



# Annual Report 2018/19



**Royal National  
Orthopaedic Hospital**  
NHS Trust



# About this document

The **Annual Report** comprises of two parts, the **Performance Report** which is divided into an Overview which is a summary that provides the reader with information with which to understand the organisation, its purpose, the key risks to the achievements of its objectives and how it has performed in the year; and a **Performance Analysis** which reports on the Trust's most important performance measures and longer term trend analysis. The second part is the **Accountability Report** which is divided into the **Corporate Governance Report** which explains the composition and governance structures and how they support the Trust in achieving its objectives. It is made up of the **Directors' Report** containing the Director's details and disclosures for the financial year, the **Statement of Accountable Officer's responsibilities** which explain the Chief Executive Officer's responsibility for preparing the financial statements and the **Governance Statement** which describes and provides information relating to both corporate and quality governance and to risk management and control. **The Remuneration and Staff Report** is the second section of the Accountability Report and sets out the Trust's remuneration policy for Directors and Senior Managers. It reports on how the policy has been implemented and sets out the amounts awarded to Directors and Senior Managers.

## Mandatory statements

The Performance Report: Overview forms only part of the RNOH Annual Report and accounts for the year ended March 31, 2019. A copy of the full Annual Report and accounts can be obtained from [www.rnoh.nhs.uk](http://www.rnoh.nhs.uk) or in print form by contacting the Communications Department at the Royal National Orthopaedic Hospital via [rnoh.communicationsdept@nhs.net](mailto:rnoh.communicationsdept@nhs.net)

The auditor's report on the full annual report and accounts was unqualified.

The auditor's report stated that the Performance Report: Overview and Directors' Report were consistent with the accounts and this statement was unqualified.

The Remuneration Report includes the single total figure table in respect of the Directors' remuneration on page 96 of this annual report.



# Inside the Annual Report

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# Section A

## Introduction & Welcome

Welcome from Professor Anthony Goldstone, CBE, Chairman  
and Rob Hurd, Chief Executive

**Welcome, to our 2018-19 Royal National Orthopaedic  
Hospital (RNOH) Annual Report.**

**The year marked two milestones in the RNOH's history;  
the opening of the Stanmore Building after two years of  
construction and of course, the NHS's 70th anniversary.**



# The Stanmore Building



**Construction of the new Inpatient Stanmore Building is now complete; it was opened for patients in December 2018**

**The Stanmore Building is a five-storey building which contains wards and therapy units for 119 inpatients, and replaces many of the old and severely outdated ward units that date back as far as World War 2.**

It is the latest in a long term planned development of the Stanmore site. The Duke of York and Princess Eugenie officially opened the magnificent new building in March 2019. The £50 million building, which fuses the latest architectural design and health technology with contemporary art to produce a stunning and unique environment for patients and staff, was partly financed by the RNOH Charity's Redevelopment Appeal. The official patron of the appeal is Her Royal Highness Princess Eugenie, who in 2002 underwent corrective surgery at the hospital for scoliosis (curvature of the spine). His Royal Highness The Duke of York has been Patron of the RNOH since 2003, and was accompanied on the visit by Princess Eugenie. The Royal Party met with staff and patients during their visit.



A particular focus for the RNOH Charity has been enhancing the Stanmore Building with a range of stunning artwork to help uplift and inspire patients. These include 'Tribe', a 33-foot long hanging installation in the building's atrium, which was designed and fabricated by Studio Roso, and beautiful wall decorations throughout all the wards which are based on the popular children's book 'The Lost Words' by Robert Macfarlane and Jackie Morris. 21 artworks have been installed in the gallery waiting areas of all four new wards, contributing to the enhancement of the building. These works have been loaned through the gallery Hauser & Wirth, of which Princess Eugenie is a director. A specially produced poem called 'Buttercup' has also been written for the children and young people's unit. The aim is to create a narrative with individual poems interspersed throughout the building. Each level in the hospital has its own colour scheme and identity which dramatically improves wayfinding for patients and their families while providing a nurturing and restorative environment. The Stanmore Building's artwork, all of which has been funded by The RNOH Charity, will benefit every patient who is treated in the new ward block as well as medical staff.

Cutting-edge technology is also an integral feature of the Stanmore Building. This includes a secure hands-free staff communication system, digital signage, bedside entertainment and communication systems for all patients, and a state-of-the-art interactive robot called Pepper introduced to Princess Eugenie during the visit. Based on the children's ward, Pepper is able to converse with patients, take instructions, play games, read human emotions and face recognition capabilities. This is a first for an NHS hospital. This technology will strengthen the vital work of the RNOH on an ongoing basis by providing extra services and facilities that are beyond the constraints of the hospital's NHS budget.

These include two rehabilitation gyms, a social space for teenagers, an interactive children's activity centre, and high specification scanning equipment to ensure the RNOH remains a leader in the early diagnosis of cancer. While the Stanmore Building may now be open, the Princess's involvement with the RNOH Charity is far from over. Princess Eugenie's patronage included an immediate focus on raising funds to provide similar enhancements for another major new building scheduled to open in 2020.

There is much more to come in terms of infrastructure; a multi-storey car park, Princess Eugenie House consisting of three main elements: a 'patient hotel' offering rehabilitation for all NHS patients including a unit for military veterans and reservists taking forward the recommendations of the Chavasse Report by Professor Tim Briggs, an independent living unit, a rehabilitation centre for patients with acute spinal cord injuries not yet ready to return home, and a modern family accommodation unit for parents and carers of our paediatric patients.

# NHS 70th Anniversary

**The NHS turned 70 on 5 July 2018. Over the last 70 years, the NHS has transformed the health and wellbeing of the nation and has become the envy of the world. To mark the 70th anniversary, the RNOH held a Stanmore garden party and a special lunch at Bolsover Street. Staff from across the Trust gathered to mark this major milestone. As part of the celebrations, there was also a live TV broadcast from Abbey Road Studios.**

Some of the other highlights achieved during the year by our wonderful staff, patients and partners included the following:

- The Trust was inspected by the Care Quality Commission (CQC) during October and November 2018 and was rated as 'Good' overall.
- The RNOH Charity provided much needed and appreciated financial support in the procurement of a number of new medical devices including an overhead patient hoist for theatres and three Electromyograph systems for our Neurophysiology department.
- The RNOH was a recipient of the Brittle Bone Society Award 2018 for its outstanding care for patients with rare metabolic bone conditions.
- In February 2019, we acknowledged the great work of our various teams at our annual Staff Achievement Awards.
- The Buttercup Walk took place in June. Radio Brockley provided coverage. Money raised from the event was approximately £20,000. All of the sponsorship money went directly towards the improvement and care of patients at the RNOH.
- The 3rd annual Diversity Festival took place in November 2018; a day to celebrate the diversity, equality and inclusivity enjoyed at the RNOH.
- Radio Brockley was awarded Station of the Year by the Hospital Broadcasting Association and was described as 'a truly great hospital radio station at the top of its game'.
- We are immensely grateful for the support of our associated charities. Their fundraising efforts during 2018/19 have added to the quality of services that we can deliver to our patients and staff. We extend our thanks to our charitable partners and volunteers: Radio Brockley, the Barbara Bus, ASPIRE, SCAT Bone Cancer Trust, the Disability Foundation and, of course, the RNOH Charity for their tireless fundraising.
- We would like to also thank Mr Tim Kelly and his colleagues who helped raise a substantial amount of money for the London Irish Ward in our new hospital wing and we are also grateful to the Trustees of Horiatis Garden who have been working hard to raise significant charitable funds for the creation for a garden for our spinal injury patients.
- We would also like to extend a warm welcome to Mark Bramwell who joined the Board during the year. Mark Bramwell was appointed as an Associate Non-Executive Director to replace Robin Whitby who previously served as an Associate Non-Executive Director before being appointed as a Non-Executive Director during 2017-18. Mark Bramwell is the Chief Information Officer and Director of Professional Services for Said Business School - University of Oxford.

We would like to take this opportunity to thank each and every one of our staff for their immense contributions to the enduring success that is the Royal National Orthopaedic Hospital.



**Professor Anthony Goldstone, CBE**  
Chairman



**Rob Hurd**  
Chief Executive Officer

# Section B

## Performance Report - Overview

### Statement of purpose and activities of the RNOH

This overview is a summary to provide the reader with information to understand the organisation, its purpose, the key risks to the achievements of its objectives and how it has performed in the year.

The Royal National Orthopaedic Hospital (RNOH) is the UK's leading specialist orthopaedic hospital. It is a national tertiary hospital that provides a comprehensive range of neuro-musculoskeletal health care, ranging from acute spinal injury and complex bone tumour to orthopaedic medicine and specialist rehabilitation for chronic back pain sufferers.

Our vision for the RNOH is of continuous improvement in our status as the UK's leading specialist orthopaedic hospital, enhancing our international profile for outstanding patient care, research and education.

To help realise this vision, we have an established track record of achieving excellent quality of patient experience and outcomes with over 90% of patients who completed the survey, indicating that they would recommend the Trust to friends and family who need similar treatment or care.

During 2018-19 the RNOH provided specialist orthopaedic care to 17,085 in-patients at the Stanmore site. Altogether, there were 134,995 outpatient attendances: 103,560 outpatient attendances at the Stanmore site, 31,338 outpatients attendances at the Bolsover street site and 285 at home or in another setting.

This has been achieved through the provision of high quality acute medical and surgical services for patients who attend our Trust from as far as Scotland, Northern Ireland and Wales.

Our specialist services are commissioned by NHS England and Commissioners from across London and the UK.



The Trust directly employs 1,502 people with hundreds more employed by partners supporting its work. It provides services on two sites; the Stanmore Hospital site which is a 223 bed hospital with capacity for 16 intensive care patients and is set in 112 acres of land in the London Borough of Harrow and the Bolsover Street site which attends to outpatient cases only and is located in Central London.

**The 21 clinical services provided by the RNOH are:**

- Anaesthesia
- Bone Infection
- Clinical Neurophysiology
- Foot and Ankle
- Functional Assessment and Restoration (FARs)
- Histopathology and Pathology
- Integrated Back
- Joint Reconstruction
- Sarcoma
- Spinal Cord Injury
- Orthopaedic Medicine
- Orthotics and Prosthetics
- Paediatric and Adolescents
- Pain Management Services
- Peripheral Nerve Injury Unit
- Plastics
- Radiology
- Rehabilitation and Therapy
- Shoulder and Upper Limb
- Spinal Surgery
- Urology

# Statement from the Chief Executive Officer

**The RNOH aims to provide the best patient care in the NHS and we are well on the way to achieving this. The Trust was inspected by the Care Quality Commission (CQC) during October and November 2018 and was rated as 'Good' overall. The inspection checked the quality of four core services; - surgery, medicine, children and young people's services and outpatients. The CQC also looked specifically at management and leadership to answer the key question: Is the trust well-led? As a result of this inspection, the Trust is now rated as 'Good' for being caring, effective, responsive and well-led.**

The Trust still 'requires improvement' for being safe. Overall, the Trust has significantly improved from a 'Requires Improvement' following the previous visit in 2014 to a 'Good' rating. This significant improvement in our rating is down to the commitment and hard work of everyone at the RNOH, focussing on delivering the very best patient care and developing a culture in which patients and staff feel cared for, valued and respected. I want to extend a thank you to all the teams across the Trust for their efforts. This is one major step forward in our aim not only to maintain the RNOH's position as the country's leading specialist musculoskeletal centre, but also to become the best place to work in the NHS.

Infrastructure investment and development continues at the RNOH. The fully fitted-out new inpatient ward block; 'The Stanmore Building', opened in early December 2018. NHS Improvement (NHSI) have approved the new car parking infrastructure business case, staff accommodation and Princess Eugenie House developments on the Stanmore site and the Trust has begun the procurement process. These are key projects supporting the RNOH's strategy.

In our external environment, the RNOH's partnership with NHSI Getting it Right First Time (GIRFT) continues to grow and has been able to evidence improvement impact in the wider NHS as well as at RNOH. The RNOH remains very engaged with its local Health and Social Care Sustainability and Transformation Partnership (STP). The North London Partners Joint Commissioning Committee of the North Central London Clinical Commissioning Groups has formally and publically supported the establishment of the Adult Elective Orthopaedics review with me as the Chief Executive sponsor jointly supported by GIRFT and the STP.

RNOH has ongoing and planned research and partnership opportunities that will further enhance our international reputation for innovation and to support its visions, the RNOH is developing its role to become a clear single point of access for orthopaedic innovation partnerships in the UK.

The development and improvement of tracking our patient pathways to ensure timely access to clinical services continues to improve in a more sustainable way. This is supported by the evidence of more stable referral to treatment performance than in previous years, and the number of people waiting to access services remained stable and did not grow during the course of the year.

Staff turnover and vacancies remain a major challenge for the NHS and the RNOH is no exception. On a daily basis, the Trust is managing the quality and cost risks from usage of both temporary and bank staff who are used whenever possible, with some parts of the Trust experiencing very high vacancy rates. This is why we continue to place such a big priority and emphasis on achieving the best staff experience working at RNOH and we were proud that our staff rated us as one of the best places to work in the NHS (3rd highest staff survey in London).

The long term outlook for financial sustainability remains challenging, given the underlying deficit caused by specialist orthopaedic tariff reductions and the non-recurrent nature of many of the savings being delivered. However, progress is being made on growing non-NHS clinical activity income contributions to support our services and agreeing national tariff adjustments to properly reflect the complexity of RNOH case mix.

We are very grateful to the RNOH Charity for its donations to the RNOH. The table below indicates the charity's immense contribution this financial year:

Project:

## Grants awarded to the RNOH

Total amount donated:

**£2.16m**

Impact / Notes:

### **New Inpatient Ward Block (including Private Patient Ward)**

The RNOH Charity has generously funded a huge number of enhancements in the Stanmore Building. These include the following:

- Contribution towards building and construction costs
- Patient entertainment system for each bedside on all four wards
- All patient chairs
- All visitor chairs
- Drop-down beds for the four bedded bays and sofa beds in each patient room
- All parent sleepers
- Travel hoist system for every single patient room and four-bedded bays
- Mobile hoist
- Parent kitchen
- Bariatric chairs
- Infection control over-bed table
- Cabinets in every room
- Bedside trolley/RFID drugs cupboard
- Magnetic whiteboards for every room
- Commodes
- Shower chairs
- Shower stretchers
- Therapy kitchen
- Therapy bathrooms
- School equipment
- Equipping the social space for teenagers
- Equipping the social space for children
- Adults socialisation spaces
- Contribution towards the children's garden area

- Bladder scanners
- Dementia clocks
- Blood pressure monitors
- Spirometers
- Weighing scales
- Thermometers
- Eldridge gym equipment
- Sammy's gym equipment
- Children's activity centre
- Pepper, an interactive robot
- Vocera communication system
- Tribe installation (hanging artwork in the atrium)
- Jackie Morris artwork on wards and patient doors
- Arts curator
- Artists' fees for presentations
- Loan of Hauser & Wirth Artwork value circa £250,000

## **Contributions to the RNOH**

Areas of funding include:

- Trust Equipment
- Occupational Therapy Patient Equipment
- Volunteer Service
- Patient packs
- Buggy equipment
- Broccles upgrade
- Patient rehabilitation support
- LSCIC day room works
- Travel scholarship
- Staff Achievement Awards
- Christmas staff contributions
- Christmas fayre for wards
- Aspire membership
- Radio Brockley
- Staff conference and training expenses

Project:

## Research

Total amount donated:

**£388,615**

Impact / Notes:

The RNOH Charity supports ground-breaking research projects at the RNOH including research into musculoskeletal as well as neuro-musculoskeletal conditions, rehabilitation, peripheral nerve injury repair, sarcoma detection and surgical treatments. This year charitable funding has included:

- Chair in Clinical Orthopaedics
- Nurse Research Reader post
- Fripp Fund (orthopaedic surgery)
- Ibuproflex Pilot
- Improving function (elbow)
- Research equipment
- M Wilcox Research study fees
- Human Tissue Work
- Sandpit Event
- Study of military nerve injuries
- Contribution towards bionic hand research

The RNOH recognises that although serious incidents are relatively uncommon, from time to time things can and do go wrong. When adverse incidents do occur, the Trust has a responsibility to ensure that there are systematic measures in place for safeguarding people, property, Trust resources and reputation. This includes responsibility to learn from these incidents in order to minimise the risk of these happening again. The combined Incident and Serious Incident policy aims to help the organisation to understand why things have gone wrong, how we can prevent or minimise similar incidents from reoccurring and how we can share any learning across the Trust as well as externally. The policy ensures that serious incidents are investigated by a nominated multidisciplinary team using the root cause analysis process and that action plans are monitored by the Serious Incident and Complaints Review Panel. Monthly reports are submitted to the Clinical Quality Governance Committee to ensure wider governance input.



# Organisational Vision

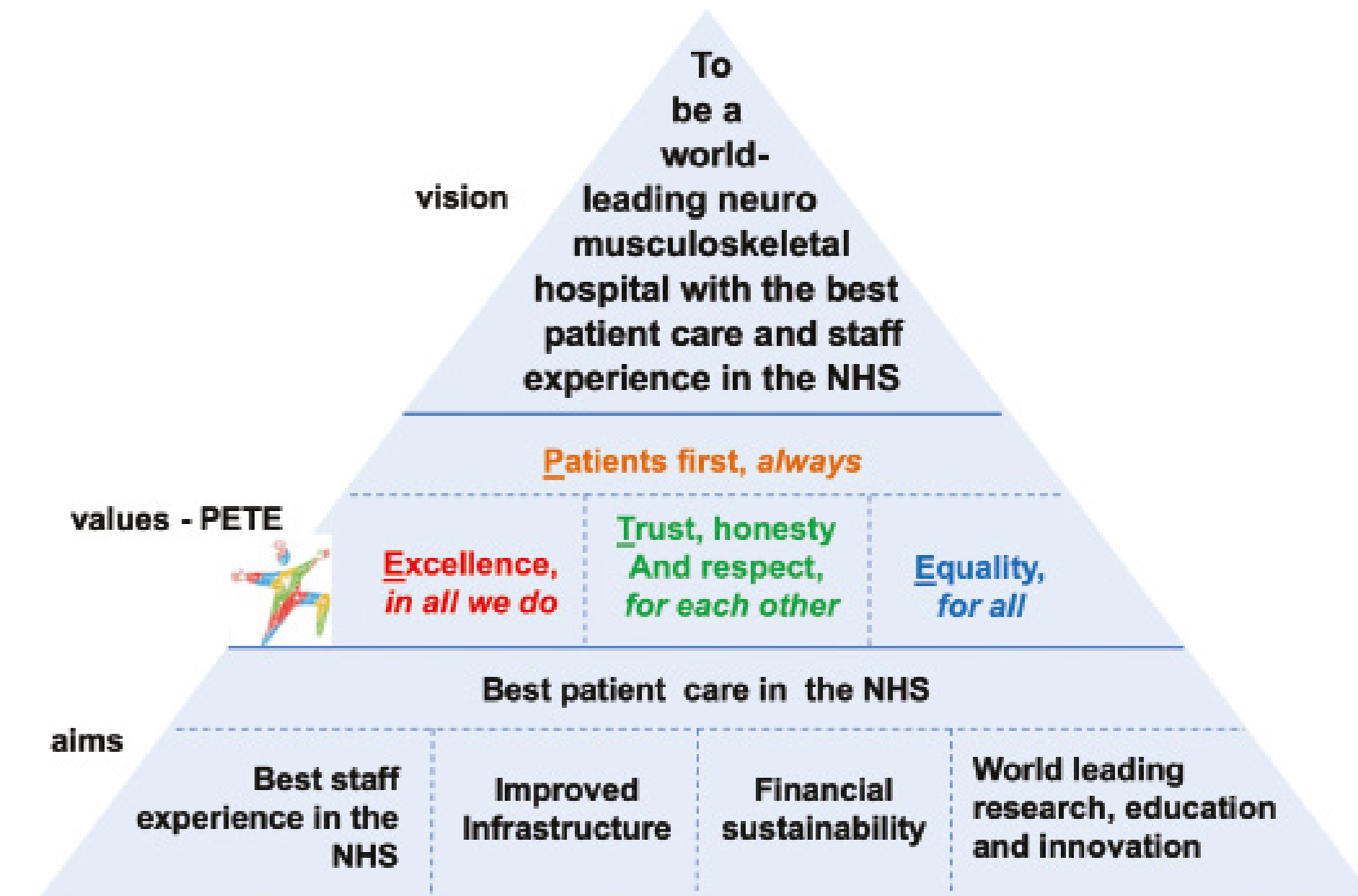


**The RNOH is a world renowned specialist hospital for the diagnosis and treatment of complex orthopaedic conditions.**

Specialised orthopaedics services are those neuro-musculoskeletal services which due to rarity, complexity or the required expertise are focused in certain centres. These services are currently provided in 25-30 hospitals in England, of which 3 are specialist stand-alone hospitals. This includes those that provide the most specialised nationally commissioned services, those that provide a range of complex multidisciplinary team delivered services and those that deliver trauma services where they are designated major trauma centres within a recognised trauma network.

We are the largest of the specialist orthopaedic hospitals in the UK providing specialised and complex orthopaedic and related care to patients regionally and nationally. Whilst some local services are also provided, 80% of our workload is defined as tertiary or equivalent.

Our vision is to become to become a world-leading orthopaedic hospital with the best patient care and staff experience in the NHS. The vision is supported by five strategic aims and will be delivered by our 2019-20 objectives which in turn tell us what our strategic risks are.



**The Trust Board has agreed the following organisational objectives and strategic risks for 2018/19.**

	<b>Strategic Objectives</b>	<b>Strategic Risks to achieving the Strategic Objectives</b>
<b>A</b>	Deliver targeted improvements in clinical excellence	The Trust faces increasing challenges maintaining a sustainable clinical workforce
<b>B</b>	Deliver targeted improvements in High Quality Care	Lack of staff capability and capacity to undertake improvement in the quality of care
<b>C</b>	Deliver targeted improvements in activity levels, access and unlocking capacity	There must be theatre, bed and clinic capacity to achieve planned activity levels
<b>D</b>	Deliver a culture of improvement	Failure to develop leaders who have 'quality improvement' capabilities will lead to not being able to deliver the Trust-wide improvement programmes
<b>E</b>	Deliver the Organisational Development Programme to improve staff experience	Failure to achieve an improvement in staff experience will impact on staff recruitment and retention
<b>F</b>	Enable the site redevelopment projects	Not exchanging contracts on the sale of the Western Development Zone
<b>G</b>	Exploit digital technology	Failure to develop a Digital Strategy to identify co-ordinated projects to deliver a safe digital infrastructure
<b>H</b>	Exploit equipment provision	Failure to identify, invest and to replace equipment such as diagnostic imaging devices
<b>I</b>	Achieve financial stability	The national tariff does not recompense the Trust for complex work undertaken by it and insufficient private patient referrals are made to the RNOH
<b>J</b>	To deliver world class musculoskeletal research	Uncertainty around academic partnerships and the implications of Brexit
<b>K</b>	To deliver world class neuro musculoskeletal education	The Trust will not become the leading provider of neuro musculoskeletal professionals if it does not deliver viable education activities integrated with research





# Performance Summary

## Patient safety and quality

The RNOH remains committed to delivering the best quality of care and patient experience. We continue to deliver low infection rates, reduce the number of pressure ulcers excluding those caused by medical devices, improve our medicines management and maintain and support the high standard of care that we deliver. Further information for patients and carers relating to how we deliver and evidence delivery of our commitment to continuous quality improvement is contained in our statutory Quality Accounts. To access the most recent quality account report please contact our Communications Department on [enquiries@moh.nhs.uk](mailto:enquiries@moh.nhs.uk) or visit our website on [www.moh.nhs.uk](http://www.moh.nhs.uk)

The safety of patients and staff and the level of quality care provided is a central consideration for the Trust. The Infection Prevention and Control Policy Assurance Framework contribute to assurance that the Trust is compliant with the Health and Social Care Act and meets the essential standards for quality and safety outlined by the Care Quality Commission.

### Infection Control

The Royal National Orthopaedic Hospital NHS Trust is proud of its infection prevention and control programme as it continuously realizes considerable year on year progress and achievements with its infection prevention and control agenda highlighting the following attainments;

- For 10 years running, there has not been an MRSA bacteraemia attributed to the RNOH, which is considerably lower than those seen at other hospitals in London and England. It is particularly expressed that bacteraemia or blood stream infections are distinct from MRSA wound infection or colonisation.
- Mandatory C. difficile infection target limits set by NHS England were met successively in the past 4 financial years. The target limit set by NHS England for RNOH this year is 1 case or less. Whilst the Trust reported 2 cases of C. difficile infection in the last financial year, none of these were deemed as a lapse in care following root cause analyses (RCAs) conducted. The target limit is held against the number of incidents that are deemed as resulting due to lapses in care. C. difficile infections were promptly identified resulting in patients having appropriate treatment with favourable outcomes. Good practices and areas of patient care needing improvement identified from the RCAs are communicated to the multi-disciplinary teams in order to enhance patient safety and experience.
- Continuous regular assessment of clinical care via regular audits, feedback and training to ensure competence and to improve clinical practices gauged against guidelines and standards on areas such as Aseptic Non-Touch Technique practices, urinary catheter care, vascular access device care, environmental cleaning and wound care among others.



- Robust surgical site infections surveillance which include shoulder replacements, elbow replacements and amputations in addition to the mandatory reportable orthopaedic procedures namely; spinal surgery, hip and knee replacements.
- Surge in post discharge questionnaire follow-up as part of Surgical Site Infection Surveillance steadily improving from 50% in 2015 to 85% in the current year against the national target of 70%.
- Infection control mandatory annual update training compliance of 70.02% among clinical staff and 88.29% among non-clinical staff was reported for the year.
- Seasonal flu vaccination uptake amongst RNOH staff was at its highest reaching 76% in the last financial year steadily increasing uptake from 32% in 2015.
- Engagement and teaching by the Infection Prevention and Control Team on surgical site infection prevention amongst patients scheduled for hip or knee replacements at the Joint Schools arranged by the Joint Reconstruction Unit.
- Successful running of Hand Hygiene and Infection Control weeks in the Trust held in May 2018 and October 2018 respectively, seeing an impact on improved hand hygiene and clinical care audit outcomes.
- Low rate of vascular line related infections with 2 cases reported last year. Vascular line access infections resulted to gram-negative blood stream infections where root cause analyses (RCAs) were conducted to identify areas of care needing improvements. Continual vascular line audits are carried out monthly accompanied with continuous infection control teaching with the aim of reducing risk of line associated infections, ensuring patient safety and enhanced experience.
- Conduct incessant inspections and assessment of environmental safety and cleanliness in collaboration with Estates Service Manager and ISS Domestic Manager to ensure environment conducive for healing and recuperation. Monthly spot-check audits are conducted in all clinical areas.
- Initiate through the Surgical Site Infection Prevention Group (SSIPG) means of monitoring improving peri-operative surgical practices within the theatre environment.
- Maintained corporate responsibilities for infection prevention and control within the infection control structure; with successful recruitment of the Lead Nurse, Surgical Site Infection Surveillance Nurse and Surveillance Coordinator/Admin Support into substantive posts within the Infection Prevention and Control Department.

