0	0	1	0	0	0	0	0	0	0	0	1

The Single Oversight Framework was operated by NHS Improvement throughout 2017/18.

During this period:

- There was one lapse of care relating to *Clostridium difficile* which related to the time taken to isolate a patient showing signs of infection.
- There were no cases of MRSA bacteraemia.
- The 18 week waiting time target (from GP consultation to first definitive treatment) was reported as achieving 92.86% over the course of the year based on the data held in the Trust Patient Administration System. However, data quality concerns persisted throughout the year. Please see the Quality Report at Annex 1 of this document for more details.
- The 62 day cancer target (for the time from GP consultation to first definitive treatment) did not meet the national standard of 85% for 9 months of the year. 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, which starts with the initial GP referral which is usually made locally to a hospital which carries out the diagnostic portion of the pathway before referring the patient on to Royal Brompton & Harefield NHS FT. Although the national standard was not met, the requirements of the improvement trajectory agreed with NHS Improvement and NHS England were met for eight out of twelve months.
- 6 week wait for diagnostic procedures. The Trust met the standard for 6 week diagnostic waits throughout the period. However, similar data quality concerns exist with respect to reporting this target as with the 18 week RTT target.
- Never Events, these are clinical incidents that should never occur. There was one never event during the year which related to retention of a surgical swab.

Further details of non-financial performance, and on data quality with respect to the 18 week referral to treatment time target and the 62 day cancer target, are given in the Quality Report 2017/18 which can be found at Annex 1 of this document.

Operational and Financial Performance by Division

Royal Brompton Heart Division (including Children's services)

In 2017/18, Royal Brompton Heart division generated total income of £141.6m and a contribution of £23.5m, £4.6m ahead of plan. This is an increase in overall income from 2016/17, when the division generated £134.1m, and a significant increase in the level of contribution, which was £14.9m in 2016/17.

Total NHS income was £120.2m in 2017/18, compared to £111.4m of NHS income generated in 2016/17. This increase was driven largely by paediatric inpatient activity as well as continued growth in adult ECMO.

Adult ECMO generated income of £6.4m, almost double that planned and seen in the previous financial year. Despite the planned closure of 10 adult intensive care beds during the first half of the year for refurbishment, conventional critical care activity was on plan and the reopening of the unit enabled the delivery of care for the surge in ECMO patients described.

Children's services income was ahead of plan overall by £3.3m and 124 spells; the over-performance in inpatient activity was seen largely within paediatric cardiology which was £2.0m ahead of plan, however inpatient spells for paediatric surgery were also ahead of plan in both cardiac and thoracic cases by £0.3m respectively. Income for high cost drugs for paediatric respiratory medicine patients was also ahead of plan by £0.8m.

Private patient income at £19.8m was both below plan by £1.5m (7%) and a fall compared to 2016/17 (£21.1m). Although an improved case mix led to increased income towards the end of the financial year, gradual changes over recent years in the balance between self-funded and foreign embassy patients, and patients funded through insurance, has resulted in lower levels of income than anticipated.

Pay costs decreased from £76.1m in 2016/17 to £75.4m, in part due to the in-year delivery of a challenging efficiency programme through managed vacancies and reduced reliance on agency staffing, particularly within paediatrics.

As a result of the high levels of ECMO activity, consultant costs for ECMO on-call and retrievals were overspent by £0.4m, although this was more than offset by the corresponding increase in income.

Divisional non-pay costs were £42.7m, a marginal decrease from £43.2m in 2016/17 and £2.5m overspent compared to plan. This overspend was predominantly due to large volumes of high cost drugs and devices, for which the corresponding income was also gained.

Harefield Heart Division

In 2017/18, Harefield Heart division generated total income of £93.9m and a contribution of £10m, £4.5m behind plan. This compares to a contribution of £13.0m in 2016/17. This was largely driven by income being lower than plan (by £2.8m), in particular private patient income (£2.1m) and NHS elective and daycase income (£1.2m), with some smaller offsetting favourable variances.

There were 6,422 NHS inpatient and day-case spells in 2017/18. This was both behind plan (by 726) and below levels achieved in 2016/17 (by 247).

Both cardiology and cardiac surgery NHS spells were behind plan, by 1,063 and 54 spells respectively, leading to unfavourable income variances of £0.6m and £0.3m. NHS cardiac surgery inpatient spells increased by 116 spells from 2016/17, but NHS cardiology spells were 482 spells below 2016/17, with income £0.9m lower than in 2016/17.

There was a significant increase in transplant and VAD activity in 2017/18, with 33 heart, 56 lung, and 5 heart and lung transplants undertaken and 39 Ventricular Assist Device (VAD) implants in year, compared with 22 heart, 41 lung transplants and 31 VAD implants in 2016/17- an increase of over 40%. This increase represents a positive outcome for patients but had a detrimental impact on the division's (and Trust's) financial position, as additional transplants are not fully reimbursed by NHS England which commissions this service.

Private patient income at £5.2m (2016/17: £5.5m) was £2.1m below plan. This was driven by under-performance in both cardiac surgery and cardiology due to poor case mix of activity earlier in the year and the delayed Harefield Redevelopment Business Plan (HRBP): the division deferred the planned increase in capacity to allow remedial works to be undertaken.

Pay costs were underspent by £0.3m due to the delayed HRBP. However, there have been higher pay costs than budgeted in other areas, predominantly within nursing, driven by high levels of vacancies, supernumerary costs due to new starters, and additional patient acuity, filled by bank and agency staffing. Total pay costs of £51.5m increased by £1.4m from 2016/17.

Total non-pay costs in 2017/18 at £32.3m increased by £1.3m from 2016/17, particularly for drugs and organ care system kits, as a direct consequence of the higher volumes of transplant activity. Growth was also seen in the number of VADs implanted from 31 to 39. However, there was a reduction in implanted cardioverter defibrillators (ICDs) from 337 to 282. The costs of trans-catheter aortic valves (TAVIs) also reduced even though activity grew from 118 in 2016/17 to 168 in 2017/18. This was due to the device switching to a 'zero cost commissioning' model in 2017/18.

Lung Division

The Lung division continues to experience growth in income as a result of increased activity. However, this has been achieved at a worse margin than planned, due to higher pay and non-pay costs than in 2016/17. The division generated total income of £86.9m, an increase of £1.8m on 2016/17, spending £63.1m (2016/17: £60.0m) resulting in a contribution of £23.8m. Of total income, NHS services accounted for £81.6m (2016/17: £79.7m), and private practice £4.5m (2016/17: £4.8m); non clinical income accounted for the remainder.

The increase in NHS income of £1.9m was driven by inpatient activity. The interstitial lung disease (ILD) service moved to a day case model resulting in over-performance in respiratory day cases at Royal Brompton. Thoracic surgery baseline elective activity also increased at both sites by a total of £2.6m. Critical care activity decreased from the previous year by £0.9m primarily driven by thoracic surgery at Harefield. Thoracic consultant vacancies during 2017/18 have adversely impacted activity.

Private patient income at £4.5m was both below plan by £0.4m (7%) and a fall compared to 2016/17 (£4.8m). Increased thoracic surgical activity at Harefield towards the end of the financial year helped to improve the position following significant under-performance earlier in the year.

Pay costs increased by only 1% from £33.9m in 2016/17 to £34.3m, thanks to significant efficiency measures. In particular, savings were seen through improved theatre productivity resulting in reduced waiting list initiative payments.

Compared to 2016/17, non-pay costs increased from £26.1m to £28.8m. The majority of this was due to more patients requiring high cost drugs, offset 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 plans to develop its sustainability plan to include travel, procurement, waste and water using the template provided by the Sustainability Unit. Longer term wider sustainability issues will be considered including adaption, green space and biodiversity.

The Trust established a Carbon Management Group (CMG) chaired by the Head of Estates & Facilities, 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 76 projects identified of which approximately 30% have been completed. There are a number of larger projects that are not currently viable as they require substantial capital investment and have extended payback periods. A range of energy saving projects have been implemented in 2017/18 including various LED lighting upgrades across both sites, IT rationalisation initiatives, together with improved heating ventilation and air conditioning (HVAC) control.

The Green Committee is now in its third year, it has been set up on each site to promote sustainability and environmental issues including staff awareness, waste, recycling, transport policies and procurement. The Committee is chaired by the Site Services Manager and has members from across all departments on both sites. Green Champions have been nominated in many departments to promote recycling and other green initiatives in their area. Green Committee initiatives are discussed in the Waste Management section below.

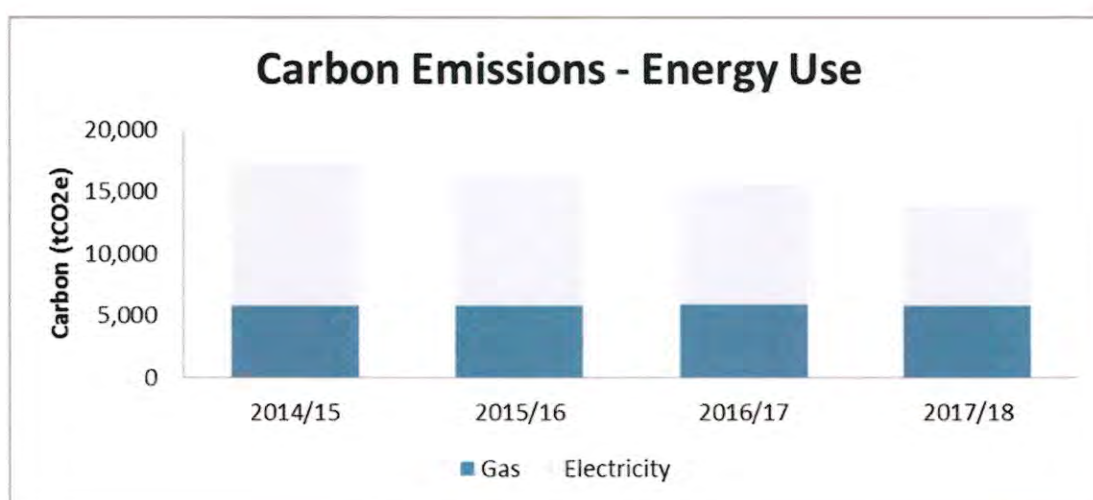
Performance

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 from a 2013 baseline by 2020.

However, as a world-renowned heart and lung clinical and research centre, the Trust faces particular challenges as it balances the requirements to develop sustainably whilst providing continual advances in medical technology and patient care, together with 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 and consequently the Trust is unable to set an absolute target at this time. Therefore, to reflect this challenge in 2016/17 the Trust adopted an energy performance KPI of patients treated/tonnes CO_{2e} to demonstrate progress with the CMP and improving the sustainability of the organisation.

Energy Consumption, costs and carbon emissions

The energy consumption, cost and carbon emissions are detailed below from 2014/15.



Resource		2014/15	2015/16	2016/17	2017/18
Gas	Use (kWh)	27,593,630	27,857,572	28,499,496	28,499,496
	tCO _{2e}	5,789	5,830	5,956	6,042
Electricity	Use (kWh)	18,573,896	18,239,445	18,680,942	18,680,942
	tCO _{2e}	11,503	10,486	9,654	8,326
Total Energy CO _{2e}		17,293	16,316	15,610	14,369
Total Energy CO _{2e} percentage change		-	-5.65%	-4.33%	-7.95%
Total Energy Spend		£ 3,011,650	£ 2,766,030	£ 2,590,590	£ 2,675,087

The Trust spent £2,675,000 on energy in 2017/18 which is a 3.26% increase in energy spend from the previous year. There was a 7.95% energy consumption reduction over the same period and a 13.76% reduction in carbon emissions. These figures include the Wimpole Street Site which opened in 2016 and accounts for approximately 2.6% of the Trust's emissions. This substantial fall in emissions is partially due to the reduction in energy consumption; however the progressive decarbonisation of the national grid has also made a significant contribution.

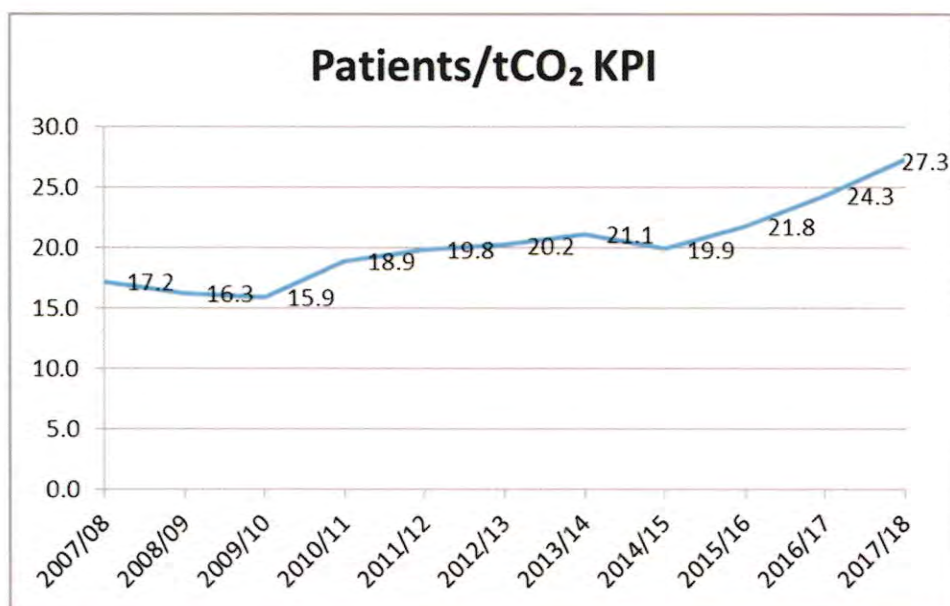
Performance against NHS Sustainability Development Strategy Target

The table below shows the Trust's carbon emissions due to core activities against the Sustainability Development Strategy target. It can be seen that the emissions are broadly in line with the target albeit that this is largely due to the decarbonisation of the national grid rather than reductions in energy consumption.



Performance against Patient Numbers KPI

The chart below shows that since 2007/08 the KPI performance has significantly improved with 27.3 patients/tCO₂e in 2017/18, a 59% increase. It should be recognised however that with the decarbonisation of the national grid the resulting lower CO₂ conversion 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 Site Services team together with support from colleagues in other departments through the Green Committee have actively been reducing the environmental impact of waste by eliminating waste to landfill, increasing recycling and reducing waste to incineration. Green Committee initiatives include:

- Increased recycling bins and greater recycling across both sites
- Introduction of recycling to theatres
- Improved confidential waste service which is added to the recycle waste stream
- Increased the use of the offensive waste stream in theatres across both sites and in the ITU at Harefield Hospital

Social, Community and Human Rights Issues

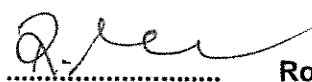
The Trust has an Equality and Diversity Policy to ensure that there are equal opportunities in the workplace, that dignity at work is safeguarded and that any issues pertaining to bullying and harassment are identified and addressed.

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 policy is linked to the core behaviours expected of employees. These have been promoted during 2017/18 through ambassadors throughout the organisation. This has helped to ensure that core behaviours are championed, and that staff are made aware of good practice.

Directors' Statement

This Performance Report has been prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2017/18, as updated by NHS Improvement in January 2018.



.....
Chief Executive

Robert J Bell

24th May 2018

On behalf of the Board of Directors

2. Accountability Report

2.1 Directors' Report

Introduction

The Trust was authorised as a Foundation Trust on 1st June 2009. A Foundation Trust is a public benefit corporation. 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 enshrined in the Trust's Constitution. This makes provision for the Trust to be supported by a membership drawn from 3 constituencies, a public constituency, a staff constituency and a patient constituency. The Constitution also makes provision for a Council of Governors comprising both elected and appointed parties. The elected parties are drawn from the membership and the appointed parties represent key stakeholders with whom the Trust is engaged. During 2013/14 the Constitution was updated to take into account the changes contained in the Health and Social Care Act 2012. These changes were approved by the Trust Board and the Council of Governors and were ratified by the members at the Annual Members' Meeting. During 2014/15 there was one further minor amendment to the Constitution, to increase the maximum number of Non-executive Director posts from 7 to 8. This change was ratified by the members at the Annual Members' Meeting held on 21st July 2014. There were no changes to the Constitution during 2017/18.

The governance structures of the Trust comprise:

The Council of Governors, with one committee, 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.

Operational management is devolved to the Board of Directors. In turn, the Board has established four Board Committees to facilitate its direction and monitoring role: the Audit Committee, Risk & Safety Committee, Nominations & Remuneration Committee and Finance Committee. These Committees enable the Board to discharge its responsibilities with regard to management of the risk and control environment within which the Trust operates and to oversee senior managers' pay and conditions.

Non-executive Directors are appointed to provide an independent perspective on, and challenge to, the discharge of the responsibilities of the Accounting Officer, who has delegated certain of his powers and functions to his colleague Executive Directors. All but one of the Non-executive Directors are considered to be independent. Professor Kim Fox is considered to be a Non-independent Non-executive Director by virtue of his previous employment with the Trust. .

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

The Redevelopment Advisory Steering Group 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 2017/18.

Council of Governors, Trust Board and Committees

Council of Governors

The role of the Council of Governors is to appoint or remove the Chair and other Non-executive Directors of the Trust; to approve the appointment of the Chief Executive and to decide the remuneration and expenses and other terms and conditions of the Non-executive Directors. The Council of Governors should receive and consider the Trust annual accounts, any auditor's reports on those annual accounts and the annual report from the Board of Directors. The Council of Governors provides views to the Board of Directors in respect of forward plans. The Council of Governors is consulted by the Board of Directors in relation to strategic matters affecting the Trust and should also approve and review the membership strategy. The Council of Governors also approves any purchase or sale of Trust property assets. The Council of Governors also approves the appointment of the Trust's external auditors.