## Complaints Handling Procedures and Principles of Remedy

When a complaint letter/email arrives, the Complaints and PALS team acknowledges the patient and forwards the complaint to the relevant division on the day of receipt. The Trust has 25 working days to respond to the patient. The Trust usually aims to meet this deadline, except in very complex cases where a complaint might be associated with an internal significant incident or a serious incident (SI). We continue to work hard to maintain excellent communication and good levels of responsiveness for our patients and other key stakeholders to ensure expectations are managed.

We recognise that patients value a timely response. They however also deserve a high quality response. To help assure quality, each division has been provided with a complaints starter pack which gives them a guide on how to conduct an investigation, a complaint response template and what quality assurance measures we look for in our responses. In addition, all complaint response letters go through an executive sign off process. This illustrates the care and attention we give every complaint response letter. This robust process has reduced the number of complaints that go onto the Parliamentary Health Service Ombudsman (PHSO).

To support timeliness of responses, divisions are advised to send their final response letter to the Complaints and PALS team for quality assurance

at week 3 to ensure there is sufficient time for revisions if necessary. Once approved and signed off through our assurance process, the Complaints and PALS team sends the response to the patient.

The Complaints and PALS team continue to work collaboratively with divisions within the Trust and external organisations to ensure a seamless complaints management process.

During 2018/19, the Trust received 142 formal complaints compared to 129 in 2017/18.

The top three themes were clinical treatment (31.6%), communications (26.7%) and appointments related concerns accounting for 11.2%. These were the same top three themes for 2017/18 with complaints related to communication seeing an increase of 5%. Communication with patients was the most reported complaint within the communication category.

Overall, the number of complaints has increased across all themes compared to the previous year. We ran patient experience workshops for staff in May 2018 and complaints shared at team meetings for learning.

We are currently at an all-time low on open complaints, which is due to having a substantive complaints team in place, with updated policies and procedures, supporting documentation, triangulating learning outcomes to improve our services for our patients and supporting the divisions in managing complaints overall. The total number of PALS contacts over the year

### PALS Enquiries

Year	2014/15	2015/16	2016/17	2017/18	2018/19
Total no. of PALS contacts	1,497	1,881	1,833	1,681	855

is recorded at 855. The top three themes were:

- i. Communications which accounts for 29.2% of the total number.
- ii. Out patient appointments accounting for 24.2%. Concerns raised included delay in making appointments, delays in the referral process and cancelled appointments.
- iii. Admissions discharge and transfer queries account for 12% of queries. Of the 855 PALS contacts recorded, 7% were compliments for the Trust and its staff.

The Trust recorded a low number of PALS contacts for the 2018/19, almost half of what was reported the previous year. The reason(s) for this is unclear and is being investigated.

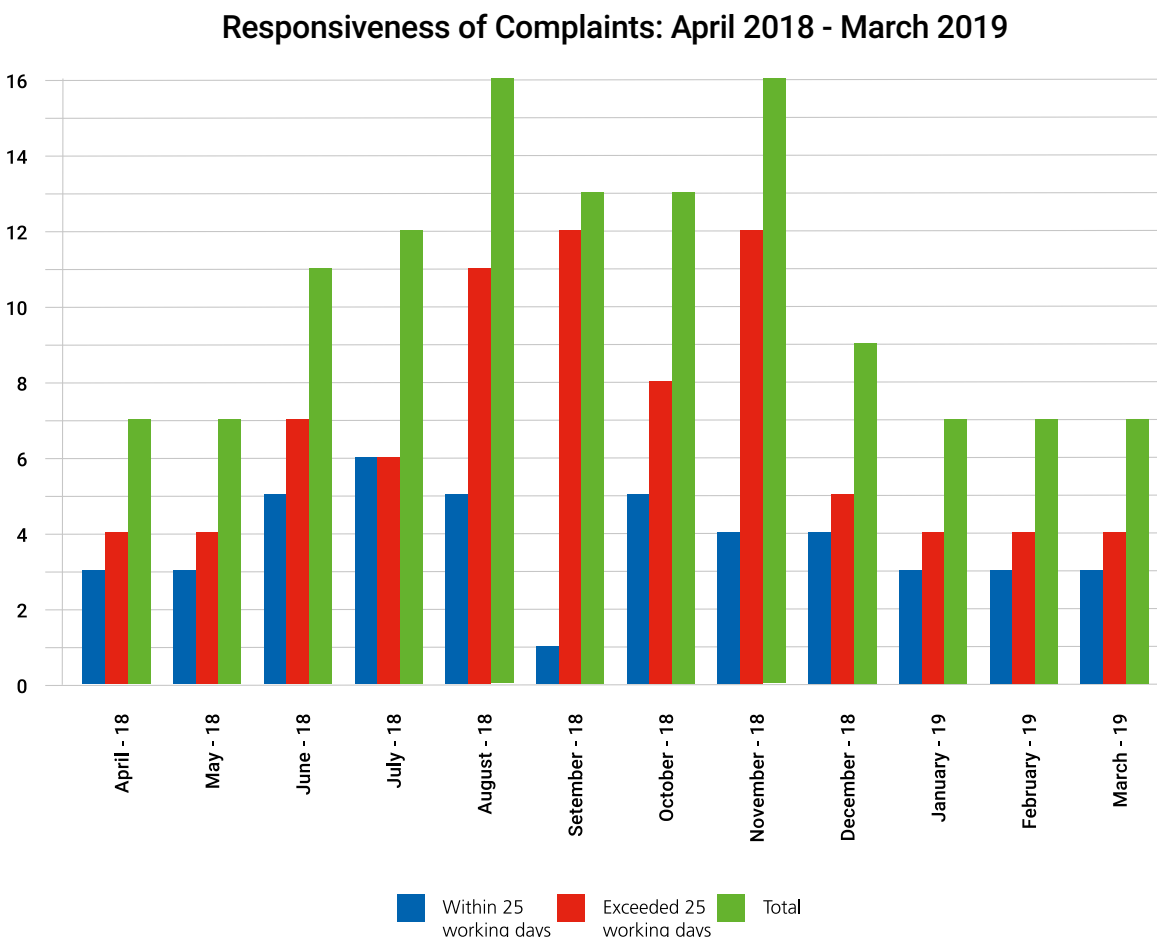
To increase awareness of lessons learned from complaints, an overview of themes are included in the monthly Trust Quality Report. Each month, we include the 'patient's voice'; using excerpts from complaint letters to provide feedback to staff. This includes positive and negative feedback.

## Responsiveness of PALS

606 out of 855 PALS enquiries were responded to within the Trust target of two working days. This represents 71% of total PALS queries.

The Quality report also includes a Trust-wide and divisional metrics which measure how we are performing with respect to delivering high quality care. The report is circulated widely in the hospital and is available on the internal 'Grapevine' website.

The graph below shows the number of complaints as a rate per 1,000 bed-days, to reflect the number of complaints given the numbers of patients being treated in the organisation. It also compares the formal complaints rate to the number of PALS contacts in the same period.



## Maintaining Patient Safety

A patient safety incident or adverse incident is defined as 'any unintended or unexpected incident which could have or led to harm for one or more patients receiving NHS funded care'. This includes all terms such as adverse incidents, adverse events and near misses where an incident was recognised and averted.

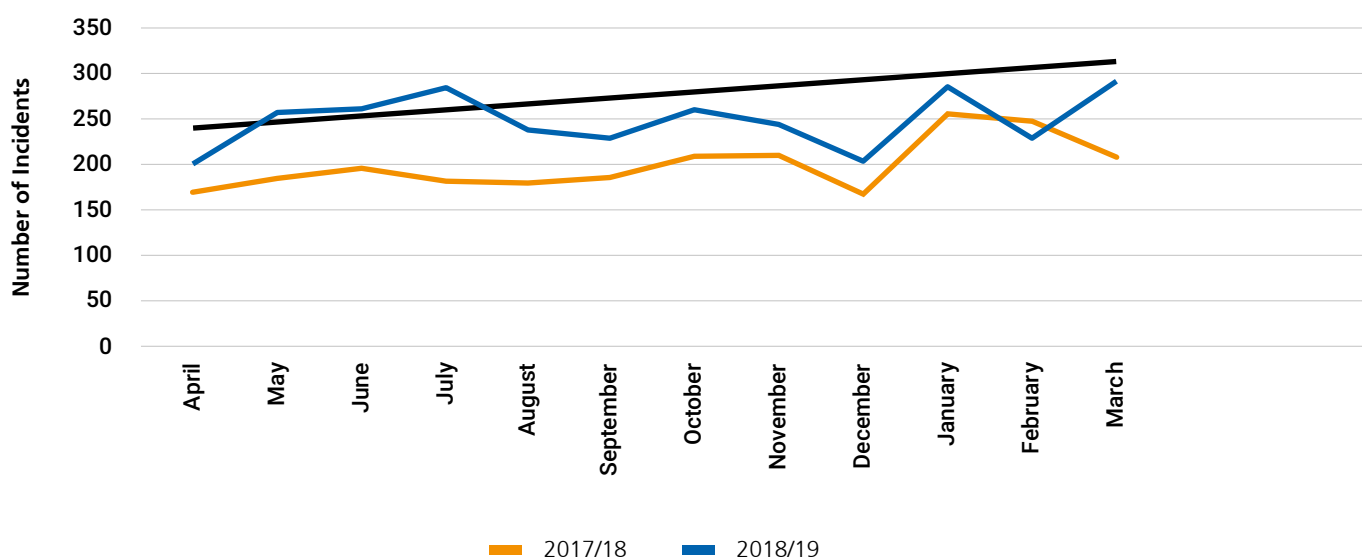
For 2018/19, the Trust reported a total of 2,983 adverse incidents. This shows an increase compared to 2396 that was reported in 2017/18. All these incidents are reported to the

National Reporting and Learning System (NRLS) to enable learning and comparison with similar sized organisations to occur.

For the period 1 April 2018 to 30 September 2018, the Trust's incident reporting rate (based on occurring dataset) was 39.4 incidents per 1,000 bed days. This is based on data that was submitted to the National Reporting and Learning system, (NRLS) by 30th November 2018 and published nationally.

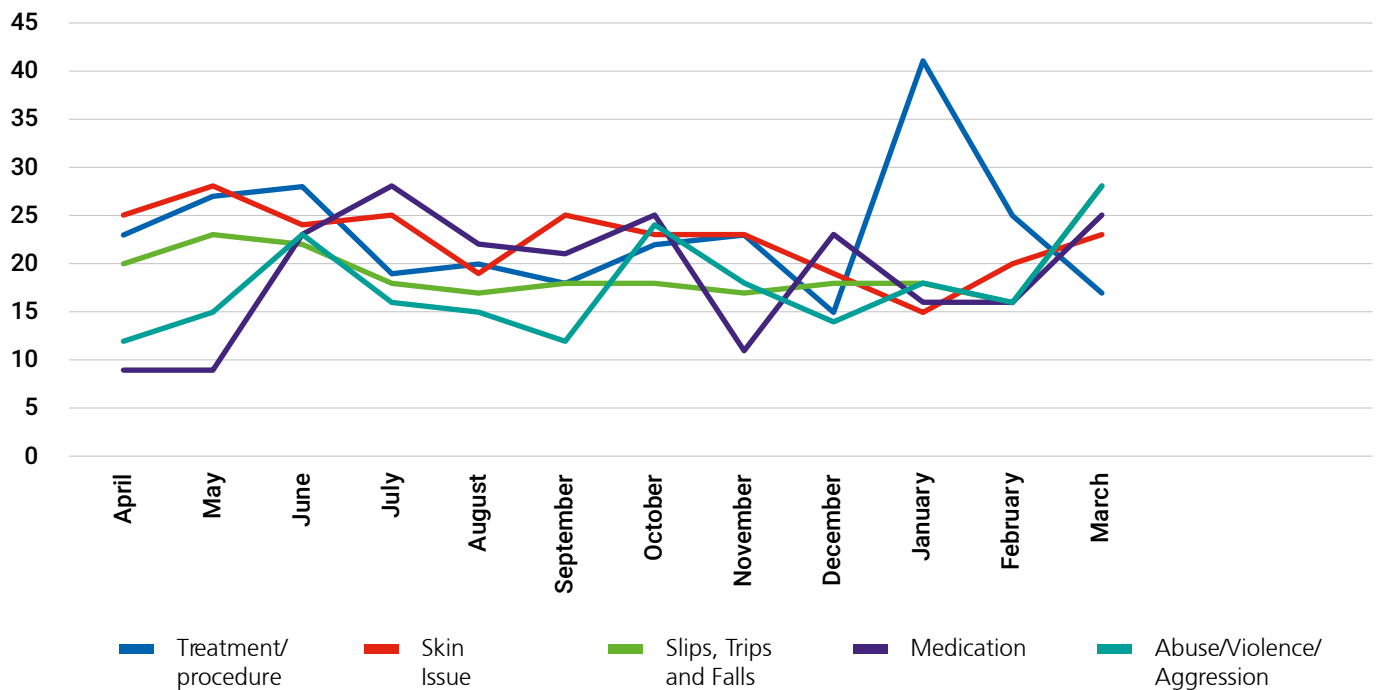
The graph below shows the number of incidents reported monthly for the year 2018/19 compared with 2017/18 data.

### Number of incidents reported by month for in 2018/19



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2017/18	170	185	196	182	180	186	209	210	168	255	247	208
2018/19	201	257	261	284	238	229	260	244	204	285	229	291

## Top five themes from incident reporting in 2018/19



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Treatment/procedure</b>	23	27	26	18	20	18	22	23	15	41	26	17
<b>Skin Issue</b>	25	28	24	25	19	25	23	23	19	15	20	23
<b>Slips, Trips and Falls</b>	20	23	22	18	17	18	16	17	18	16	16	28
<b>Medication</b>	9	9	23	28	22	21	25	11	23	16	16	25
<b>Abuse/Violence/Aggression</b>	12	15	23	16	15	12	24	18	14	18	16	28

The Trust is committed to

- Promoting and supporting the reporting of all adverse incidents, investigations and sharing of lessons learned.
- Skilling up of staff to conduct and support investigations.
- Supporting staff involved in incidents and
- Continually fostering an open, safe and just culture where the focus is on learning and improvement



## Information on environmental, social and community issues

The Trust makes every effort to manage complex cases for admission and safe discharge through assessing the patient's needs, the relationships with support networks and the patient's capacity for independence and emotional support.

Complex cases are referred to the weekly pre-admission complex case multi-disciplinary team meeting. We plan admission through to discharge involving RNOH professionals and external agencies where appropriate.

Homeless patients have equal access to the full range of health services available to the rest of the population. A patient who is identified as being homeless is referred to their Social Work Department and to the RNOH Social Work and discharge team. The Trust offers support and advocacy before, during and after their admission.

The Trust follows the best practice of assessing the scope and reliability of the patient's relationship with carers, whose needs must also be recognised and taken into consideration.

Where assistance is deemed necessary, referrals are made to services provided by statutory, voluntary and private agencies.

In carrying out its responsibilities the Trust endeavours to ensure that government legislation is adhered to.

A special needs treatment plan has been adopted for the treatment of patients with learning needs, vulnerable adults and children. These plans are aligned to the job specifications of our Named Nurse for Safeguarding Children, Named Nurse for Safeguarding Adults and the Children's Safeguarding Advisor.

## Emergency Planning Resilience and Response (EPRR)

The annual EPRR assurance process is used to assure that NHS organisations in London are prepared to respond to an emergency, and have the resilience in place to continue to provide safe patient care during a major incident or business continuity event.

The Trust continues to work hard to ensure that it identifies risks which threaten its business continuity and institutes measures to prevent and mitigate such issues as they arise. We also develop and monitor our plans and policies for responding to external major incidents, both for the safety of our patients and staff and for those in local Trusts.

In October 2018, we underwent an assessment with NHS England. The RNOH was rated fully compliant (green) in all 77 applicable EPRR & HAZMAT standards. The RNOH was commended by NHS England for maintaining high compliance across all areas.

NHS England recognised that a clear accountable structure exists with the Director of Nursing as the Accountable Emergency Officer (AEO) and the Quality Manager as the Emergency Planning Liaison Officer. The Emergency Planning Steering Group meets regularly and provides oversight of the Trust's EPRR work, while the EPRR policy sets out the emergency planning framework. The Trust was found to have good "on call" arrangements in place, and performed well in national NHSE communication exercises. The Trust also performed well in cooperating with partners and local agencies, achieving a green compliant rating for all core standards relating to working with them.

# Referral to Treatment (RTT)

The 'incomplete waiting time standard' states that the time waited must be 18 weeks or less for at least 92% of patients on incomplete pathways, i.e. those patients not yet treated. This standard has been superseded by the 2018/19 Refreshing NHS Plans guidance which stated that the overall RTT waiting list size should be no higher in March 2019 than it was in March 2018 and, where possible, it should be reduced.

The guidance also states that, nationally, the number of 52 week patients should be halved between March 2018 and March 2019. The Trust has consistently achieved over 88% every month against the incomplete standard whilst also succeeding in reducing the overall waiting list, outperforming many other Trusts.

The Trust had a waiting list of 6044 RTT patients in March 2018 and this was therefore the benchmark for 2018/19. The Trust achieved the RTT waiting list size target in March 2019 as the waiting list was 5896; a reduction of 2.4% from the March 2018 position.

Comparing specialty performance for Trauma & Orthopaedics nationally in March 2019, the RNOH at 86.3% outperformed England (83.3%) and London (82.8%). These comparisons do not include non-reporting Trusts, so our relative performance was even better than these comparisons inferred. RNOH's specialty performance for Trauma & Orthopaedics also compares well against the other standalone specialist orthopaedic Trusts, namely Royal Orthopaedic Hospital, Birmingham (85.9%) and Robert Jones and Agnes Hunt (89.8%).

## Never Events

Never Events are serious, largely preventable, safety incidents. During the last year there were 14 serious incidents and no never event reported by the organisation.

## Going Concern

International Financial Reporting Standards (IFRS) require the Trust's Directors to assess and to satisfy themselves that it is appropriate to prepare financial statements on a going concern basis. No material uncertainties related to events or conditions that may cast significant doubt about the ability of the Trust to continue as a going concern have been identified by the directors.

# Risks and Uncertainties

**The Trust's Board Assurance Framework monitors the primary risks to the Trust achieving its strategic aims**

During the year, the Trust has continued to implement an improved process and governance system for managing risk and patient safety through the development of an enhanced risk management structure. Further detail is available in the Governance Statement on page 63.

The following principal risks were identified and were monitored by the Board and plans were put in place to mitigate their consequences. More detail is provided in the section titled Significant Issues in the Governance Statement on page 104.

## **1. Workforce**

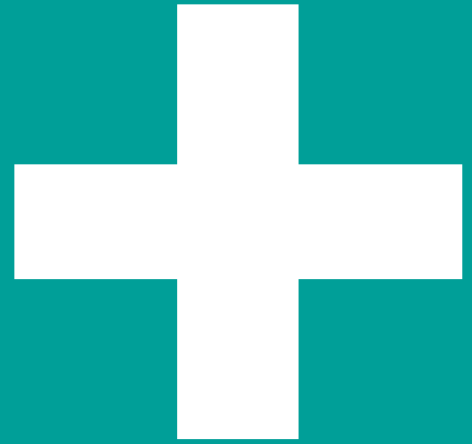
The recruitment, retention and development of RNOH staff as well as the continuing improvement of the culture in the organisation remains a high priority.

## **2. Redevelopment**

There are risks to achieving the redevelopment of the whole site and for ensuring that all patients receive services in a modern environment.

## **3. Sub-Scale Services**

The sustainability of sub-scale services remains a high priority risk. This includes the sustainability of paediatrics, but it is also related to the provision of highly specialist services which are provided by a small numbers of consultants.



# Section C

## Performance Report

### - Performance Analysis

# How performance is measured

**The Trust Balanced Scorecard encompasses key indicators used by the Trust Board and its Committees to monitor RNOH's performance. During 2018/19, 72 key indicators were monitored covering:**

- Clinical Quality
- Access to Services
- Workforce
- Research and Innovation
- Information Management & Technology
- Estates
- Finance

The process of agreeing which key performance indicators, which targets to measure and their methods of measurement, is undertaken prior to the commencement of every financial year by the Executive Team, and once agreed, they are approved by the Trust Board. Some indicators relate to measures which are national standards and have agreed targets set externally for the Trust to achieve; and in other instances, indicators and their targets are set internally based on historical performance and with some improvement factored in.

The Balanced Scorecard collates information which is used during the month from various reports into a more cohesive and informative format through a single report. It provides the Trust Board with enough information at the right level to ensure that the Trust is able to make informed decisions and to hold the Executive to account for the Trust's in-month performance.

Each month, the indicators are approved by the relevant Executive Director who has ownership of the particular indicator prior to its publication in the Balanced Scorecard. The Executive Directors who are in attendance at both the Trust Board and at various Committee meetings are held accountable for the results.

For 2018-19, the Trust reviewed the indicators and agreed those which measure the Trust's performance most effectively, and are aligned with the CQC domains and against the Trust's objectives.

In addition all indicators have the following:

- Indicator owner who is responsible for assurance and sign-off
- Target
- Tolerance threshold (if applicable)
- Data Quality Status
- Forecast value or forecast RAG status
- Commentary which should be sufficient to provide the report viewer with all relevant information for the given indicator and highlighting good/improved performance or issues.

<b>Performance during 2018/19</b>	<b>Target</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Outpatient Attendances</b>	-	132,252	134,995
<b>Inpatient Admissions</b>	-	17,269	17,085
<b>Dementia Screening</b>	>=90.0%	81.8%	63.4%
<b>Mortality Numbers</b>	-	6	6
<b>Number of formal complaints received</b>	-	151	142
<b>Number of PALS Contacts</b>	-	1,620	855
<b>Friends and Family Inpatients % of patients responded</b>	>=70%	48.3%	37.6%
<b>Friends and Family Inpatients % unlikely/likely to Recommend Hospital</b>	-	0.9%/95.1%	0.8%/94.8%
<b>Staffing ratios - Number of patients per nurse</b>	<=8	5.0	3.26
<b>Mixed Sex Accommodation Breaches</b>	-	49	121
<b>Diagnostic Waits Compliance</b>	>=99.0%	99.6 %	99.6 %
<b>Referral to Treatment Open Pathways</b>	>=92.0%	91.7%	89.4%
<b>Cancer 2 Week Wait</b>	>=93.0%	95.5%	96.7%
<b>Cancer 31 day first treatment</b>	>=96.0%	97.2%	100%
<b>Cancer 31 day subsequent treat</b>	>=94.0%	96.9%	100%
<b>Cancer 62 day standard treatment</b>	>=85.0%	75.2%	75%
<b>Operations cancelled not operated within 28 days (Breaches of the standard)</b>	-	12	27
<b>Reportable DoH Last Minute Cancelled Operations</b>	-	0.8%	0.9%
<b>Trust Staff Turnover Rate (%)</b>	<=13%	12.82%	14.79%
<b>Trust Staff Sickness Absence (%)</b>	<=3%	2.84%	2.93%
<b>Staff Engagement (annual figure)</b>	>=3.92	4.04	4.04
<b>Finance and Use of Resources ratings</b>	>3.0	NA	3.0
<b>Friends &amp; Family Staff would recommend Hospital as a place to receive care</b>	-	88%	100%
<b>Clinical System Availability</b>	>= 99.00%	99.5%	99.6%
<b>Paediatric Referral to Treatment Open Pathways</b>	>= 92.00%	94.8%	94.6%
<b>SUS Data Quality - Data Validity Summary</b>	-	97.9%	98.3%

Staff Survey reporting changed following the 2018 survey. Key findings, of which Staff Engagement was one, have been removed and replaced with themes, including a staff engagement theme. The two results cannot be compared as they are composed of different question sets and use different analysis methodology. However, key findings data was released for 2018 data in order to allow a historical analysis this year, this data is captured in the above table. The Trust is achieving close to the best score in the NHS and has maintained its performance since the 2017 survey.



# Performance Analysis

## Paediatric Referral to Treatment Open Pathways

The Referral to Treatment pathway in paediatrics was compliant with the national access target.

## Adult Referral to Treatment and Cancer Performance

The national target to measure Trust performance on elective waiting times changed in 2018/19. It has previously been measured by the Referral to Treatment Target (RTT) which states that the time waited must be 18 weeks or less for at least 92% of patients on 'incomplete pathways', i.e. those patients not yet treated. In the 2018/19 Refreshing NHS Plans guidance, the new target stated that the overall RTT waiting list size should be no higher in March 2019 than it was in March 2018 and, where possible, it should be reduced. The guidance also stated that, nationally, 52 week patients should be halved between March 2018 and March 2019.

The Trust has consistently achieved over 88% every month against the incomplete standard whilst also succeeding in reducing the overall waiting list, outperforming many other Trusts.

Comparing specialty performance for Trauma & Orthopaedics nationally in December 2018, the RNOH at 87.5% outperformed England (83.4%) and London (81%). These comparisons do not include non-reporting Trusts, so our relative performance was even better than these comparisons inferred. RNOH's specialty performance for Trauma & Orthopaedics also compares well against the other standalone specialist orthopaedic Trusts, namely Robert Jones and Agnes Hunt (84.6%) and Royal Orthopaedic Hospital, Birmingham (85.9%).

The Trust's cancer waiting time performance

remained strong during 2018/19 despite continuing growth in demand. The Trust achieved the two week wait target for first consultation following urgent GP referral consistently throughout the year. The Trust achieved compliance with the 31 day standard from diagnosis to first treatment in all but one month, a significant improvement on the previous year. The Trust also consistently achieved the 31 day standard for subsequent treatment throughout the year. The 62 day wait from referral to treatment cancer standard remains the most challenging target to achieve, as the number of patients diagnosed with a malignancy and treated by the Trust is usually very small (between three and nine patients per month from 200+ referrals per month for suspected cancer); a single accountable breach for a patient who receives treatment after day 62 can cause the Trust to fail this standard in a given month. The year to date performance exceeds 75% against the 85% target.

The proportion of confirmed sarcomas remains static but the total referrals received have been increasing by approximately 10-15% year on year. Every waiting time breach is reviewed to understand bottlenecks in the pathway to develop internal processes to improve patient care and access. The Trust also continues to work closely with external partners to ensure few breaches as possible.

## Sickness absence

The Trust sickness absence rate for 2018/2019 was 2.9 %, which remained below the Trust target of 3% for another year.

Proactive management of sickness absence is actively undertaken by the Trust and managers are supported by HR colleagues. Sickness absence data is available on the Workforce Dashboard accessible to all line managers.

## Turnover

The Trust staff voluntary turnover rate for 2018/2019 was 13.6 %, which was slightly above the Trust target of 11.5%. This rate excludes retirements; fixed term contracts that end and employee transfers i.e. TUPE.