The Governor's Council met four times during 2017/18. Details of attendance, including that of Board members, are given in the table on the following pages of this report.

Nominations & Remuneration Committee of the Council of Governors

Members of the Committee who served during 2017/18 were:

- Mr Anthony Archer (Chair of the Committee)
- Baroness (Sally) Morgan (Chair of the Trust)
- Mr George Doughty
- Ms Jennifer Sano
- Dr Ejikeme Uzoalor
- Professor Claire Hogg (from 11th May 2017)
- Mrs Chhaya Rajpal (until 20th July 2017)
- Mr Tim Mack (until 31st October 2017)

An additional appointment to the Committee, of a staff governor (Professor Claire Hogg) was ratified by the Council of Governors on 11th May 2017.

Please see the Remuneration Report (pages 50 to 64 of this document) for further information about the work of this Committee during 2017/18.

The Council of Governors

Name	Date of Appointment / Election	Term of Appointment	Constituency	Attendance Record Council of Governors
Governors				
Mr George Doughty	1.6.15	3 years	public	3/3
Mr Anthony Archer	1.4.16	3 years	public	3/3
Mr Robert Parker	1.1.16	3 years	public	3/3
Ms Jennifer Sano	1.1.16	3 years	public	3/3
Mrs Chhaya Rajpal (Resigned 20.7.17)	1.7.15	3 years	patient	2/2
Mr Tim Mack (Resigned 31.10.17)	1.1.16	3 years	patient	2/2
Mrs Brenda Davies	1.12.13	3 years (2 nd term)	patient	3/3
Mr Sean O'Reilly	1.01.18	3 years	patient	0/1
Mr Edward Waite	1.7.15	3 years (2 nd term)	patient	2/3
Mr Stuart Baldock	1.12.16	3 years	patient	3/3
Dr Ejikeme Uzoalor	1.12.13	3 years	patient	3/3
Ms Caroline Karlsen	1.7.15	3 years	patient-carer	3/3
Dr Claire Hogg	1.6.15	3 years	staff	2/3
Mrs Anne McDermott	1.6.15	3 years (2 nd term)	staff	1/3
Mrs Elizabeth Henderson	1.12.16	3 years	staff	1/3
Dr Laura Price	1.4.17	3 years	staff	1/3
Mr Steve Caddick	1.1.18	3 years	staff	1/1
Dr Charles Butcher (Resigned 13.10.17)	1.6.15	3 years	staff	1/2
Lady Victoria Borwick	1.6.16	1 year (Re-appointment)	L.B. Kensington & Chelsea	2/3
Councillor John Hensley	12.5.17	3 years	L.B. of Hillingdon	2/2
Professor Mary Morrell (Resigned 21.11.17)	1.6.16	3 years (2 nd term)	Imperial College, London	0/2

Other Attendees including Board Members:				
Chair				3/3
Chief Executive				3/3
Medical Director				2/3
Associate Chief Executive - Finance				2/3
Chief Operating Officer				1/3
Director of Nursing & Governance				1/3
Director of Performance & Trust Secretary				3/3
Director of Service Development				3/3
NED: N Lerner (Deputy Chairman) (Resigned 31.5.17)				0/1
NED: P Dodd (Resigned 20.7.17)				1/2
NED: K Owen				1/3
NED: A Vallance-Owen				1/3
NED: Lesley – Anne Alexander				1/3
NED: R Jones				2/3
NED: L Bardin				3/3
NED: S Friend (Appointed 1.8.17)				1/1
NED: M Batten (Appointed 1.11.17)				0/1
Non-independent NED: Prof K Fox				0/3

Governors' Interests

PUBLIC CONSTITUENCY: North West London	
DOUGHTY, George	None
PUBLIC CONSTITUENCY: Bedfordshire & Hertfordshire	
ARCHER, Anthony	Partner, JWA Governance Services LLP Managing Partner, Bridgewater Leadership Advisory Senior Adviser, Steele Solutions Limited (trading as nCube Home) Member, General Synod of the Church of England Member, Crown Nominations Commission Member, Dioceses Commission Trustee, Ozanne Foundation

PUBLIC CONSTITUENCY: South of England	
PARKER, Robert	Fitness to Practice Assessor and a Registration Assessor, Health and Care Professions Council
PUBLIC CONSTITUENCY: Rest of England & Wales	
SANO, Jennifer	Lay Member, Governance Group Royal College of Pathologists Member of the Conservative Party
PATIENT CONSTITUENCY: North West London	
STERN, Jeremy	Director, PromoVeritas Ltd Director, PromoVeritas holdings Ltd
RAJPAL, Chhaya	None
MACK, Tim	Trustee and Non-executive Board Member, Children's Food Trust to September 2017 Volunteer, Guide Dogs for the Blind, London Engagement Team, Richmond Guide Dogs Member, Dukes Meadows Trust Member of the Conservative Party
PATIENT CONSTITUENCY: Beds & Herts	
DAVIES, Brenda	None
O'Reilly, Sean	Social Member, Hertford Club (affiliated to the Conservative Party)
PATIENT CONSTITUENCY: South of England	
WAITE, Edward	Councillor, Sevenoaks Town Council Non-executive director, Stag Community Arts Centre Sevenoaks Member of the Liberal Democrats
PATIENT CONSTITUENCY: Elsewhere	
BALDOCK, Stuart	Member of the Conservative Party Associate Member of the Conservative Medical Society
UZOALOR, Ejikeme	Member of the Labour Party
PATIENT CONSTITUENCY: Carer	
KARLSEN, Caroline	Director, C-Squared Consulting Ltd Trustee, the Cystic Fibrosis Trust Independent Member: National Information Board (NIB)

STAFF CONSTITUENCY	
BUTCHER, Charles	Chelsea and Westminster Hospital: On call only registrar role Chase Farm Hospital: Occasional bank work
HOGG, Claire	Director, S. Padley Ltd Trustee, the Brompton Fountain Charity to December 2017
McDERMOTT, Anne	None
HENDERSON, Elizabeth	Director, Friends of Royal Brompton (Charity) Director, 215NKR London Ltd
CADDICK, Steve	UNISON, Staff Side Representative for RB&HFT Member of the Labour Party
PRICE, Laura	None

APPOINTED:	
BORWICK, Victoria	Royal Borough of Kensington and Chelsea appointee to Governing Body Founder and Trustee, Edwin Borwick Charitable Trust Director, Poore Ltd, Second Poore Ltd Member of the Conservative Party Husband is a Trustee of the Royal Brompton & Harefield Charity
HENSLEY, John (London Borough of Hillingdon)	Councillor: London Borough of Hillingdon None
MORRELL, Professor Mary (Imperial College London)	President, British Sleep Society till October 2017 Trustee, British Sleep Society Trustee, Porter Progress UK (Charity)

Governors' Expenses

Dr Ejikeme Uzoalor	£294.39
Mrs Chhaya Rajpal	£31.36
Mr Robert Parker	£178.70
Mrs Brenda Davis	£352.60
Mr Stuart Baldock	£299.25
Mr Tim Mack	£178.56
Mr Edward Waite	£85.20

These expense claims cover travel expenses for attendance at:

- meetings of the Council of Governors
- attendance at PLACE (patient led assessment of the care environment) meetings
- GovernWell courses (National Training Programme for NHS Foundation Trust Governors provided by the Foundation Trust Network)
- Governors' Working Groups meetings
- Interview panels for the appointment of Non-Executive Directors

Trust Board and Committees

The Board of Directors is appointed to exercise all of the powers of the Trust on its behalf. 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, being composed of 6 Executive Directors and a Non-executive Chair. There are 7 independent Non-executive Directors and 1 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). The arrangements for appointment and removal of Non-executive Directors are set out in the Trust Constitution. Non-executive Directors are appointed for a period of 3 years in the first instance.

Details of Operation

Between 1 April 2017 and 31 March 2018, the Trust Board convened on 8 occasions.

Composition and Committee Duties

Name	Roles	Attendance Record				
		Trust Board	Audit Committee	Risk & Safety Committee	Nominations & Remuneration Committee of the Trust Board	Finance Committee
Baroness (Sally) Morgan of Huyton	Chair	8/8	-	-	2/2	5/6
Robert Bell	Chief Executive	8/8	-	-	-	5/6
Executive Directors						
Robert Craig	Chief Operating Officer	5/8	-	-	-	2/6
Joy Godden	Director of Nursing & Clinical Governance	8/8	-	-	-	-
Dr Richard Grocott-Mason	Medical Director	8/8	-	-	-	1/6
Nicholas Hunt	Director of Service Development	8/8	-	-	-	-
Richard Paterson	Associate Chief Executive – Finance	8/8	-	-	-	6/6

Non-Executive Directors	Roles	Trust Board	Audit Committee	Risk & Safety Committee	Nominations & Remuneration Committee of the Trust Board	Finance Committee
Lesley-Anne Alexander	Nomination and Remuneration Risk & Safety Committee	8/8	-	2/4	2/2	-
Luc Bardin	Audit Committee	7/8	4/4	1/2	-	6/6
Mark Batten (From 1 st Nov 2017)	Chair of Finance Committee	1/3	-	-	-	3/5
Philip Dodd (Term ended 26 July 2017)	Risk & Safety Committee	3/3	-	2/2	-	-
Prof Kim Fox		7/8	-	-	-	-
Simon Friend (From 1 st August 2017)	Chair of Audit Committee, Risk & Safety Committee	4/5	2/2	2/2	-	5/6
Richard Jones	Finance Committee	8/8	-	-	-	6/6
Neil Lerner (Term ended 31 st May 2017)	Deputy Chairman Chair of Audit Committee, Risk & Safety Committee	2/2	2/2	1/1	-	2/2
Kate Owen	Chair - Nomination and Remuneration Committee, Audit Committee	6/8	4/4	-	2/2	-
Dr Andrew Vallance -Owen	Chair - Risk & Safety Committee Audit Committee Nomination and Remuneration Committee	8/8	3/4	3/4	2/2	-
Other Attendees						
Richard Connett	Director of Performance & Trust Secretary	8/8	4/4	4/4	-	-

Note - The Chief Executive and the 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 members 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 Governors are also regularly present at meetings of the Trust Board.

Directors' Interests

The Trust has an obligation under the terms of its Constitution 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)
Chair - Frontline (Charity)
Board Adviser – Ark
Trustee, NHLI Foundation
Non-executive Director - Countryside Properties plc
Senior Independent Director - Carillion plc (from 1 Jul 17 to 15 Jan 18)

Deputy Chair (until 31st May 2017)

Mr Neil Lerner

Council Member; Royal National Lifeboat Institution (RNLI)
Member RNLI Finance & Audit Committee
Board Member, LMS Capital Plc

Senior Independent Director

Dr Andrew Vallance-Owen MBE

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

Mrs Lesley-Anne Alexander CBE

Chair – Red Door Ventures Ltd
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

Mr 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

Mr Mark Batten From 1st November 2017 to 31st March 2018

Chair, Audit Committee and Non-Executive Director - Picton Property Income Limited
Non-Executive Director - L&F Indemnity Limited
Non-Executive Director - Catalyst Business Finance Limited
Non-Executive Director - Floreat Overseas Holdings Limited
Senior Advisor - UK Government Investments (UKGI)
Consultant - PricewaterhouseCoopers LLP
Governor - Westminster School
Social Partner - School for Social Enterprise (SSE)

Mr Philip Dodd (until 31st July 2017)

Non-Executive Director, Albion Healthcare (Oxford) Holdings Limited
Non-Executive Director, Albion Healthcare (Oxford) Limited
Non-Executive Director, Albion Healthcare (Doncaster) Holdings Limited
Non-Executive Director, Albion Healthcare (Doncaster) Limited
Non-Executive Director, Mercia Healthcare Holdings Limited
Non-Executive Director, Mercia Healthcare Limited
Non-Executive Director, The Hospital Company (Dartford) 2005 Limited
Non-Executive Director, The Hospital Company (Dartford) Group Limited
Non-Executive Director, The Hospital Company (Dartford) Holdings 2005 Limited
Non-Executive Director, The Hospital Company (Dartford) Holdings Limited
Non-Executive Director, The Hospital Company (Dartford) Issuer PLC
Non-Executive Director, The Hospital Company (Dartford) Limited

Prof Kim Fox

Head, National Heart and Lung Institute (NHLI)
Board Member, Institute of Cardiovascular Medicine & Science (ICMS)
Director, Heart Research Ltd
Director, Versalius Trials Ltd
Member, Scientific Advisory Board – Company: Celixir
Trustee, Magdi Yacoub Institute
Trustee, National Heart & Lung Institute
Adviser, Servier Pharmaceuticals Ltd
Adviser, European Society of Cardiology (Past President)
Data & Safety Monitoring Board Member, TauRx Pharmaceuticals
Advisor, ARMGO Pharmaceuticals

Mr Simon Friend From 1st August 2017 to 31st March 2018

Partner, PricewaterhouseCoopers LLP (to 31st December 2017)
Chair Audit Committee, Royal Academy of Arts
Member, Finance Committee, Royal Academy of Arts
Trustee and Treasurer, Jewish Care
Governor, The Hall School
Director, The Hall School Charitable Trust

Mr Richard Jones

Director, RJ Real Estate Consulting Ltd
Non-Executive Director, Commercial Development Advisory Group at Transport for London (TfL)
Independent Director - Ribston UK Industrial Partnership
Occasional contributor to Real Estate related programmes at Cambridge University

Ms Kate Owen

Vice President, Council, University of Reading
Fellow, Windsor Leadership Trust (Charity)
Trustee, Imperial College Union

Executive Directors

Mr Robert J .Bell

Board Member, Imperial College Health Partners
Board Member, Institute of Cardiovascular Medicine and Science
Visiting Professor, Imperial College

Dr Richard Grocott-Mason

Director, RM Grocott-Mason Ltd

Mr Richard Paterson

Chairman, Hurlingham Court Ltd

Mr Robert Craig

Nothing to declare

Ms Joy Godden

Nothing to declare

Mr Nicholas Hunt

Chair, Governing Body of Manor Farm Community Junior School

Directors' Resumes

Chairman

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

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 – 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 adviser 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 (until 31st May 2017)

Mr Neil Lerner is an experienced accountant specialising in all aspects of risk management. He has played a key role in the development of ethical standards for the accountancy profession, globally and in the UK. After becoming partner at leading international provider of professional services, KPMG, in 1984, Mr Lerner held a number of senior positions, including head of privatisations, head of corporate finance and head of transaction services business for KPMG UK, and chairman of the KPMG Global Professional Indemnity Insurance Group. He retired from the firm in 2006 and currently holds a number of non-executive posts. He stepped in as Acting Chair of the Trust on 1st April 2016 and held this office until 31st December 2016. His period of office as a Non-executive Director at the Trust finished on 31st May 2017.

Non-Executive Directors

Mr 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. Mr Vallance-Owen studied medicine at Birmingham University where he received an Honorary Doctorate.

Mrs Lesley-Anne Alexander CBE held the post of chief executive of the Royal National Institute of Blind People (RNIB) from 2004-2016. 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.

Lesley-Anne currently chairs Red Door Ventures. She was awarded a CBE in The Queen's 2012 Birthday Honours list in recognition of her services to the voluntary sector.

Mr 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 chairman of Strategic Partnering Ltd and is the author of *Strategic Partnering - remove chance and deliver consistent success*, published in 2013. Mr Bardin is an adjunct professor at Imperial College Business School, and has an MBA and qualifications in engineering, political science and finance.

Mr Mark Batten was appointed to the Board in November 2017 and has brought in a broad experience of corporate finance, restructuring, financial services and real estate. Mark is a recently retired senior partner at PricewaterhouseCoopers (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 L&F Indemnity (a professional indemnity insurer); he is also a senior advisor to UK Government Investments, part of HM Treasury.

Mr Philip Dodd was appointed to the Trust Board on 21 July 2014. He has previously been a member of the Council of Governors where he has represented North West London since the very beginning of the Trust's application to become a Foundation Trust. While in the role of Governor, he was an active fundraiser as well as serving on the Nominations and Remuneration Committee of the Council of Governors. His involvement with Royal Brompton & Harefield NHS Foundation Trust started at Harefield Hospital in 1993 when his son, at eight weeks old, had the first of two successful operations. Mr Dodd has broad experience in management having held directorships in over 25 companies. His period of office as a Non-executive Director of the Trust finished on 20th July 2017.

Mr Simon Friend joined the Board in August 2017. He was a chartered accountant and partner at PricewaterhouseCoopers (PwC), where his career has spanned more than 30 years. He has extensive experience of finance 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 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 treasurer at Jewish Care, a charity providing residential and day care facilities, a governor of a school in north London, and chairs the Audit Committee and is a member of the Finance Committee at the Royal Academy of Arts.

Mr 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. Mr Jones is the Chair of the Trust's Redevelopment Advisory Steering Group and he is also a member of the Finance Committee.

He is currently a non-executive director of the Transport for London Commercial Property Advisory Group, the Independent Director of the Ribston UK Industrial Partnership and occasional contributor to Real Estate related programmes at Cambridge University.

Ms 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. Ms Owen is currently a Vice President, Council University of Reading, a Trustee of Imperial College Union and a Fellow of the Windsor Leadership Trust.

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. Professor Fox is a Board Member of the Institute for Cardiovascular Medicine and Science (in partnership with Liverpool Heart and Chest Hospital) and is the Diana Princess of Wales Chair in Cardiovascular Medicine and Science. He was appointed as non-executive director (non-independent) to the Trust Board on 1 June 2013.

Executive Directors

Mr Robert J Bell joined the Trust as chief executive in March 2005, from the William Osler Health Centre, Ontario, Canada, where he was president and chief executive officer. He has had 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.

Mr 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 on 26 October 2011. He worked at KPMG, accountants and business advisers, 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, a committee of the international board of KPMG.

Mr Robert Craig is the Chief Operating Officer. 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. Mr Craig 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 Foundation Trust application.