A certain amount of staff turnover is normal and healthy, but the Trust believes it is important to practically look at the reasons why people leave, to ensure a sustainable workforce with the skills, motivation and values to deliver excellence in patient care. Detailed analysis has been undertaken in the division with the highest turnover to identify what actions management can take.

Staff turnover figures are reported and monitored on a monthly basis as well as receiving greater scrutiny at Workforce and Organisational Development Committee, through specific papers reviewing turnover analysis and trends.

The staff group with the highest turnover in 2018/2019 was registered nursing. The biggest reason recorded by leavers is work-life balance relocation. The exit interview and data collection process has been reviewed and refreshed to ensure that the process is less timely and user friendly in order to encourage and increase the extent and quality of the feedback provided by leavers to the Trust. In order to reduce retention, the Trust recruited a dedicated Nurse Workforce Lead whose responsibility it is to take forward recruitment and retention initiatives across the Trust. These include organising focus groups for the nurses nearing retirement, introduction of career clinics to support personal and professional development within the Trust, raising awareness of the sideways transfer process and retire and return process.

Reasons for leaving and exit data are monitored and analysed by senior managers, in conjunction with Trade Union colleagues to ensure the Organisational Development strategy is addressing feedback from staff.

# Financial Performance

## Annual Report Statement

The 2018/19 Annual Accounts have been provided in full as an annex to this annual report. The Trust's Annual Governance Statement explains its system of internal controls and governance, has been signed by the Chief Executive and is included in the annual accounts.

## 2018/19 Financial Performance

This section looks at the Trust's financial performance indicators, capital investment and financial risks.

## Overall financial performance

The Trust reported an adjusted deficit of £13.370m for the financial year ended 31st March 2019, after adjusting for donated asset transactions and impairments (comprising of £1.166m charitable donations less £256k depreciation on donated assets and £17.785m impairments). Prior to these adjustments, a headline deficit of £30.245m was recorded for the financial year.

In summary, the Trust's financial position for the year is shown below:

Financial Summary (£'000)	2018/19	2018/19 Actual	Actual Variance
Total Income*	153,713	153,960	247
Total Expenditure**	(162,812)	(160,301)	2,511
<b>EBITDA</b>	<b>(9,099)</b>	<b>(6,341)</b>	<b>2,758</b>
Retained Deficit for the year	(17,938)	(30,245)	(12,307)
<b>Adjusted Retained Deficit</b>	<b>(7,012)</b>	<b>(13,370)</b>	<b>(6,358)</b>
Cash at end of period	8,732	21,930	13,198
Capital Expenditure	23,744	18,785	(4,959)
I&E Cost Improvement Plan (CIP)	4,880	4,922	42

\* Total income excludes donations

\*\* Total operating costs exclude depreciation and impairments

The adverse variance to the adjusted plan is generated by the deferral of the sale of the Western Development Zone (£9.776m). This is partly offset by receipt of £2.16m compensation from an IT supplier relating to non-delivery of a

contract. In addition there are underspends on expenditure items which are partially offset by adverse patient related income performance.

Adjustments relate to impairments, donated asset income and expenditure which are excluded for the purpose of NHSI reporting. The retained deficit position includes the impairment associated with the NIWB (£17.785m). This is an adverse variance of £6.057m to plan.

Capital expenditure amounted to £18.785m in 2018/19. Capital expenditure was mainly on estate infrastructure, with significant investment in The Stanmore Building. In addition a number of IT schemes were undertaken. The Trust's backlog maintenance programme continued, along with equipment replacement. Capital expenditure on each of these categories is shown in the 'Capital Investment' section below.

Achievement of cost improvement plans for the year was favourable to plan – with savings of £4.922m recorded against a plan of £4.880m. Achievement of the Trust's External Financing Limit, which is the centrally set cash target for the organisation, and the Capital Resource Limit, which sets out the quantum of capital expenditure, is also noted.

## Financial performance indicators

### Risk ratings

Finance and Use of Resources ratings (as determined by NHS Improvement for assessing Trusts) are allocated using a scorecard which compares key financial information. A rating of 1 reflects the lowest level of financial risk and a rating of 4 the greatest. The Trust achieved an overall financial risk rating score of 3.

Risk Description	2018/19 Full Year Plan	2018/19 Full Year Actual
Capital Service Cover Rating	4	4
Liquidity Rating	1	1
I&E Margin Rating	4	4
I&E Margin:Distance from Financial Plan*		4
Updated Agency Rating	1	1
<b>Finance and Use of Resources Rating</b>		<b>3</b>

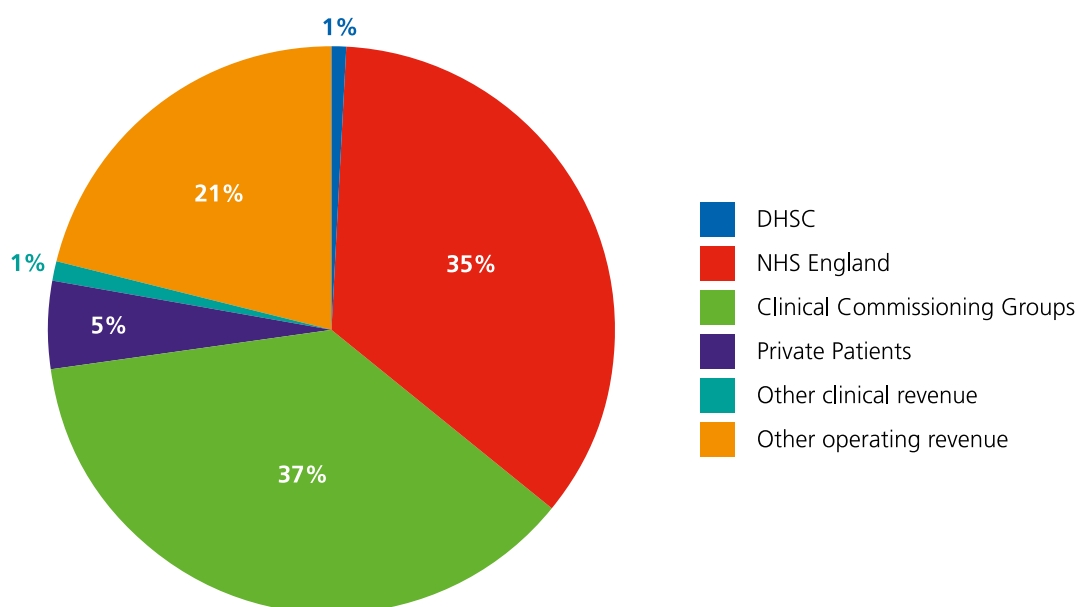
\* A plan score was not issued in relation to 'Distance from Financial Plan'

## Income and Expenditure analysis

### Income

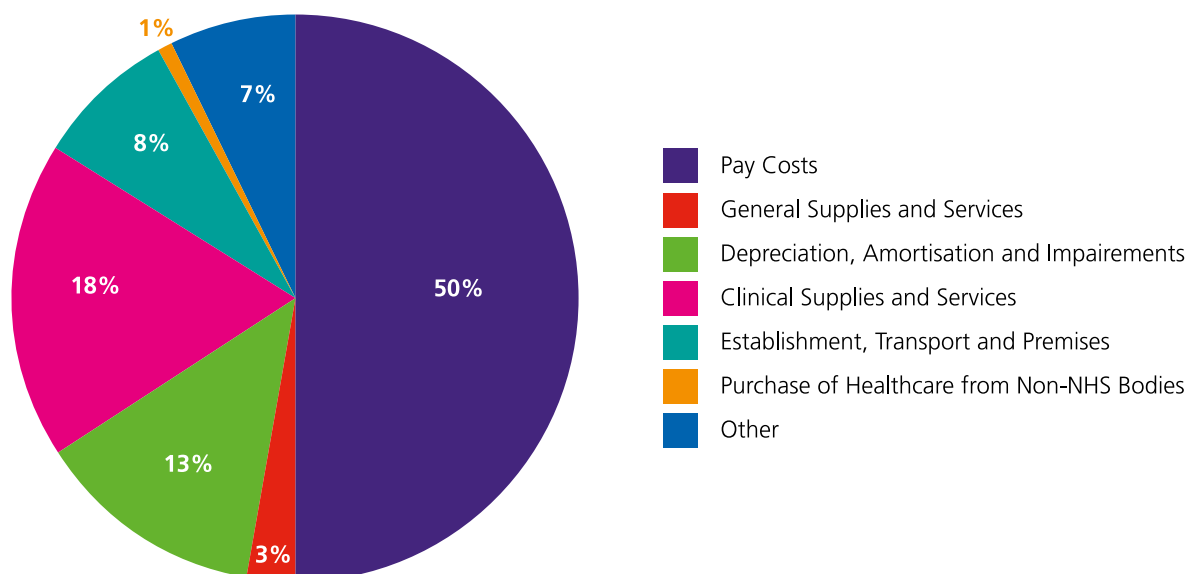
Income of £155.1 million was recorded by the Trust in 2018/19. Clinical income from Clinical Commissioning Groups was the highest proportion, accounting for £57.8 million or 37% of the total income of the Trust, with the purchase of specialist healthcare services by NHS England also being a highly significant item (£54.3 million or 35%). The remaining material

items comprised of Private Patient income (£7.1 million or 5% of income). Other operating revenue (£33.2m or 21% of income) includes patient transport services (£4.3m), education, training and research (£3.7m), sustainability and transformation funding (£1.5m), charitable and other contributions to expenditure (£1.2m), IT compensation (£2.2m) and host arrangements including Getting It Right First Time (£18m). The major sources of income for the Trust are set out in the chart below.



### Operating Expenses

Total operating expenses for 2018/19 were £183.993 million, and are set out in the chart below:



### Expenditure on pay costs (excludes staff charged to capital schemes)

The Trust spent £91.898m on staff pay costs during 2018/19, and within this amount £9.490m was spent on bank (£5.259m) and agency staff (£4.231m), 10% of the total pay cost. £10.089m of the £91.898m related to GIRFT and other external funded departments host by the Trust.

### Expenditure on other costs

The Trust's non-pay operating expenses of £92.095 million were due to the costs of clinical supplies (£32.162 million – 35% of non-pay expenditure), utilisation of healthcare capacity outside of the Trust (£1.885 million – 2% of

non-pay expenditure), and general supplies and services (£6.240 million – 7% of non-pay expenditure) required to maintain operational services. The residual costs were incurred on establishment, transport and premises costs (£14.531 million – 16% of non-pay expenditure), depreciation, amortisation and impairments (£23.692 million – 26% of non-pay expenditure), and other expenditure (£13.585 million – 15% of non-pay expenditure).

### Capital Investment

Capital expenditure during 2018/19 was £18.785 million. An analysis by category is provided below.

	£'M
Major Developments	14.6
Estates Backlog and Business as Usual	1.2
Replacement MRI	1.4
Other Medical Equipment	0.7
Information Technology	0.9
	<b>18.8</b>

The Trust achieved its capital allocation or Capital Resource Limit by £0.630 million in 2018/19.

### Estate valuation

During 2018/19, the Trust engaged Gerald Eve LLP, an independent firm of chartered surveyors, to undertake a desktop valuation of its land and buildings as at 31 March 2019. In accordance with International Accounting Standard 16, assets are required to be carried at Fair Value. Buildings have been valued at depreciated replacement cost. The valuation of hospital land assumes a continuation of existing use.

### Future financial plans

NHSI requires each Trust to develop an annual plan that identifies its objectives and financial plans for the coming year alongside the risks associated with delivering those plans.

The Trust's key strategic aims over 2019/20 centre on patient care, staff experience, infrastructure (buildings, equipment and digital systems), financial stability and research, innovation and education. The long term goal is to be a world-leading orthopaedic hospital with the best patient care and staff experience in the NHS.



## Future Financial Plan

The 2019/20 business plan aims to deliver the priorities set out above, and financial performance will be monitored through the Trust's performance management framework

and overseen by the Finance Committee on behalf of the Trust Board.

The Trust's future financial plans can be summarised as follows:

Financial Summary (£'000)	Plan 2019/20
Total Income	171,219
Total Expenditure	(165,744)
<b>EBITDA</b>	<b>5,475</b>
Retained Surplus for the Year	(2,179)
<b>Adjusted Retained Deficit</b>	<b>(1,863)</b>
Cash at end of period	4,594
Capital Expenditure	17,545
I&E Cost Improvement Plan (CIP)	4,977

It should be noted that £18.3m of income and expenditure have been included in the plan associated with GIRFT and other externally funded departments on a pass through cost basis.

The Trust has agreed a control total of £1.863m adjusted deficit with NHSI, including £0.721m Provider Sustainability Funding (PSF) and £14.807m Financial Recovery Fund (FRF). The Trust has to deliver a deficit of £17.391m in order to be eligible for FRF and PSF.

## Risks Identified within the plan

- The Trust has a gap to control total of £1.4m.
- Out of the £4,977k CIP target there is currently £2,734k of unidentified CIP & £2,243k identified CIPs, of which £231k is high risk.
- Insourcing Income is material for the Trust (£1.3m), but is variable and has greater risk than other clinical income streams. The 19/20 plan also includes a significant level of contribution on NHS patient activity growth which is deemed to be high risk (£0.6m).
- Contracts with significant commissioners have been signed for 2019/20; income assumed within the plan is consistent with those agreements.
- Working capital – achievement of the financial plan assumes access to adequate Interim Revenue Support Loan funding.

### Better payments practice code (BPPC)

The Department of Health requires Trusts to pay their non-NHS trade creditors and NHS creditors in accordance with the CBI prompt payment code and Government accounting rules, which the Trust is signed up to. The target set for the Trust was to pay 95% of non-NHS trade and NHS creditors within 30 days of receipt of

goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.

Details of compliance with the code are given in note 31 to the Accounts, with a summary provided below:

	2018/19 Number	2018/19 £000	2017/18 Number	2017/18 £000
<b>Non-NHS Payables</b>				
Total non-NHS trade invoices paid in the year	25,284	112,968	25,606	112,961
Total non-NHS trade invoices paid within target	20,517	88,616	20,669	94,582
<b>Percentage of non-NHS trade invoices paid within target</b>	<b>81.1%</b>	<b>78.6%</b>	<b>80.7%</b>	<b>83.7%</b>
<b>NHS Payables</b>				
Total NHS trade invoices paid in the year	919	10,572	850	11,123
Total NHS trade invoices paid within target	689	8,728	578	8,721
<b>Percentage of NHS trade invoices paid within target</b>	<b>75.0%</b>	<b>82.6%</b>	<b>68.0%</b>	<b>78.4%</b>

Improved liquidity has led to a significant improvement in performance against BPPC.

### Treatment of pension liabilities

Past and present employees are covered by the provisions of the NHS Pensions Scheme. This is described in note 8 in the annual accounts and further details on pension entitlements of directors are given in the remuneration report. During 2018/19 there were 2 early retirements from the Trust agreed on the grounds of ill-health (none in the year ended 31 March 2018). The estimated additional pension liabilities of these ill-health retirements is £177k (0k in 2017/18) and the cost will be borne by the NHS Business Services Authority - Pensions Division.

### Policies on fraud and dishonesty

The Trust has an anti-fraud and anti-bribery policy, which sets out how the Trust works towards an anti-fraud culture through pro-

active work such as fraud awareness lectures and positive reinforcement through Trust communication structures, such as senior staff briefing meetings and articles in the Trust newsletter, Articulate.

The Trust has contracted an external firm, RSM Risk Assurance Services, to provide its local counter fraud service and they also investigate any cases of alleged fraud. Through other policies, standing orders, standing financial instructions and various operational procedures, the Trust endeavours to minimise the risk of fraud and, through its internal control mechanisms, ensures that these are implemented. The Audit Committee regularly reviews the work of the local counter fraud services and the Trust's response to any issues raised.

## External Audit

An external auditor, Grant Thornton (UK) LLP, is appointed by the Trust and is required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors. Auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board. The findings on all the work undertaken by the external auditor are reported to the Audit Committee.

The auditor is required to audit the Trust's financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Trust and its income and expenditure for the year
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- whether the Annual Governance Statement has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with their knowledge.

The auditor is also required to issue a conclusion on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion. The VfM conclusion is based on two reporting criteria specified by the Audit Commission:

- that the Trust has proper arrangements in place for securing financial resilience
- that the Trust has proper arrangements for challenging how it secures economy, efficiency and effectiveness

All providers of NHS healthcare services are required to produce a Quality Account, an annual report to the public about the quality of services delivered. The external auditor is mandated by the Audit Commission to carry out work on the Quality Account in accordance with published guidance and to report on the results of this work to the Trust.

Grant Thornton (UK) LLP was appointed by the Audit Commission on a five-year term, from April 2007 and a further 5 years from April 2012. The Trust re-appointed Grant Thornton for a 2 year term commencing April 2017.

The cost of the statutory audit services work performed by Grant Thornton in 2018/19 was £48,000 including VAT.

The purpose of the Trust's Audit Committee is to conclude upon the adequacy and effective operation of the integrated governance, non-clinical risk management and internal control systems which support the achievement of the Trust's objectives. In order to ensure the Committee's independence and objectivity, its members are drawn exclusively from the Trust's Non-Executive Directors. Mr Michael Rosehill chairs this Committee. The other members who have served during the year are Mr Joe Carlebach and Mr Bertie Leigh. The Committee meets a minimum of four times a year.

# Digital Services

**A key area of focus for the year was to develop the new digital strategy. This set out the roadmap for the development and delivery of digital services that will support the Trust's vision and strategic aims. During the period of this strategy we will work together to ensure that our staff have access to high quality, patient centric and easy to use digital products to deliver safe and effective patient care.**

The completion of The Stanmore Building has also been a big milestone in delivery of innovative digital technology at the Trust. This has included:

- The first empathetic robot, Pepper, in the NHS for the children's ward. Pepper enhances their stay by reducing anxiety and stress through interactive games, stories, videos and education materials.
- Mobile Apps which give clinicians access to key information about an inpatient's pathway status.
- Traditional whiteboards with inpatient information in wards have been replaced with a variety of electronic boards.
- Patients have access to modern, free to use, bed-side patient entertainment system. This gives them access to a wide variety of television and film content as well as free access to the internet. The system will also deliver content to the bed side to help patients participate in their care while they are recovering with video demonstrations and a variety of other information.
- New hands free technology to enhance communications between clinical staff. Patients can also talk directly with nursing staff if they need help.

Other key achievements and areas of developments include:

- Investing in technology and staff training to protect the Trust against cyber-attacks.
- Maintaining a modern, robust and resilient Digital services and infrastructure to deliver a high quality service with 99% availability of systems and networks. This has been achieved through excellent governance and running high quality Digital Services demonstrated by continued ISO/IEC 20000-1 international IT service delivery accreditation.
- The IT infrastructure continues to be strengthened with a programme of replacement of older technology and adding resilience and high availability to vital digital services.
- The programme of coding validation has been further enhanced to ensure that correct payment for specialist activity has been achieved.
- We have continued to deliver high quality information via our Business Intelligence portal for management decision making, planning and performance monitoring.

# Sustainability Report

## Carbon emissions

### Targets

The Royal National Orthopaedic Hospital Trust (the Trust) has set carbon dioxide equivalent emission targets to match the NHS targets i.e. a 34% reduction in carbon emissions by 2020 using 2007/8 as a baseline (on the basis that the 2007/8 baseline is similar to the 1990 baseline, the baseline chosen by NHS). The basis for these targets is an expected improvement in energy efficiency in the building and facilities currently being constructed and closure of energy inefficient older buildings. However, in the transition period there may be an increase in emissions due to new building commissioning and transfer of operations to the new building.

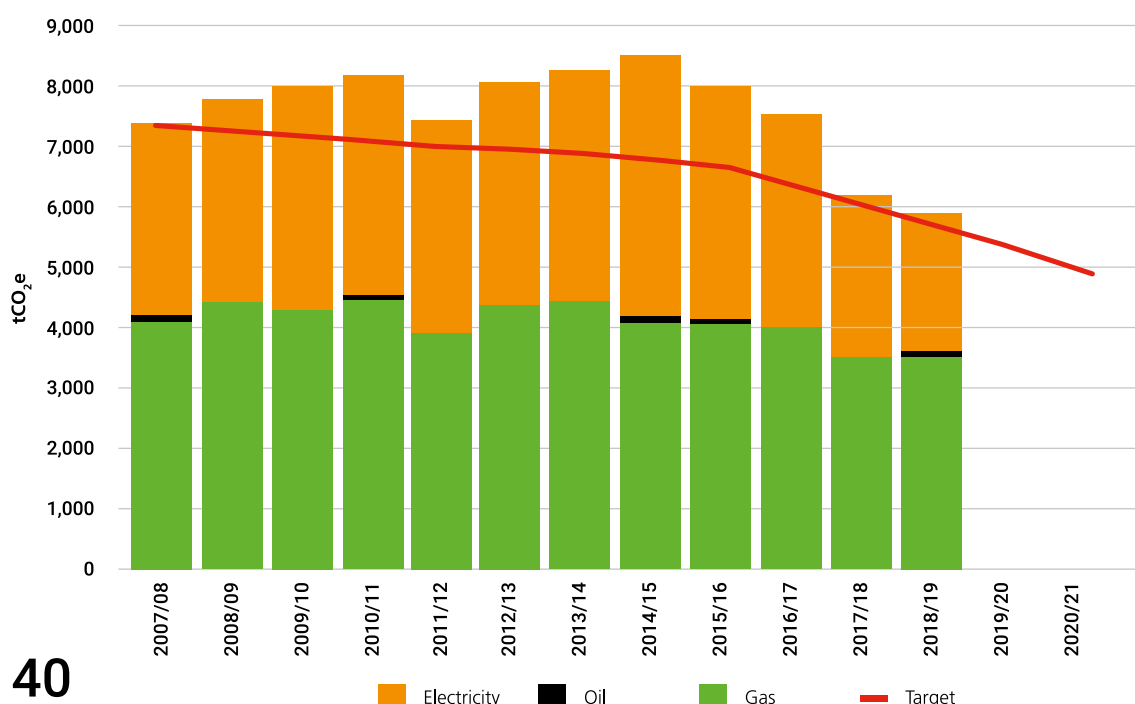
### Energy (scope 1 and 2 emissions)

In 2018 the Trust completed the construction of a new ward block which incorporates a combined heat and power (CHP) plant and photovoltaic solar panels both of which will generate electricity for the new ward block. However, they are unlikely to

have a significant impact on energy use in 2018/19 as they have only been fully operational for about 3 months. The electricity generated by these facilities has therefore not been included in the information presented here, although the gas consumed by the CHP has been included in the total gas consumption.

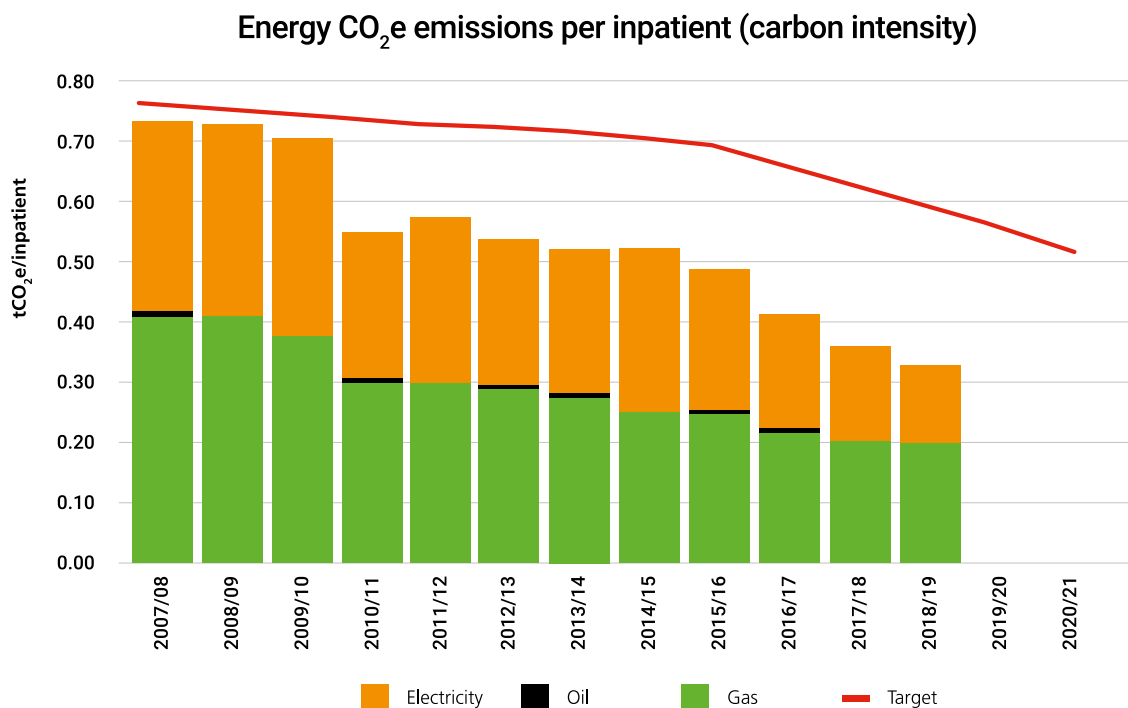
The Trust spent £1,539,172 on energy in 2018/19, an increase of 19.9% in energy spend compared with last year. Electricity consumption has increased by about 7.3% whilst gas consumption increased by 2.0% compared with last year and hence the increase in cost is partly due to increased energy costs. The Trust has set a new carbon reduction target of a 34% reduction in carbon emissions by 2020 compared with the 2007/8 baseline. Energy is a significant contributor to the Trust's carbon footprint (carbon dioxide equivalent emissions – CO<sub>2</sub>e) and the change in energy carbon emissions since 2007/8 is shown in the following chart against the 2015/16 (10% reduction) and 2020/21 (34% reduction) targets (note the carbon emissions include scope 3 emissions for energy transport and transmission).

Carbon Emissions from energy use



In absolute terms, the Trust has not met its carbon emissions target but the trend over the last three years is downward. The reduction in energy carbon emissions in 2018/19 is largely due to the reduction in the carbon emission factor for electricity by 19% compared with 2017/8 as, nationally, coal generation has decreased significantly and gas and renewables electricity generation increased. Furthermore, over this period the Trust has provided a service to a steadily increasing number of in-patients and out-patients which has resulted in an increase in both gas and electricity consumption, despite measures to improve energy efficiency.

The graph below compares the energy related carbon emissions for each in-patient (annual carbon intensity) against the target emissions per in-patient (target carbon intensity) for the period 2007/8 to 2020/21 and shows that annual carbon intensity is decreasing and well below target. In-patient numbers have been chosen, rather than out-patient or staff numbers, as they have the greatest impact on energy use through the consumption of electricity and heating for an overnight stay and food preparation.