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 as Interim Medical Director of the Trust on 27th January 2016. This appointment became substantive on 27th July 2016.

Ms Joy Godden, director of nursing and clinical governance, joined the Trust in 1996 and was general manager of the lung division between 2004 and 2015, with a broad portfolio that has included a number of corporate projects.

Mr Nicholas Hunt, director of 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. Mr Hunt 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.

The 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 to review going concern assumptions
- challenges, where necessary, the consistency of, and any changes to, accounting and policies
- reviews the Trust's strategy for the management of key financial risks and to ensure the Trust has followed appropriate accounting policies and made appropriate estimates and judgments
- ensures that a regular review is 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 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 is cognisant of 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.

Composition of the Committee

The members of the Committee who served during the period under review are disclosed on page 27 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.

Dr Vallance-Owen chairs 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 1st August 2017, is also a member of the Risk & Safety Committee.

Summary of Committee meetings

Since the approval of the 2016/17 Annual Report and Accounts the Committee has met on five occasions at which the following aspects were considered:

- October 2017
 - Progress reports from internal audit and counter-fraud services
 - Internal audit reports on the Trust's Lorenzo (PAS) implementation and risk management
 - External audit plan for 2017/18
- February 2018
 - Progress reports from internal audit and counter-fraud services
 - Internal audit reports on core financial systems and GDPR (General Data Protection Regulation)
 - A Q2 risk assessment and sector update from the external auditor
 - A private session on succession planning for the lead external audit partner

- April 2018
 - Progress reports from internal audit and counter-fraud services
 - Internal audit and counter-fraud plans for 2018/19
 - Internal audit reports on IT disaster recovery, complaints management, the Trust's NHS provider licence and purchase expenditure approvals
 - A status report on the external audit process
 - A private session on the Trust's *Hospital to Home* service followed two weeks later by an ad hoc meeting of the Committee on the same subject
- May 2018
 - Review of the draft 2017/18 Annual Report and Accounts, including the governance statements
 - External auditor reports on financial and quality accounts
 - Trust going-concern assessment
 - Consideration of the final KPMG report on the *Hospital to Home* service
 - 2017/18 Internal Audit Report including Head of Internal Audit Opinion
 - Private session with the external auditors

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 2018/19 and 2019/20 (the latter in summary form) including sensitised versions; evaluated the key assumptions underpinning the cash flows; and assessed the reliability of historical forecast; 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 2017 (updated to consider the position at 31 March 2018). This included the uplift associated with obtaining, during the year under review, planning consent for the redevelopment of an investment property owned by the Trust
- The amount of STF (Sustainability & Transformation Funding) recognised by the Trust for both achieving and improving on its 'control total' (financial target) for 2017/18.
- The adequacy of provisions, for example in relation to debtors and contractual disputes, which are by their nature judgmental
- Assessment of internal control environment and impact on statements made in the Annual Report and Accounts.
- The findings by the external auditors with regard to the Quality Report, in particular the continuing data quality issues in respect of 18 week referral to treatment target.

All matters in relation to the 2017/18 Annual Accounts were resolved to the satisfaction of 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 although liquidity risk has become less significant based on forward projections of the Trust's financial performance, including the expected receipt of substantial Sustainability & Transformation Funding (STF) in July/ August of this year.

During the year under review, the Trust's internal auditors (KPMG) issued nine reports. One report found significant assurance (FT Licence) four reports found significant assurance with minor improvements and two reports (Lorenzo PAS Implementation and Disaster Recovery) found partial assurance with improvements required. Two reports were provided for areas where maintenance of internal control needed to be reviewed (Expenditure Authorisation and Hospital to Home). In all, eleven high priority recommendations were made during the course of the year of which seven had been implemented by 21st May 2018. Of the four remaining high priority recommendations, one relates to the Disaster Recovery Review (a revised Disaster Recovery Policy is scheduled for completion in June 2018) and three relate to Hospital to Home. Further details of the Hospital to Home report are given below.

Hospital to Home

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 run by a third party for which the Trust pays annually c. £1.0m. The Trust receives c. £1.7m from NHSE Specialised Commissioning for the *Hospital to Home* service, comprising provision of the software platform, education of patients' families, training of relevant staff across the national service, and related administration.

Following a whistle-blowing incident the Trust immediately commissioned a fact-finding review by the internal auditors. Their report identifies a number of weaknesses in internal control including:

- A failure by the Trust to undertake in accordance with OJEU requirements a competitive procurement process for cumulative expenditure in excess of £6m supporting the *Hospital to Home* service incurred over the past five years;
- The absence of a signed contract between the Trust and the third party concerned.
- A lack of oversight by the Trust in relation to the arrangements between its *Hospital to Home* service and NHS England, the commissioner of that service.
- Inadequate management of a (disclosed) conflict of interest for the Trust consultant leading the *Hospital to Home* service and the company which supports that service, in which the consultant has a controlling ownership interest.

The internal auditor's report includes three 'high' priority recommendations which have been considered by the Audit Committee:

- ensure that full procurement processes are followed for this service
- ensure that the Trust's reporting of the *Hospital to Home* service to NHS England is subject to internal scrutiny and reporting through the same mechanisms as its other reporting.
- Consider how best to manage the apparent conflict of interest.

There are also three 'medium' priority recommendations set out in the internal audit report.

Across the eleven reviews and reports, a number of other 'low' and 'medium' priority recommendations were made by the Trust's external and internal auditors for 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 either emerging from its own work programme or from reports by members of staff or the public. It has requested further information in relation to the Trust's *Hospital to Home* service.

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, 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 2017/18 no additional fees were earned by the external auditors for other assurance work.

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 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; financial aspects of the Trust's strategic planning; and operating expenditures individually in excess of £500k. Committee recommendations are commensurate with the safety and wellbeing 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 period from its inception are disclosed on page 27 and 28 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 its inception there have to date been eight meetings of the Committee. At each meeting there was a review and discussion of the monthly finance report which includes details of variances against budget.

Other matters reviewed and discussed were:

- October 2017
 - Analyses of PLICS (patient level costing) and HRG4+ (recently introduced NHS tariff) data.
 - A refreshed suite (I&E, cash and balance sheet) of forecasts for 2017/18 plus high level I&E and cash forecasts for the years 2018/19 to 2020/21 inclusive.
 - Consideration of a potential bridging loan application by the Trust to the ITFF (Independent Trust Financing Facility) to fund proposed hospital improvement works.
- November 2017
 - An update on the ITFF loan application
 - Write offs of uncollectible private patient debtors

- December 2017
 - Fee arrangements for BCG, the Trust's advisors on the Darwin transformation project
 - Initial consideration of the budgeting process for 2018/19
- January 2018
 - The results of an external audit of the Trust's PLICS data
 - A progress report on the impact of HRG 4+
 - An update on planning arrangements for 2018/19
 - The valuation of an investment property for accounts purposes
 - The Committee's terms of reference
- February 2018
 - Draft operational plan for 2018/19
 - Funding of hospital improvement works
 - Further update on impact of HRG 4+
 - Write offs of uncollectible NHS Overseas debtors
- March 2018
 - Final draft operational plan for 2018/19 including Capex budget
 - Progress report on expanded private patient facilities at Harefield
 - Pro forma for BCG variable fee
- April 2018
 - Final operational plan for 2018/19
 - Presentation on the coding of clinical spells for tariff
 - Approval of BCG variable fee for 2017/18
- May 2018
 - 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 cognisant 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 page 32 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 Director of Performance & Trust Secretary.

Dr Vallance-Owen chairs the Risk & Safety Committee, whose agenda links closely to that of the Audit Committee, particularly as regards risk identification and management. The chairman of the Audit Committee, is also a member of the Risk & Safety Committee.

Summary of Committee meetings

Since the approval of the 2016/17 Annual Report and Accounts the Committee has met on four occasions. These sessions considered the following subjects:

- July 2017
 - Quality improvement presentation: Compassionate care programme
 - ECMO service
 - Cancer service
 - Laboratory medicine reporting
 - Fire safety
 - Skin integrity
 - Infection prevention & control
 - Medicines management and optimisation
 - Safeguarding
 - Patient experience
 - CQC action plan
 - Learning from Deaths
 - Serious Incidents
 - Controlled Drugs
 - Governance & Quality Committee minutes
- October 2017
 - Quality improvement presentation: Nursing and information technology
 - Cancer service
 - Freedom to Speak Up Guardian programme
 - Quality Priorities
 - Tissue Governance
 - Health & Safety
 - Junior Doctor Contract
 - CQC action plan
 - Controlled Drugs
 - Learning from Deaths
 - Serious Incidents
 - Controlled Drugs
 - Governance & Quality Committee minutes
 - Review of Committee effectiveness and Terms of Reference
- February 2018
 - Quality improvement presentation: PET scanning in Wimpole Street
 - Complaints
 - Prevention of Future Deaths
 - Quality Indicator Assurance Framework
 - CQC action plan
 - Top Trust risks
 - Learning from Deaths
 - Serious Incidents
 - Controlled Drugs
 - Governance & Quality Committee minutes

- April 2018
 - Quality improvement presentation: nutritional adequacy in intensive care
 - ECMO Service
 - Cancer Service
 - Freedom to Speak Up Guardian programme
 - CQC - new inspection regime and achieving organisational excellence
 - Quality Priorities 2017/18 and 2018/19
 - Top Trust risks
 - Learning from Deaths
 - Serious Incidents
 - Controlled Drugs
 - Governance & Quality Committee minutes

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 2017-18

The principal issues addressed included:

- The provision of cancer services – the Trust provides one of the largest first-time lung cancer resection services in the country, and routinely achieves outcomes which are better than the national average. The Committee was assured that the service provided by the Trust was of a high standard, despite the challenge in meeting the 62 day cancer target, and commended the implementation of a clear action plan drawn up following the latest Trust-instigated Cancer Service Review, which focusses in particular, on further strengthening the links to referrers, other providers and community services. In 2017-18, the Committee has been sufficiently reassured by the work undertaken by the Trust to reduce the frequency of oversight required.
- Learning From Deaths. From April 2017, the NHS has required all Trusts to both standardise and formalise the arrangements for reviewing and learning from deaths in hospital. The Trust was in a good position to meet all of the requirements, having had a mortality review programme in existence for over 15 years which already ensured all in-hospital deaths are discussed and graded, with lesson learned and actions documented. A mortality review policy was published in October 2017; and the Learning From Deaths dashboard has been presented to the Committee in October 2017, February 2018 and April 2018.
- Freedom to Speak Up Guardian. In 2017-18, 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. The Risk & Safety Committee has taken on responsibility for the oversight of this process and is receiving bi-annual reports.

Risk management and internal control

In tandem with the Audit Committee, the Risk & Safety Committee keeps under review the overall risk profile 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 on-going through 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.

Two new major risks were identified during the year:

- Cyber vulnerability
- Staff recruitment and retention

Two top risks have been closed or downgraded:

- **Information & Technology unable to adequately support newly introduced systems/services:** following the successful implementation of Lorenzo to replace the previous PAS system; this risk has now been closed
- **Failure to maintain adequate liquidity:** this risk has been reduced from a score of 20 (red) to 12 (amber). There is a deteriorating macroeconomic backdrop for the UK health system, manifested most clearly in reduced tariffs, which could significantly affect our financial performance and on-going liquidity. This risk is overseen by the Audit Committee.

As at 23rd April 2018, 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 2017/18, reviewed progress against the Quality Priorities for 2017/18, and approved the selection of Quality Priorities for 2018/19. The Quality Report for 2017/18 can be found in Annex 1 of this document.

Performance Evaluation of the Board of Directors

Monitor, published guidance on the well led framework for governance reviews in April 2015 and NHS Improvement has continued to maintain the requirement to carry out these reviews since its inception on 1st April 2016.

During 2016/17, the Trust commissioned PricewaterhouseCoopers LLP (PwC) to facilitate an evaluation of the Board of Directors. PwC were appointed following a competitive tendering process. PwC does not have any other connection to the Trust; 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 25th January 2017.

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

The action plan to address the findings of the review was progressed during 2017/18 and during this year the Finance Committee was formally constituted as a committee of the Trust Board as recommended by PwC.

Board of Directors

Board of Directors

The Board of Directors brings a wide range of experience to the Trust and during 2017/18 has continued to ensure effective governance of the organisation. The Directors have been responsible for preparing this annual report and the associated accounts and quality report and are satisfied that taken as a whole they are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.

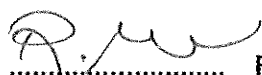
During 2017/18 the Board comprised:

Non-executive Directors	Executive Directors
Chair Baroness (Sally) Morgan of Huyton	Chief Executive Robert J Bell
Deputy Chair Neil Lerner (retired 31 st May 2017)	Associate Chief Executive – Finance; Richard Paterson
Senior Independent Director Mr Andrew Valance-Owen	Medical Director Richard Grocott- Mason
Kate Owen	Chief Operating Officer; Robert Craig
Lesley-Anne Alexander	Director of Nursing & Clinical Governance; Joy Godden
Philip Dodd (retired 26 th July 2017)	Director of Service Development; Nick Hunt
Richard Jones	
Professor Kim Fox	
Luc Bardin	
Simon Friend (appointed 1 st August 2017)	
Mark Batten (appointed 1 st November 2017)	

Further details of Board members, and their periods of office, are provided in Section 3 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

24th May 2018

On behalf of the Board of Directors

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 42 (2A) 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 2017/18, 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 2017/18 and there was no detrimental impact on these services as a result of the other income received during this period.

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, page 50-64 of this document.

Accounting Policies for Pensions and Retirement Benefits

Accounting policies for pensions and retirement benefits are set out in note 7 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 10.2 of the Accounts.

Staff Consultations

During 2017/18 The Trust has concluded the following formal consultations / organisational changes:

- Corporate Services;
 - Respiratory Biomedical Research Unit (BRU), changes to streamline the BRU structures
 - Site Services, Royal Brompton Hospital, changes to the shift structure of the security staff and regularising the unsocial hours pay for these group of staff
 - Clinical Coding, restructure cross site to provide a streamlined and effective Clinical Coding service that adequately meets the Payment by Results (PbR) requirements
 - Clinical Records, change to the structure of the Department to continue to provide a streamlined and effective Clinical Records service that adequately meets the requirements of the Trust.
- Lung Division, Lung function, reconfiguration of respiratory physiology service at Harefield Hospital
- Pharmacy, reorganisation of the pharmacy staff at the Trust who are currently in rotational band 6 pharmacist and static band 7 pharmacist positions.
- Rehab & Therapies, changes to the current system for paying overtime pay on weekends to conform with Agenda for Change terms and conditions.

Public Consultations

Consultation with local residents and others is underway in relation both to the hospital extension and to the non-operational property to be sold.

Ill-health Retirements

Details of ill-health retirements during the period are disclosed in note 6.1 of the Accounts.

Other Operating Revenues

Details of Other Operating Revenues are disclosed in note 3 of the Accounts.

Data Loss/Confidentiality Breach

One level 2 incident was reported to the Information Commissioner's Office during 2017/18. More information relating to this incident is given in the Annual Governance Statement (Section 2.7 of this Annual Report).

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 2017/18, the Trust's land and buildings were revalued as at 31st December 2017 by independent valuers.

Donations

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

Events since 31 March 2018

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 22 to the Accounts.

Related Party Transactions

The Trust shares a number of transactions with Imperial College including joint appointments of consultants / professors and joint research programmes.

Related party transactions are set out in note 25 to the Accounts.

2.2 Remuneration Report

Annual Statement of Remuneration

The Chief Executive has confirmed, in line with the Foundation Trust Annual Reporting Manual 2017/18 (s2.49), that the definition of senior managers to be used for this Remuneration Report covers the chairman, 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 8th March 2017 in order to agree remuneration for the executive directors during 2017/18

With the exception of the Chief Executive the remuneration of executive directors increased as shown in the table on page 56 of this report.



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Date 24th May 2018

**Kate Owen;
Chair of the Nominations and Remuneration Committee of the Trust Board**

Annual Statement of Remuneration Continued

During 2017/18, the Nominations and Remuneration Committee of the Council of Governors (composed of Governors and the Chair of the Trust) met on 9th May, 12th June, 6th July and 18th October 2017 and again on 28th February 2018 with Anthony Archer as Chair.

Nominations work of the Committee during 2017/18 included:

- Recommendation to the full Council of Governors that Simon Friend be appointed as a Non-executive Director and Chair of the Audit Committee, effective from 1st August 2017
- Recommendation to the full Council of Governors that Mark Batten be appointed as Non-executive Director and Chair of the Finance Committee, effective from 1st November 2017
- Recommendation to the full Council of Governors that Ms Kate Owen be re-appointed for a period of one year commencing 6th October 2017
- Recommendation to the full Council of Governors that Mr Luc Bardin be re-appointed for a period of three years commencing 1st June 2018.

All of these recommendations were subsequently ratified by the full Council of Governors.

Remuneration of the Non-executive Directors did not change between 2016/17 and 2017/18.



.....

Date 24th May 2018

Anthony Archer;
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. Benchmarking salary data are taken from other NHS organisations and other public sector bodies where appropriate. 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 3 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 disclosed	Ensures recruitment / retention of a high calibre Medical Director	None Paid	Ensure the recruitment / retention of directors of sufficient calibre to deliver the Trust's objectives
How the component Operates	Paid in even twelfths	None disclosed	Clinical Excellence Award; only available to medical staff	None Paid	Contributions paid by both employee and employer
Maximum payment	As set out on page 55 of this Annual Report	None disclosed	As set out on page 55 of this Annual Report	None Paid	Lifetime allowance for taxation purposes; £1m from April 2016
Framework used to assess performance	Trust appraisal system	None disclosed	Clinical Excellence Awards	None Paid	N/A
Performance Measures	Tailored to the post concerned	None disclosed	Tailored to the post concerned	None Paid	N/A
Performance period	Concurrent with the financial year	None disclosed	Concurrent with the financial year	None Paid	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 disclosed	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 Paid	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 disclosed	Any overpayments may be recovered	None Paid	N/A

*In the case of the Medical Director, the Clinical Excellence Award is based upon his standing within the speciality 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 on 25th October 2017 and 28th March 2018 with Ms Kate Owen as Chair.