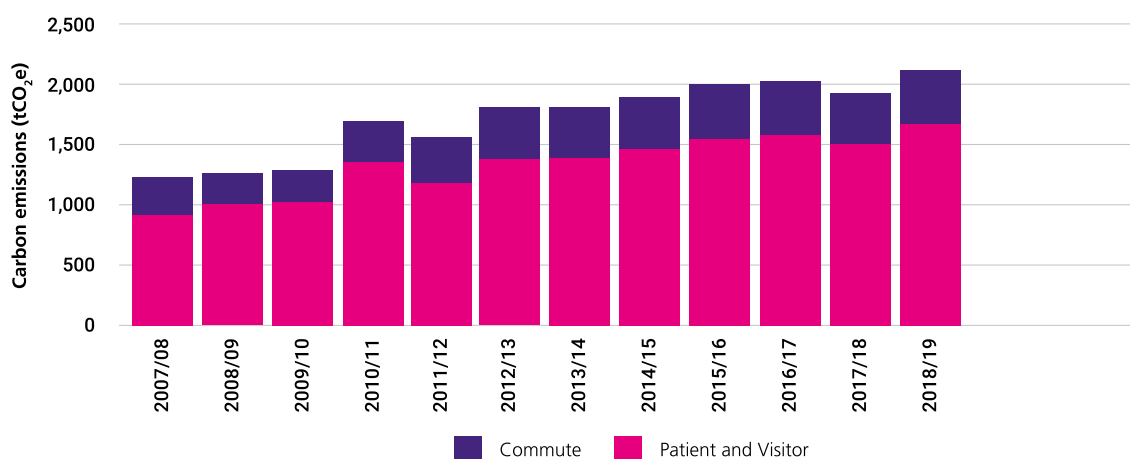
## Scope 3 emissions

Scope 3 emissions are indirect emissions caused by activities not under the control of the Trust. The scope 3 carbon dioxide equivalent emissions given in this report cover commuting, waste collection and disposal, water provision, sewage production and calculated emissions associated with energy production (well to tank, transmission and distribution) emissions. These elements of the footprint are shown in the graphs below.

## Patient and visitor travel and staff commuting

The travel emission calculations for patients and visitors are determined from an average travel distance of 15km and assuming 3.7 patient and visitor journeys per patient contact (in-patients and out-patients), as advised by the NHS Sustainable Development Unit. However, for the last five years we have also taken account of the National Travel Survey data which shows a fluctuation in average travel distance year on year and have adjusted the figures accordingly. Travel emission calculations for staff commuting is based on the average annual commuting distance by road from the National Travel Survey NTS 2017 updated in 2018, and number of staff. Emissions are presented below and reflect a general increase in number of patient contacts and staff over the years.

Scope 3 Emissions - Travel

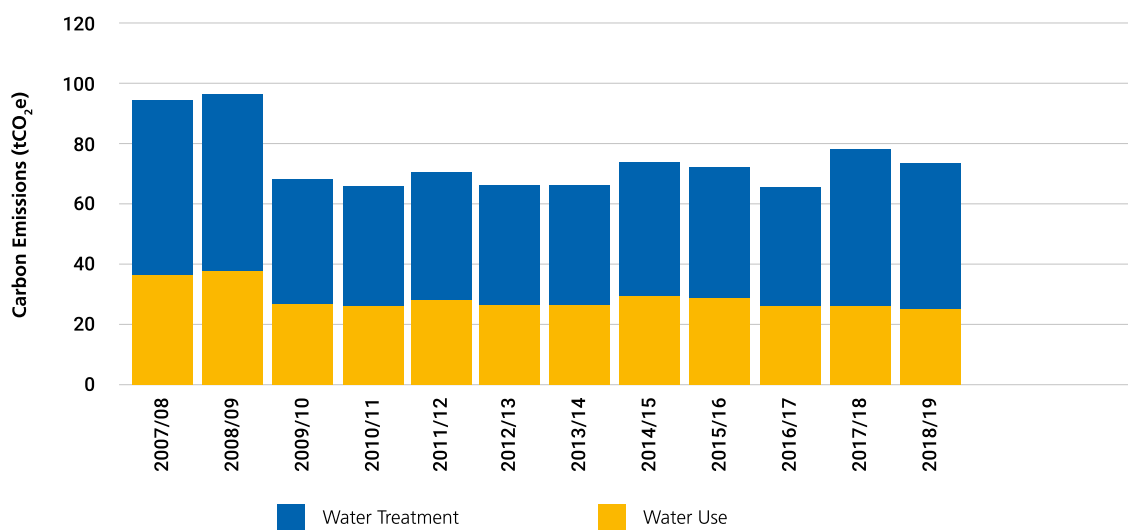


## Use of natural resources

The cost of water and sewage was £94,749 in 2018/19, a decrease of 32.3% on the previous year partly explained by a decrease in water consumption of 6.3% and sewage volumes of 6.7% this year compared with 2017/18. Sewage data now uses invoices from the sewage services provider rather than a fixed proportion of water

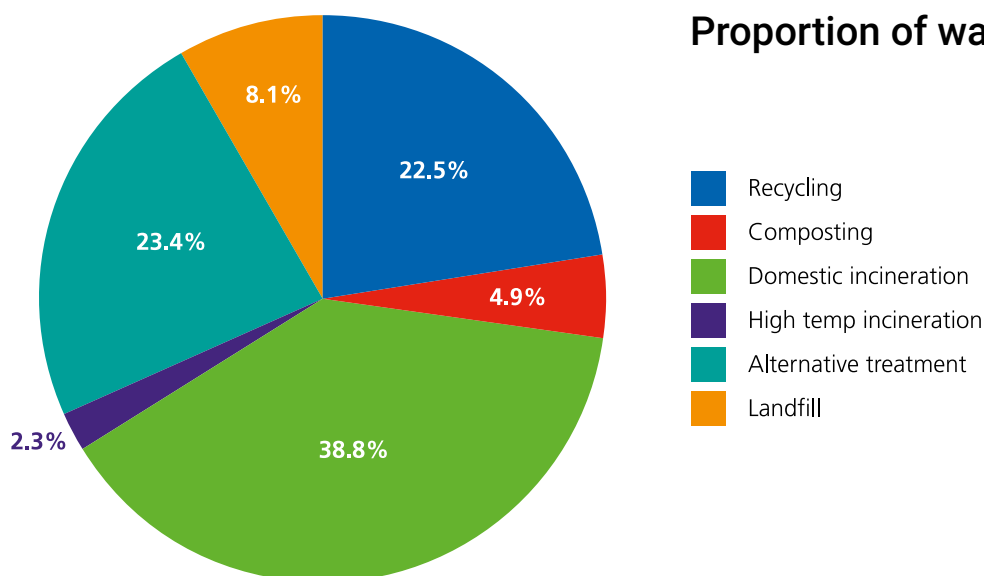
volume consumed and the Trust also switched water and sewage providers in 2018/19 which may have accounted for part of the reduced costs. In addition, water consumption in the previous year (2017/18) may have been higher than normal due the building activities on site. The graph below shows the contribution to scope 3 carbon emissions from water consumption.

### Scope 3 Emissions - Water



## Waste generation

The Trust spent £137,447 on waste recovery, recycling and disposal in 2018/19, a 23.4% increase from 2017/18 although the weight of waste generated decreased by about 28%. The increased costs are related to the large number of site visits conducted in 2018/19.

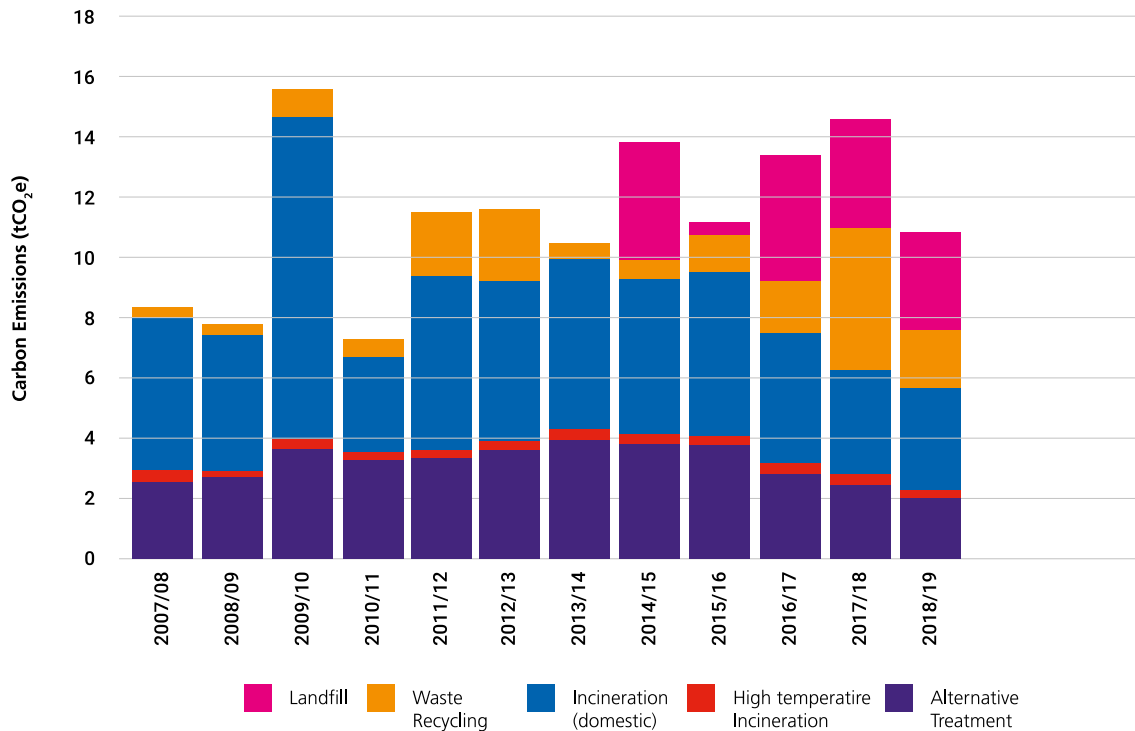


The total amount of waste generated has increased by 27.6% this year compared with 2017/18. The amount of waste recycled has decreased markedly from the level in 2017/18 which was unusually high. The current level of waste recycling is higher than previous years

Most waste is sent for incineration as domestic waste. About 2% of clinical waste is sent for high temperature incineration and the remainder (23%) is sent for alternative treatment. The proportion of waste recycled is 22.5% compared with 8.1% sent for landfill as shown in the chart below.

## Proportion of waste by type 2018-19

with the exception of 2017/18. The graph below shows the contribution to scope 3 carbon emissions from waste and shows the dominance of domestic waste incineration although this is now being replaced by a greater proportion of recycled waste.



## Carbon intensity

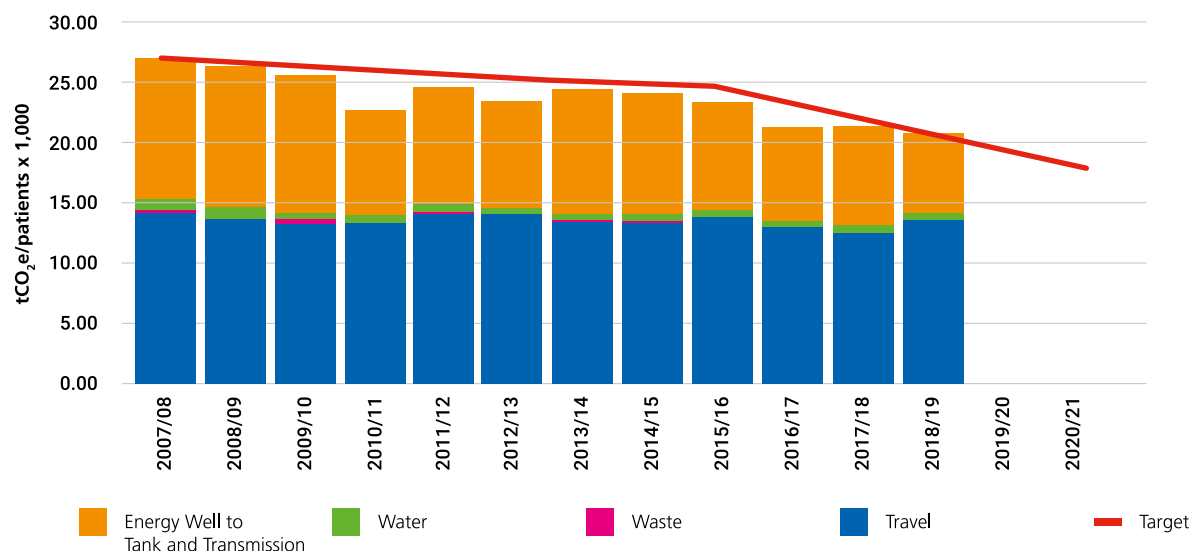
The scope 3 carbon emissions produced by the Trust will increase with the number of patient contacts. The graph below therefore shows the scope 3 carbon emissions for every 1,000 patients and the contribution from travel, water, waste and energy well to tank and transmission. The latter accounts for extraction, refining and transportation of primary fuels before their use in the generation of electricity and the transportation of raw fuel sources to an organisation's site, prior to combustion.

The carbon intensity has been determined from the actual attendance numbers for out-

patients rather than appointments booked. This is shown against the target of 10% reduction in emissions by 2015/16 and then a 34% reduction in emissions by 2020/21 with 2007/8 as the baseline year. The scope 3 emissions in 2018/19 just meet the carbon intensity target.

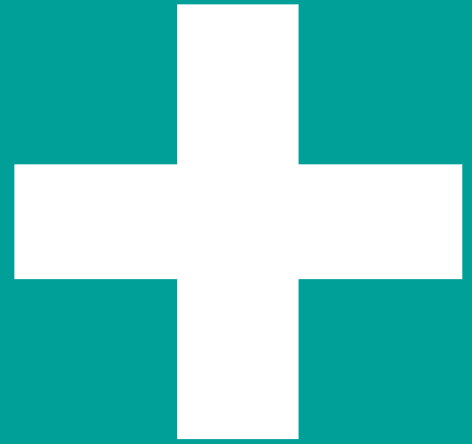
The scope 3 carbon intensity reduced in 2018/19 even though gas and electricity consumption increased from the previous year. This is because the energy well to tank and transmission carbon conversion factors have reduced for electricity generation, transmission and distribution due to the change in UK electricity generation fuel mix and reduction in coal generation.

### Scope 3 carbon intensity (CO<sub>2</sub>e emissions per 1,000 patients)



The trust is undertaking risk assessments and has a draft sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18).

The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with as far as reasonably practicable.



# Section D

## Accountability Report - Corporate Governance Report



# Directors' Report

## Directors' responsibilities in respect of the preparation of the Annual Report and Accounts

**The directors are responsible for preparing the annual report including the financial statements in accordance with applicable law and regulations. By law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the RNOH.**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the financial position of the RNOH and to enable them to ensure that the financial statements comply with Treasury guidance. The Directors are also responsible for safeguarding the assets of the RNOH and hence must take reasonable steps for the prevention and detection of fraud and other irregularities.

Each director, whose names and functions are set out in this document, confirms that, to the best of their knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of RNOH; and
- the performance report includes a fair review of the development and performance of the RNOH, together with a description of the principal risks and uncertainties that it faces.

Furthermore, so far as each of the directors is aware, there is no relevant audit information of which the auditors are unaware, and each of the directors has taken all the necessary steps to ensure that they are aware of any relevant audit information and to establish that the auditors are also aware.

The directors consider that the annual report including the financial statements, taken as a whole, is fair, balanced, understandable and provides the necessary information.

## RNOH Trust Board Members



**Professor Anthony Goldstone** - Chairman  
**Voting member**  
In post since: February 2011

### Trust Roles:

Chair: Trust Board, Remuneration Committee, Quality Committee and Strategy & Sustainability Committee. Attendance at the following Trust Board Sub-Committees: Redevelopment Programme Board. Other Roles: Improvement Lead, Quality Lead, New Hospital Design Champion and Private Patients Development Lead.

### Experience:

Joined the NHS in 1969. Consultant Haematologist at University College London Hospital (UCLH) from 1976 to 2011. Worked for UCLH in a clinical, academic and managerial capacity initially developing the leukaemia and transplant unit at UCLH, which is internationally recognised. Medical Director of UCLH from 1992 to 2000. Central figure in the planning, redevelopment and rebuilding of the new UCLH hospital in Euston Road. Directed the North London Cancer Network from 2000 to 2009 taking considerable responsibility for developing and rationalising super specialist activity and making many contacts across the North Central London region. Published over 330 papers. Appointed as a personal Chair in Haematology at University College London in 1999. Awarded a CBE for academic, clinical and managerial contributions to healthcare in June 2008.



## **Rob Hurd - Chief Executive**

### **Voting member**

In post since: August 2008

#### Trust Roles:

Chair: Executive Committee, Redevelopment Programme Board, Private Patient Development Sub-Committee, Fundraising Sub-Committee, Improvement Programme Board and Royal Free Partnership Programme Board. Member: Trust Board, Strategy and Sustainability Committee, Quality Committee, Finance Committee, Joint Academic Committee and Digital Committee. Attendance at the following Trust Board Committees: Audit Committee and Remuneration Committee. Member of the following Trust Board Sub-Committee: Clinical Quality and Governance Sub-Committee.

#### Experience:

1992: Joined the NHS on the NHS Graduate Financial Management Training Scheme and worked at Southampton University Hospitals. Rob has 26 years NHS senior management experience, including 13 years at board level and ten years as Chief Executive of the RNOH. Rob played a leadership role in the successful UCLH Foundation Trust application in 2004. He also played a leadership role in the implementation of the full business case for the £422m UCLH FT New Hospital PFI (opened in April 2005) and numerous associated business cases. September 2005 until August 2008: Director of Finance at the RNOH. As Chief Executive, Rob has led the turnaround of the RNOH from a 'double weak' rated Trust (2008) to a 'Good' rating from the CQC (2019). The internal culture and external engagement of the organisation has also been transformed. In partnership with Professor Briggs he established the "Getting it Right First Time" (GIRFT) programme and is Joint Senior Responsible Officer for this National Programme linked to the Vanguard Programme and the National Orthopaedic Alliance Vanguard. GIRFT also has academic validation as a formal NIHR CLAHRC evaluation project and publication in BMC Health Services Research (and highly commended HSJ Award). He is also the provider Chief Executive sponsor of the North London Partners in Health and Care Adult Elective Orthopaedics Services review and the NHS Management Member of the National Joint Registry Steering Committee – a national audit programme commissioned by NHS England. Qualifications include: BSc (Social Science) Economics, CPFA Qualified (Chartered Institute of Public Finance and Accountancy).



## **Joe Carlebach** - Vice Chairman

### **Voting member**

In post since: January 2014

#### Trust Roles:

Chair: Workforce and Organisational Development Committee and Digital Committee. Member: Trust Board, Strategy and Sustainability Committee, Audit Committee and Remuneration Committee. Attendance at the following Trust Board Sub-Committee: Fundraising Sub-Committee. Other Roles: Fundraising Lead RNOH, RNOH Charity Link, Workforce and Organisational Development Lead, Trustee of Royal National Orthopaedic Hospital Charitable Trust.

#### Experience:

A graduate of Newcastle University currently serving on the University Court. Past Chairman of the University's Faculty of Biomedical Sciences Development Committee. Previous Executive and general management experience: Nortel Networks - responsible for Nortel's business in half of Western Europe, Panduit Corporation - Managing Director for Europe, Middle East and Africa, Wideyes AB - Chief Executive Officer. Served as Non-Executive Director on a number of Boards and as Chairman of the leading Savile Row tailor Henry Huntsman and Sons, Chairman of Myacom; a telecoms manufacturing business. Cabinet Member for Adult Social Care and Health in Hammersmith and Fulham.

Roles include: Member of the Adult Social Care and Health Scrutiny Committee. A member of the Corporate Parenting Board. Trustee of Arthritis Research UK, and the Hammersmith and Fulham Citizens Advice and Vice Chair of the Wormwood Scrubs Common Charitable Trust. Councillor of the London Borough of Hammersmith and Fulham up to May 2018. Personal Chair in Haematology at University College London in 1999. Awarded a CBE for academic, clinical and managerial contributions to healthcare in June 2008.



## **Bertie Leigh** - Non-Executive Director

### **Voting member**

In post since: November 2015

#### Trust Roles:

Senior Independent Director. Member: Trust Board, Audit Committee, Finance Committee, Strategy and Sustainability Committee, Remuneration Committee and Quality Committee.

#### Experience:

Bertie is a qualified solicitor who joined Hempsons in 1973 as a trainee. He qualified in 1976 and was made partner a year later. He became a Senior Partner in 1995 and Solicitor Advocate in 2005. He stepped down as partner at the end of June 2015, but will continue to act for Hempsons in a consultancy capacity. Bertie has specialised in medical law throughout his career, handling over 2,500 cases. Outside of medicine he has also acted for the NSPCC and the Law Society. In addition, he has lectured extensively on many aspects of law, medical ethics and risk management. Beside his full time role as a solicitor, Bertie is currently President of the Society for Ethics in Law and Medicine (SELM) and Chair of the following bodies: Clinical Disputes Forum, National Confidential Enquiry in Patient Outcome and Death (NCEPOD), SELM and St Christopher School Governors. He is also a Trustee of Charm UK. He is a past Governor of City Lit Adult Education College, a former President of the Medico-Legal Society and a former Trustee of Core (Gastroenterology).



**Mr Michael Rosehill** - Non-Executive Director  
**Voting member**

In post since: October 2017

**Trust Roles:**

Chair: Audit Committee and Finance Committee. Member: Trust Board, Strategy and Sustainability Committee, Remuneration Committee

**Experience:**

Graduate of University College Cork and a qualified Chartered Accountant and Corporate Treasurer. Experienced Chief Financial Officer and Investment Director of a large private conglomerate in the UK, LFH International Board member of LFH International and serves on its key strategic committees. Operated and engaged at the most senior levels often in complex stakeholder landscapes. Non-Executive director of Everyman Cinemas, an AIM listed company



**Professor David Isenberg** - Non-Executive Director  
**Voting member**

In post since: June 2011

**Trust Roles:**

Chair: Joint Academic Committee. Member: Trust Board, Remuneration Committee, Strategy and Sustainability Committee, and Quality Committee. Other Roles: Academic Link Lead.

**Experience:**

Since 1991: Academic Director of Rheumatology at UCL. He has co-authored approximately 700 scientific manuscripts and 17 books. Since 1996: Arthritis Research UK Diamond Jubilee Professor of Rheumatology at University College London Medical School. Since 2008: Chair of the Autoimmune Rheumatic Disease clinical trials sub-committee for Arthritis Research UK. 2004 to 2006: President of the British Society for Rheumatology. 2006 to 2011: Chair of the British Society for Rheumatology's Biologics Register Committee. 1998 to 2004: Chair of the Systemic Lupus International Collaborating Clinics Group. Chair: British Isles Lupus Group. Member: Centre of North London Clinical Trials Network Board.



**Robin Whitby** - Non-Executive Director  
**Voting member**

In post since: September 2013

**Trust Roles:**

Member: Trust Board, Strategy and Sustainability Committee, and Remuneration Committee

Attendance at the following Trust Board Sub-Committee: Redevelopment Programme Board

Other Roles: Redevelopment Lead.

**Experience:**

Robin is a chartered builder previously employed as a Bid Director and SPC Director with one of the UK's largest construction and engineering contractors. He is currently providing consultancy services to both public and private sector clients and maintains an active interest in the development of healthcare facilities. Robin's experience, in excess of 30 years in property development and construction, spans most elements of public and private sector property development with particular emphasis on preconstruction project development and project procurement. During the last 10 years, Robin's experience has included leadership on many successful awards winning major hospital developments/redevelopments for the private sector on behalf of the NHS, as well as being a Director of Special Purpose Company Boards providing ongoing services to the NHS.



**Mr Aresh Hashemi-Nejad** - Medical Director  
**Voting member**

In post since: January 2017

**Trust Roles:**

Co-Chair: Clinical and Quality Governance Sub-Committee and Information Quality & Governance Steering Sub-Committee. Member: Trust Board, Strategy and Sustainability Committee, Quality Committee, Joint Academic Committee, Digital Committee and Executive Committee. Member of the following Trust Board Sub-Committees: Redevelopment Programme Board and Private Patient Development Sub-Committee.

**Experience:**

Aresh has worked at the RNOH as a Consultant Orthopaedic Surgeon since 1997 and has played a significant role in the developments that have taken place at the Trust in recent years. He has taken on a number of leadership posts during this time, including Clinical Lead of the Paediatric Surgical Unit (2003-7), Clinical Director for the Division of Surgery (2007-12) and President of the British Society of Children's Orthopaedic Surgery (2014-16).



## **Hannah Witty** - Director of Finance

### **Voting member**

In post since: September 2016

#### Trust Roles:

Member: Trust Board, Strategy and Sustainability Committee, Finance Committee and Executive Committee. Attendance at the following Trust Board Committee: Audit Committee. Member of the following Trust Board Sub-Committees: Redevelopment Programme Board, Improvement Programme Board and Private Patient Development Sub-Committee.

#### Experience:

February 2016 until August 2016; Acting Director of Finance and Estates at the Home Office. Hannah's previous roles were Head of Financial Planning (Home Office), Head of Corporate Services (Committee on Climate Change), and Head of Governance and Assurance (Her Majesty's Courts and Tribunals Service). She also has worked in the private sector, and qualified as a Chartered Accountant with the National Audit Office. Qualifications: BA (Hons) English Language and Literature, FCA (Fellow Institute of Chartered Accountants England and Wales).



## **Professor Paul Fish** - Director of Nursing,

### **Quality & Patient Experience**

### **Voting member**

In post since: February 2015

#### Trust Roles:

Co-Chair: Clinical and Quality Governance Sub-Committee. Member: Trust Board, Strategy and Sustainability Committee, Quality Committee, Digital Committee, Workforce and Organisational Development Committee and Executive Committee. Member of the following Trust Board Sub-Committees: Improvement Programme Board and Redevelopment Programme Board. Other Roles: Director of Quality, Director of Infection Prevention and Control (DIPC), Accountable Officer for Controlled Drugs, Accountable Emergency Officer / Director for Emergency Planning, Executive Lead for Safeguarding, Chief Clinical Information Officer, Human Tissue Authority Executive Lead.

#### Experience:

Paul has worked in a variety of nursing roles in both the North of England and London. His clinical background is in critical care and emergency nursing in addition to working as a Nurse Consultant with a focus on improving practice. Paul's senior leadership roles have included being an Associate Director of Nursing at a large integrated foundation trust, where he took a particular lead on clinical standards and practice development issues before moving to London to be Deputy Chief Nurse at University College London Hospitals. Paul has experience of providing operational leadership in large specialist hospitals and has an interest in/expertise in nursing workforce issues, research, education, leadership and practice improvement. Paul is a Virginia Mason Certified Leader and has first and higher degree's in nursing practice. He is a visiting professor in nursing leadership at London Southbank University. Rheumatic Disease clinical trials sub-committee for Arthritis Research UK. 2004 to 2006: President of the British Society for Rheumatology. 2006 to 2011: Chair of the British Society for Rheumatology's Biologics Register Committee. 1998 to 2004: Chair of the Systemic Lupus International Collaborating Clinics Group. Chair: British Isles Lupus Group. Member: Centre of North London Clinical Trials Network Board.





**Lucy Davies** - Chief Operating Officer  
**Voting member**  
In post since: May 2015

**Trust Roles:**

Executive Director for Operational Performance. Member: Trust Board, Strategy and Sustainability Committee, Quality Committee, Workforce & Organisational Development Committee and Executive Committee. Member of the following Trust Board Sub-Committees: Improvement Programme Board, Workforce & Organisational Development Committee, Cancer Strategy Sub-Committee, and Clinical Quality and Governance Sub-Committee. Other Roles: Trust lead for Decontamination.

**Experience:**

Lucy joined the NHS as a General Management Trainee, and then worked at Morriston Hospital NHS Trust in Swansea before moving to Milton Keynes General NHS Trust as a Services Manager. In 1997 Lucy joined the Royal Brompton Hospital NHS Trust, firstly as a Directorate Manager of the Surgery Division, and as General Manager of the Division. Six years later, she became Head of Performance, and subsequently Head of Modernisation, delivering the 18 week target two months early. In 2010, she took on the Divisional General Manager role of the Heart and Critical Care division, reporting directly to the Chief Operating Officer and managing a budget of £92 million. She was also the senior operational manager for the Harefield site, one of the two specialist hospitals within the Trust. Lucy holds a first class BA honours degree in French and an MBA with distinction.



**Dr Gabrielle Silver** - Associate Non-Executive Director  
**Non-Voting member**  
In post since: November 2015

**Trust Roles:**

Member: Trust Board, Strategy and Sustainability Committee, Digital Committee and Workforce and Organisational Development Committee. Attendance at the following Trust Board Sub-Committees: Improvement Programme Board.

**Experience:**

Dr Gabrielle Silver joined CHS Healthcare as the Chief Executive in January 2019. CHS Healthcare is the leading provider of hospital discharge services and Continuing Healthcare in the UK.

A qualified doctor who practiced as an anaesthetist, Dr Silver brings extensive experience of leading healthcare businesses on a national and global level. Dr Silver qualified and practised as a doctor in London before moving her focus to the life sciences sector, taking new therapies through development to market in the fields of neuroscience, psychiatry and pain management. She has held strategic leadership positions in global companies including Eisai, Bristol-Myers Squibb, GE Healthcare and Brunswick, where she co-led the global healthcare practice. Dr Silver's recent positions have been operationally focused, as Speciality Operations Director for McKesson UK, combined with the role of General Manager for Lloyds Pharmacy Clinical Homecare. She also serves as the Senior Independent Director at Opiant Pharmaceuticals, a NASDAQ listed biopharmaceutical company, focused on developing drugs for addiction disorders.





**Katherine Murphy** - Associate Non-Executive Director  
**Non-Voting member**

In post since: September 2017

**Trust Roles:**

Member: Trust Board, Strategy and Sustainability Committee and Quality Committee. Attendance at the following Trust Board Sub-Committees: Clinical Quality Governance Sub-Committee.

**Experience:**

30 years' experience in highly influential roles, across complex and demanding healthcare and NHS environments. A passionate campaigner and advocate, promoting care provision improvements and enhancement of patient health outcomes, within the UK. Former CEO of The Patients Association 2007 to 2017. Director of The Patients Association 2000 to 2007. Former nurse by profession. An innovative strategist, leading successful projects and change initiatives, aimed at driving significant improvements in service delivery. Active Member of Norman Lamb's Panel of Independent Specialists 2016/17; studying funding models to support the future of health and social care. Part of Sir Bruce Keogh, Medical Director, NHS England Review Team; reviewed high mortality rates and failing hospitals within the NHS, 2013 to 2014. Instrumental and extensive involvement in reforming the NHS Complaints Systems; highlighting failures of the Parliamentary Health Service Ombudsman. Promoted and championed the first media contact of the PA; conducted a vast number of interviews with TV, radio and broadsheets, concerning various health and social care stories. Set up the new APPG for Patient Safety; launched with Andrea Jenkyns MP as Chair, focusing on ensuring that patient safety remains at the heart of the Government's agenda, bringing together interested Parliamentarians, members of the public and healthcare experts to address all issues affecting patients in the care sector. Positively represented on the Prime Minister's Nursing Care Quality Forum; the Chief Nursing Officers for England Vision for Nursing.



**Mark Bramwell** - Associate Non-Executive Director  
**Non-Voting member**

In post since: July 2018

**Trust Roles:**

Member: Trust Board, Strategy and Sustainability Committee and Digital Committee.

**Experience:**

Currently in the position(s) of CIO and Director of Professional Services for Said Business School - University of Oxford. Previous Chairman of the Corporate IT Forum and Non-Executive Director positions for Circle Care and Support and CPM/Stipenda. Experienced and skilled in IT Strategy, Technology Transformation, Digital Strategy, Change Management and Team Building. Proven track record and experienced in successfully creating, delivering and managing complex change programmes in IT. Experienced in the pro-active strategic, commercial and supplier performance management of external solution vendors and experienced and influential in building professional business and customer relationships at all levels.



**Professor John Skinner** - Director of Research  
and Innovation Centre  
**Non-Voting member**  
In post since: January 2017

**Trust Roles:**

Member: Trust Board, Joint Academic Committee and Strategy & Sustainability Committee

Other Roles: Professor of Orthopaedic Surgery, UCL and Royal National Orthopaedic Hospital

Specialist interest: revision hip surgery.

**Experience:**

Professor John Skinner has been a Consultant at the RNOH since 1999, initially as Senior Lecturer in Orthopaedics at the UCL Institute of Musculoskeletal Science, with an Honorary Consultant Orthopaedic Surgeon contract at the RNOH since 2003. He has collaborated and has publications with over 200 co-authors worldwide, mentored and supervised several MD theses, research projects for trainees, medical students and other researchers. John has also contributed to work at the RNOH by taking various leadership roles, such as chairing the Infection Control Committee for 11 years and the Medical Staff Committee for five years. Nationally, he chairs the Joint BOA –MHRA Expert Advisory Group on Metal Bearing Hips and has been President of the British Hip Society. He is on the Council of the British Orthopaedic Association and the Editorial Board of the Bone and Joint Journal.



**Dr Zilla Huma** - Director of Children's Services  
**Non-Voting member**  
In post since: September 2015

**Trust Roles:**

Chair: Children's Services Operational Sub-Committee. Member: Trust Board, Quality Committee and Strategy & Sustainability Committee.

**Experience:**

Zilla graduated from Medicine at Glasgow University and very quickly concentrated her efforts on working with children at the Royal Hospital for Sick Children in Glasgow, then at Manchester, followed by the Westminster Children's Hospital in London. After gaining her MRCP, in 1990, she moved to Cornell University/the New York Hospital to undertake a post-doctoral fellowship in Paediatric Endocrinology with the then president of the Endocrine Society. After two years as a fellow she became an Assistant Professor and focused her research on genetic conditions leading to disorders of sexual differentiation. In 1996, she returned to the NHS and became a Consultant Paediatrician at Wexham Park and the John Radcliffe Hospitals in Oxford. Over the next 18 years she became Regional Advisor for Oxford Deanery, Undergraduate Tutor, Clinical Director and continued her work as a Paediatric Endocrinologist. In September 2015, Zilla moved to become the Director of Children's Services at the RNOH and hopes to develop an Endocrine service around metabolic bone disease and disorders of growth, as well as promoting excellence in the care of children throughout the Trust. Zilla is on the board of the Cure2Children charity which performs hundreds of bone marrow transplants in children all over the developing world every year.



## **Dr Saroj Patel** - Director of Digital Services and Innovation

**Non-Voting member**

In post since: March 2005

### Trust Roles:

Member: Trust Board, Strategy and Sustainability Committee, Digital Committee, and Executive Committee. Member of the following Trust Board Sub-Committees: Improvement Programme Board.

### Experience:

2003: Joined the NHS. More than 20 years IT industry experience in both private and public sectors including development of ICT strategies, programme management, process transformation and solutions delivery. Since 2005: Director of IM&T. 2009: Appointed the Trust's Senior Information Risk Officer (SIRO). October 2011: Appointed a Trustee of Aspire (Spinal Injury Charity) based at Stanmore, Middlesex. 2011: Role extended to include Workforce and Corporate Affairs and subsequently became a voting member of the Trust Board. Qualifications include: BSc Statistics and MSc Computer Science (University of London), MBA, Diploma in Marketing, PhD (Cranfield School of Management) and MSP Practitioner.



## **Mark Masters** - Director of Estates and Facilities

**Non-Voting member**

In post since: November 2003

### Trust Roles:

Chair: Estate & Facilities Sub-Committee and Medical Gas Sub-Committee. Member: Trust Board, Quality Committee, Strategy & Sustainability Committee, and Executive Committee. Member of the following Trust Board Sub-Committees: Redevelopment Programme Board and Decontamination Sub-Committee.

### Experience:

25 years management experience in estates and facilities in both the NHS and the private sector. MSc in Planning Buildings for Healthcare. B.Eng (Honours) Degree in Building Services Engineering. PRINCE2 Registered Practitioner. Chartered Engineer. Fellow of the Institute of Healthcare Engineering and Estate



## **Tom Nettel** - Director of Workforce and Improvement

**Non-Voting member**

In post since: April 2015

### Trust Roles:

Member: Trust Board, Strategy & Sustainability Committee, Executive Committee, Joint Academic Committee, Workforce and Organisational Development Committee. Member of the following Trust Board Sub-Committees: Redevelopment Programme Board, Private Patient Development Sub-Committee and Improvement Programme Board.

### Experience:

Tom joined the NHS as a Management Trainee across East Kent. He then worked at Ealing Hospital NHS Trust before moving to North West London Hospitals NHS Trust in 2009. Tom became Assistant Director of Human Resources at North West London and was responsible for the effective running of all operational HR services in the Trust. He was also responsible for delivering a significant element of the Trust's cost saving and transformation plans. In February 2013, he joined the RNOH as the Deputy Director of Workforce and Organisational Development. In March 2016 he became Director of Workforce and Organisational Development. Tom holds a BA honours degree in English Literature from Durham University, an MA in Human Resources Management and is a qualified member of the CIPD (Chartered Institute of Personnel and Development).



## **Frank Hennessy** - Director of Redevelopment Programme

**Non-Voting member**

In post since: July 2015

### Trust Roles:

Member: Trust Board, Strategy & Sustainability Committee, and Executive Committee. Member of the following Trust Board Sub-Committees: Redevelopment Programme Board and Private Patient Development Sub-Committee.

### Experience:

Frank, a Chartered Building Surveyor (FRICS), brings 35 years Healthcare Property and Facilities Management experience to RNOH's Redevelopment Programme objectives for a redeveloped Hospital and Academic Campus in Stanmore. His experience spans the management of Healthcare buildings facilities and engineering services for the ongoing safe and efficient delivery of healthcare services to wholesale redevelopment of hospital estates. Frank worked in the Public and Private Healthcare Sectors across the UK and for a three year period in Australia.



**Daryl Lutchmaya** - Trust Secretary / Head of Corporate Affairs  
**Non-Voting member**

In post since: November 2015

**Trust Roles:**

Attendance at the following: Trust Board, Quality Committee, Strategy & Sustainability Committee, Audit Committee, Remuneration Committee, and Executive Committee. Co-Chair: Information Quality & Governance Steering Sub-Committee. Senior Information Risk Owner.

**Experience:**

Daryl's career experience was gained from working in a wide variety of sectors including government executive agencies, international organisations, private sector businesses and a professional membership body. Daryl graduated from the Royal Holloway College, University of London with a degree in Economics and Public Administration, and also studied at the University of Geneva in Switzerland where he gained his MBA focusing on the management and governance of International Organisations. Daryl is a Chartered Company Secretary (ACIS), Fellow of the Association of Chartered Certified Accountants (FCCA) and member of the Institute of Risk Management (MIRM).

# RNOH Trust Board Members' Declarations of interests

Name	Title	Organisation Name	Nature of Interest
Professor Anthony Goldstone	Non-Executive Director (Chairman)	HCA Healthcare	Chair of Cancer Department from April 2018 to April 2019
Mr Joe Carlebach	Non-Executive Director (Vice Chair)	RNOH Charity	Trustee
Professor David Isenberg	Non-Executive Director	University College London	Director of Rheumatology
Professor David Isenberg	Non-Executive Director	Merck Serono	Consultancy Contract
Professor David Isenberg	Non-Executive Director	Pfizer	Consultancy Contract
Professor David Isenberg	Non-Executive Director	Celgene	Consultancy Contract
Professor David Isenberg	Non-Executive Director	Servier	Consultancy Contract
Professor David Isenberg	Non-Executive Director	Astra Zeneca	Consultancy Contract
Mr Mark (Bertie) Leigh	Non-Executive Director	Nil	Nil
Mr Michael Rosehill	Non-Executive Director	Nil	Nil
Mr Robin Whitby	Non-Executive Director	Nil	Nil
Dr Gabrielle Silver	Associate Non-Executive Director		CEO of Provider Organisation Specialising in Discharge Services from Hospital & Community Healthcare Services 'CHS Healthcare'
Dr Gabrielle Silver	Associate Non-Executive Director	Lead Independent Director of OPIAST INC	VSBASCO Pharmacitcal Company Specialising in Development of Drugs for addiction
Ms Katherine Murphy	Associate Non-Executive Director	Nil	Nil
Mr Mark Bramwell	Associate Non-Executive Director	Nil	Nil
Ms Lucy Davies	Board Level Director	Grant Thornton (External Auditor to the RNOH)	Ex-Husband currently works at Grant Thornton as Director ( external auditors to RNOH), Financial Service Advisory
Professor Paul Fish	Board Level Director	London South Bank University	Visiting academic appointment with the RNOH's link university
Mr Aresh Hashemi-Nejad	Board Level Director	Private Practice	Pay for Rooms & Secretary
Mr Frank Thomas Hennessy	Board Level Director	Nil	Nil
Ms Zilla Huma	Board Level Director	Nil	Nil
Mr Robert Hurd	Board Level Director	Management Member National Joint Registry	Oversight of NJR national clinical audit governance and monitoring (including RNOH data) - lunch
Mr Robert Hurd	Board Level Director	RNOH/NHS Improvement Getting It Right First Time	Joint Senior Responsible Officer
Mr Robert Hurd	Board Level Director	North London Partners Adult Elective Orthopaedics Review Programme	Joint Senior Responsible officer from 2018 to current
Mr Robert Hurd	Board Level Director	British Orthopaedic Association	A day trip to Belfast 12th April - flight & food paid for no other
Mr Robert Hurd	Board Level Director	Director of Ortho AI	Currently non-trading entity registered at RNOH address representing RNOH (No personal or interests held or RNOH)
Dr Mark Masters	Board Level Director	Nil	Nil
Mr Thomas Nettel	Board Level Director	Nil	Nil
Dr Saroj Patel	Board Level Director	Aspire	Chair of the Trustee Board
Professor John Skinner	Board Level Director	Medacta - Sphere	Consultancy - advising on total knee replacement, teaching surgical techniques & lectures. Total Knee arthroplasty. I use MEDACTA knee prostheses.
Professor John Skinner	Board Level Director	Received research funding from: Depuy, Zimmer biomet, Finsbury, Mathys, Smith & Newphew, Stryker & Corin	Institutional Research Funding for Metal on Metal Research since 2008 ongoing
Professor John Skinner	Board Level Director	LIRC LLP	Consultancy for Implant Retrieval Work with Stryker & DePuy from 2017 until February 2019
Mrs Hannah Witty	Board Level Director	Multi-Academy School Trust	Director, Spiral Partnership Trust
Mrs Hannah Witty	Board Level Director	Allen Lane Recruitment	Breakfast Approx value £15.00
Mrs Hannah Witty	Board Level Director	Michael Page Recruitment	Breakfast Approx value £15.00
Ms Rachel Dalton	Board Level Director	Nil	Nil
Mr Daryl Lutchmaya	Head of Corporate Affairs/Trust Secretary	Self-employed Design Consultant	There is no conflict of interest. Undertaken outside of RNOH hours.

## Personal Data incidents reported to the Information Commissioners Office

An organisation must notify a breach of personal data within 72 hours. If the breach is likely to result in a high risk to the rights and freedoms of individuals, organisations must also inform individuals concerned without undue delay. Breaches that also fulfil the criteria of a NIS notifiable incident will be forwarded to the Department of Health and Social Care where the Secretary of State is the competent authority for the implementation of the NIS directive in the health and social care sector. The Information Commissioner remains the national regulatory authority for the NIS directive.

During 2018/19, the Trust reported one incident against the breach assessment graded according to the significance of the breach and the likelihood of those serious consequences occurring. The incident was graded according to the impact on the individual or groups of individuals and not the organisation.

## Modern Slavery Act 2015

The Modern Slavery Act 2015 establishes a duty for commercial organisations with an annual turnover in excess of £36 million to prepare an annual slavery and human trafficking statement. This is a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its own business. The RNOH does not receive turnover in excess of £36 million from commercial or Non-Government sources and is not required to prepare an annual slavery and human trafficking statement.

## Director's disclosure to the Trust Auditors

The law requires that all directors take active steps to ensure that the Trust's auditors are made aware of all information that is, or might be, relevant to their work in reviewing the annual report and accounts.

Each individual who is a Director of the Trust at the date of the approval of this Annual Report formally confirms that:

- a. As a director, they have taken all of the necessary steps to ensure awareness of any relevant audit information; and to establish that the auditor is also aware of that relevant audit information;
- b. So far as they are aware, there is no relevant audit information which has not been brought to the attention of the auditor.



# Statement of Directors' responsibilities in respect of the Accounts

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of HM Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and believe that they have complied with the above requirements in preparing the accounts.

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS trust's performance, business model and strategy.

By order of the Board



**Chief Executive Officer**

Date: 28TH MAY 2019



**Director of Finance**

Date: 28TH MAY 2019



# Statement of the Chief Executive's responsibilities as the accountable office of The Trust

**The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum.**

These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.



**Chief Executive Officer**

Date: 28<sup>TH</sup> MAY 2019

# Governance Statement 2018-19

## Introduction

This Governance Statement describes the Royal National Orthopaedic Hospital NHS Trust's corporate and quality governance and risk management and control systems. Through a range of reporting mechanisms and evidence, assurance is provided to the Trust Board and to NHS Improvement about the effectiveness of the Royal National Orthopaedic Hospital NHS Trust's stewardship and provides details about any significant internal control issues that have arisen during the year.

## Scope of responsibility

As Accountable Officer, I have the responsibility for maintaining a sound system of internal control that supports the achievement of the NHS 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 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 Trust Accountable Officer Memorandum.

As the Chief Executive Officer I am accountable to the Trust Board, Chairman, and to NHS Improvement. My accountability to them can be demonstrated through my management and regular performance reporting of the Trust's activities, which are undertaken in a transparent manner. The Trust Board and its Committees receive a range of reports to provide assurance, including the timely reporting of key performance indicators covering the safety, effectiveness, responsiveness, productivity and efficiency of services, including assurance that the RNOH's services are caring.

The Board also receives monthly financial reporting including actual performance and the forecasting of future performance based on the latest available information. An annual planning process refreshes the long term financial plan for the Trust and is reviewed by the Board. A Chief Executive's report is provided to the Board each month providing updates about RNOH's strategic priorities, risks and progress on these issues to date.

I have also ensured that Trust decisions have been taken in consultation with stakeholders and that the Trust has worked effectively in partnership across the wider health community. Examples include the following:

- Monthly Provider Oversight Monitoring meetings with NHSI now combined with NHS England (NHS E);
- Monthly meetings between the RNOH and NHSE with the NHSI in attendance, known as the Clinical Quality Review meeting;
- Regular meetings with the RNOH Patient Group, Healthwatch, Clinical Commissioning groups and the Local Authority Health and Social Care Scrutiny Committee;
- During the year, the RNOH has continued to support the development of stronger working relationships and productive partnership between The Robert Jones and Agnes Hunt Orthopaedic Hospital Foundation Trust (RJA), Royal National Orthopaedic Hospital NHS Trust (RNOH) and Royal Orthopaedic Hospital NHS Foundation Trust (ROH) with a particular focus on Specialised paediatric orthopaedics, orthopaedic cancer services, other small scale specialised services, orthopaedic coding, commissioning and specialised prosthesis procurement;

- RNOH is a member of the University College London Partners (UCLP) Academic Health Science Network and its Executive Group includes the RNOH Chief Executive and meets monthly;
- The GIRFT programme is jointly hosted by NHSI and the RNOH. This is a national programme supported by NHSI which engages clinicians working in acute care with their own data to accelerate the adoption of evidence based practice through peer to peer discussion and review;
- The RNOH is a mandated member of the National Joint Registry. This was set up by the Department of Health and the Welsh Government in 2002 to collect information on all hip, knee, ankle, elbow and shoulder replacement operations, to monitor the performance of joint replacement implants and the effectiveness of different types of surgery, with a view to improving clinical standards and benefiting patients, clinicians and the orthopaedic sector as a whole. I am appointed as the Management member representing providers on the National Joint Registry Executive Committee;
- The Trust has agreed a deed of understanding and a 'Ways of Working' document with the RNOH Charity which is an independent charity. A Non-Executive Director of the RNOH NHS Trust is also a trustee of the Charity. The Charity works closely with the Trust on fundraising activities and the RNOH NHS Trust Fundraising Committee is run in partnership with the Charity;
- RNOH is a leader of the Specialist Orthopaedic Alliance (SOA), which has been successful in achieving national vanguard status under the NHS England national New Models of Care programme – known as the National Orthopaedic Alliance (NOA). The SOA and NOA work consistently with the national GIRFT Programme with the stated aim of enhancing quality and reducing complications. This is a vital project for securing sustainability of orthopaedics as a whole within the NHS.

## 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 and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Royal National Orthopaedic Hospital NHS 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 the Royal National Orthopaedic Hospital NHS Trust for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

## Governance Framework

### The Trust Board

The Royal National Orthopaedic Hospital NHS Trust is a statutory body that was formed on 1st April 1991 under The Royal National Orthopaedic Hospital NHS Trust (Establishment) Order 1991. The Trust Board membership consists of 5 Executive Directors, 5 Non-Executive Directors and 1 Non-Executive Chair of the Board of Directors.

The voting Executive Directors serving on the Trust Board are the:

- Chief Executive Officer
- Medical Director
- Director of Finance
- Director of Nursing, Quality and Patient Experience
- Chief Operating Officer

During the year, Mark Bramwell was appointed as an Associate Non-Executive Director to replace Robin Whitby who previously served as an Associate Non-Executive Director before being appointed as a Non-Executive Director during 2017-18. Mark Bramwell is the Chief Information Officer and Director of Professional Services for Said Business School - University of Oxford.

The Chairman's term of service was also extended during the year by NHSI for two further years.

The Trust Board is considered to be well-balanced and to be of sufficient size, skill and experience to fulfil its responsibilities. The Board as a whole continued to develop its balance of skills and diversity. The Trust Board met 11 times during the year.

The legal framework underpinning the Trust is set out in the Trust's governing documents and includes;

- the Establishment Order;
- Standing Orders;
- Standing Financial Instructions; and
- the Board of Directors Reservation of Powers and Scheme of Delegation.

The Trust Board complies with the HM Treasury/ Cabinet Office Corporate Governance code where applicable. The Chief Executive Officer, who is responsible for the governance and assurance processes across the Trust, is supported by the Trust Secretary.

The Trust Board convenes on a monthly basis, both in public sessions where its agenda is managed according to the annual cycle of the RNOH's business, and in closed sessions, which take place in private where the matters considered are both sensitive and not intended for public disclosure.

At each of its public meetings, the Trust Board considers the following matters as standing items;

- An update from the Chief Executive;
- the Balanced Scorecard of Key Performance Indicators which covers all aspects of the work of the Trust;
- Quality;
- Safe staffing;
- Safeguarding;
- Finance;
- Research and Development;
- a report from the Patient Group and
- the Board Assurance Framework (informed by the Trust Risk Register).

The attendance of Board members and permanent invitees during the financial year is shown in the Board attendance register overleaf.

Name	Title
Professor Anthony Goldstone	Chairman
Rob Hurd	Chief Executive Officer
Councillor Joe Carlebach	Vice Chair (Non-Executive Director)
Professor David Isenberg	Non-Executive Director
Mr Bertie Leigh	Senior Independent Director (Non-Executive Director)
Mr Michael Rosehill	Non-Executive Director
Mr Robin Whitby	Non-Executive Director
Ms Katherine Murphy	Associate Non-Executive Director
Mr Mark Bramwell	Associate Non-Executive Director (From July 2018)
Dr Gabrielle Silver	Associate Non-Executive Director
Mr Aresh Hashemi-Nejad	Medical Director
Ms Lucy Davies	Chief Operating Officer
Professor Paul Fish	Director of Nursing, Quality & Patient Experience
Mrs Hannah Witty	Director of Finance
Dr Saroj Patel	Chief Digital & Innovation Officer
Mr Mark Masters	Director of Estates and Facilities
Mr Tom Nettel	Director of Workforce and OD
Mr Frank Hennessy	Director of Redevelopment Programme
Mr John Skinner	Director of Research & Innovation Centre
Dr Zilla Huma	Director of Children's Services
Mr Daryl Lutchmaya	Trust Secretary / Head of Corporate Affairs

25 APR	30 MAY	27 JUN	25 JUL	29 AUG	25 SEP	31 OCT	28 NOV	12 DEC	30 JAN	27 FEB	27 MAR	Attendance Record
✓	✓	A	✓		✓	✓	✓	✓	A	✓	✓	9/11
✓	✓	✓	A		✓	✓	✓	✓	✓	✓	✓	10/11
✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	11/11
✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	11/11
✓	✓	✓	✓		✓	✓	A	✓	✓	✓	✓	10/11
✓	A	✓	✓		✓	✓	A	A	✓	✓	✓	8/11
✓	A	✓	✓		A	✓	A	✓	✓	✓	✓	8/11
✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	11/11
			✓		✓	A	A	✓	✓	✓	✓	6/8
✓	A	✓	✓		A	✓	✓	✓	✓	✓	✓	9/11
✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	11/11
✓	✓	✓	✓		✓	✓	✓	A	✓	✓	✓	10/11
✓	✓	A	✓		✓	✓	✓	✓	✓	✓	✓	11/11
✓	✓	A	✓		✓	✓	✓	✓	✓	✓	✓	10/11
✓	✓	✓	✓		✓	✓	✓	✓	✓	A	✓	10/11
✓	A	A	✓		✓	✓	A	✓	✓	✓	✓	8/11
✓	✓	✓	A		✓	✓	✓	✓	✓	✓	A	9/11
A	✓	✓	✓		A	A	A	A	A	✓	A	4/11
A	A	✓	✓		A	✓	A	A	✓	A	✓	5/11
✓	✓	✓	✓		✓	✓	✓	A	✓	✓	✓	10/11
✓	A	✓	✓		✓	✓	A	✓	A	✓	✓	8/11

## Board Committees

The Trust Board is supported by nine Board Committees and an Auditor Panel:

- Audit Committee: Membership - Mr Michael Rosehill (Chair), Mr Joe Carlebach and Mr Bertie Leigh
- Auditor Panel: Membership - Mr Michael Rosehill (Chair), Mr Joe Carlebach and Mr Bertie Leigh
- Remuneration Committee: Membership - Professor Anthony Goldstone (Chair), Mr Joe Carlebach, Mr Michael Rosehill, Mr Bertie Leigh, Professor David Isenberg and Mr Robin Whitby
- Quality Committee: Membership - Professor Anthony Goldstone (Chair), Mr Bertie Leigh, Professor David Isenberg, Ms Katherine Murphy, Mr Rob Hurd, Mr Aresh Hashemi-Nejad, Professor Paul Fish, Ms Lucy Davies, Mr Mark Masters and Dr Zilla Huma
- Strategy and Sustainability Committee: Membership - Professor Anthony Goldstone (Chair), Mr Joe Carlebach, Mr Michael Rosehill, Mr Bertie Leigh, Professor David Isenberg and Mr Robin Whitby, Ms Katherine Murphy, Dr Gabrielle Silver, Mr Mark Bramwell, Mr Rob Hurd, Mr Aresh Hashemi-Nejad, Professor Paul Fish, Mrs Hannah Witty, Ms Lucy Davies, Dr Zilla Huma, Mr John Skinner, Mr Mark Masters, Dr Saroj Patel, Mr Frank Hennessy and Mr Tom Nettel
- Executive Committee: Membership - Mr Rob Hurd (Chair), Mr Aresh Hashemi-Nejad, Professor Paul Fish, Mrs Hannah Witty, Ms Lucy Davies, Mr Mark Masters, Dr Saroj Patel, Mr Frank Hennessy, Mr Tom Nettel and Daryl Lutchmaya
- Finance Committee: Membership - Mr Michael Rosehill (Chair), and Mr Bertie Leigh, Mr Rob Hurd and Mrs Hannah Witty
- Digital Committee: Membership - Mr Joe Carlebach (Chair), Mr Mark Bramwell, Mr Rob Hurd, Mr Aresh Hashemi-Nejad, Professor Paul Fish, Mrs Hannah Witty, Ms Lucy Davies and Dr Saroj Patel
- Workforce and Organisational Development Committee: Membership - Mr Joe Carlebach (Chair), Dr Gabrielle Silver, Professor Paul

Fish, Mrs Hannah Witty, Ms Lucy Davies and Mr Tom Nettel

- Joint Academic Committee: Membership – Professor David Isenberg (Chair), Mr Rob Hurd, Mr Aresh Hashemi-Nejad, Professor Paul Fish, Mr John Skinner and Mr Tom Nettel

The Trust Board Committees report to the Board through committee updates. The Trust Board is invited to discuss and to deliberate the Board Committees' work, actions arising and any recommendations and decisions made by them. Other than the Executive Committee, which is chaired by the Chief Executive, all Board Committees are chaired and attended by Non-Executive Directors.