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 policy on the pay of executive directors during 2017/18 was based upon comparison with salaries paid to directors of comparable health care 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 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 contracts of senior managers are normally awarded on the basis of a substantive contract.

No new appointments were made during 2017/18.

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 on 9th May, 12th June, 6th July and 18th October 2017 and again on 28th February 2018 with Anthony Archer as Chair.

In discharging its responsibilities to oversee the remuneration of the Chair and the non-executive directors, the Nomination & Remuneration Committee of the Council of Governors has taken into account information concerning the performance of the Chair and the non-executive directors.

During 2017/18 two new Non-executive Director appointments were made. Simon Friend joined the Trust Board on 1st August 2017 and Mark Batten joined the Trust Board on 1st November 2017. The appointment of Kate Owen was also extended until 5th October 2018.

Remuneration of the Non-executive Directors did not change between 2016/17 and 2017/18.

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 31st March 2018
Baroness (Sally) Morgan	Chair	1 Jan 17	21 months
Mr Robert J Bell	Chief Executive	28 Mar 05	Substantive contract no end date specified
Mr Neil Lerner	Non-Executive Director and Deputy Chairman	1 Feb 10 Renewed 1 Nov 16	Left 31 May 17
Dr Andrew Vallance-Owen	Senior Independent Director	26 Feb 13 Renewed 26 Feb 16	11 months
Mrs Lesley-Anne Alexander	Non-executive Director	26 Feb 13 Renewed 26 Feb 16	11 months
Prof Kim Fox	Non-executive Director	1 Jun 13 Renewed 11 May 16	14 months
Mr Richard Jones	Non-executive Director	25 Feb 14 Renewed 7 Dec 16	23 months
Ms Kate Owen	Non-executive Director	6 Oct 10 Renewed 6 Oct 17	6 months
Mr Philip Dodd	Non-executive Director	21 Jul 14	Left 26 Jul 17
Mr Luc Bardin	Non-executive Director	1 Jun 15	2 months
Mr Simon Friend	Non-executive Director	1 Aug 17	28 months
Mr Mark Batten	Non-executive Director	1 Nov 17	31 months
Mr Robert Craig	Chief Operating Officer	22 Oct 08	Substantive contract no end date specified
Ms Joy Godden	Director of Nursing and Clinical Governance	29 July 15	Substantive contract no end date specified
Dr Richard Grocott-Mason	Interim Medical Director	27 Jul 16	Substantive contract no end date specified
Mr Nicholas Hunt	Director of Service Development	23 Jul 14	Substantive contract no end date specified
Mr Richard Paterson	Associate Chief Executive - Finance	26 Oct 11	15 months

Note: renewal of Non-executive 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 3 months. No termination payments have been made during the reporting period.

Salary and Pension Entitlements of Directors (Audited Information)

	1 April 2017-31 March 2018							1 April 2016-31 March 2017								
	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
£000 unless otherwise stated	(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 S Morgan Chair	60-65						60-65	100	15-20						15-20	
Robert J. Bell Chief Executive	280-285						280-285	300	280 - 285						280 - 285	1,000
Dr R Groot-Mason Medical Director	70-75	120-125		45-50*			240-245		65 - 70	120-125		45 - 50			235-240	
Richard Paterson Associate Chief Executive - Finance	200-205						200-205	100	195 - 200						195 - 200	100
Robert Craig Chief Operating Officer	165-170						165-170		160 - 165						160 - 165	
Joy Godden Director of Nursing and Clinical Governance	125-130						125-130		120 - 125						120- 125	
Nick Hunt Director of Service Development	125-130						125-130		120 - 125						120 - 125	

*Clinical Excellence Award

£000 unless otherwise stated	1 April 2017-31 March 2018								1 April 2016-31 March 2017							
	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
Kate Owen Non-Executive Director	15-20						15-20		15 - 20						15 - 20	
Neil Lerner Non-Executive Director (until 31/5/17)	0-5						0-5	200	50 - 55						50 - 55	300
Dr Andrew Vallance- Owen Non-Executive Director	20-25						20-25	100	20 - 25						20 - 25	100
Lesley-Anne Alexander Non-Executive Director	15-20						15-20		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	1,100	15 - 20						15 - 20	1,600
Philip Dodd Non-Executive Director (until 26/7/17)	5-10						5-10		15 - 20						15 - 20	
Simon Friend Non-Executive Director (from 1/8/17)	10-15						10-15									
Mark Batten Non-Executive Director (from 1/11/17)	5-10						5-10									
Luc Bardin Non-Executive Director	15-20						15-20		15 - 20						15 - 20	

Prime Minister's Ministerial and Parliamentary Salary

£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. This currently equates to the Prime Minister's ministerial and parliamentary salary. 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 tables on pages 56 and 57 of this report that three 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	2017/18	2016/17
	36,793	36,362

The highest paid officer of the Trust (total remuneration £280k-£285k, 2016/17 £280k-£285k) represented a multiple of 7.7 times that of the median employee (2016/17: 7.7).

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

Name and title	Real increase/ (decrease) in pension at retirement age at 31 March 2018	Real increase/ (decrease) in lump sum at retirement age at 31 March 2018	Total accrued pension at retirement age at 31 March 2018	Lump sum at retirement age to accrued pension at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2018	Real increase/ (decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2017
Robert J. Bell Chief Executive	n/a	n/a	n/a	n/a	£000	£000	£000
Dr Richard Grocott-Mason Medical Director	0.0 - 2.5	2.5 - 5.0	55.0 - 60.0	165.0 - 170.0	1,149	76	1,045
Robert Craig Chief Operating Officer	2.5 - 5.0	0.0 - 2.5	65.0 - 70.0	165.0 - 170.0	1,162	101	1033
Joy Godden Director of Nursing	2.5 - 5.0	7.5 - 10.0	50.0 - 55.0	155.0 - 160.0	1128	111	990
Nick Hunt Director of Service Development	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 14th March 2016

Nick Hunt retired from the existing scheme on 31st 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 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 Annual Reporting Manual, disclose the position at the Trust at 31 March 2018.

Off-Payroll engagements longer than 6 months

for all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months

No. of existing arrangements as of 31 March 2018	1
of which:	
no. that have existed for less than one year at time of reporting	1
no. that have existed for between one and two years at time of reporting	0
no. that have existed for between two and three years at time of reporting	0
no. that have existed for between three and four years at time of reporting	0
no. that have existed for between four and five years at time of reporting	0

New Off-payroll engagements

for all new off-payroll engagements, or those that reached six months duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last longer than six months

no. of new engagements, or those that reached six months duration, between 1 April 2017 and 31 March 2018	0
of which:	
no. assessed as caught by IR35	0
no. assessed as not caught by IR35	0
no. engaged directly (via PSC contracted to the entity) and are on departmental payroll	0
no. of engagements reassessed for consistency/assurance purposes during the year	0
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 2017 and 31 March 2018

The Trust employs 17 individuals deemed "board members and/or senior officials with significant financial responsibility".

All of these were on-payroll between 1st April 2017 and 31st March 2018

no. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the 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 should include both off-payroll and on-payroll engagements.	17

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
£10,001 - £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

Reporting of compensation schemes - exit packages 2016/17			
	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	-	3	3
£10,001 - £25,000	-	6	6
£25,001 - 50,000	1	-	1
£50,001 - £100,000	-	1	1
£100,001 - £150,000	-	1	1
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
Total number of exit packages by type	1	11	12
Total resource cost (£)	£49,000	£296,000	£345,000

Exit packages: other (non-compulsory) departure payments	2017/18		2016/17	
	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	17	385	1	26
Early retirements in the efficiency of the service contractual costs	-	-	1	23
Contractual payments in lieu of notice	5	80	4	35
Exit payments following Employment Tribunals or court orders	2	8	5	212
Non-contractual payments requiring HMT approval	-	-	-	-
Total	24	473	11	296
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	2017/18 Total Number	2016/17 Total Number
Medical and dental	499	10	509	503
Ambulance staff	-	-	-	-
Administration and estates	896	85	981	962
Healthcare assistants and other support staff	183	15	198	194
Nursing, midwifery and health visiting staff	1,237	138	1,375	1,358
Nursing, midwifery and health visiting learners	-	-	-	-
Scientific, therapeutic and technical staff	622	33	655	638
Healthcare science staff	-	-	-	-
Social care staff	-	-	-	-
Other	-	-	-	-
Total average numbers	3,437	281	3,718	3,655
Of which:				
Number of employees (WTE) engaged on capital projects	-	-	-	-

This Remuneration Report has been prepared having regard to the requirements of the NHS Foundation Trust Annual Reporting Manual 2017/18.



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

24th May 2018

2.3 Staff Report

Introduction

The 2017 Staff Survey was conducted largely in the months of October and November and the results were published by the NHS Coordination centre in March 2018.

The Trust recognises that organisational health and good staff engagement are key to employee satisfaction, productivity and service quality. For these reasons there are several initiatives in place to drive organisational health and a number of methods in place to enhance communication, to provide opportunities for information sharing, and for rewarding staff. These are established across both hospital sites.

The Trust has 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. These are valued opportunities, not just to update staff on recent news and developments from a strategic perspective, but also to take questions and comments from staff. Questions can be submitted beforehand if staff would like to remain anonymous or will be taken directly at the meeting. The contents of the forums are published on the intranet to inform those who were unable to attend.

In addition, a number of more informal 'Town Hall' style meetings hosted by groups of Directors have been held during 2017-18, where staff are invited to share views or concerns and get answers to any queries they may have.

The Trust also has a staff magazine, 'intouch', 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 staff across the organisation.

The Trust has continued the popular Staff Recognition Scheme which takes nominations for individuals or teams from colleagues or customers who feel they have made an outstanding contribution to for example, their team, service improvement, or delivering efficiencies. A ceremony is held where stories are shared, awards are given and successes are celebrated. The results are published and these often inspire others.

The Trust promotes Schwartz Rounds which are open and confidential multidisciplinary forums where caregivers discuss challenging social and emotional issues that arise when caring for patients. Their aim is to help reduce staff stress whilst supporting our staff to provide compassionate care.

Programmes such as stress and conflict handling, team building, and mediation are run regularly, and are tailored for each departmental or individual need. An employee assistant programme is available and occupational health continue to support staff with counselling and medical referrals where necessary.

Tailored reports from the staff survey by department, showing more details results for individual areas are circulated to managers and teams to encourage staff to look at areas that may need improvement.

Summary of performance - NHS staff survey

The Trust participates in the annual NHS Staff Survey and the results from the 2017 survey are summarised below.

Response Rate:

At the time of sampling, 3487 staff were eligible to receive the survey. Questionnaires were sent to all fixed term and permanent staff. This includes staff directly employed by the Trust; it excludes staff working for external contractors. It also excludes bank staff unless they are employed directly elsewhere in the Trust.

1882 staff at the Trust took part in this survey. This is a response rate of 54%, a significant improvement on 2016. This was achieved by:

- The implementation of a comprehensive communications strategy to support the survey, incorporating a series of key messages which were adopted across all main channels. This included evidence-based editorial 'You said – We did' style pieces on the intranet and in the staff bulletin highlighting changes across the Trust following the previous year's results. These included: team workshops in Microbiology to increase engagement and help shape the future of the service; a new traffic light system in the Heart Division at Royal Brompton to monitor how people felt about their day enabling managers to address any issues promptly; and a pilot development programme for Band 6 nurses in Royal Brompton's theatres.
- A pre-launch email to all staff from the HR Director encouraging participation.
- A dedicated screen saver programme ran at two separate points during the survey.
- Regular awareness-raising from the leadership team and senior management during the running period.
- Weekly updates shared with all staff showing departmental response rates
- 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	Benchmarking Group Average 2017	Trust Improvement/ Deterioration
39%	54%	53%	+15%

Top 5 Ranking Scores:

Top 5 Ranking Scores	Trust 2016	Trust 2017	Benchmarking Group Average 2017	Trust Improvement/ Deterioration
KF12. Quality of appraisals	3.36	3.38	3.16	+ 0.02
KF30. Fairness and effectiveness of procedures for reporting errors, near misses and incidents	3.96	3.92	3.80	- 0.04
KF32. Effective use of patient/service user feedback	3.94	3.87	3.83	- 0.07
KF3. Percentage of staff agreeing their role makes a difference to patients/service users	93%	92%	91%	- 1%
KF13. Quality of non-mandatory training, learning or development	4.11	4.11	4.08	0

Bottom 5 Ranking Scores:

Bottom 5 Ranking Scores	Trust 2016	Trust 2017	Benchmarking Group Average 2017	Trust Improvement/ Deterioration
KF11. Percentage of staff appraised in last 12 months	80%	70%	88%	- 10%
KF24. Percentage of staff/colleagues reporting most recent experience of violence*	66%	54%	70%	- 12%*
KF26. Percentage of staff experiencing harassment, bullying or abuse from staff in last 12 months	30%	30%	23%	0%
KF27. Percentage of staff/colleagues reporting most recent experience of harassment bullying or abuse*	36%	40%	47%	+ 4%
KF17. Percentage of staff feeling unwell due to work related stress in the last 12 months	34%	38%	35%	+ 4%

*Please note that both indicators KF24 and KF 27 refer to **reporting** of the experience of violence / harassment bullying or abuse, rather than the **incidence**. Increased reporting is good, although at first sight this may appear counterintuitive. Although KF27 has increased, reporting is still less than the benchmark, hence inclusion in this table.

Recommendations for addressing areas requiring improvement

The results reflect a largely positive picture, showing that staff are extremely engaged and motivated, reporting excellent team work and communication throughout the Trust.

Areas requiring improvement are the focus of the leadership team and senior managers. These include improving the percentage of staff having an appraisal; and creating a culture where staff feel able to report any experience of violence or harassment bullying or abuse.

Individual departments/areas will be given specific reports showing a summary of their data. This will enable managers and team leaders to focus on specific areas that require improvement within their teams, as well as Trust wide targets.

As with many Trusts, bullying and harassment remains an ongoing area of focus. The issue appears regularly on the Trust Board agenda and will be one of the Quality Priorities for 2018/19. A new bullying and harassment policy was launched in December 2017 and an independent HR process team was established to ensure consistency and expediency across the Trust. To date 56 managers from across the organisation have been trained to conduct fair and impartial investigations. 'How we work together' training is being rolled out across all areas looking at healthy conversations and relationships between staff.

Bullying data suggests some of the challenge lies in the capability of managers to have difficult conversations with their direct reports, and in June 2018 a new Trust wide manager training will be launched to focus on supporting managers in this area.

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 the EAP (Employee Assistance Programme) has been introduced.

An employee health and wellbeing programme is being developed, focussing on physical and mental wellbeing of staff. A number of initiatives will launch including yoga, pranic healing, mindfulness, walking and running groups, wellbeing apps, fitness challenges, resilience training and much more. These initiatives are all aimed at reducing the incidence of work related stress.

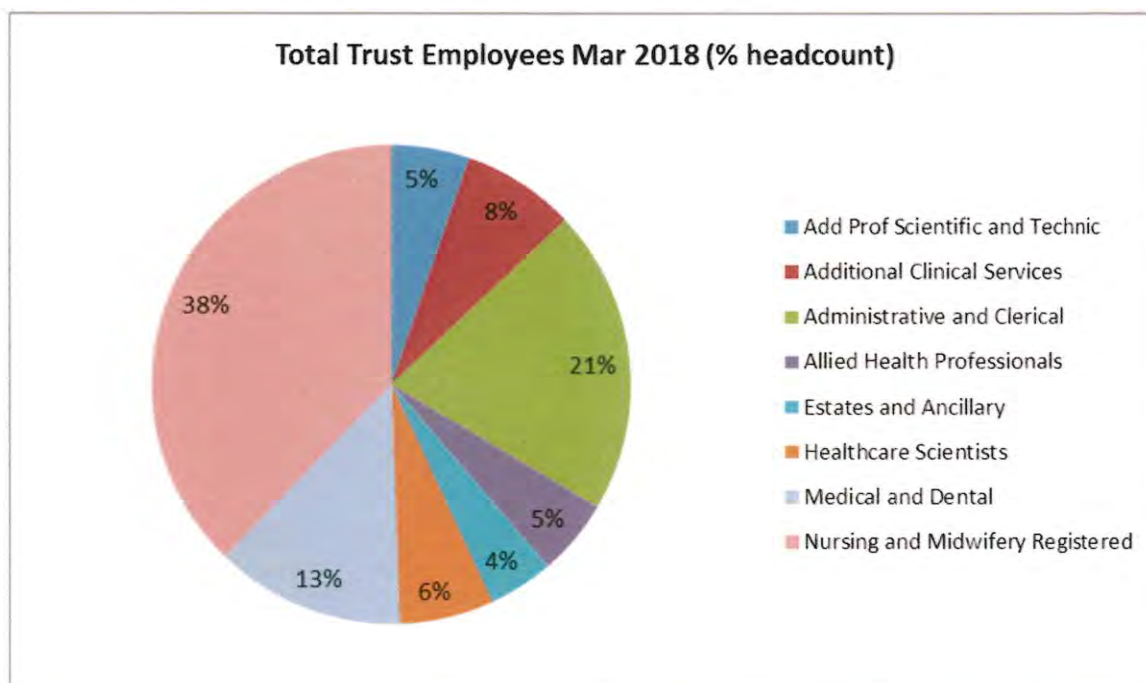
Making sure staff feel involved in changes across the Trust as well as in their own teams is a key area of focus. The Voice of the Trust, a community of employees who will be involved in a variety of projects to help shape the future of the Trust, has been launched, run largely through the Trust's new community on Yammer. Coffee Connect launched fully in March 2018 following last year's trials, and all staff will be invited to be matched with a colleague for a 30 minute informal chat to promote communication, engagement and building strong relationships. Staff forums and Town Hall meetings continue, along with regular corporate updates via the staff bulletin and magazine, staff intranet and screensaver programme.