Similarly, Sub-Committees and other Programme Boards which report to Board Committees and which are chaired by Executive Directors, escalate issues to their respective Board Committees through Sub-Committee Updates and minutes.

The following Trust Board Committees and Auditor Panel have convened during this financial year:

- Audit Committee 4 meetings
- Remuneration Committee 1 meeting
- Quality Committee 5 meetings
- Strategy and Sustainability Committee 5 meetings
- Executive Committee 37 meetings
- Finance Committee 12 meetings
- Digital Committee 4 meetings
- Workforce and Organisational Development 6 meetings
- Joint Academic Committee 3 meetings

All the meetings of these Board Committees during the financial year have been quorate.

The Trust Board Committees have received delegated authority to scrutinise, monitor, and review and to make decisions within their terms of reference on behalf of the Trust Board. These Committees have been established on the basis of the following principles:

- the need for them to strengthen the Trust's overall governance arrangements and to support the Trust Board in the achievement of the Trust's strategic aims and objectives,
- the requirement for a governance structure that strengthens the Trust Board's role in strategic decision-making and supports the Non-Executive Directors to scrutinise and to challenge Executive Management actions,
- maximising the value of the input from Non-Executive Directors, and
- to support the Trust Board to fulfil its role, given the nature and magnitude of the Trust's wider agenda, to support background development work and to perform scrutiny in more detail than is possible at Trust Board meetings alone.

### Board Review

During the year, the Board completed the Well-Led Framework self-assessment. A key element of effective Board working is the ability to self-assess leadership impact and identify areas of continuous Board development. Whilst there is a regulatory requirement to undertake such an assessment, the more significant driver is the positive impact on patient care and staff experience that having a continually developing Board in place provides for the organisation.

NHSI provides a template for Well-Led reviews, based on the CQC's eight Key Lines of Enquiry (KLOE's). Executive members of the Board have completed a self-assessment in order to have a starting point for the whole Board, as a unitary entity, to undertake the full review which will be externally facilitated during 2019/20.

Board reviews are used to provide the Board with feedback about the way it conducts its business and to seek ways of continuously improving.

Other than being good corporate governance practice, Board Reviews are a strong indication that an organisation is well-led. During 2017, the Board Review focused on the internal administration of the Board. The 2018 Board Review focused on the CQC's Well Led domain: "the leadership, management and governance of the organisation assures the delivery of high-quality person-centred care, supports learning and innovation and promotes an open and fair culture". The questions were based on the CQC's eight Key Lines of Enquiry (KLOE) within the Well-Led domain.

### Audit Committee

- The Committee is chaired by a Non-Executive Director who is a finance professional and two other Non-Executive Directors as members. External and internal auditors and the Local Counter Fraud professional are invited to attend all meetings. Executive members of the Trust are also invited to attend the Audit Committee meetings.
- During the year, the Audit Committee discharged its responsibilities including;
  - Reviewing the Annual Financial Statements and Annual Governance Statement, including meetings with, and a review of the planning and work of the External Auditor, Grant Thornton.
  - Agreeing the annual workplan and reviewing the clinical and non-clinical internal controls of the Trust through scrutiny of reports from the Trust's Internal Auditor, RSM.
  - Agreeing the annual workplan and reviewing the work and reports of the Trust's Local Counter Fraud resource, which is provided by RSM.
  - Receiving and reviewing the Trust Board Assurance Framework documents and the underlying risk processes and requesting further work to ensure that the Trust's risk reporting systems were fit for purpose.
  - Reviewing tender waivers, losses and special payments.
  - Reviewing the Trust's constitutional documents for Board approval.

- Monitoring the process of implementation of management actions arising from Internal Audit Reports.
- Reviewing the Terms of Reference for the Audit Committee and of the Auditor Panel.

### Remuneration Committee

- The Remuneration Committee is chaired by the Chair of the Trust Board and includes other Non-Executive Directors. It assures appropriate remuneration and terms of service for the Chief Executive, other members of the Corporate Executive Team and other senior employees (those who are not subject to the Agenda for Change agreement) to ensure that they are fairly rewarded for their individual contributions to the Trust; having proper regard to the Trust's circumstances and performance and in accordance with any national arrangements for such.
- The Remuneration Committee also oversees provisions for other benefits, including pensions, cars, season ticket loans, arrangements for termination of employment and other contractual terms.

### Quality Committee

- The Quality Committee is chaired by the Chair of the Trust Board and includes two other Non-Executive Directors. All Chairs of the Sub-Committees are required to attend the Quality Committee, which meets bi-monthly.
- The Quality Committee is responsible for providing the Trust Board with assurance on all aspects of quality including its delivery and governance, clinical risk management, information governance and the regulatory standards of quality and safety. It provides assurance to the Trust Board that the RNOH is a safe, effective, caring, well-led, and a responsive hospital service.
- Two key responsibilities of the Quality Committee are to oversee an effective system for delivering a high quality experience for all its patients and service users, including

carers, with particular focus on involvement and engagement for the purposes of learning and making improvements; and to oversee an effective system for monitoring clinical outcomes and clinical effectiveness. There is strong focus on ensuring that patients receive the best possible outcomes of care across the full range of the Trust's activities.

During the year, the Quality Committee focussed on the following important areas:

- Cancer Strategy and Workplan
- Pathology (SWLP) Service Provision
- Learning from the Kirkup Inquiry
- Safeguarding Reports
- National Confidential Enquiry into Patient Outcome and Death report - Acute Kidney Injuries (AKI)
- Reporting of Clinical Outcomes

The following Sub-Committees report to the Quality Committee:

- Clinical Quality and Governance Sub-Committee
- Information Quality and Governance Steering Sub-Committee
- Cancer Board
- Children's Services Operational Group
- Safeguarding Sub-Committee

There is a dotted reporting line to the Quality Committee relating to quality issues from the following Sub-Committees and Programme Boards:

- Redevelopment Programme Board
- Improvement Programme Board
- Children's Services Development Strategy Sub-Committee
- Cancer Strategy Sub-Committee
- Private Patient Development Sub-Committee

The reporting Sub-Committees and Programme Boards provide regular accounts of the operational performance of the Trust to the Quality Committee. Performance Balanced



Scorecards are presented for scrutiny and discussion and patient stories are presented to assure Board to Ward oversight.

### Strategy and Sustainability Committee

- The Strategy and Sustainability Committee is a 'whole of Board' committee responsible for the oversight and review of the Trust's medium to long term strategies, representatives from NHSE and NHSI are invited to attend. The committee is chaired by the Chair of the Trust Board.
- The Committee has oversight of the delivery of the Trust's strategies and major strategic projects, and has responsibility for reviewing the development of future organisational sustainability strategies, programmes and plans.
- During the year, the Strategy and Sustainability Committee considered the following;
  - Relocating to the new Stanmore Building
  - Theatre Productivity & Prompt Starts
  - Improvement Programme
  - Children's Services Strategy
  - GIRFT

### Executive Committee

The Executive Committee, which is chaired by the Chief Executive has delegated powers from the Trust Board to oversee the day-to-day management of an effective system of integrated governance, risk management and internal control across the whole of the organisation's activities (both clinical and non-clinical). It is responsible for reviewing, approving and monitoring the Trust's performance against strategic risks, key targets, business plans, CQC outcomes and other corporate objectives.

It also supports the achievement of the organisation's objectives and monitoring of strategic risks within the Board Assurance Framework.

The Executive Committee also ensures that governance and assurance systems are operating effectively, thereby underpinning clinical care.

In order to achieve this, the committee agrees strategies, policies and plans to ensure that the Trust has a proper system of controls in place to deliver this.

During the year, the Executive Committee agreed business cases within the business plan in line with the delegated authority of the Chief Executive Officer and that of the Director of Finance and as per the Scheme of Delegation. The Committee has continued to work extensively on developing the RNOH's strategy and the associated workstreams that will deliver on its strategic aims and organisational objectives.

### Finance Committee

The Finance Committee is chaired by a Non-Executive Director who has a finance background and its membership includes another Non-Executive Director, the Chief Executive Officer and the Director of Finance.

The Committee provides assurance that the Trust has a robust understanding of key financial issues to enable sound decision-making. The committee conducts detailed consideration and oversight of the Trust's financial position, including activity and productivity.

During the year, the Finance Committee considered the following matters:

- Monthly actual and forecast financial performance
- The cashflow consequences of operating with a deficit as a result of tariff pressures
- The financial risk and delivery of Cost Improvement Plans.
- The Board Assurance Framework and the Performance Balanced Scorecard relating to financial matters.
- Reviewed its Terms of Reference.
- Reviewed the approach and outputs of the 2019/20 business planning round, including commissioner contract negotiations.

## Digital Committee

The Digital Committee is chaired by the Vice-Chair of the Trust Board. An Associate Non-Executive Director is also a member of the committee. The purpose of the Digital Committee is to provide oversight on behalf of the Trust Board for the implementation of the Trust's Digital Strategy and the governance and management of the Trust's Digital Services and deliver the agreed Digital Programme of work, management of the Trust's Information Technology infrastructure and to deliver on relevant projects.

During the year, the Committee:

- Reviewed the progress of the digital programme of work and matters affecting the overall Directorate.
- Considered risks to the Trust's Digital Infrastructure including Cyber Security weaknesses and approved action plans where appropriate.
- Ratified various policies that expired during the year.
- Approved the Digital Strategy.

## Workforce and Organisational Development Committee

The Workforce and Organisational Development Committee is chaired by the Vice-Chair of the Trust Board. It is responsible for ensuring that effective workforce enablers are implemented to facilitate the delivery of the Trust's strategic goals, drive high performance and quality improvement and to deliver the Organisational Development Strategy.

During the year, the Committee considered the following;

- Workforce key performance indicators with a particular focus on vacancies, mandatory training, appraisals and staff turnover.
- Staff experience and the delivery of the Trust's Staff Experience Strategy.
- WRES Action Plan.
- Staff Survey results for 2018.
- Education Strategy and use of education resources.

## Joint Academic Committee

The Joint Academic Committee is chaired by a Non-Executive Director.

The purpose of the Joint Academic Committee (JAC) is to oversee on behalf of the Trust Board, closely linked with our academic partners, the implementation of the Trust's vision for academic activities. The vision is encapsulated within the following:

- The Trust's Integrated Business Plan : The RNOH with its key academic partners to be recognised as a world leading clinical centre of excellence for translational research and multi-disciplinary education and treatment of complex neuro-musculoskeletal disease
- The Trust's aims to support engagement in clinical research and education across all staff
- The Trust's partnership with UCL Partners and Industry: The proposed Academic Health Science Programme for Musculoskeletal Services

During the year the Committee considered the following:

- Continued increase of National Institute of Health Research (NIHR) Portfolio studies, which are both RNOH led and RNOH hosted.
- Delivering Research and Innovation Centre Strategy.
- Review of standard operating procedures (SOPs) and Working Practice Documents (WPDs) to support safe delivery of studies.

## Quality Governance

The Trust has robust arrangements in place to seek and to provide assurance on the clinical quality and safety of care provided at RNOH and this is described above in the Quality Committee and its Sub-Committees' structures.

The Clinical Quality Review Meeting provides assurance to external stakeholders including Commissioners, NHSI and NHSE. The Director of Nursing, Quality and Patient Experience and the Medical Director and the Deputy Director of Quality are members of the Group.

Other mechanisms to ensure quality within the Trust include;

- Having a Director of Nursing, Quality and Patient Experience in post who is the Executive lead for quality governance and oversees the work relating to clinical governance, quality assurance and compliance.
- Risk management structures for the identification, reporting and management of risks which may impact quality of care.
- A dedicated Quality Team which works with the Clinical, Operational and Corporate teams to manage Patient & Staff Safety; Patient Experience & Involvement; Clinical Effectiveness; Regulatory Compliance and Emergency Planning, Resilience and Response.
- Development of a monthly Quality Report and scorecard system covering Trust wide and divisional performance in relation to Quality.

The Clinical Audit function within the Trust ensures participation in national clinical audits as well as ensuring that local audits are completed on key priority areas. Key areas of focus for clinical audit during 2018/19 have included WHO surgical safety checklist compliance, NHS Safety Thermometer, Combined Nursing Audit, Hand Hygiene, Vascular Access, Environmental Spot Checks, Controlled Drugs, Medicine Reconciliation, Pain Outcome Diary and Medical Records Audit.

# Risk Assessment

**The Trust Risk Register is a composite of risk information across all of its activities. It includes clinical, quality, organisational and operational risks. An overview of this process is included in the Risk and Control Framework section in this Annual Governance Statement.**

The RNOH Trust Board is committed to leading the organisation to deliver quality services and excellent patient outcomes and recognises that embedded risk management is an essential feature to achieve this. The Audit Committee and Quality Committee assist the Board in identifying whether risk processes are adequate, and in overseeing the required improvements.

The Trust Risk Register is used to inform the Board Assurance Framework which identifies and quantifies all risks that might compromise the organisation's ability to meet its strategic objectives. At the strategic level, the organisation's risk profile is monitored by the Trust Board at each meeting through the Board Assurance Framework (BAF). The BAF assesses the major internal and external risks which could impact on the Trust's ability to deliver its strategic objectives. Each risk is owned by an Executive Director who is responsible for the controls and mitigating actions to manage the risk. Implementation of the mitigating actions is reviewed on a monthly basis with summary updates provided to the Board. Although the BAF is populated by the Executive Directors' knowledge of their own directorate risks and those from the Trust Risk Register, work is still underway to record all of the risks in one place and to systemise the risk management process into the Trust Risk Register.

A summary of the Trust's strategic risks as contained in the BAF as at March 2019 are as follows:

SR	Strategic Objectives	Principal Risk Description and change in Risk Rating		Inherent Risk	Current Risk March 2019	Target Risk
SR1	Deliver targeted improvements in clinical excellence	The Trust does not have enough doctors and nurses on the wards Previous month's risk rating - 8.	↑	16	12	4
SR2a	Deliver targeted improvements in High Quality Care	Capability & capacity of staff to undertake improvement in the quality of care	↔	12	12	6
SR2b	Deliver targeted improvements in High Quality Care	Concerns around the Recruitment, retention and development of key clinical professionals, including Nurses, Junior Dr's and AHP's.	↔	20	15	10
SR3	Deliver targeted improvements in activity levels, access and unlocking capacity	Insufficient theatre, bed or clinic capacity to achieve planned activity levels. Jan 2019: impact of increasing referrals and inability to recruit to key surgeon posts has increased risk of wait time growth, particularly growth in tip-ins to backlog.		20	16	8

SR	Strategic Objectives	Principal Risk Description and change in Risk Rating		Inherent Risk	Current Risk March 2019	Target Risk
SR4	Deliver a culture of improvement	RNOH leaders, without QI capability, will be unable to deliver Trust-wide improvement programmes successfully including Theatre Productivity, Length of Stay, Safer Staffing programmes respectively. It will also not be possible for learning from incidents, SIs, RCAs to be translated into improvements. It will also not be possible for local opportunities for quality improvement to be identified and delivered across the organisation.	↔	12	9	6
SR5	Deliver the Organisational Development Programme to improve staff experience	Staff experience has significantly improved in the organisation in recent years however areas of risk remain including bullying and harassment and equality and diversity; staff experience has an evidenced impact on patient care and experience and on staff recruitment and retention Previous month's risk rating - 12.	↑	16	16	8
SR6	Enable the site redevelopment	Failure or delay to exchange contract by 31st March 2019.	↔	25	20	10
SR7	Deliver the site redevelopment projects	(i) The Stanmore Building opened to patients on 8th December 2018 - objective met. (ii) Awaiting approval of OBC from NHSI, before procurement can commence. (iii) Cost of construction and consequent affordability. (iv) Suitable partners do not respond to the 'Prior Information Notice' (PIN). (v) Procurement of contractor and affordability.	↔	12	8	3
SR8a	Exploit digital technology	Inability to deliver a new Digital Strategy by 31st March 2019	↔	6	3	0
SR8b	Exploit digital technology	Inability to protect against Cyber-attacks leading to the inability to deliver safe, efficient and effective patient care	↔	20	16	16
SR8c	Exploit digital technology	Inability to deliver agreed digital projects and IM&T KPIs	↔	12	9	6
SR9	Exploit equipment provision	There has been a lack of a robustly funded diagnostic imaging (DI) device replacement and development strategies to expand our current patient's diagnostic services. This has put DI equipment replacement and ultimately the diagnostic care of our patients at risk as a result of unreliable equipment and older less advanced technologies. The lack of a strategic approach has also halted much needed research and development opportunities/interest whilst simultaneously disincentivising the interest and engagement of leading Consultant radiologists and radiographers to expand upon the experience and services we are currently able to offer.	↔	16	16	4
SR10	Achieve financial stability	1) The national tariff is not adequately recompensing RNOH for the complexity of work undertaken. 2) RNOH does not generate sufficient PP referrals (consultants)	↔	20	12	8
SR11	To deliver world class musculoskeletal research	Continued uncertainty around UCL partnership on site	↔	16	16	11
SR12	To deliver world class musculoskeletal education	Staff will not have access to the educational support and training required to undertake their role effectively. Equally staff may not get the access to additional, non-mandatory training that they would like and may leave the Trust as a result. The Trust will not become the leading provider of training to neuro-musculoskeletal professionals if it does not deliver viable education activities integrated with research. Previous month's risk rating - 6.	↑	12	9	3

Risk registers are dynamic documents, which are populated through the organisation's risk assessment and evaluation processes. In order to support the overall Trust-wide risk management process, work continues to ensure that local clinical and operational teams are supported to locally identify, assess, and manage and to escalate risks using the Trust's Risk Register process.

There are 29 risks on the risk register with a residual score of 15 and above. Some of these risks are about:

- Achievement of the RTT 18 week target
- Concerns around Nursing and junior doctors vacancies
- Risks around achievement of the General Data Protection Regulation (GDPR)
- Risks around the Accessible Information Standards
- Risk around manual stock control for medicines leading to errors

The Trust reviews the actions and mitigation arrangement for each of these risks as described in our risk management policy and risk management approach.

## Incident Reporting

The Trust process for reporting incidents is through the Safeguard reporting system which is monitored by the Patient Safety Team. When an incident is reported, it is Trust policy that the incidents are reviewed by managers within division and corporate departments on a daily and/or ongoing basis.

These incidents are also reviewed on a weekly basis at the Incident Reporting Group (IRG) to discuss any concerns, review grading and decide which incidents meet the external serious incident criteria for external notification.

The Patient Safety Team work alongside the services to support with root causes analysis

investigations. Learning themes are shared at the Quality Improvement and Lessons Learned Meeting (QUILL) and action and assurance on implementation are followed up with divisions.

During the last financial year (1st April 2018-31st March 2019) there was no Never Event and 14 Serious Incidents reported on the Strategic Executive Information System (StEIS).

During 2018/19, the Trust reported one incident against the ICO's breach assessment which is graded according to the significance of the breach and the likelihood and impact of any serious consequences occurring as a result of it.

### The incident was recorded as below:

Incident Ref (DSP / ICO):

**7871 / RFA0810132**

Reported on:

**10 January 2019**

Breach Type:

**Loss of availability of personal data**

Citizens affected:

**269**

What is the likelihood that citizens' rights have been affected?

**Likely (3)**

What has happened:

Destruction of patient files following a fire at a sub-contractors site at EDM Group facility on Planetary Road, Wolverhampton - 01 January 2019.

The Trust sub-contractor has multiple facilities depending whether information store paper & fiche records both for long term storage and short term pre- and post- scanning.

Units 44, 45, 46 & 47 buildings were affected by the fire and have just been aware that boxes containing recent patient admissions and / or appointment documents were reportedly destroyed in the fire. The documents are received to the sub-contractor were originals to be scanned on the Trust (NHS) system.

#### How did we find out:

Emails were received by the supplier and sub-contractor to the Trust on the 1st January 2019. The communication received detailed that the Trust will be impacted but could not confirm the extent of the information destroyed or damaged.

It was confirmed on 07 January 2019 that information of the Trust had been destroyed.

#### Actions taken or planned:

1. An Incident Working Group was set-up with key stakeholders to formulate a plan of action
2. It was necessary to identify those patients where their records were damaged or destroyed
3. Letters were circulated to patients informing them of the incident and the steps being taken to minimise the impact to their care
4. Clinical staff at the RNOH to review patient records to assess the clinical risks to patient care
5. A review was undertaken of the service provider's contract including of its sub-contractor
6. A review of audits undertaken with service provider and sub-contractor
7. A review of the service provider's business continuity plans to ensure systems were in place to prevent a reoccurrence of the event
8. Executive summary report was presented at the Trust Board in April 2019

#### What is the severity of the adverse effect?

Potentially some minor adverse effect or any incident involving vulnerable groups even if no adverse effect occurred (3)

#### Reportable to the ICO (9)

The cause of the fire is yet unknown. The Fire Service has appointed a forensic fire investigator and the investigation is underway. Timelines for completion of the investigation are also unknown at this point. The incident has highlighted, that despite the robust measures in place that there will always be an element of risk. The Trust continues to review processes to minimise the risks to the data security and protection surrounding information.

The Data Security and Protection (DSP) Toolkit was launched in April 2018, replaces the Information Governance Toolkit (IG Toolkit). Health and Care organisations are required to complete a DSP Toolkit each financial year. It forms part of a new framework for assuring that the Trust are implementing the ten data security standards and meeting their statutory obligations on data protection and data security in line with the General Data Protection Regulation (GDPR). The Data Security and Protection (DSP) Toolkit is an online tool that enables organisations to measure their performance against data security and information governance requirements which reflect legal rules and Department of Health. All organisations that have access to NHS patient information must provide assurances that they are practising good information governance and use the Data Security and Protection Toolkit to evidence this by the publication of annual assessments. The Toolkit provides a mechanism for organisations to demonstrate that they can be trusted to maintain the confidentiality and security of personal information. This in turn increases public confidence that 'the NHS' and its partners can be trusted with personal data. The Trust has completed and published DSP assessment for 2018/2019 in demonstrating satisfactory compliance to provide services to patients.

# The Risk and Control Framework

**The Board Assurance Framework is the management tool used for identifying and for managing in year risks based upon the annual objectives of each Trust Strategic Objective which are shown on pages 75 -76 of this Annual Report. Future risks are identified as and when the next set of annual objectives are agreed by the Executive Team in pursuance of the Trust's Strategic Objectives.**

The CQC Fundamental standards is woven through all that we do and reviewed through quality and performance metrics that are reported through the Trusts balanced scorecard and at Trust Committees. Exceptions areas are reviewed and acted upon with assurance sought and/or provided through Trust committees. Each division also has a CQC action plan that is reviewed and exceptions areas addressed.

- The Quality team (Nursing, Quality & Patient Experience Directorate) is the custodian of the Trust's clinical and operational risk management process, ensuring that the process is effectively managed and monitored and that Trust staff are trained, supported and have editorial control over the Trust Risk Register.

This is an overview of how the risk and control process works:

- Identification of risk(s) by an individual or a team in the department where hazards or concerns are identified as threatening the delivery of its operation or objective(s). This may include incident reports, complaints, claims, external reviews, external recommendations and guidance, financial challenges, underperformance against internal and external metrics etc.
- Analysis and documentation of the risk is undertaken by a local manager in consultation with the Quality Team.
- Each risk has an allocated owner who is responsible for ensuring that appropriate action is taken to mitigate the risk.
- The divisional/ departmental risk register (a document comprising all relevant operational risks) is reviewed by the relevant departments and risk scores are assigned for clinical and operational risks. The progress of actions towards mitigation of these risks is reviewed and updated as stipulated in the Risk Management Policy.
- In the event that a risk highlights a strategic risk i.e. one which threatens the organisations ability to achieve its stated aims or objectives or is graded as 15+ ('red'), this is then escalated as per the Risk Management Policy.
- Risk register reviews take place at a series of local and Trust wide meetings, including Divisional, Operational and Executive Leadership Team meetings Board committees including the Quality Committee and at the Executive Committee meetings.

The Trust continues to work to support better risk oversight and to ensure that there is seamless alignment and escalation of risk from ward to Board.



The Trust Board is responsible for ensuring that the organisation consistently follows the principles of good governance applicable to NHS organisations. This includes the development of systems and processes for financial control, organisational control, governance and risk management.

Board members are responsible for ensuring that the systems, policies and people that are in place to manage risk, are operating effectively, focused on key risks and driving the delivery of objectives.

Executive Directors are accountable and responsible for ensuring that their Directorates and corporate functions are implementing the Risk Management Strategy and related policies. Each Executive Director is accountable for the delivery of their particular service.

The Chief Executive Officer is the Accountable Officer of the Trust and as such has overall accountability and responsibility for ensuring that the Trust meets its statutory and legal requirements and adheres to guidance issued by the Department of Health in respect of Governance. This responsibility also encompasses risk management, health and safety, financial and organisational controls. The Chief Executive Officer, supported by the Trust Secretary, is the lead for maintaining the Board Assurance Framework and its supporting processes.

Executive Directors are responsible for ensuring that the Board Assurance Framework and the risk management reporting timetable are delivered to the Board. Regular reporting and oversight of the key strategic risks to the organisational objectives is achieved through the compilation and submission of the Board Assurance Framework at each Board meeting. The Director of Nursing, Quality and Patient

Experience has delegated authority for the clinical and operational risk management framework including its training.

Performance information is reviewed by each relevant Executive Director for their respective areas and is reported to the Trust Board. All mandated data submissions completed by the Information Team are listed within a collections timetable and are supported by written work instructions which include a validation/sign-off protocol. The data required for routine submissions has been developed into reports available within the Trust's business intelligence reporting tool which are refreshed daily or at the required frequency for any given submission. Exceptionally where the data required for a submission is not available on an electronic system this will be submitted to the Information team by email. Submissions are routinely signed off at Executive or Deputy level prior to external submission.

The Trust Balanced Scorecard encompasses key indicators used by the Trust Board and its sub-committees to monitor performance. The Scorecard brings together information which was previously provided in numerous reports and in a variety of formats into a more cohesive and informative format through a single report. It provides the Trust Board with enough information at the right level to ensure that the Trust is well run.

All indicators have a Data Owner at Executive Board level. The process of agreeing indicators, targets and methods of measurement is carried out prior to the commencement of each new financial year and once agreed by the data owners is approved by the Executive Committee and the Board.

Some indicators relate to measures that are national standards and have agreed targets, for other indicators the target is set internally based on historical performance with some improvement factored in. Each month the indicators must be approved by the relevant Data Owner providing ownership at executive level of the Balanced Scorecard. The scorecard data is used at Trust Board and meetings of the Board's sub-committees information is reported consistently.

The Trust undertakes various data quality audits to validate the quality of the information the core audits include but not limited to; clinical records audit; corporate records audit; NHS number audit and clinical coding audit. The business intelligence reporting/information portal (Insight) provides information dashboards where data sets can be reviewed to identify errors and omissions for correction.

The Risk Management Policy also defines how risks are linked to one or more of the Trust's objectives. Once a risk has been identified, it is described and assigned an owner. At this stage, key mitigation controls that are to be taken to reduce the likelihood of the risk happening, or reducing its impact, are stated.

The Risk Management Policy provides detail about the levels of authority that staff have to manage risk. The authority which individuals have is appropriate to their grade; and training is provided by them covering risk assessment and investigation techniques relating to adverse events.

Corporate induction is compulsory for all new starters and includes sessions on risk management and information on aspects of internal control such as clinical and non-clinical risk, corporate governance, health and safety. A summary of the policy is provided to staff

during their induction and the entire document has been distributed to all wards/departments and is also available on the Trust's website.

The mitigation of risk and its associated training has been identified across the organisation through the development of a schedule of statutory and mandatory training for staff. Staff are required to receive training and refresher training as set out in the Trust's Training Needs Assessment. This is a fundamental and critical step to implementing risk mitigation.

Training is provided to all staff by formal in-house workplace training sessions, and also through arrangement with the Quality Team. Other arrangements to facilitate the mitigation of risk also include the Local Risk Management Handbook, which is available within all wards and departments.

# Review of the effectiveness of risk management and internal control

**As Accountable Officer, I have the 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 NHS trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in 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 and Quality Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.**

I have also relied on the Head of Internal Audit's opinion when reviewing the effectiveness of internal control. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by the following:

- External Auditor's value for money assessments
- Achievement of new and existing performance targets
- Financial performance and achievement of financial targets
- NHS London risk ratings
- Internal and External audit reports
- Counter fraud reports
- Reviews of tender waivers
- Declarations on the register of interests and hospitality register
- Audit Committee
- Serious untoward incident progress reports to the Quality Committee
- Infection control reports to the Board
- Compliance with NICE guidance
- The Trust's participation in national clinical audits
- The Trust's performance against NHS peers through the Strategic Orthopaedic Alliance
- Reviews of clinical negligence claims
- Analysis of complaints and Trust response times
- An effective whistle blowing policy and process

In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

During the year, Internal Audit undertook a number of reviews. The Head of Internal Audit opinion for 2018/19 is that the organisation has an adequate and effective framework for risk management, governance and internal control. The opinion stated that there are further enhancements required to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

The Head of Internal Audit opinion for 2018/19 was based on the rating of 'Partial Assurance' on three audits that were undertaken:

- Key Financial Controls relating to patient monies
- Consultant Job Planning
- Conflicts of Interest

It was noted in the Key Financial Controls review relating to patient monies that there were deficiencies in relation to the storage of patient monies and valuables as well as in relation to record keeping. There was a risk that if records of patient monies and valuables were not adequately maintained that they could be misplaced or the correct items not returned to patients.

It was noted in the Consultant Job Planning review that as at October 2018, that only 37.5% of job plans within the system had been signed off against a target of 75%. There was a risk that the activities of Consultants might not be in line with the Trust's objectives or activity plans. Internal Audit also found that the approach for ensuring that Consultants complete the Programmed Activities (PAs) contained within their individual job plans, was inconsistent across the Divisions and some areas were not able to evidence how this verification had been completed.

It was noted that in the conflicts of Interest review that only 22% of declaration forms had been received from staff at Band 6 and above. Where the Declaration of Interests forms had

not been fully completed and maintained by all individuals who had been involved in the decision-making process, there was a risk that any interests arising were not timely identified and appropriately managed; possibly leading to the potential conflicts of interest and reputational damage. Internal Audit found cases where declaration of interest forms had not been obtained prior to the procurement process, resulting in a risk that the member of staff on the Procurement Panel could participate in the process in which they could have a conflict.

'Reasonable Assurance' rating opinions were given on the following areas:

- Board Assurance Framework
- Pathology Procurement and Contract Management
- Project Management Review
- Risk Management
- Ward Visits

The Department for Health and Social Care has determined that the breakeven duty is met if expenditure is covered by income over a three year period, i.e. a Trust is not compliant if the Trust has a cumulative adjusted deficit for 3 consecutive years. The Trust had a cumulative adjusted deficit in 2016/17 and 2017/18. The Trust is therefore not non-compliant with this duty as 2018/19 will be the third consecutive year of cumulative adjusted deficit.

The Audit Committee gains assurance from management in relation to fraud as follows:

**a) The Trust has assessed the risk of material misstatement in the financial statements due to fraud as follows:**

Internal audit conduct an annual schedule of planned internal audit work including consideration of the core financial systems which provide the information used to prepare the financial statements. External audit undertake a systems audit to test the design and effectiveness of internal controls over

the financial reporting process and to identify areas of weakness that could lead to material misstatement. They also test whether the controls have been implemented as intended. The external audit work in this area dovetails with the testing undertaken by internal audit. No significant areas of concern have been brought to the attention of the Audit Committee which would lead to a material misstatement in the financial statements.

**b) The Trust has the following processes in place to identify and respond to risks of fraud:**

Proactive and reactive fraud prevention and investigation is undertaken by the Trust's Local Counter Fraud Service provider, RSM. This includes a slot on the induction programme for new staff, bespoke training sessions in key risk areas, and a visible presence within the Trust through both physical presence and articles in the Trust newsletter. Further assurance is provided by fraud and bribery risk assessments, local proactive exercises in known and high risk areas, participating in the National Fraud Initiative and the internal audit review of financial systems, which includes testing the design, efficacy and compliance with controls which are intended to prevent fraud. Internal control weaknesses and control breaches identified by RSM are reported to management and the Audit Committee and tracked via the management action tracker. Internal audit also test if recommendations arising from each audit have been implemented, and report their findings to management and the Audit Committee.

The LCFS produces regular progress reports to the Audit Committee that include local and national emerging risks as well as progress in accordance with the work plan and investigations. Regular liaison meetings with senior staff is undertaken and evidenced in the form of agendas and minutes.

The LCFS work plan presented to the Audit Committee includes an analysis of fraud risks, a

bespoke fraud heat map and the intended time of delivery.

**c) In the event that specific fraud risks, or areas with a high risk of fraud have been identified, the following is done to mitigate these risks:**

All intelligence reports from NHS Counter Fraud Authority (previously NHS Protect) and fraud alerts with emerging risks received from other LCFSs are, where relevant, disseminated to the organisation's relevant contact/department in order to highlight, prevent and detect potential areas of weakness.

The LCFS produces an annual work plan for the forthcoming year, which reflects past and emerging fraud risks. These risks are assessed and monitored throughout the year and an overall position is provided at year end within the LCFS Annual Report. This report includes details and actions submitted to NHS Counter Fraud Authority as part of the self-review toolkit, against the Standards for Providers, which is approved by the Director of Finance and is taken to the Audit Committee.

Local proactive exercises in the areas of conflicts of interest and procurement were undertaken in 2018/19 in order to combat the risks. Key areas of focus for 2019/20 are eRostering; pre-employment checks; procurement; invoice fraud.

**d) Internal controls, including segregation of duties, are in place and are operating effectively.**

There are a small number of specific areas where controls are not adequate which is highlighted in the Head of Internal Audit opinion.

The opinion was driven by the following partial assurance (amber/red) opinions:

- Key Financial Controls – Patient Monies and Valuables
- Consultant Job Planning
- Conflicts of Interest

For the core financial systems, the internal audit reports have consistently highlighted that there are no significant control weaknesses - internal audit reports on the core financial systems have been either green or amber/green 2014/15 to date.

e) The risk areas and there mitigating actions which have been taken were identified by internal audit. Management has agreed to take action to ensure that adequate controls are implemented. The Audit Committee gains assurance that these actions are implemented through the internal audit update presented to every Audit Committee.

f) The risk of management over-ride of controls is not considered to be significant. Apart from the internal control reviews undertaken by internal audit, management provide monthly reports on the achievement of financial targets to the Finance Committee. The Finance Committee consists of two Non-executive Directors and has the Chief Executive, Director of Finance and Deputy Director of Finance in attendance. Management reports on the achievement of key financial targets are scrutinised and challenged effectively by the members of the committee.

g) It is considered that there are no areas which have significant risk of misreporting. This view reflects the assurance gained from reports from internal audit on the key financial systems (see answer to question one above) as well as reports received from Grant Thornton on the outcome of testing undertaken during the interim statutory audit.

h) The Audit Committee exercises oversight over management's processes for identifying and responding to risks of fraud to identify and respond to the risks of fraud in the organisation as follows:

The Trust employs the services of a LCFS from RSM. The LCFS works with the Trust's management, particularly with the Finance, HR and Risk Management teams. The LCFS agrees

management actions with management to mitigate fraud risks which they have identified. The LCFS produces reports for each Audit Committee on the work undertaken in the areas of fraud awareness, deterrence, detection, governance and investigations undertaken. The members of the Audit Committee question both the LCFS and management at Audit Committee meetings. The LCFS produces an annual work plan for the forthcoming year, which reflects fraud risks, which is taken to the Audit Committee for approval.

The Audit Committee reports on its considerations at full Board meetings. Furthermore, the Trust, alongside the LCFS, produce and submit an annual self-review toolkit (SRT) declaration to NHS Counter Fraud Authority in accordance with the NHS Standards for Providers. This is authorised by Director of Finance and endorsed by the Audit Committee Chair, and the results are made known to the Trust's Audit Committee - the results are incorporated within the LCFS annual report.

i) The following arrangements are in place to report fraud issues and risks to the Audit Committee:

The LCFS produces an update report to each Audit Committee which incorporates:

- work undertaken on actual/suspected frauds
- a description of new actual or suspected frauds
- considerations of emerging fraud risks
- update on progress of management actions

The LCFS reviews fraud risks in the LCFS annual report to the Audit Committee.

There is evidence that this responsibility is discharged effectively. Anti-fraud, bribery and corruption objectives are discussed and reviewed at a strategic level within the organisation and this is documented through regular LCFS liaison meetings the Director of Finance, Audit Committee Chair and other senior employees. The Audit Committee evaluates the LCFS

function on an annual basis via a questionnaire and comments on performance are fed back during Audit Committee meetings. Where additional or corrective action is necessary, this is discussed and the appropriate actions taken and documented.

j) The Trust communicates and encourages ethical behaviour of its staff and contractors as follows:

The following policies are in place and are available to all staff via the Trust's intranet:

- Conduct Policy
- Anti-fraud and Anti-Bribery Policy
- Declaration of Interests Policy
- Losses and Special Payments
- Sponsorship and Fundraising policy
- Whistleblowing Policy

Members of staff and off-payroll contractors are required to adhere to these policies. There are also joint working protocols in place between the LCFS and the following functions to encourage and promote effective working:

- Local Security Management Service
- HR
- Communications Department
- Risk Management
- Payroll
- Freedom to Speak Up Guardian
- Metropolitan Police Service

All new employees at the Trust receive presentations on counter-fraud and anti-bribery as part of the Trust's induction programme. This is presented by the LCFS and effectiveness measured.

The LCFS has reached out to 310 members of the Trust's workforce through presentations at monthly new starter inductions. Bespoke training/awareness sessions have also been provided to the Clinical Directors and General Managers; Finance; and the Board. Communication of quarterly fraud newsletters

to all staff has continued throughout the year. The newsletters are designed to bring recent cases or emerging scams to the attention of staff members to help recognise the signs of fraud in the NHS. Other awareness platforms are used and in all LCFS messages there is detail to ensure staff are informed of the various reporting lines. Effectiveness of the awareness platforms utilised is measured.

The Trust adopts the NHS standard contract for all suppliers which include a range of terms and conditions requiring ethical behaviour by suppliers, covering, for example, fraud, conflicts of interest and compliance with equality legislation.

k) Staff are encouraged to report their concerns about fraud. The Anti-Fraud and Anti-Bribery Policy requires that any reasonable suspicion of fraud should be reported to the LCFS or Director of Finance. This was recently reviewed and ratified at the January 2019 Audit Committee. Fraud awareness material is made available on the Trust intranet page and on noticeboards around the Trust, which details the appropriate reporting lines staff should take when reporting any concerns. The reporting lines are also stipulated within Trust policies. Moreover, new starters and key staff groups receive counter fraud training from the LCFS in which the reporting lines are also explained. The LCFS has in place protocols for joint working with key personnel again advocating the reporting procedures, such as the Freedom to Speak Up Guardian (FTSUG).

Surveys to measure the effectiveness of the counter fraud provision undertaken in 2018/19 identified that no member of staff detailed 'no' in response to the question, "I am confident that this organisation investigates all allegations of fraud and bribery".

The LCFS presentations, which form part of the induction process for new members of staff, encourage members of staff to report any concerns about fraud via the various reporting lines.

The Trust also promotes its Whistleblowing Policy (Making a Disclosure in the Public Interest) which aims to encourage and protect employees when making referrals.

There have not been any significant issues reported to the LCFS in 2018/19.

The LCFS regularly updates Audit Committee members and other senior management of key high risks areas being purported at a local and national level.

l) There have not been any reported instances from the LCFS or internal audit to the Audit Committee of specific related party transactions or related party relationships during 2018/19 which could give rise to the significant risk of fraud.

m) There was one instance of suspected fraud investigated by the LCFS and HR and subsequently reported to the Audit Committee and closed with informal action taken by the Trust. Eight referrals were received by the LCFS during 2018/19 which did not merit further review as they were identified as not fraud-related from the outset or outside the LCFS remit.

n) The Trust has the following arrangements in place to prevent and detect non-compliance with laws and regulations and enables management to gain assurance:

All staff are required to work within the framework of the Trust's policies and procedures which have been drafted to ensure compliance with relevant laws and regulations. Any failure to comply is a disciplinary offence.

The Trust's advisors, in particular its internal auditors, advise management of new legal requirements with which the Trust must comply.

Any non-compliance with laws and regulations would be reported to management through the Trust's incident reporting system.

The systems for maintaining the Board Assurance Framework ensure that any significant non-compliance with laws and regulations would be made known to management.

o) The Audit Committee is provided with assurance that all relevant laws and regulations have been complied with as follows:

Inspection of the Trust by the CQC checks compliance with the essential standards of quality and safety required by legislation. Any significant adverse issues resulting from the CQC review would be reflected in the Board Assurance Framework which is presented to every Audit Committee.

Board papers bear a declaration that legal advice has been sought where appropriate.

A report of all losses and special payments is presented to every Audit Committee.

The Trust's advisors, in particular its internal auditors, advise management and the Audit Committee of new legal requirements with which the Trust must comply.

p) There was one instance of non-compliance with regulations.

As a result of accepting a staged payment arrangement a loan from the private sector was inadvertently taken out in Q1 2018/19:

- Principal £150,996.40
- Repayable over 3 years in equal instalments
- Total interest payable £8,134.22

The loan was used to pay for an invoice for IT services as a result of the Trust mistakenly entering into a deferred payment purchase arrangement.

The loan was not paid in accordance with the agreement and a notice of termination of the agreement was received. The settlement sum of £162,313.26 was paid by the Trust in January 2019.



Although this was a mistake, this loan arrangement was not consistent with Managing Public Money (HMT March 2018) and did not comply with the Trust's Standing Financial Instructions and Treasury Management Policy. Action is being taken to minimize the risk of reoccurrence.

A detailed report on this loan was presented to the March 2019 Audit Committee.

q) The following arrangements are in place to identify, evaluate and account for litigation or claims:

Reports are received at every Audit Committee setting out losses and special payments. Trust management also receive letters from the Trust's legal advisors in April setting out any litigation claims against the Trust at the end of the financial year. Any significant litigation claims notified in these letters will be included in the losses and special payments report to the May 2018 Audit Committee at which the draft 2017/18 financial statements are considered.

r) The Trust is not aware of any potential litigation claim, for example one that would be uninsured, that would have a material impact on the Trust's 2018/19 financial statements

s) Reports received by the Trust from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance include:

In June 2018 the Competition and Markets Authority (CMA) carried out a review of all RNOH Private Care arrangements under the Private Healthcare Market Investigation Order 2014 (the Order) and identified that the Trust was not recovering the 'fair market value' of the medical indemnity insurance it purchases for the Private Care Division from consultants, which is classified as an incentive and therefore a breach. This has been reported on the CMA website. The Trust is preparing to consult with the Private Care Division on methods of

recovery and future indemnity arrangements and is committed to rectifying the breach.

Based on the work undertaken by the Head of Internal Audit on the Trust's system on internal control, I do not consider that within these areas there are any issues that need to be flagged as significant control issues within the Annual Governance Statement.

**Chief Executive Officer**

Date: 28TH MAY 2019

# NHS Provider Licence

**NHS Trusts are required to self-certify that they comply with Condition G6 and Condition FT4 of the provider licence which itself includes requirements to comply with the National Health Service Act 2006, the Health and Social Care Act 2008, the Health Act 2009 and the Health and Social Care Act 2012, and to have regard to the NHS Constitution.**

**The Board's schedule of business and reporting cycle allows for any good corporate governance guidance issued by NHS Improvement, to be brought to the attention of the Board in a timely manner. The Trust's Standing Orders have been reviewed during the year and regular Board and Committee reports about the organisation's establishment, recruitment and retention initiatives, safe levels of staffing and succession management and leadership training are also received. A Board Matrix is in place to assist with Board succession planning, and the Remuneration Committee meets to discuss Executive Directors' performance.**

Board members comply with the annual Fit and Proper Person Test. The Board Committee Structure has been regularly updated during the year and Committees' Terms of References have been or are being reviewed on a regular basis. The Board is satisfied that the Trust has established and effectively implements systems and processes as evidenced in the Annual Governance Statement, Quality Account and the Annual Report all of which document compliance with the regulatory requirements. There are regular Board and Sub-Committee meetings which undertake reviews of planned work and include regular oversight of performance information, financial information and the BAF. Robust external and internal audit processes have confirmed that there are not any material concerns about key internal controls and processes.

Quality issues are standing items on Board agendas by way of reports from the Quality Committee and/or substantive items being presented to it. The Quality Committee is a Board Committee which meets every other month to consider and to oversee quality issues. It also receives an Integrated Quality Report. There is an established governance framework below the level of the Quality Committee which considers clinical and quality governance and information governance. The Board receives frequent reports from the Patient Group at its meetings and patient involvement and experience is gauged by surveys and other forms of feedback.

The Board is satisfied that the RNOH applies those principles, systems and standards of good corporate governance which reasonably would be regarded as appropriate for a supplier of health care services to the NHS and in compliance with the NHS Provider Licence. The Trust's Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation were reviewed during the year. The Board Committee Structure has also evolved to reflect the needs of the organisation and Committees' Terms of References have been updated. The Board and a number of Committees performed Well-Led and Effectiveness Reviews in year.

The Board had significant oversight over the Trust's performance during the year. It convened regular Board and Sub-Committee meetings which undertook reviews of planned work and included regular oversight of performance information, financial information and the BAF. It was also assured that the Trust had safe and effective systems through robust external and internal audit processes which confirmed that there were not any material concerns about key internal controls and processes.

# Care Quality Commission

The Trust is fully compliant with the registration requirements of the Care Quality Commission.

## Single Operating Framework 2018/19

The Single Oversight Framework sets out how NHS I oversees NHS trusts and NHS foundation trusts. It is designed to help NHS providers to attain and to maintain the Care Quality Commission's ratings of 'Good' or 'Outstanding'. The framework applied from 1 October 2016 and replaced Monitor's Risk Assessment Framework and the TDA's Accountability Framework. The Single Oversight Framework works within the continuing statutory duties and powers of Monitor with respect to NHS Foundation Trusts and of TDA with respect to NHS trusts.

The five themes of the Single Oversight Framework include:

- Quality of care (safe, effective, caring, responsive);
- Finance and use of resources;
- Operational performance;
- Strategic change; and
- Leadership and improvement capability (well-led).

By focusing on these five themes, NHS I aims to support providers to improve, attain and/or maintain a CQC 'good' or 'outstanding' rating.

Under the Single Oversight Framework, NHS I categorises providers into segments based on the level of support that each provider needs across the five themes of quality of care, finance and use of resources, operational performance, strategic change and leadership and improvement capability. The RNOH has been categorised in the second from highest segment. There are four segments. This segment offers providers targeted support where there are concerns in relation to one or more of the theme, but not in breach of licence (or equivalent for NHS trusts) and/or NHS Improvement considers formal action is not needed. This segment aims for the provider to address any issues that have been identified and to help move the provider to Segment 1.

The Trust publishes a monthly Balanced Scorecard which measures key performance data across seven key areas; Clinical Quality, Access to Services, Workforce, Research and Innovation, Information Management and Technology, Estates, and Finance and uses this as a tool towards monitoring performance towards achieving the Single Oversight Framework. Performance is monitored and reviewed on a monthly basis and is considered in detail at the Executive Committee, Quality Committee and at the Trust Board. Where performance is considered to be below a standard, action is instigated to remedy the performance.

# Use of resources

**The RNOH has established processes and governance systems to ensure that the Trust Board and its Board Committees are focused on high quality sustainable care, improved outcomes for patients and to ensure that resources have been used economically, efficiently and effectively.**

The Trust Balanced Scorecard encompasses a wide range of key indicators which are used monthly by the Board, its Sub-Committees and by the Executive Committee to monitor performance. The Trust Board, Quality Committee and Executive Committee scrutinise quality dashboards regularly; workforce metrics are reviewed in detail by the Board, Workforce and Organisational Development Committee and by the Executive Committee; and financial performance is considered by the Board, the Finance Committee and by the Executive Committee. A programme of internal audits is agreed by the Trust's Audit Committee which evaluates a wide range of clinical and corporate support services and the results are reported to the Audit Committee which also monitors progress against actions.

The Trust is able to demonstrate that it has used resources economically, efficiently and effectively. During 2018/19, the Trust did not achieve its control total purely due to not securing a land sale receipt. Once the impact of this is stripped out, the Trust performed better than planned. The Trust met its agency cap, spending £200k less on agency than the ceiling set by NHS Improvement, against a backdrop of national recruitment and retention challenges.

Another key strategic priority for the Trust is its Stanmore site redevelopment projects, which will modernise and improve the Trust's facilities in a reduced footprint, releasing surplus land in the process. This programme of work is overseen by Trust Board, the Redevelopment Programme Board and the Executive Committee. 2018/19 saw the opening of The Stanmore Building which offers the very best ward facilities for the Trust's many patients and allows staff to work in an environment which matches their skill and dedication. It comes after a thirty year campaign to replace many of the old ward buildings that date from World War Two, and was completed on time and within budget, with a major portion to be funded from the future sale of part of the hospital's estate. Work is now focussing on a new staff accommodation block, a multi-storey car park, and Princess Eugenie House consisting of three main elements: a 'patient hotel offering rehabilitation for all NHS patients including a unit for military veterans and reservists, an Independent Living Unit, a rehabilitation centre for people with acute spinal cord injuries not yet ready to return home to live, and a modern family accommodation unit for the parents and carers of our paediatric patients.

The Trust has maintained its significant progress in this years' Staff Survey:

- The Trust achieved the best score amongst Acute Specialist Trusts for the themes 'Quality of Care' and 'Quality of Appraisals', with four other themes, close to achieving the best score (Staff Engagement, Safe Environment – Violence, Managers and Health & Wellbeing).
- Of the ten themes, the Trust achieved best or above average on seven, and was average on one.
- Of the 89 questions in the survey, the Trust achieved above average on 63% and average or better on 80%. On a number of questions the Trust achieved the best score nationally, including the lowest number of staff reporting that they had felt stressed as a result of work.
- The Trust has made progress in workforce race equality with the gap between white and BME staff experience narrowing across all WRES (Workforce Race Equality Standard) staff survey indicators; this remains an area of significant focus for the Trust.
- Through the free text comments staff described the improvements they had observed in leadership, culture and staff experience in the Trust over the previous three to four years. In particular they referenced the embedding of the Trust Values, positive behaviours and supportive leadership.

The organisation has made significant progress in establishing and delivering a programme (underpinned by project management and improvement methodologies) to ensure every consultant participates in job planning on an annual basis. A programme of training was rolled out across the organisation and a new internal policy document created and published. A job planning clinic runs on a monthly basis, led by the Medical Director and Director of Workforce & Improvement to troubleshoot and address any difficult challenges or unusual situations. At the end of March almost 80% of all Consultant and Specialty Doctors had a formally approved and recorded job plans. There are no issues anticipated in signing off all staff in due course.