The Trust's Employees

As at 31st March 2018, the Electronic Staff Record showed that the Trust employed 3,658 people either on permanent or fixed term contracts (expressed as head count)¹.

Of these 1,380 were registered as nurses and a further 468 were doctors. There were 189 allied health professionals and 280 people employed to provide additional clinical services (including health care assistants). Scientific and professional staff totalled 193 and there were 234 healthcare scientists. There were 160 estates and ancillary staff and the administrative and clerical staff numbered 754; 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.

The chart below shows the composition of the work force by staff group:



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) of full time equivalents (FTE) which result in a lower figure when compared to headcount.

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

Nationality	Mar-17	Mar-18
British	55%	53%
Portuguese	8%	7%
Philippine	4%	6%
Spanish	6%	5%
Irish	5%	5%
Indian	4%	4%
Italian	2%	3%
Polish	1%	1%
Zimbabwean	1%	1%
Romanian	1%	1%
Other Nationalities	Less than 1% each	

In total, 27.1% of the nursing workforce is from the European Union, excluding the UK; the impact that Brexit 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 a breakdown as of March 2018 of the number of female and male members of staff in each of the specified groups:

	Female	Male
Directors	4	11
Senior Managers (grade 8c or above)	76	38
All employees	2608	1050

Staff Sickness

The following data has been supplied by NHS Improvement based on data submitted by the Trust from the Electronic Staff Record:

Total Staff FTE	Adjusted FTE days lost using Cabinet Office definitions	Average Sick Days per FTE
3429	20,613	6.01

The figure of 6.01 days lost on average per employee compares favourably with 9.4 days for the average across all other organisations who submitted 12 months data, as set out in the table provided to the Trust by NHS Improvement.

Occupational Health Service

Staff members are referred to occupational health either in line with the Trust's Sickness Absence Management policy or when managers are concerned about a member of staff's health and wellbeing or fitness to work. New entrant health screening takes place along with workplace immunisations and management of needle stick / splash incidences.

The main causes of sickness absence across the Trust can be attributed to stress/anxiety and musculoskeletal conditions. To help address these problems, and to reduce the time lost from work, physiotherapy and counselling services are available to staff members.

Health and Wellbeing initiatives

Pranic healing and Yoga classes have started across both sites on Fridays as part of a wellness at work strategy. The classes have been well attended.

An employee assistance programme was commissioned last year to provide additional support to staff. The contract has been renewed for another year.

The Seasonal flu campaign for 2017/2018

The seasonal flu vaccination campaign for staff members was launched on the 24th September 2017. In an attempt to increase awareness and uptake, the communications department developed and implemented a dedicated staff campaign across all regular channels.

The uptake for the flu vaccination amongst front line health care workers this season was 64.4% which is an increase of 3.1% compared with the previous flu season. The average uptake amongst London Trusts this season was 61.3%.

The majority of flu vaccinations were administered towards the beginning of the campaign but Flu vaccinations were available until March 2018 which is beyond the reporting period.

As part of NHS England's plan to ensure the NHS was prepared for winter readiness, improvements in frontline NHS staff uptake of flu vaccination was identified. The Trust was required to document staff having or declining the flu vaccination. Despite some resistance from staff when asked to document they had declined the vaccination, it was possible to identify 6.6% of staff as choosing not to have the vaccination. This resulted in an overall response of 70% taking the numbers of staff not wishing to have the vaccination into account.

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 2017 to December 2017. Staff who could not attend the walk-in clinics or clinics off-site, were offered individual appointments.

In an attempt 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 had the vaccination, or declined it. Providing this information enabled managers with low engagement rates to encourage action.

Health and Safety

Health and Safety training is provided to all staff when they join the organisation, backed up by ongoing training throughout their employment, to ensure safety awareness and good practice is maintained. This may be supplemented by additional specialist training dependent on the specifics of individual roles. 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 endorsed 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 delivering equality of opportunity for all patients and staff, by maintaining a culture in which all forms of discrimination are considered 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, racial group, religion or belief and sexual orientation, in line with current legislation.

In particular, the Trust takes steps to ensure that in respect of people with a disability, no discrimination takes place during the recruitment process. For people with a disability, and those who become disabled during their employment, reasonable adjustments are made as required. The Trust's Diversity Policy contains clear guidance for managers in respect of training, career development and promotion of people with a disability.

During 2017/18 the Trust has continued to meet its obligations, under the public sector equality duty, to publish annual equality information in the form required by the regulations.

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 Anti-Bribery Policy, Gifts Hospitality and Sponsorship Policy and the Conflicts 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 2017/18.

Staff costs	Permanent £000	Other £000	2017/18 Total £000	2016/17 Total £000
Salaries and wages	159,504	14,566	174,070	170,101
Social security costs	18,791	-	18,791	18,275
Apprenticeship levy	824	-	824	-
Employer's contributions to NHS pensions	18,408	-	18,408	18,036
Pension cost - other	-	-	-	-
Other post employment benefits	-	-	-	-
Other employment benefits	-	-	-	-
Termination benefits	1,063	-	1,063	345
Temporary staff		8,545	8,545	12,154
Total gross staff costs	198,590	23,111	221,700	218,911
Recoveries in respect of seconded staff	-	-	-	-
Total staff costs	198,590	23,111	221,700	218,911
Of which				
Costs capitalised as part of assets	-	-	-	-

Trade Union Disclosure Requirement

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>
12	12

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%	12
51%-99%	
100%	

Note: Pending clarification, an assumption was made that 10% of trade union officials working hours are spent on facility time. This assumption is subject to confirmation by the Joint Staff Committee.

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

Provide the figures requested in the first column of 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	£46,000
Total pay bill	£220,638,000
The percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.208%

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?

This is currently subject to clarification with members of the Joint Staff Committee.

2.4 Disclosures FT 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 which was reissued during 2016.

The Trust is compliant with the all of the requirements of the NHS Foundation Trust Code of Governance apart from one item where explanation is required:

B.2.4 The Chair 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 Chair.

At a meeting of the Nominations and Remuneration Committee of the Council of Governors, held on 12th 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 23rd February 2017.

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 the constitution. There are three constituencies: patient, public and staff. The patient constituency has a sub category 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 and the Rest of England & Wales (public members) and for the patients' constituency 'Elsewhere' 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 last 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 or who hold an honorary contract, 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. With the advent of the General Data Protection Regulation in May 2018, the Trust is currently reviewing the use of the 'opt out' system for staff membership.

Membership Strategy and Engagement

The Membership Steering Committee was established in June 2011. During 2017/18 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 and communication strategy which details the Trust's plan for recruitment, engagement and communication with members. The Membership Steering Committee reports to the Council of Governors. 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 31st January 2018.

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 2017/18, 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 database, hosted by Membership Engagement Services, has functionality which enables comparisons to be made between the general population of the UK and the membership of the Foundation Trust.

Engaging Members

The Trust held its eighth Annual Members' Meeting on 19th July 2017 and approximately 60 members attended. The next Annual Members Meeting is scheduled for the 18th July 2018 and once again all members will be invited. The Trust has engaged with its members in a number of ways during 2017-2018. Members were invited to comment on NHS England's plans to decommission congenital heart disease services at Royal Brompton Hospital via an online survey. Some attended a march in Chelsea in support of Royal Brompton, and the spring issue of the members newsletter 'Patient Focus' provided details about the consultation and other ways in which to engage. A members' event featuring a talk on cardiology was held at Royal Brompton Hospital in April 2017 and in March 2018 a talk on cardiac arrhythmias was held at Harefield Hospital. Further events are planned for 2018. These include a talk on the future of cardiac pacemakers and a tour of the respiratory in-patient department at Royal Brompton Hospital which will take place in the autumn of 2018. The Trust's plans for a new website were shared with members who were invited to comment during the research phase. 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 2018: Membership Size and Movements

Public			2016-2017	2017-2018
	At year start (April 1)	+ve	2,850	2,828
	New members	+ve	39	19
	Members leaving	+ve	(61)	(64)
	At year end (31 March)		2,828	2,783
Staff	At year start (April 1)	+ve	3,499	3,495
	New members	+ve	500	1,128
	Members leaving	+ve	(504)	(1,082)
	At year end (31 March)		3,495	3,541
Patient	At year start (April 1)	+ve	4,680	4,740
	New members	+ve	292	121
	Members leaving	+ve	(232)	(185)
	At year end (31 March)		4,740	4,676
	TOTAL		11,063	11,000

In Year Movements

	Members Leaving	Members Joining	Net
Public	64	19	-45
Patient	185	121	-64
Staff	1,082	1,128	+46
Total	1,331	1,268	-63

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 inpatients before they are discharged. Patient members are also encouraged to recruit public members such as family members and friends. Work to recruit in-patients and day-case patients is mainly undertaken by hospital volunteers and the membership manager. Several other methods of recruitment are in use. These include:

- mail-outs to former members of staff to encourage them to become public members
- mail outs to patients recently discharged
- Members of the Royal Brompton and Harefield Alumni are invited to join the membership
- publication of articles setting out the advantages of membership in local newspapers, charity newsletters and hospital newsletters.

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.

Analysis of the membership database as of 31st March 2018 shows that areas of under representation include, men aged 40 – 49, and some ethnic groups including mixed white and Asian, Arab and Chinese.

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 a Foundation Trust and the 'opt-out' system for staff members. For new patient and public members, a welcome letter is sent..

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 sent by 1,000 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
- 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 2017/18.

Segmentation

The Trust is currently placed in Segment 2.

This segmentation information is the Trust's position as at 4th April 2018. 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	2017/18 scores				2016/17 scores	
		Q4	Q3	Q2	Q1	Q4	Q3
Financial sustainability	Capital service capacity	1	4	4	4	1	4
	Liquidity	1	3	2	1	1	1
Financial efficiency	I&E margin	1	4	4	4	1	4
Financial controls	Distance from financial plan	1	1	1	1	1	2
	Agency spend	1	1	1	1	3	2
Overall scoring		1	3	3	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 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 Financial Reporting Manual* (and the *Department of Health 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; 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 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*.



Robert J Bell
Chief Executive and Accounting Officer

24th May 2018

2.7 Annual Governance Statement 2017-18

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 system of internal control has been in place in Royal Brompton & Harefield NHS Foundation Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

To ensure that the Board is able to provide the appropriate levels of assurance on effective internal control to the Trust's patients, its Council of Governors and stakeholders, a committee of the Board, the Risk and Safety Committee, has been established. This committee, with membership of the Trust's non-executive directors and attended by the executive directors, is accountable 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 and to ensure that there is evidence of robust governance and assurance processes in these areas. The Governance & Quality Committee reports into the Risk & Safety Committee.

The Governance and Quality Committee, chaired by the medical director & responsible officer, provides management 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 has the opportunity to identify examples of both good and poor practice so as to ensure that these areas are operating to the highest clinical and quality standards. With representation from each of the clinical and non-clinical divisions present the Trust is able to share best practice and respond to identified weaknesses.

All directors across all areas of the Trusts 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 is available for all staff both at induction, and throughout their careers with regard to risk management. In addition, there are detailed guidance and support resources

available through the intranet and a team of staff trained in risk management 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 assisted by an external specialist contractor who assists with the monitoring of compliance with health and safety obligations. Additionally this contractor provides specialist advice and training in fire, health, safety and manual handling issues.

4. The risk and control framework

As the Trust provides specialist, 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 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 understand fully the options for treatment including the potential risks, intended benefits, alternatives and effects of no treatment and 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.

Serious risks are identified as a significant risk to the fulfillment of the organisation's strategic objectives; or may present as a risk to compliance 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 Risk and Safety, Audit and Finance Committees of the Trust Board in order 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 and Safety Committee.
For 2017/18 the Top Risks and their mitigating actions have included:

Top Risks	Mitigation
<p>Service Excellence:</p> <p>Failure to achieve expected 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; • SLAs in place with other trusts to provide specialist input for patients requiring non-cardiothoracic care and treatment; • Reporting from regular meetings of the Governance & Quality Committee, 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 groups with a more specialised focus, such as the Clinical Practice Committee (which oversees the introduction of new procedures), the Medicines Management Board, Tissue Governance Oversight Board, Research Committee and the Medical Devices Safety Group; • Medical devices policy and quarterly medical devices safety group meetings attended by the Trust Medical Devices Safety Officer who participates in national groups; • 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 all 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 involvement of external/national agencies; • Monthly clinical governance day, (10 per annum) - non-essential clinical activity suspended. Includes peer review of all patients who die in hospital and review of outcomes and necessary actions; • Monthly Clinical Quality Review Group led by commissioners

<p>Staff Recruitment & Retention</p>	<p>(NHS England);</p> <ul style="list-style-type: none"> • CQC and NHSI requirements evaluated regularly; • Joint appointments in non-cardiothoracic specialties with C&W and Hillingdon (e.g. neurology.) • The Trust has a dedicated team leading on nurse recruitment, and measures are in place to recruit nurses from both within the UK and overseas • The Medical Staffing team lead on the recruitment of medical staff, including both doctors in training and consultant grades • The Trust is launching a new recruitment tool this FY that will enable us to build and manage an external talent pool for all professions. The new tool and supporting process will reduce time to hire significantly
<p>Organisational Excellence: Estates – out of date areas, lack of modern facilities for patients/staff</p> <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; • Additional funding agreed; • Buildings have been risk assessed and deemed acceptable for occupancy; • Long-term redevelopment plans for both Royal Brompton Hospital and Harefield Hospital are overseen by the Redevelopment Advisory Steering Group, with professional advisors in place. • A 3 year programme of works was developed and updated in 2015 to reduce the maintenance backlog; • Progress against this plan is being monitored by the Chief Operating Officer and through the Capital Working Group; • Maintenance risks are individually listed on the Risk Register; • Currently on track with maintenance programme; • A planned, preventative maintenance programme focused on high-risk areas; • Increased capital investment in Estates backlog maintenance.
<p>Reputation & Relationships: Failure to maintain effective designation for specialist clinical services</p>	<ul style="list-style-type: none"> • Compliance demonstrated with service standards and specifications wherever possible (e.g. in Congenital Heart Disease, Transplantation and VAD, Lung Cancer, Pulmonary Hypertension, Primary Ciliary Dyskinesia and Cystic Fibrosis); • High quality and volume of service provided and monitored, Clinical outcomes reported quarterly to divisions, and to clinicians. Participation in all national audits. Clinical outcomes are monitored via Governance & Quality and (Board) Quality & Safety Committees;

<p>Failure to maintain effective influence with key external stakeholders</p>	<ul style="list-style-type: none"> • Engagement with commissioners via regular Clinical Quality Review (CQR) meetings to discuss compliance and current issues, attended by Director of Service Development, Director of Nursing & Clinical Governance and Director of Performance and Trust Secretary; • Engagement with relevant regional and national bodies/processes: Many clinicians chairing/members of national Clinical Reference Groups. • Some of the Trust's care groups and teams (e.g. adult and paediatric Cystic fibrosis teams) have for several years engaged effectively with commissioners, medical charities and fellow clinicians from other peer centres in activities such as defining standards of care and planning of pathways; • This level of on-going engagement is not however replicated consistently across all care groups within the Trust; • A small internal project team is interviewing all care group chairs and senior clinicians - doctors, nurses, allied health professionals and technicians - in order to compile an inventory of all the external stakeholders / bodies with whom one or more of our clinicians a) have influence or membership, b) do NOT have influence or membership. The team will then identify common gaps, as well as identify key stakeholders at a Trust-wide level, prioritise gaps to be filled / areas where influence needs to be built, then revert to the care-group leads to agree the actions / campaign required.
<p>Failure to comply with external regulations</p>	<ul style="list-style-type: none"> • All targets are monitored and reported to the Trust Board, either routinely or by exception through the Clinical Quality Report; • NHS Improvement are aware of 2 Single Oversight Framework Targets at risk during 2017/18; 62 day cancer target and the incomplete Referral to Treatment Time target; • Robust bottom-up process of internal control through review of performance information at meetings of the Operational Management Team (OMT), Management Committee, Governance and Quality Committee, Risk and Safety Committee and the Trust Board; • Regular oversight of key performance indicators by commissioners through the Clinical Quality Review Group. • During 2017/18, the Trust has been preparing for the advent of the new General Data Protection Regulation (GDPR) which comes into effect on 25th May 2018.

<p>Financial Risk: Failure to maintain adequate liquidity, ensuring availability of cash</p>	<ul style="list-style-type: none"> • Trust has initiated a 'transformation' programme, known as the Darwin Programme, to review all areas of operational performance with the aim of significant improvements to the cost base; • Trust has processes in place to monitor and forecast liquidity levels; • Trust has well defined process for planning and managing capital spend in line with available internal and external funding; • Stock is managed: bulk purchases need to be agreed by Finance in order to manage cash flows; • a revolving credit facility (RCF) is in place to meet short term cash requirements that occur; and • Suitable internal monitoring processes are in place for accurate reporting to the Trust Board and its Committees to determine timely remedial action.
<p>Failure to execute property re-development effectively and within budget</p>	<ul style="list-style-type: none"> • Existence of the Redevelopment Advisory Steering Group which meets regularly to review progress; • Continuous involvement of CEO and Associate Chief Executive - Finance; • Appointment of leading property, financial, tax and legal advisers to the project team; • Application of and compliance with the Trust's SFIs for major capital projects; • Application of and compliance with NHSI's requirements for major capital projects; • Establishment and maintenance of a detailed project model which includes milestones, cash flows and sensitivities; • Production of forward plan for capital programme facilitates integration and funding requirements; and • Phasing of redevelopment such that capital expenditure wherever possible is funded from earlier disposals.

The risks detailed within the risk register are aligned to the Trust's Objectives through 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 on-going review, assurance to the Board that these risks are being adequately 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.
- 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 – Royal Brompton & Harefield NHS FT Partnership Board, meetings of this Partnership Board commenced during 2017/18 and include 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
- Relationships with our health partners and stakeholders in relation to key objectives and future referral patterns
- The Trust's continued relationship with the National Heart and Lung Institute of Imperial College London
- The Trust's participation in the Academic Health Science Network
- The Trust's membership of the Institute of Cardiovascular Medicine & Science, a joint venture with Liverpool Heart and Chest NHS Foundation Trust

NHS Improvement's Well Led Framework

A Well Led Review has been 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.

Throughout 2017/18, the Trust worked on an action plan derived from the recommendations made by PWC. The action plan was reviewed by the Nomination and Remuneration Committee of the Trust Board on 25th October 2017 and circulated to the Trust Board at the end of December 2017.

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

NHS Provider Licence Condition 4: (FT Governance).

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, this being the highest rating that can be achieved on the scale used by KPMG.

Care Quality Commission (CQC)

The Trust is fully compliant with the registration requirements of the CQC. The Trust was inspected by the CQC in June 2016 and the inspection report was published on 10th January 2017. Overall, the Trust was rated by the CQC as 'Requires Improvement'. Within this rating Harefield Hospital was rated as 'Good' and the Royal Brompton Hospital as 'Requires Improvement'. An action plan has been developed and is currently being implemented prior to re-inspection by the CQC.

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 Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's 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 2017/18. 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 2017/18.

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

The development and reporting of patient level costing and service level reporting continues, to ensure that the Board is aware of relative profitability and efficiency. Monthly finance and performance reports are provided to the Board and this information is used to identify opportunities for improving efficiency and profitability for each Division. This has been achieved through the introduction of contribution reporting at Divisional level.

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 and the evidence base to support the Trust's assessment against the information governance toolkit has been extensively reviewed during 2017/18. All of the toolkit indicators are being met at a minimum of level 2, with an overall score of 79% compared to the 2016/17 submission of 78%.

One incident was classified as a 'Level 2' serious incident and reported to the Information Commissioner's Office in 2017/18. The incident related to a newsletter sent to some patients by email, in which email addresses of all recipients were visible to each other. Processes and controls were reviewed, and no action was taken by the Information Commissioner's Office.

During 2017/18, a new risk with regards to cyber security has been entered to the Trust's Risk Register.

Data quality has been kept under review by the Performance and Information Team and reported using the Quality Indicator Assurance Framework.

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 the Annual Quality Reports which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual*.

The involvement of stakeholders regarding how our priorities were consulted on and decided is described in more detail in the Quality Report. Quality data is reported to the Board each time it meets and the Governance and Quality Committee receives regular updates covering performance against quality and safety metrics at divisional level.

Elective Waiting Time Data; an external audit review, carried out by Deloitte LLP, of referral to treatment time data led to a modified opinion with regards to the Quality Report 2017/18. Further details of the work being done with regards to the quality of elective waiting time data are given in the Quality Report 2017/18. The Trust's Quality Indicator Assurance Framework (QIAF) has continued to be used to track risks relating to data quality. Use of this framework was assessed by PricewaterhouseCoopers LLP (PwC) as part of their 'Well Led Review'. Work has continued during 2017/18 in order to develop the QIAF and it was reviewed by the Operational Management Team in December 2017 prior to presentation to the Risk and Safety Committee (RSC) in February 2018.

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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process which has been applied in maintaining and reviewing the effectiveness of the system of internal control has included the involvement of 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 25th April 2018, the Board reviewed the Draft Annual Report and Accounts including the draft Annual Governance Statement and Quality Report. Authority to finalise these documents was delegated to Simon Friend, Andrew Vallance-Owen, Robert J Bell and Richard Paterson, subject to review at the Audit Committee on 22nd May 2018.

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 2017/18.

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 2017/18. There was one never events during 2017/18. This never event involved the retention of a surgical swab and was reported to the Risk and Safety Committee on 17th October 2017.

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 2017/18.

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 as set out in its formal Head of Internal Audit Opinion is that of 'partial assurance with improvements required'. KPMG's conclusion is based on the outcome of nine reviews carried out during the course of the year. These included its reviews of the Lorenzo PAS Implementation, Disaster Recovery and the Hospital to Home Service, to which the Trust is responding.

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

5. Conclusion

Except for the findings of the Internal Audit reviews named in the previous section, I consider that appropriate governance structures and internal control measures are in place and have operated throughout 2017/18 during which time the only significant control issue identified is that relating to the Hospital to Home Service. Details of that review are set out within the Audit Committee disclosures made in section 2, the Accountability Report, which is contained within the main body of the Annual Report 2017/18.

Signed:

Date: 24th May 2018



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 2018 (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 2018, 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 2018 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

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 2017/18; 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 April 2017 to March 2018;
- papers relating to quality reported to the board over the period April 2017 to March 2018;
- 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 2017 national staff survey,
- the 2016 national inpatient survey
- the Head of Internal Audit's annual opinion over the trust's control environment, dated 22/05/2018; and
- the CQC inspection report dated 10/01/2017

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'.

The scope of our assurance work has not included testing of indicators other than the two selected mandated indicators, or consideration of quality governance.

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 18 items, and so the error rates identified from that sample should not be directly extrapolated to the population as a whole.

We noted that for:

- Eight of our sample of patients' records tested, the start date recorded in the Electronic Patient Record does not match the start date on the supporting documentation that we inspected;
- Nine of our sample of patients' records tested, the stop date in the Electronic Patient Record did not match the stop date on the supporting documentation that we inspected, and for one we were unable to obtain evidence to support the stop date;
- Eight samples the number of days wait had been calculated incorrectly at the time of reporting. Three of these resulted in waits that were reported as non-breaches when they should in fact have been recorded as breaches;
- Five samples the patient had been added to the waiting list in the wrong month, including two instances where the pathway had been reported as incomplete during a month where, based on the evidence we saw for the stop date, it should have been complete.

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 2018. We are unable to quantify the effect of these errors on the reported indicator.

The "Performance against key healthcare targets 2017-18" section on page 39 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 2018:

- 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 2017/18; 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

Deloitte LLP

St Albans, United Kingdom

25 May 2018

Annex 2

**FINANCIAL STATEMENTS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION
TRUST FOR THE YEAR 1st APRIL 2017 TO 31st MARCH 2018**

**FINANCIAL STATEMENTS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION
TRUST FOR THE YEAR 1st APRIL 2017 TO 31st MARCH 2018**

Accounts for the year 1st April 2017 to 31st March 2018

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD 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 2018 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 26.



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 and provisions• Chelsea's Farmers Market (CFM) valuation• Property valuations• Management override of controls• Value for Money – Healthcare to Home <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 £3.67m which was determined on the basis of approximately 1% of the foundation trust's total revenue recognised in the year ended 31 March 2018 excluding Sustainability and Transformation Fund incentive and bonus.</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>In the current year, we identified two separate key audit matters in respect of the valuation of the estate, separating the key judgements over the valuation of Chelsea Farmer's Market from the remainder of the estate as this involves a different range of judgements and estimates. We assessed that there was no longer a key audit matter in respect of Going Concern as a result of the additional Sustainability and Transformation Fund revenue that is expected to be received in 2018. We have identified a new Value for Money key audit matter in respect of Hospital to Home.</p> <p>Other than the changes to key audit matters as described above, there have been no significant changes in our approach to the audit in 2017/18 compared to 2016/17.</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 and provisions

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 2017/18, this revenue includes the Q4 bonus and incentive elements of Sustainability and Transformation Funding (STF).

As described in note 1.23, Critical Accounting Estimates and Judgements, there are significant judgements in recognition of revenue from care of

	<p>NHS patients and in provisioning for disputes with commissioners due to:</p> <ul style="list-style-type: none"> 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 provisions for disputes, including in respect of outstanding overperformance income; and the Sustainability and Transformation Funding (STF) which is dependent on the foundation trust meeting certain financial performance targets and therefore recognition of this funding is affected by other accounting estimates. <p>Details of the foundation trust's income, including £293m (2016-17: £280m) from NHS England and Clinical Commissioning Groups, are shown in note 3.2. £51m (2016-17: £15.5m) of Sustainability and Transformation Funding (STF) is disclosed in note 4 to the financial statements. NHS debtors of £13.1m (2016-17: £6.6m) and total provision for impaired receivables of £10.2m (2016-17: £7.9m) are shown in note 17.1 to the financial statements.</p> <p>The majority of the foundation trust's income is commissioned by NHS England.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We evaluated the design and implementation of key controls in relation to revenue recognition.</p> <p>We performed detailed substantive testing of the recoverability of unsettled overperformance income and adequacy of provision for underperformance on a sample basis, and evaluated the results of the agreement of balances exercise.</p> <p>We challenged key judgements around specific areas of dispute and actual or potential challenge from commissioners and the rationale for the accounting treatments adopted. In doing so, we considered the historical accuracy of provisions for disputes.</p>
<p>Key observations</p> 	<p>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.</p>
<p>Chelsea's Farmers Market (CFM) valuation </p>	
<p>Key audit matter description</p> 	<p>The most significant judgement in preparing the 2017/18 financial statements is the valuation of the Chelsea Farmer's Market investment property. This has been identified as a separate Key Audit Matter due to the materiality of the valuation movements in respect of this asset.</p> <p>Following granting of planning permission, a revaluation gain has been recognised as discussed in Note 1.23, Critical accounting estimates and judgements. Note 14.1 shows the total valuation gain of £62m on investment properties.</p> <p>Valuation movements on investment properties are recognised in the surplus for the year. The gains on revaluation of investment properties are primarily due to the change in assumptions on CFM following the grant of planning permission in the year.</p>
<p>How the scope of our audit</p>	<p>We evaluated the design and implementation of controls over Chelsea's Farmers Market (CFM) valuation.</p>

responded to the key audit matter

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 planning permission in place.

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 the disclosures in notes 1.23 and 14 and evaluated whether these provide sufficient explanation of the basis of the valuation and the judgements made in preparing the valuation.

Key observations

We consider the valuation is towards the top of, but within, the acceptable range of valuations at 31 March 2018.

Property valuation**Key audit matter description**

The foundation trust holds property assets within Property, Plant and Equipment at a valuation of £163m (2016-17: £150m) and Investment Properties other than CFM of £7m (2016-17: £6.3m). 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 1.23, 13 and 14.

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 13.1 is a revaluation gain of £7m on Property, plant and equipment and a total revaluation gain of £62m on Investment Properties in note 14.1 (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.

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.

We have traced the valuation to the year-end accounts movements.

We have reviewed the disclosures in notes 1.23, 13, and 14 and evaluated whether these provide sufficient explanation of the basis of the valuation and the judgements made in preparing the valuation.

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.

Management override of controls

Key audit matter description



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.

The foundation trust had an initial STF allocation for the year of £8.2m, with a control total of (£5.6m), or (£13.8m) before STF income. During the year, NHS Improvement announced that unused funds from the STF 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. The foundation trust exceeded its control total by £38m, meaning that it has been allocated additional STF incentive funding of £38m and other additional income of £4m.

All NHS Trusts and Foundation Trusts were requested by NHS Improvement in 2016 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.

Details of critical accounting judgements and key sources of estimation uncertainty are included in note 1.23.

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



Manipulation of accounting estimates

Our work on accounting estimates included considering each of the areas of judgement 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.

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.

Key observations 	<p>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.</p> <p>We have considered the revaluation of Chelsea's Farmers Market as a separate significant key audit matter as described above.</p>
Value for Money – Hospital to Home 	
Key audit matter description 	<p>The foundation trust has identified an internal control issue in respect of the Hospital to Home service, as discussed in the Audit Committee's Report on page 38. The Head of Internal Audit has issued a "partial assurance" opinion, reflecting the issues identified, as reported in the Annual Governance Statement on page 92.</p> <p>We have assessed this as a key audit matter to our Value for Money conclusion in respect of the foundation trust's arrangements in respect of resource deployment and working with partners and other third parties.</p>
How the scope of our audit responded to the key audit matter 	<p>We have reviewed the related Internal Audit reports and related underlying information, and discussed the findings with Internal Audit, Counter Fraud Service, management and the Audit Committee.</p> <p>We have inquired of senior finance and procurement staff as to the existence of other arrangements with similar characteristics, and have scrutinised the conflict of interests register and analyses of expenditure for the year.</p> <p>We have reviewed the disclosures in the Annual Governance Statement, including the Accounting Officer's conclusion whether this represents a "significant internal control issue" in the conclusion to the Annual Governance Statement.</p>
Key observations 	<p>The quantum of expenditure in year is not material to the financial statements, or to our conclusion on the foundation trust's Value for Money arrangements.</p> <p>The Accounting Officer has assessed the aggregate impact of this issue concluded that this matter represents a significant internal control issue and has disclosed this in the Annual Governance Statement.</p>

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	£3.67m (2016/17: £3.65m)
Basis for determining materiality	1% of revenue (operating income from patient care activities, and other income), excluding STF incentive and bonus revenue (2016/17: 1%). This is equivalent to 0.9% of total revenue (2016/17: 1%).
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 have used revenue excluding Sustainability and Transformation Fund incentive

and bonus amounts as the materiality benchmark, as this is more representative of the level of activity of the foundation trust.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £183k (2016/17: £182.5k), 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 audit partner.

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

We have nothing to report in respect of these matters

inconsistent with information of which we are aware from our audit;

- the NHS 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 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, each as a body, for our audit work, for this report, or for the opinions we have formed.



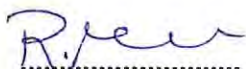
Susan Barratt, BA, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom

25 MAY 2018

**Accounts of Royal Brompton & Harefield NHS Foundation Trust
for the Year ended 31 March 2018**

FOREWORD TO THE ACCOUNTS

These accounts for the year ended 31 March 2018 have been prepared by Royal Brompton & Harefield NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

A handwritten signature in blue ink, appearing to read 'R. Bell', written over a dotted line.

**Robert J Bell
Chief Executive**

24th May 2018

Royal Brompton and Harefield NHS Foundation Trust


Annual Accounts for the year ended 31 March 2018

Foreword to the accounts

Royal Brompton and Harefield NHS Foundation Trust

These accounts, for the year ended 31 March 2018, 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



Name Robert J Bell
Job title Chief Executive
Date 24 May 2018

Statement of Comprehensive Income

		2017/18	2016/17
	Note	£000	£000
Operating income from patient care activities	3	341,290	329,780
Other operating income	4	78,653	47,550
Operating expenses	5, 6	(398,498)	(386,151)
Operating surplus/(deficit) from continuing operations		<u>21,445</u>	<u>(8,821)</u>
Finance income	9	55	42
Finance expenses	10	(1,348)	(1,038)
PDC dividends payable		(6,762)	(6,063)
Net finance costs		<u>(8,055)</u>	<u>(7,059)</u>
Other gains	11	61,973	27,147
Surplus for the year		<u><u>75,363</u></u>	<u><u>11,267</u></u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations of property, plant and equipment	13.1	<u>6,693</u>	<u>(9,176)</u>
Total comprehensive income for the period		<u><u>82,056</u></u>	<u><u>2,091</u></u>

Statement of Financial Position

		31 March 2018 £000	31 March 2017 £000
	Note		
Non-current assets			
Intangible assets	12	13,623	14,983
Property, plant and equipment	13	194,704	186,525
Investment property	14	101,210	37,294
Total non-current assets		309,537	238,802
Current assets			
Inventories	16	10,290	9,957
Trade and other receivables	17	83,190	45,950
Cash and cash equivalents	18	20,847	32,668
Total current assets		114,327	88,575
Current liabilities			
Trade and other payables	19	(54,200)	(49,566)
Borrowings	20	(18,665)	(5,610)
Provisions	21	(1,713)	(2,011)
Total current liabilities		(74,578)	(57,187)
Total assets less current liabilities		349,286	270,190
Non-current liabilities			
Borrowings	20	(49,192)	(52,147)
Provisions	21	(597)	(638)
Total non-current liabilities		(49,789)	(52,785)
Total assets employed		299,497	217,404
Financed by			
Public dividend capital		108,604	108,567
Revaluation reserve		54,587	47,894
Income and expenditure reserve		136,306	60,943
Total taxpayers' equity		299,497	217,404

The financial statements on pages 3 to 44 were approved by the Trust Board and authorised for issue on, and signed on its behalf by:

Signed


.....

Name
Position
Date

Robert J Bell
Chief Executive
24 May 2018

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

Statement of Changes in Equity for the year ended 31 March 2017

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2016 - brought forward	108,362	57,070	49,676	215,108
Surplus/(deficit) for the year	-	-	11,267	11,267
Revaluations	-	(9,176)	-	(9,176)
Public dividend capital received	205	-	-	205
Taxpayers' equity at 31 March 2017	108,567	47,894	60,943	217,404

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 and Social Care 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	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Operating surplus / (deficit)		21,445	(8,821)
Non-cash income and expense:			
Depreciation and amortisation	5.1	18,932	18,399
Income recognised in respect of capital donations	4	(2,367)	(937)
(Increase) in receivables and other assets		(37,552)	(12,893)
(Increase) in inventories		(333)	(914)
Increase in payables and other liabilities		3,416	902
(Decrease)/ increase in provisions		(340)	938
Net cash generated from / (used in) operating activities		3,200	(3,326)
Cash flows from investing activities			
Interest received		55	42
Purchase of intangible assets		(1,165)	(5,075)
Purchase of property, plant, equipment and investment property		(19,045)	(17,165)
Sales of property, plant, equipment and investment property		-	24,000
Receipt of cash donations to purchase capital assets		2,367	937
Net cash (used in)/ generated from investing activities		(17,788)	2,739
Cash flows from financing activities			
Public dividend capital received		37	205
Movement on loans from the Department of Health and Social Care		(1,380)	20,000
Movement on other loans		8,806	7,346
Other capital receipts		-	-
Other interest paid		(1,348)	(1,036)
PDC dividend (paid)		(6,022)	(6,878)
Net cash (used in)/generated from financing activities		93	19,637
(Decrease)/increase in cash and cash equivalents		(14,495)	19,050
Cash and cash equivalents at 1 April		32,071	13,021
Cash and cash equivalents at 31 March	18	17,576	32,071

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 (DH GAM) which shall be agreed with HM Treasury. 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 policy that is judged to be most appropriate to the particular circumstances of the Trust to give a true and fair view has been selected. The accounting policies adopted are described below and 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 land, property and investment properties.

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 planned sale of an investment property, including its probability, quantum of sale proceeds and timing;
- 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.

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 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of health care services. At the year-end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

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

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.

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

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.

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 in use assets are measured subsequently at current value in existing use. The Trust considers there is no significant difference between depreciated historic cost and current value in existing use, other than for land, building & dwellings. Items of property, plant and equipment which are 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.

Note 1.5 cont...

Valuation of Operating Properties

Land and buildings used for the Trust's services or for administration purposes are stated in the Statement of Financial Position at their revalued amounts. Under IAS 16 this is the current value in existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. Current values are determined as follows:

- Land and non-specialised buildings - market value for existing use
- Specialised buildings - depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings was estimated for an exact replacement of the asset in its present location. Since then, HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. As allowed by IAS 23 for assets held at fair value, cost includes professional fees and any direct borrowing cost charged by third parties as part of financing arrangements associated with construction of the asset, but not borrowing costs attributable to the provision of the asset, which are expensed immediately. Assets are revalued and depreciation commences when they are brought into 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 economic 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 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'.

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 cont...

De-recognition

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 dropped 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 economic life is adjusted. The asset is de-recognised

Donated, government grant and other 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.

Useful economic lives of property, plant and equipment

	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

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.

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.

Amortisation

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

Useful economic lives of intangible assets

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

Note 1.7 Government and other revenue grants

There are two types of government grants: revenue (to fund revenue expenditure for example research) and capital (to fund the acquisition of non-current assets by the Trust). Both types are commonly granted on condition that the funding should be applied in accordance with the intentions of the granting body. Non-current assets purchased using government grant funding are valued, depreciated and impaired as described in Note 1.5.

Revenue grants are taken to the Statement of Comprehensive Income to match the related expenditure.

Note 1.8 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 1.9 Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for 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, are recognised when, and to the extent that, performance occurs, ie, when receipt or delivery of the goods or services is made.

Financial assets and liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described in Note 1.10.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the 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.

Classification and measurement

Financial assets are categorised between 'fair value through income and expenditure' and loans and receivables.

Financial liabilities are classified between 'fair value through income and expenditure' and 'other financial liabilities'.

Financial assets and liabilities at 'fair value through income and expenditure'

Financial assets and liabilities measured at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short-term.

These financial assets and liabilities are recognised initially at fair value, with transaction costs expensed in the Statement of Comprehensive Income. Subsequent movements in fair value are recognised as gains or losses in the Statement of Comprehensive Income.

The Trust has not entered into contracts that have different risks and characteristics to their host contract.

Note 1.9 cont...

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest rate method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Other financial liabilities

All other financial liabilities, including borrowings, are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest rate method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as non-current liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Determination of fair value

For financial assets and liabilities carried at fair value, the carrying amounts are determined from quoted market prices where possible and otherwise by discounted cash flow analysis.

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset which have an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly.

Note 1.10 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 as an item of property, plant and equipment.

The annual rental 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 expense in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Note 1.10 cont...

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.

The implementation of IFRS 16 leases, in 2019, 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.

Note 1.11 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount, 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 21.2 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.

Provision for impairment of receivables

Management will use their judgement to decide when to write off revenue or to provide against the probability of not being able to collect debt. Any expected impairments reduce the level of debtors recognised.

Note 1.12 Investment Properties

Investment property is defined in IAS 40 as property (land or a building or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of business.

The elements of properties rented out for the purpose of relatives' accommodation are classified as investment property.

Investment property is initially valued at cost and thereafter stated at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction at the Statement of Financial Position date.

Under IAS 40 revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date.

Gains and losses arising from the revaluation of Investment properties are recognised in the Statement of Comprehensive Income.

Investment properties are not depreciated.

Note 1.13 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 1.14 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 Trust. 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.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital payment. 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 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, (iii) any PDC dividend balance receivable or payable and (iv) any 'incentive' or 'bonus' Sustainability & Transformation Funding (STF) due at the Statement of Financial Position date. 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 of the audit of the annual accounts.

Note 1.15 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 1.16 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 1.17 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 (other than financial instruments measured at 'fair value through income and expenditure') 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 1.18 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 (FReM).

Note 1.19 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 1.20 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 1.21 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

Note 1.22 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 2017/18. These standards are still subject to HM Treasury FReM adoption, with IFRS 9 and IFRS 15 being for implementation in 2018/19, IFRS 16 in 2019/20.

- IFRS 9 Financial instruments (not yet EU adopted) - applicable to the public sector from 1 January 2018. Impact to be assessed, including the forward looking approach to impairments.
- IFRS 15 Revenue from contracts with customers (not yet EU adopted) - applicable to the public sector from 1 January 2018. This standard may not affect the income received from other NHS bodies; however applying the standard will require a review of all income streams, including grants/research and private patient income.
- IFRS 16 leases - implementation 1 January 2019. This will bring most leases where the Trust is a lessee onto the Statement of Financial Position.

Following the release of the 2018/19 DHSC GAM in May 2018, the Trust is now assessing the likely impact of IFRS9 and 15 (and the adaptations included in the GAM). Areas the Trust will review include non-contracted income; overseas patients; research income; and the approach to provisioning for non-NHS debtors.

Note 1.23 Critical accounting estimates and judgements

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations 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.

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 will use their judgement 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

Between formal valuations by qualified surveyors, management make judgements about the condition of assets and review their estimated lives. 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 at the site during 2017/18. This had a significant impact on its value. The revised value was independently assessed by professional valuers. This led to a valuation gain of £61,985k as detailed in note 14.1 to these accounts.

Note 1.23 cont...

Key sources of estimation uncertainty:

Management has made the following critical judgements in the process of applying the entity's accounting policies where this has had a significant effect on the amounts recognised in the accounts:

- 1) The use of estimated asset lives in calculating depreciation and professional valuations that can result in increases and decreases to property values.
- 2) 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 0.10%.
- 3) One of the Trust's investment properties, Chelsea Farmers Market, was revalued upwards to reflect the granting of planning consent for residential and retail development in advance of disposal.
- 4) The Trust is required to review property, plant and equipment and investment properties for impairment.

Note 1.24 Prior Year Disclosures

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

Note 1.25 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 1.26 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 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. Any allowances acquired under the scheme are recognised as intangible assets.

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			
2017/18	RBH Heart	HH Heart	Lung	Total
NHS clinical income	120,226	88,230	81,627	290,083
Non NHS income	19,763	5,208	4,459	29,430
Non clinical income	1,612	492	770	2,874
Total income	141,601	93,930	86,856	322,387
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				50,964
Other income				44,225
Support services, estates and corporate costs				(113,521)
EBITDA				39,071
Investment Property Revaluation				61,985
Capital charges and financing				(24,630)
Restructuring costs				(1,063)
Surplus for the year				75,363

	£000			
2016/17	RBH Heart	HH Heart	Lung	Total
NHS clinical income	111,404	88,274	79,703	279,382
Non NHS income	21,056	5,526	4,838	31,419
Non clinical income	1,635	276	538	2,449
Total income	134,096	94,076	85,079	313,250
Pay	(76,064)	(50,127)	(33,830)	(160,022)
Non pay	(43,152)	(30,991)	(26,170)	(100,314)
Total expenditure	(119,217)	(81,119)	(60,000)	(260,336)
Contribution	14,879	12,957	25,079	52,915
Contribution %	11%	14%	29%	17%
Other income & costs				(43,854)
EBITDA				9,061
Capital charges/ other				2,206
Surplus for the year				11,267

Other income has been restated to include the full 2016/17 Sustainability and Transformation Fund.

Note 3 Operating income from patient care activities

Note 3.1 Income from patient care activities (by nature)	2017/18	2016/17
	£000	£000
Acute services		
Elective income	78,191	72,105
Non elective income	29,563	23,664
Outpatient income	15,768	27,010
Other NHS clinical income	178,002	165,512
Other services		
Private patient income	38,171	39,852
Other clinical income	1,595	1,637
Total income from activities	341,290	329,780

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2017/18	2016/17
	£000	£000
NHS England & Clinical Commissioning Groups*	292,770	279,813
Other NHS providers	4,364	3,884
NHS other	4,389	4,594
Non-NHS: private patients	38,171	39,852
Non-NHS: overseas patients (chargeable to patient)	1,115	1,007
NHS injury scheme	73	225
Non NHS: other	407	405
Total income from activities	341,290	329,780

All income related to continuing operations.

*Income from NHS England & CCGs includes £4,757k at 31 March 2018 (£3,812k at 31 March 2017) for partially completed patient episodes.

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

	2017/18	2016/17
	£000	£000
Income recognised this year	1,115	1,007
Cash payments received in-year	556	273
Amounts added to provision for impairment of receivables	299	504
Amounts written off in-year	1,069	123

Note 4 Other operating income

	2017/18	2016/17
	£000	£000
Research and development	7,224	10,895
Education and training	5,804	5,846
Receipt of capital grants and donations	2,367	859
Charitable and other contributions to expenditure	1,905	4,686
Non-patient care services to other bodies	422	501
Sustainability and transformation fund income	50,964	15,538
Rental revenue from operating leases	828	1,091
Income in respect of staff costs where accounted on gross basis	1,874	1,619
Other income		
Clinical excellence awards	2,294	2,529
Staff accommodation rentals	1,247	1,161
Catering	1,362	1,371
Childcare services	673	649
Car parking	196	99
Other	1,493	706
Total other operating income	78,653	47,550

All income related to continuing operations.

Note 4.1 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 license 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:

	2017/18	2016/17
	£000	£000
Income from services designated as commissioner requested services	301,523	288,291
Income from services not designated as commissioner requested services	118,420	89,039
Total	419,943	377,330

Note 5.1 Operating expenses

	2017/18	2016/17
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	1,453	1,478
Purchase of healthcare from non-NHS and non-DHSC bodies	-	411
Staff and executive directors costs	220,638	218,566
Remuneration of non-executive directors	199	205
Supplies and services - clinical (excluding drugs costs)	61,310	63,423
Supplies and services - general	11,323	10,697
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	44,509	40,267
Consultancy costs	4,954	2,177
Establishment	9,769	9,142
Premises	10,470	8,851
Transport (including patient travel)	2,117	1,940
Depreciation on property, plant and equipment	16,407	16,253
Amortisation on intangible assets	2,525	2,146
Increase in provision for impairment of receivables	3,165	894
Increase in other provisions	57	982
Audit fees payable to the external auditor		
audit services- statutory audit	105	103
other auditor remuneration (external auditor only)	11	19
Internal audit costs	96	129
Clinical negligence contributions paid	4,829	4,460
Legal fees	434	445
Insurance	298	284
Education and training	854	760
Rentals under operating leases	1,163	1,430
Staff termination payments	1,063	345
Car parking & security	3	1
Hospitality	345	396
Other	403	347
Total	398,498	386,151

All expenses related to continuing operations.

Additional expenditure headings have been added for 2017/18 and therefore also reflected back into 2016/17 figures.

Staff costs include £385k (2016/17: nil) incurred under the Mutually Agreed Resignation Scheme (MARS).

Fees payable to the external auditor include £105k (2016/17: £103k) for statutory audit and £11k (2016/17: £19k) for the audit of the Quality Accounts and grant assurance work.

The external audit engagement is under a procurement framework, which states that the liability of Deloitte LLP, its members, partners and staff (whether in contract, negligence or otherwise) towards the Trust shall in no circumstances exceed £2m.

Note 6 Employee benefits

	2017/18	2016/17
	Total	Total
	£000	£000
Salaries and wages	174,070	170,101
Social security costs	18,791	18,275
Apprenticeship levy	824	-
Employer's contributions to NHS pensions	18,408	18,036
Termination benefits	1,063	345
Temporary staff (including agency)	8,545	12,154
Total staff costs	221,700	218,911

The Apprenticeship Levy is treated as a tax and expensed in year.

Note 6.1 Retirements due to ill-health

During 2017/18 there was one early retirement from the Trust agreed on the grounds of ill-health (four in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £130k (£141k in 2016/17).

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

Note 6.2 Directors' remuneration

The aggregate amounts payable to directors were:

	Year Ended 31 March 2018 £000	Year Ended 31 March 2017 £000
Salary	1,313	1,255
Performance related bonuses	-	-
Employer's pension contributions	57	81
Total	1,370	1,336

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

Note 7 Pension costs

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 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 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 scheme 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 last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health and Social Care after consultation with the relevant stakeholders.

Note 8 Operating leases

Note 8.1 Royal Brompton and Harefield NHS Foundation Trust as a lessor

The Trust owns five 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.

	Year Ended 31 March 2018 £000	Year Ended 31 March 2017 £000
Operating lease revenue		
Minimum lease receipts	828	1,091
Total	828	1,091
	31 March 2018 £000	31 March 2017 £000
Future minimum lease receipts due:		
- not later than one year;	414	546
Total	414	546

Note 8.2 Royal Brompton and Harefield NHS Foundation Trust as a lessee

The Trust was a party to eleven operating leases with a total expenditure of £1,163k during the year to 31 March 2018 (£1,430k to 31 March 2017). One lease is for buildings (Wimpole Street private outpatient and diagnostic facility) and the rest 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 were no contingent rents or sub leases payable.

	Year Ended 31 March 2018 £000	Year Ended 31 March 2017 £000
Operating lease expense		
Minimum lease payments	1,163	1,430
Total	1,163	1,430

Operating leases cont'd

	31 March 2018 £000	31 March 2017 £000
Future minimum lease payments due:		
- not later than one year;	1,113	995
- later than one year and not later than five years;	4,136	3,933
- later than five years.	5,734	6,714
Total	10,983	11,642

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 9 Finance income

Finance income represents interest received on assets and investments in the period.

	Year Ended 31 March 2018 £000	Year Ended 31 March 2017 £000
Interest on bank accounts	55	42
Total	55	42

Note 10.1 Finance expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money.

	2017/18 £000	2016/17 £000
Interest expense:		
Loans from the Department of Health and Social Care	1,113	903
Other loans	234	133
Total interest expense	1,347	1,036
Unwinding of discount on provisions	1	2
Total finance costs	1,348	1,038

Note 10.2 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 2018 (year to 31 March 2017: nil).

Note 11 Other gains / (losses)

	2017/18 £000	2016/17 £000
Losses on disposal of assets	(12)	(59)
Total (losses) on disposal of assets	(12)	(59)
Fair value gains on revaluation of investment properties	61,985	27,206
Total other gains	61,973	27,147

Assets with a net book value of £12k were disposed of in year. Endoscopes with a net book value of £233k were sold in year for their net book value.

Note 12.1 Intangible assets - 2017/18

	Software licences £000	Development expenditure £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2017 - brought forward	5,058	15,712	127	20,897
Additions	-	-	1,165	1,165
Reclassifications	7	1,193	(1,200)	0
Gross cost at 31 March 2018	5,065	16,905	91	22,062
Amortisation at 1 April 2017 - brought forward	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

Development expenditure relates to project management of IT projects.

Note 12.2 Intangible assets - 2016/17

	Software licences £000	Development expenditure £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2016	2,708	8,945	4,255	15,909
Additions	-	-	5,075	5,075
Reclassifications	2,426	6,778	(9,204)	(0)
Disposals / derecognition	(76)	(11)	-	(87)
Valuation / gross cost at 31 March 2017	5,058	15,712	127	20,897
Amortisation at 1 April 2016	1,336	2,519	-	3,855
Provided during the year	653	1,493	-	2,146
Disposals / derecognition	(76)	(11)	-	(87)
Amortisation at 31 March 2017	1,913	4,001	-	5,914
Net book value at 31 March 2017	3,145	11,712	127	14,983
Net book value at 1 April 2016	1,372	6,427	4,255	12,054

Note 13.1 Property, plant and equipment - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & Information machinery technology £000	Total £000
Valuation/gross cost at 1 April 2017	28,407	114,444	7,303	10,493	13,370	236,890
Additions	-	-	-	20,069	-	20,069
Revaluations	183	(4,197)	1,131	-	-	(2,883)
Reclassifications	-	16,456	(2)	(22,702)	556	(1,931)
Transfers to/ from assets held for sale	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(3,433)	(3,438)
Valuation/gross cost at 31 March 2018	28,590	126,703	8,432	7,860	13,920	248,707
Accumulated depreciation at 1 April 2017	-	234	-	-	9,510	50,365
Transfers by absorption	-	-	-	-	-	-
Provided during the year	-	9,613	402	-	1,166	16,407
Impairments	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-
Revaluations	-	(9,175)	(401)	-	-	(9,576)
Reclassifications	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(3,187)	(3,193)
Transfer to FT upon authorisation	-	-	-	-	-	-
Accumulated depreciation at 31 March 2018	-	672	1	-	10,671	54,003
Net book value at 31 March 2018	28,590	126,031	8,430	7,860	3,250	194,704
Net book value at 1 April 2017	28,407	114,210	7,303	10,493	3,860	186,525

Land and buildings were valued by Montagu Evans as at 31 December 2017 in accordance with International Financial Reporting requirements. 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) were valued on an alternative site basis and the land area valued at the Harefield campus was reduced to reflect a notional adjustment to exclude space that would not be required in the reprovion of a modern equivalent asset.

The revaluation of land and buildings resulted in a net gain of £6,693k (which is a shown above as the net of the revaluations adjustment to cost/ valuation of £2,883k and to accumulated depreciation of £9,576k). This net gain is reported within other comprehensive income on the Statement of Comprehensive Income.

Costs of assets under construction are shown net of impairments (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 £12,462k at 31 March 2018 (31 March 2017: £12,125k) against which the cumulative impairment stands at £6,312k as at 31 March 2018. £1,875k of assets under construction for development expenditure relating to Chelsea Farmers Market was transferred to Investment Property in year.

£672k of accumulated buildings depreciation has been incurred in respect of the Wimpole St leased facility.

Note 13.2 Property, plant and equipment - 2016/17

	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 2016	31,672	120,155	6,960	12,270	56,243	13,538	240,839
Additions	-	-	-	16,502	-	-	16,502
Revaluations	(3,265)	(15,869)	90	-	4	-	(19,040)
Reclassifications	-	10,158	253	(18,279)	7,549	318	-
Disposals / derecognition	-	-	-	-	(924)	(487)	(1,411)
Valuation/gross cost at 31 March 2017	28,407	114,444	7,303	10,493	62,873	13,370	236,890
Accumulated depreciation at 1 April 2016	-	-	-	-	36,604	8,724	45,328
Provided during the year	-	9,735	363	-	4,882	1,273	16,253
Revaluations	-	(9,501)	(363)	-	-	-	(9,864)
Disposals/ derecognition	-	-	-	-	(865)	(487)	(1,352)
Accumulated depreciation at 31 March 2017	-	234	-	-	40,621	9,510	50,365
Net book value at 31 March 2017	28,407	114,210	7,303	10,493	22,251	3,860	186,525
Net book value at 1 April 2016	31,672	120,155	6,960	12,270	19,639	4,814	195,510

Note 13.3 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 13.4 Property, plant and equipment financing - 2016/17

	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 2017							
Owned - purchased	28,407	107,809	7,079	10,441	17,750	3,844	175,331
Owned - donated	-	6,401	224	52	4,501	16	11,194
NBV total at 31 March 2017	28,407	114,210	7,303	10,493	22,251	3,860	186,525

Note 14.1 Investment Property

	2017/18	2016/17
	£000	£000
Carrying value at 1 April - brought forward	37,294	34,088
Movement in fair value	61,985	27,206
Reclassifications from PPE	1,931	-
Disposals	-	(24,000)
Carrying value at 31 March	<u>101,210</u>	<u>37,294</u>

Note 14.2 Investment property income and expenses

	2017/18	2016/17
	£000	£000
Investment property income	828	1,091

Investment properties were valued as at 31 December 2017 by Montagu Evans (an independent valuer) 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.

Reclassifications from PPE consist of £1.875m with regard to Chelsea Farmers Market and £56k for accommodation previously held under Dwellings.

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.

During the year the Trust secured planning consent for the residential and retail redevelopment of almost all its investment property portfolio. This consent was linked via a 's.106 agreement' with the local planning authority to a planning consent for the expansion and improvement of clinical facilities at Royal Brompton Hospital. As a result the market value of the trust's investment properties was substantially enhanced.

Note 15 Disclosure of interests in other entities

The Trust owns 100 per cent of the ordinary share capital of The Chelsea Private Hospital Ltd. The cost of this investment is £100. The Chelsea Private Hospital Ltd is a dormant company.

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

With effect from 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. The founding partners have each contributed £100,000 in total to the funding of ICMS including their original respite 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 2017/18 (2016/17: 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 this company during the year (2016/17: nil).

Note 16 Inventories

	31 March 2018 £000	31 March 2017 £000
Drugs	1,446	1,380
Consumables	8,844	8,577
Total inventories	10,290	9,957

Inventories recognised in expenses for the year were £105,819k (2016/17: £103,690k). Write-down of inventories recognised as expenses for the year were £0k (2016/17: £0k).

Note 17 Trade and other receivables

Note 17.1 Trade and other receivables*

	31 March 2018 £000	31 March 2017 £000
Trade receivables	13,091	6,550
Accrued income	56,769	20,579
Provision for impaired receivables	(10,192)	(7,889)
Prepayments	2,649	5,598
PDC dividend receivable	-	545
VAT receivable	190	536
Other receivables	20,683	20,031
Total trade and other receivables	83,190	45,950

Of which receivables from NHS and DHSC group bodies:

Current	63,239	23,795
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*Trade and other receivables include £4,757k at 31 March 2018 (£3,812k at 31 March 2017) for partially completed patient episodes.

Accrued income contains £45,222k for STF income to reflect the Q4 element of 'core' funding (£2,866k) plus the 'incentive' (£38,101k), 'bonus' (£1,622k) and general distribution (£2,633k) funding.

Note 17.2 Provision for impairment of receivables

	2017/18	2016/17
	£000	£000
At 1 April	7,889	7,318
Increase in provisions	3,224	1,653
Amounts utilised	(862)	(323)
Unused amounts reversed	(59)	(759)
At 31 March	<u>10,192</u>	<u>7,889</u>

Receivables written off during the year represent debts for which management has determined that all appropriate means and methods of recovery have been exhausted.

Note 17.3 Credit quality of financial assets

	31 March 2018		31 March 2017	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
	£000	£000	£000	£000
Ageing of impaired financial assets				
0 - 30 days	652	-	175	-
30-60 Days	(239)	-	240	-
60-90 days	(12)	-	16	-
90- 180 days	635	-	292	-
Over 180 days	9,156	-	7,166	-
Total	<u>10,192</u>	<u>-</u>	<u>7,889</u>	<u>-</u>
Ageing of non-impaired financial assets past their due date				
0 - 30 days	5,498	-	5,724	-
30-60 Days	4,239	-	3,846	-
60-90 days	1,845	-	347	-
90- 180 days	6,090	-	3,743	-
Over 180 days	2,574	-	2,823	-
Total	<u>20,246</u>	<u>-</u>	<u>16,483</u>	<u>-</u>

Note 18 Cash and cash equivalents movements

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.

	2017/18	2016/17
	£000	£000
At 1 April	32,668	13,777
Net change in year	(11,821)	18,891
At 31 March	<u>20,847</u>	<u>32,668</u>
Broken down into:		
Cash at commercial banks and in hand	71	69
Cash with the Government Banking Service	20,776	32,599
Total cash and cash equivalents as in SoFP	<u>20,847</u>	<u>32,668</u>
Bank overdrafts (GBS and commercial banks)	(3,271)	(597)
Total cash and cash equivalents as in SoCF	<u>17,576</u>	<u>32,071</u>

The Trust had a "paper only" overdraft for one day as @ 31st March due to timing.

Note 18.1 Third party assets held by the trust

The Trust held cash and cash equivalents which relate to monies held by the the foundation trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

Under the Tenancy Deposits Scheme, at 31 March 2018 the Trust held £187k (31 March 2017: £139k) in a deposit account for tenants renting accommodation owned by the Trust. These deposits are not recognised in reported cash and cash equivalents as the Trust has no beneficial interest in them.

The Trust also held a deposit of £58k in respect of a third party commercial tenant at Wimpole Street.

Note 19 Trade and other payables

	31 March	31 March
	2018	2017
	£000	£000
Trade payables	9,966	11,280
Capital payables	2,894	1,870
Accruals	24,493	21,267
Receipts in advance (including payments on account)	8,207	7,049
Social security costs	2,718	2,572
Other taxes payable	2,582	2,480
PDC dividend payable	195	-
Accrued interest on loans	423	424
Other payables	2,722	2,624
Total trade and other payables	<u>54,200</u>	<u>49,566</u>
Of which payables due to NHS and DHSC group bodies:	6,350	4,704

Note 20 Borrowings

	31 March 2018 £000	31 March 2017 £000
Current		
Bank overdrafts	3,271	597
Loans from the Department of Health and Social Care	3,880	3,695
Other loans	11,514	1,318
Total current borrowings	18,665	5,610
Non-current		
Loans from the Department of Health and Social Care	42,240	43,805
Other loans	6,952	8,342
Total non-current borrowings	49,192	52,147

Revolving credit facility

The Trust has a £10m Revolving Credit Facility, from Barclays Bank PLC which has a £10m balance drawn down at 31 March 2018 (31 March 2017: nil), at an interest rate of 2.188%. This is included under other loans.

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, 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 £27.6m at 31 March 2018 (2016/17: £30.0m). Repayments on the loan commenced in April 2017 (with final repayment due in April 2029) and the amount due within 12 months, £2.4m, is included within the current balance in the table above.

A further £20m loan facility from the Independent Trust Financing Facility 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 £18.52m at 31 March 2018 (2016/17: £17.5m, noting that the final £2.5m tranche was received in April 2017). Repayments on the loan commenced in June 2017 (with final repayment due in June 2030) and the amount due within 12 months, £1.48m, is included within the current balance in the table above.

Other loans

A £10m loan facility has been granted by Barclays Bank PLC to fund the costs associated with the fitting out and equipping of 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% 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 2018 the balance is £8.5m (31 March 2017: £9.7m). 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 21.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs £000	Legal claims £000	Redundancy £000	Other £000	Total £000
At 1 April 2017	714	71	-	1,864	2,649
Arising during the year	117	3	485	1,541	2,146
Utilised during the year	(76)	-	-	(321)	(397)
Reversed unused	(83)	-	-	(2,006)	(2,089)
Unwinding of discount	1	-	-	-	1
At 31 March 2018	673	74	485	1,078	2,310
Expected timing of cash flows:					
- not later than one year;	76	74	485	1,078	1,713
- later than one year and not later than five years;	304	-	-	-	304
- later than five years.	293	-	-	-	293
Total	673	74	485	1,078	2,310

The provision for pensions is calculated using expected life tables and is discounted over the estimated period of the pension.

Note 21.2 Clinical negligence liabilities

At 31 March 2018, £84,275k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Royal Brompton and Harefield NHS Foundation Trust (31 March 2017: £79,848k).

Note 21.3 Contractual capital commitments

	31 March 2018 £000	31 March 2017 £000
Property, plant and equipment	4,023	15,912
Intangible assets	6	251
Total	4,029	16,163

Note 22 Financial instruments

Note 22.1 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 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 change 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 has no significant overseas operations. The Trust therefore 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 21. 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 2018 is in receivables from other customers, as disclosed in Note 17 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 22.2 Carrying values of financial assets

	Loans and receivables £000	Total book value £000
Assets as per SoFP as at 31 March 2018		
Trade and other receivables excluding non-financial assets	80,351	80,351
Cash and cash equivalents at bank and in hand	20,847	20,847
Total at 31 March 2018	<u>101,198</u>	<u>101,198</u>

	Loans and receivables £000	Total book value £000
Assets as per SoFP as at 31 March 2017		
Trade and other receivables excluding non-financial assets	39,816	39,816
Cash and cash equivalents at bank and in hand	32,668	32,668
Total at 31 March 2017	<u>72,484</u>	<u>72,484</u>

Note 22.3 Carrying value of financial liabilities

	Other financial liabilities £000	Total book value £000
Liabilities as per SoFP as at 31 March 2018		
Borrowings	67,857	67,857
Trade and other payables excluding non-financial liabilities	29,707	29,707
Total at 31 March 2018	<u>97,564</u>	<u>97,564</u>

	Other financial liabilities £000	Total book value £000
Liabilities as per SoFP as at 31 March 2017		
Borrowings	57,757	57,757
Trade and other payables excluding non-financial liabilities	27,875	27,875
Total at 31 March 2017	85,632	85,632

Note 22.4 Maturity of financial liabilities

	31 March 2018 £000	31 March 2017 £000
In one year or less	48,373	33,485
In more than one year but not more than two years	5,732	5,211
In more than two years but not more than five years	16,739	17,918
In more than five years	26,720	29,018
Total	97,564	85,632

Management considers that the carrying values of financial assets and liabilities are equal to their fair values.

Note 23 Losses and special payments

The table below outlines 122 cases of losses and special payments totalling £1,780k during the year to 31 March 2018 (year to 31 March 2017: 129 cases, £486k). These amounts are reported on an accruals basis when identified but exclude provisions for future losses.

	2017/18		2016/17	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	10	-	8	-
Fruitless payments	-	-	-	-
Bad debts and claims abandoned	94	1,680	96	168
Stores losses and damage to property	12	75	14	311
Total losses	116	1,755	118	479
Special payments				
Compensation under court order or legally binding arbitration award	-	-	-	-
Extra-contractual payments	-	-	-	-
Ex-gratia payments	6	25	11	7
Special severance payments	-	-	-	-
Extra-statutory and extra-regulatory payments	-	-	-	-
Total special payments	6	25	11	7
Total losses and special payments	122	1,780	129	486

One individual write-off in 2017/18 was over £300k (£373k). This related to an international overseas patient who was unable to pay for treatment.

Note 25 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 has 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.

Note 25.1 Related party balances

	Receivable		Payable	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Department of Health and Social Care Group				
Department of Health and Social Care	-	578	19	-
NHS England and CCGs	57,484	20,888	3,713	3,139
<i>of which >£250k:</i>				
NHS England	51,154	11,950	-	2,338
NHS Herts Valley CCG			1,088	
NHS Slough CCG	775	915	-	-
NHS Hillingdon CCG		883	-	-
NHS West London CCG		646	-	-
NHS South Devon & Torbay CCG		487	-	-
NHS Hounslow CCG			447	
NHS Wiltshire CCG	445			
NHS Central London CCG			350	
NHS Harrow CCG		349	263	-
NHS Herefordshire CCG	336	317	-	-
NHS Hammersmith & Fulham CCG	305			
NHS Bristol CCG	300			
NHS Coastal West Sussex CCG			296	
NHS Nene CCG	296			
NHS Ealing CCG			295	
NHS Luton CCG			294	
Sub-total	53,611	15,547	2,444	2,338
%	93%	74%	66%	74%
Foundation Trusts	3,993	1,354	1,570	1,159
NHS Trusts	1,564	848	410	398
Other DHSC Bodies	142	80	8	8
Total DHSC Group	63,183	23,748	5,720	4,704

Other Whole of Government (WGA)

Central Government Departments	537	897	8,192	8,112
<i>of which:</i>				
HMRC	190	536	5,300	5,052
NHS Pension Scheme	-	-	2,722	2,624
Sub-total	190	536	8,022	7,676
%	35%	60%	98%	95%
Local Government	-	-	-	-
TOTAL Other WGA	537	897	8,192	8,112

Other (non-WGA) related parties

Royal Brompton & Harefield Hospitals Charity	4,272	29,545	-	-
Total Non-WGA	4,272	29,545	-	-

Total related parties receivable and payable balances	67,992	24,675	13,912	12,816
Total non-related party receivable and payable balances	15,198	21,275	40,288	36,750
Total receivable and payable balance	83,190	45,950	54,200	49,566

Note 25.2 Related party transactions

	Income		Expenditure	
	Ended 31	Ended 31	Ended 31	Ended 31
	March	March	March	March
	2018	2017	2018	2017
	£000	£000	£000	£000
Department of Health and Social Care Group				
Department of Health and Social Care	3,290	6,686	3	3
NHS England and CCGs	343,760	297,981	67	27
<i>of which >£2,000k:</i>				
NHS England	292,743	240,081	4	4
NHS Hillingdon CCG	7,231	8,216	-	-
NHS Herts Valleys CCG	3,771	4,303	-	-
NHS Ealing CCG	2,048	2,446	-	-
NHS Harrow CCG	2,194	2,611	-	-
NHS West London CCG	2,522	2,290	-	-
Sub-total	310,509	259,947	4	4
%	90%	87%	6%	15%
Foundation Trusts	4,335	3,603	5,656	3,744
NHS Trusts	2,667	2,755	1,954	1,910
Other DHSC Bodies	6,178	6,167	5,243	4,729
Total DHSC Group	360,230	317,192	12,923	10,413

Other Whole of Government (WGA)

Central Government Departments	4,739	4,638	40,544	38,928
<i>of which:</i>				
Welsh Assembly Government	3,479	2,990	12	-
NHS Blood & Transplant	976	1,208	2,493	2,565
HMRC	-	-	19,615	18,275
NHS Pension Scheme	-	-	18,408	18,036
Sub-total	4,455	4,198	40,528	38,876
%	94%	91%	100%	100%
Local Government	-	-	7	1,244
TOTAL Other WGA	4,739	4,638	40,551	40,172

Other (non-WGA) related parties

Royal Brompton & Harefield Hospitals Charity	4,272	29,545	-	-
Total Non-WGA	4,272	29,545	-	-

Total related parties income and expenditure	369,241	351,375	53,474	50,585
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<i>Total non-related party income and expenditure</i>	<i>50,702</i>	<i>49,955</i>	<i>345,024</i>	<i>335,566</i>
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Total income and expenditure*	419,943	401,330	398,498	386,151
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*The total income value for 2017/18 includes £4.3m received from Royal Brompton & Harefield Hospitals Charity.

Note 25.3 Department of Health and Social Care related parties

related parties should be treated as related parties of the Trust. The related balances and transactions are as follows:

	Receivable year ended 31 March 2018	Payable year ended 31 March 2018	Income year ended 31 March 2018	Expenditure year ended 31 March 2018
	£000	£000	£000	£000
British Telecom	-	-	-	442
Cumberland Lodge	-	-	-	-
London School of Economics	-	-	-	-
Medical Research Council	-	-	-	-
Medicines and Healthcare Products Regulatory Agency	-	3	-	4
Total	-	3	-	446

Note 26 Events after the reporting date

There were no disclosable events after the reporting date.