The Trust has a number of Quality Improvement Programmes underway; more details can be found in the Trust's Quality Accounts 2018/19. The Trust's recent Theatre Productivity programme achieved sustained improvements in intra-session utilisation, capacity (session) uptake, booking fill rates, early finishes, on-time starts and list order changes, with a small deterioration in late finishes. NHS Improvement has reviewed the programme and has formally fed-back how impressed they are with the work undertaken. Our Length of Stay improvement programme has had more mixed results. The programme achieved sustained improvements in day of surgery admission but mixed performance in the proportion of patients discharged by target date. A full evaluation of the programme together with key lessons learned has been completed and shared with stakeholders and the Improvement Programme Board.

# Annual Quality Account

**The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year.**

Quality assurance is part of the annual reporting cycle and culminates in the production of the Quality Account. The Quality Account is co-ordinated through the Quality Team with a clear timetable of milestones, including:

- Reviewing 2018/19 Quality priorities
- Developing a long list and supporting data for 2019/20 quality priorities
- Collecting patient and public comments and views on areas of focus via the external website and the Patient Group
- Socialising quality priorities with commissioners, patients and public
- Presenting to the CQGC for clinicians' and management's input
- Presenting drafts at the Quality Committee and the Trust Board
- External audit review of draft/work in progress at the end of April 2019
- Circulation to stakeholders including commissioners, Harrow Health & Safety Scrutiny Committee, local CCG and Healthwatch Harrow for formal comment
- Formal submission via NHS Choices on 30 June 2019

Data accuracy contained in the Quality Account is ensured as it is subject matter experts who are responsible for extracting the data from NHS digital or using from the Trust's own information system known as Insight. A clinical coding error audit is also performed.

During 2019/20 the Trust's Quality Priorities will be:

- Develop and embed safety huddles across all in-patient areas
- Develop and fully implement a Ward Accreditation Programme
- Procure, develop and roll-out Electronic Prescribing and Medicines Administration (EPMA)

# Value for money opinion

On the basis of the External Auditor's work, having regard to the guidance issued by the Comptroller & Auditor General in November 2016, except for the effects of the matter described in the Basis for qualified value for money conclusion, they were satisfied that, in all significant respects, the Royal National Orthopaedic Hospital NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Trades Union (Facility time publication requirements) regulations 2017

**The Trades Union (Facility Time Publication Requirements) Regulations 2017 took effect on 1 April 2017. This meant that NHS employers are now required to publish certain information about Trades Union Officials and facility time. As part of this new regulation, facility time will cover duties carried out for the Trades Union or as a Union Learning Representative, for example, when accompanying an employee to a disciplinary or grievance hearing. It will also cover training received and duties carried out under the Health and Safety at Work Act 1974.**

The requirement to publish information includes being:

- placed on a website maintained by or on behalf of the employer before 31st July in the calendar year in which the relevant period to which the information relates ends; and
- included in the employer's annual report which covers the relevant period.

The 2017/18 data can be found at: <https://www.rnoh.nhs.uk/health-professionals/working-for-the-rnoh/trade-union-facility-time>

At the time of publishing this Annual Report the 2018/19 data was not available however it will be uploaded on to the RNOH website by 31st July 2019.

# Fraud deterrent

**RNOH is committed to tackling fraud, corruption and bribery. An Anti-Fraud and Anti-Bribery policy is in place to provide advice to all employees, suppliers, contractors, stakeholders in dealing with fraud or suspected fraud and there is an accredited Local Counter Fraud Specialist (LCFS) in place.**

The Trust does not tolerate fraud and bribery anywhere in the organisation. The intention is to eliminate fraud and corruption as far as possible. The aim of the Trust's policies and procedures is to protect the property and finances of the Trust and patients in RNOH's care. The Trust takes a risk based approach to its counter fraud measures, thereby ensuring that the maximum impact is achieved by the use of resource. To assist with this a Fraud and bribery risk assessment was conducted to identify the inherent risk position, the controls and assurances already in place at the Trust and to identify specific measures to further reduce the remaining level of fraud risk. The Trust is in the process of incorporating the risks identified during this process via the Trust's normal risk management procedures into the relevant risk registers.

The Trust is committed to taking all necessary steps to counter fraud and corruption. To meet its objectives, it has adopted the four-stage approach developed by NHS Counter Fraud Authority and as set out in the NHS standards for Providers:

1. Strategic Governance (This sets out the standards in relation to the organisation's strategic governance arrangements. The aim is to ensure that anti-crime measures are embedded at all levels across the organisation);
2. Inform and Involve (This sets out the requirements in relation to raising awareness of crime risks against the NHS and working with NHS staff, stakeholders and the public to highlight the risks and consequences of crime against the NHS);
3. Prevent and Deter (This sets out the requirements in relation to discouraging individuals who may be tempted to commit crimes against the NHS and ensuring that opportunities for crime to occur are minimised); and
4. Hold to Account (This sets out the requirements in relation to detecting and investigating economic crime, obtaining sanctions and seeking redress).



The Trust will take all necessary steps to counter fraud and corruption in accordance with the Trust's Anti-fraud and anti-bribery policy, the NHS anti-fraud manual, the policy statement 'Applying Appropriate Sanctions Consistently' published by NHS Counter Fraud Authority and any other relevant guidance or advice issued by NHS Counter Fraud Authority. The Counter fraud team have received eight allegations and concluded one investigation this year into instances of suspected fraud, bribery or corruption. These related to mandate and job fraud scams, false CVs, overseas visitors and fraudulent use of patient travel. The investigation related to private work being carried out during sickness absence.

It is the responsibility of NHS providers to demonstrate that adequate counter fraud provisions are in place in line with NHS Counter Fraud Authority Standards. Compliance with the standards is demonstrated through the completion of the self-review tool (SRT), detailing activity undertaken against each standard. The SRT enables organisations to produce a summary of the counter fraud work they conducted over the previous financial year. A red, amber or green rating is given to each standard to indicate the level of compliance. Any areas requiring additional actions are noted within the SRT and are followed-up as part of the annual counter fraud work plan. The SRT is provided to the Audit Committee on an annual basis for review and assurance purposes. RNOH's overall rating during 2017/18 was Green. This meant that the Trust was compliant with the standards and was demonstrating the impact of work undertaken. This declaration was approved and issued to NHS Counter Fraud Authority on 30 April 2019.

# Register of interests

**The Trust has published on its website an up to date register of interests for decision-making staff with in the past twelve months, as required by the 'Managing Conflicts of Interests in the NHS' guidance. This can be found at: <https://www.rnoh.nhs.uk/about-us/meet-the-board/declarations-interest>**

The Trust has a Declaration of Interest Policy that complies with 'Managing Conflicts of Interests in the NHS' guidance.

Declarations by decision-making staff are made:

- On appointment with the organisation. It must be noted that this includes any material roles outside of the RNOH such as non-executive directorships and as consultants;
- When a relevant member of staff moves to a new role or their responsibilities change significantly;
- At the beginning of a new project/piece of work;
- As soon as circumstances change and new interests arise (for instance, in a meeting when interests staff hold are relevant to the matters under discussion/consideration);
- Whenever a member of staff accepts or rejects an offer of hospitality or sponsorship(s) or travel and accommodation packages.

# Capacity to handle risk

**The Trust's Risk Management Strategy and policy outlines the Trust's approach to managing risks in relation to strategic, organisational and operational risks across the Trust. Risk is assessed at all levels of the organisation. The Trust is continuously working to strengthen its risk management processes. It is focussed on improving the format and mechanism of risk reporting with the aim of implementing a robust flow of risk information from "Ward to Board". The Trust has continued to develop its risk management system which will improve access and transparency of the risk registers across the Trust.**

During the year, the Board approved its Risk Appetite Statement: 'The RNOH's long term sustainability depends upon the delivery of its strategic objectives and on the relationships that it enjoys with its patients, workforce and strategic partners. As a consequence of this, the Trust will not accept risks that materially impact on patient safety or on clinical quality and outcomes. The Trust has its greatest appetite to pursue commercial gain/partnerships and innovation in terms of its willingness to take opportunities where positive gains can be anticipated, but within the constraints of the regulatory environment'.

The Trust also developed a new Board Assurance Framework reporting tool during the year. The new tool has greatly improved the Board's management of strategic risks. The new version of the BAF has the following improvements:

- Specific risk descriptions are provided and these have been mapped to the Trust's strategic objectives.
- Clear causes and effects of the risks are described.
- Controls are clearly separated from actions and the actions have completion dates.
- Gaps in controls and assurances are listed.
- Assurances are clearly defined for many of the risks with high risk scores.
- The date the risk was opened, and the next review of the risk is clearly listed on the BAF.
- The current risk score along with the target risk score are both listed for each risk on the BAF.

RSM, the RNOH's internal auditors have given the opinion that the Board could take reasonable assurance that the controls in place to manage risks are suitable designed and consistently applied.

The Trust ensures that it learns from good practice when handling risks from undertaking root cause analyses as part of the incident management process, discussing risk matters at the various Sub-Committees such as at the Information Quality and Governance Sub-Committee and Clinical Quality and Governance Sub-Committee and by information sharing and by referencing best practice and codes of practice. At the Board level, the Board receives Board Development Training sessions to ensure that it understands and learns from good practice. The sessions are often delivered by external experts in their relevant fields of practice.

# Carbon intensity

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

# Equality and Diversity

**The Organisational Development Manager took formal responsibility for Staff Equality & Diversity in 2018/19. During this year there was an increased focus on Equality & Diversity activity covering a number of areas, the development of values-based recruitment, the launch of a reverse mentoring scheme, the development of the Equality Achievement Network, and work to increase leadership commitment to, and capability with, diversity and inclusion.**

In addition, the Trust also undertook and reported against the Gender Pay Gap, Workforce Race Equality Standard and Equality Delivery System 2, Public Sector Equality Duty. The Trust also undertook preparations for the Workforce Disability Equality Standard which is due to be reported in August 2019. Whilst Equality & Diversity continues to be an area of focus for the Trust, the 2018 Staff Survey saw modest improvements including a closing of the gap between White and BME staff experience.

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

# Workforce strategies

**The Trust has a short-term, medium-term and long-term workforce strategy in place.**

**In 2018-19 there has been an increased focus in this strategy on recruitment and retention. These strategies are monitored via the Trust's Workforce and Organisational Development Committee which reports to the Trust Board.**

Senior nursing and workforce leadership have led the Nursing Recruitment and Retention Strategy. This has included a comprehensive nurse staffing assessment being undertaken, based on best practice as identified by the National Quality Board. This process has been in place since 2015. The Shelford Group safer nursing care tool is utilised at three separate points each year to assess staffing requirement against acuity and dependency. These data are triangulated against professional judgement and this assessment and recommendations are published at the December Public Trust Board.

Monthly assessments of staffing, utilising care hours per patient day (CHPPD) are undertaken and published in the monthly staffing paper to the Trust Board. The Lord Carter Review highlighted the importance of ensuring that workforce and financial plans are consistent in order to optimise deliver of clinical quality and use of resources. Safecare calculates the required and actual CHPPD by using the patient acuity score that is collected at ward level three times per day. This paper also highlights any red flags, incidents related to nurse sensitive patient outcomes and provides the Board with an update on recruitment and retention in nursing.

Recruitment and retention are the top priorities for the nursing leadership team within the RNOH. The Director of Nursing and Director of Workforce & Improvement, recruitment and retention group receive regular feedback from the Nursing workforce lead. A large number of actions have been taken to ensure that the vacancy rate continues to reduce, but that staff stay for longer periods of time working at the RNOH. However, there continues to be a number of wards and departments that have pressure in relation to recruitment and retention.

Electronic rostering is utilised in the Trust with clear processes for escalation of staffing shortages with daily oversight by a senior nurse.

Equally senior medical and workforce leadership have led the Safer Staffing Programme which is focussed on developing short-term and medium-term solutions to the medical workforce shortages facing the RNOH and the wider NHS. This has focussed in 2018/19 on:

- establishing a resilient and safe out of hours medical cover
- reviewing SLA arrangements with partner hospitals for medical support services
- the development and introduction of alternative roles including prescribing pharmacists, advanced nurse practitioners and highly specialist therapists

These strategies are compliant with the Developing Workforce Safeguards recommendations.

The long term workforce strategy of the organisation is reflected in the Trust's Staff Experience Strategy. This focuses on delivering the best staff experience to RNOH staff in the NHS. In 2018/19 this focussed on the following areas:

- Creating a culture of healthy conflict resolution through enact theatre sessions (forum theatre), creating a cadre of Trust staff mediators, delivering training, developing a resolution policy
- Developing further the role of the Freedom To Speak Up Guardian
- Leadership Development
- Valuing staff through recognition and reward
- Focussing on equality and diversity through Leadership Partners project (reverse mentoring), strengthening the equality network, Unconscious Bias training, values-based recruitment and training
- Improving staff health and wellbeing

# Elective waiting times

**The Trust assures itself of the quality and accuracy of elective waiting time data and the risks to the quality and accuracy of this data. All patient cohorts are validated daily by the Validation Team which ensures that adherence to the relevant standard operating procedures pertaining to each cohort is achieved.**

There is a validation spreadsheet for each specialty containing all relevant information including waiting times. This is the spreadsheet on which the Validation Team records all the validation outcomes and error codes (if any) for each pathway that is validated. The saved validation information is updated weekly to the Patient Tracking List (PTL) for tracking and visibility for all divisions. The Information Team is responsible for ensuring that the data is taken for the relevant cohorts and that the Validation Spreadsheet is set up as agreed.

The General Managers also use the validation spreadsheet to undertake and to record outcomes for their quality assurance checks each week.

The Trust is producing more detailed standard operating procedures in relation to a number of scheduling and validation processes.

## Key Performance Indicators (Waiting list validation)

- Every validation for each cohort must have a validation outcome (and an error code if applicable) recorded.
- Where a non RTT pathway is converted to an RTT pathway, the weeks' wait must be recorded.
- Quality assurance checks must be undertaken for 10% of validations each week, with outcomes recorded

All Booking teams are responsible for ensuring that patient appointments are booked within clinically determined timeframes and escalated if there is insufficient clinic capacity.

In addition to this, divisional teams validate and review waiting times in speciality PTL meetings which are held weekly, and then again at the fortnightly Access Improvement Task Force meetings which are chaired by the Chief Operating Officer. The General Managers attend this meeting and are held to account for waiting times in their divisions. If there are any anomalies in waiting times data then this is investigated, discussed with relevant staff and processes implemented if necessary to mitigate against future recurrence.

# NHS Pension Scheme regulations

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.

## Statutory functions

During the year, the Trust has been legally compliant and has discharged its statutory functions. The Board has a collective responsibility for the setting of the strategic direction and the effective stewardship of the Trust's affairs and ensures that it complies with the constitution, mandatory guidance and contractual and statutory duties.



# Significant issues

**My review has highlighted the following significant issues.**

## 1. Workforce

The recruitment, retention and the development of RNOH staff is a significant issue that we are addressing. The continuing improvement of the culture in the organisation also remains a high priority. In response to managing this issue, we have done the following:

- Implemented a comprehensive nursing Recruitment and Retention action plan;
- Implemented E-Rostering
- Provision of senior oversight of acuity, dependency & staffing;
- Exploring alternative roles (e.g. pharmacy technician);
- Initiated local controls to manage staffing on a day to day basis;
- Beds will be closed when we are concerned that staffing numbers might impact on patient quality care. Activity levels are managed to ensure that there is no negative impact on patients;
- A taskforce for all different staff groups is being established;
- A Safe staffing improvement project for medical staffing has been set up; and
- The ValYou programme is making significant impact on culture;

## 2. Redevelopment

There are risks to achieving the redevelopment of the full site and for ensuring that all patients receive services in a modern environment. In trying to best manage this issue, the RNOH has:

- Built the Stanmore Building that will make significant improvement to the environmental quality.
- Refurbished the High Dependency Unit.
- Improved the Spinal Cord Injury Centre estate with the addition of 6 new purpose built beds.
- Agreed Phase 2b as the next strategic redevelopment priority. We will move all remaining in-patient beds and imaging into a new building.

## 3. Sub-Scale Service

The sustainability of sub-scale services remains a high priority risk. This includes the sustainability of paediatrics, but it is also related to the provision of highly specialist services which are provided by small numbers of consultants. We are addressing this by:

- Securing critical mass as an explicit and agreed clinical operational planning priority.
- Assessing which services have a single consultant that provides highly specialist services to reduce exposure.
- Set up a Spinal Surgery Development Group to coordinate increasing paediatric spinal surgery work.

# Conclusion

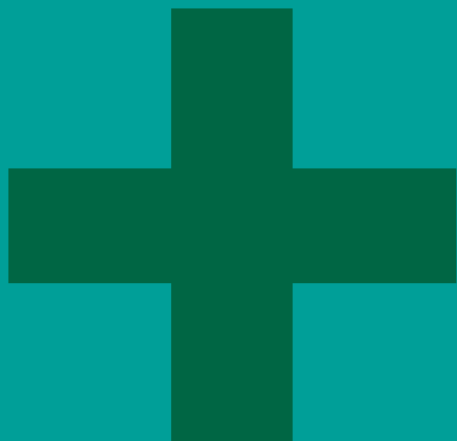
The system of internal control has been in place in the Royal National Orthopaedic Hospital NHS Trust for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

With the exception of these internal control issues that I have outlined in this statement, my review confirms that the Royal National Orthopaedic Hospital NHS Trust has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those deficiencies in control issues have been or are being addressed.



**Chief Executive Officer**

Date: 28TH MAY 2019



# Section E

## Remuneration and Staff Report

### Remuneration Report

#### Remuneration Policy

The Remuneration Committee, in line with NHS guidance, determines remuneration and terms of service for the Chief Executive and other Executive Directors. The Trust Chairman chairs the Committee and the remaining membership comprises the other Non-Executive Directors. Remuneration of the Chairman and other Non-Executive Directors is determined by the Secretary of State for Health.

Neither the Chief Executive nor any other Executive Director has earnings as a Non-Executive Director in any other organisation.

Full details of Directors' remuneration and pension entitlements are given below. The pension scheme referred to is the NHS Pension Scheme, which is described in more detail in Notes 1.7 and Note 8 in the Financial Statements. As Non-Executive Directors do not receive pensionable remuneration, there are no entries in the pension entitlements table in respect of Non-Executive Directors.

No "golden hellos" or compensation for loss of office was paid by the Trust to any of its Directors during 2018/19.

#### Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The median salary has been calculated using employees in post in March 2019. The individual salaries have been converted to full-time equivalents and annualised. The median salary is that lying in the middle of the linear distribution.

The banded remuneration of the highest paid director in the Trust in the financial year 2018-19 was between £180,000 and £185,000 (2017-18, £180,000-£185,000). This was 5.0 times (2017-18 5.2 times) the median remuneration of the workforce, which was £36,835 (2017-18 £35,357).

In 2018-19, no employees (2017-18, no employees) received remuneration in excess of the highest-paid director. Remuneration ranged from £24 up to the remuneration of the highest paid director which is within the £180,000 - £185,000 banding as shown in the Directors' Salary Entitlements table below (2017-18 £7 up to the remuneration of the highest paid director which was within the banding £180,000 - £185,000). The table is subject to audit.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

# Directors' Salary Entitlements

## 2018/19

Name	Title	Start/leave dates
M Rosehill	Non-Executive Director	Start Oct 17
K Murphy	Non-Executive Director	Start Sep 17
Professor D Isenberg	Non-Executive Director	Start Jun 11
Dr N A Macdonald	Non-Executive Director	Start Aug 13 - Left Oct 17
R Whitby	Non-Executive Director	Start Aug 13
J Carlebach	Non-Executive Director	Start Jan 14
I A Dolan	Non-Executive Director	Start Oct 15 - Left Oct 17
G A Silver	Non-Executive Director	Start Oct 15
M A Leigh	Non-Executive Director	Start Oct 15
M C Bramwell	Non-Executive Director	Start Jul 18
Professor A Gladstone	Chairman	Start Feb 11
R Hurd	Chief Executive	Start Oct 08
J A Skinner	Director of Research and Innovation Centre	Start Jan 17
L Davies	Chief Operating Officer	Start Apr 15
Professor P Fish	Director of Nursing, Quality & Patient Experience	Start Feb 15
A Hashemi-Nejad	Medical Director	Start Jan 17
H L Witty	Director of Finance	Start Sep 16
M Masters	Director of Estates and Facilities	Start Dec 03
Dr S Patel	Director of IM&T and Innovation	Start Mar 05
Dr Z Huma	Director of Children's Services	Start Sep 15
F Hennessey	Director of Redevelopment	Start Jul 15
T Nettel	Director of Workforce & Organisational Development	Start Apr 15
R Dalton	Clinical Director of Therapies	Start Oct 18
Band of highest-paid Director's total remuneration		
Median total remuneration		
Ratio		

2018/19						2017/18					
Salary (bands of £5000)	Expense payments (taxable total to nearest £100)	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension related benefits (bands of £2500)	Total (bands of £5000)	Salary (bands of £5000)	Expense payments (taxable total to nearest £100)	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension related benefits (bands of £2500)	Total (bands of £5000)
£'000	£	£'000	£'000	£'000	£'000	£'000	£	£'000	£'000	£'000	£'000
5 - 10	-	-	-	-	5 - 10	0 - 5	-	-	-	-	0 - 5
5 - 10	-	-	-	-	5 - 10	0 - 5	-	-	-	-	0 - 5
5 - 10	-	-	-	-	5 - 10	5 - 10	-	-	-	-	5 - 10
	-	-	-	-	0	0 - 5	-	-	-	-	0 - 5
5 - 10	-	-	-	-	5 - 10	5 - 10	-	-	-	-	5 - 10
5 - 10	-	-	-	-	5 - 10	5 - 10	-	-	-	-	5 - 10
	-	-	-	-	0	0 - 5	-	-	-	-	0 - 5
5 - 10	-	-	-	-	5 - 10	5 - 10	-	-	-	-	5 - 10
5 - 10	-	-	-	-	5 - 10	5 - 10	-	-	-	-	5 - 10
0 - 5	-	-	-	-	0 - 5	-	-	-	-	-	-
15 - 20	-	-	-	-	15 - 20	15 - 20	-	-	-	-	15 - 20
165 - 170	-	-	-	20 - 22.5	185 - 190	155-160	900	-	-	45 - 47.5	205 - 210
135 - 140	-	-	45 - 50	50 - 52.5	230 - 235	125 - 130	-	-	35 - 40	55 - 57.5	220 - 225
115 - 120	-	-	-	15 - 17.5	130 - 135	115 - 120	-	-	-	27.5 - 30	140 - 145
125 - 130	-	-	-	45 - 47.5	170 - 175	115 - 120	-	-	-	30 - 32.5	145 - 150
180 - 185	-	-	35 - 40	7.5 - 10	220 - 225	180 - 185	-	-	35 - 40	295 - 297.5	510 - 515
125 - 130	-	-	-	27.5 - 30	150 - 155	120 - 125	-	-	-	25 - 27.5	145 - 150
105 - 110	-	-	-	17.5 - 20	120 - 125	100 - 105	-	-	-	25 - 27.5	125 - 130
120 - 125	600	-	-	7.5 - 10	125 - 130	120 - 125	400	-	-	15 - 17.5	135 - 140
160 - 165	-	-	20 - 25	42.5 - 45	220 - 225	140 - 145	-	-	15 - 20	107.5 - 110	185 - 190
85 - 90	-	-	-	22.5 - 25	105 - 110	80 - 85	-	-	-	27.5 - 30	100 - 105
110 - 115	-	-	-	17.5 - 20	125 - 130	110 - 115	-	-	-	50 - 52.5	160 - 165
55 - 60	-	-	-	22.5 - 25	75 - 80	-	-	-	-	-	-
180 - 185	-	-	-	-	-	180 - 185	-	-	-	-	-
£36,835	-	-	-	-	-	£35,357	-	-	-	-	-
4.95	-	-	-	-	-	5.16	-	-	-	-	-

**Notes:**  
**Note 1** Where directors have worked for part of the year in other capacities this remuneration has been excluded.  
**Note 2** The 2017/18 pension related benefits for A Nejad, P Fish and L Davies have been re-stated.  
**Note 3** Taxable benefit reported is for staff travel claims.  
**Note 4** The table above is audited

# Directors' Pension Entitlements 2018/19

Name	Title	Start/leave dates
Robert Hurd	Chief Executive	Start Oct 08
Hannah Witty	Director of Finance	Start Sep 16
Lucy Davies	Chief Operating Officer	Start Apr 15
Paul Fish	Director of Nursing, Quality & Patient Experience	Start Feb 15
Mark Masters	Director of Estates & Facilities	Start Dec 03
Zilla Huma	Director of Children's Services	Start Sep 15
Sarojini Patel	Director of IM&T and Innovation	Start Mar 05
Frank Hennessy	Director of Redevelopment	Start Jul 15
Tom Nettel	Director of Workforce and Improvement	Start Apr 15
Aresh Hashemi-Nejad	Medical Director	Start Jan 17
John Andrew Skinner	Director of Research and Innovation Centre	Start Jan 17
Rachel Dalton	Clinical Director of Therapies	Start Oct 18

**Notes:**  
**Note 1** Cash Equivalent Transfer Values are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.  
**Note 2** Valuation factors are not available for members over 60 (1995 section of the NHS pension scheme).  
**Note 3** The Cash Equivalent Transfer Value as at 31/3/18 has been restated for H Witty, L Davies, M Masters, T Nettel and A Nejad.  
**Note 4** In the event of early retirement, the pension benefit will be reduced in accordance to guidance set out by the Business Services Authority ([www.nhsbsa.nhs.uk](http://www.nhsbsa.nhs.uk))  
**Note 5** The table above is audited  
**Note 6** The stakeholder pension scheme is a scheme that is offered by the Trust to the employees of the Trust and is separate to the NHS pension scheme

Real increase in pension at pension age during 2018/19 arising while employed by trust	Real increase in pension lump sum at pension age arising while employed by trust	Total accrued pension at pension age at 31 march 2019	Lump sum at pension age related to accrued pension at 31 march 2019	Cash equivalent transfer value at 31 march 2018	Cash equivalent transfer value at 31 march 2019	Real increase in cash equivalent transfer value	Employer's contribution to stakeholder pension
(Bands of £2,500) £000	(Bands of £2,500) £000	(Bands of £5,000) £000	(Bands of £5,000) £000	£000	£000	£000	£000
0 - 2.5	0	55 - 60	130 - 135	811	972	114	0
0 - 2.5	0 - 2.5	5 - 10	0 - 5	27	55	10	0
0 - 2.5	0	40 - 45	95 - 100	638	761	87	0
2.5 - 5	0 - 2.5	10 - 15	0 - 5	106	155	28	0
0 - 2.5	0	35 - 40	80 - 85	591	699	76	0
2.5 - 5	7.5 - 10	55 - 60	175 - 180	1125	1349	160	0
0 - 2.5	2.5 - 5	25 - 30	85 - 90	-	-	-	0
0 - 2.5	0 - 2.5	5 - 10	0 - 5	89	-	-	0
0 - 2.5	0	15 - 20	35 - 40	177	233	35	0
0 - 2.5	5 - 7.5	75 - 80	225 - 230	1529	1766	159	0
2.5 - 5	0	60 - 65	165 - 170	1097	1319	155	0
2.5 - 5	0 - 2.5	15 - 20	0 - 5	151	217	45	0

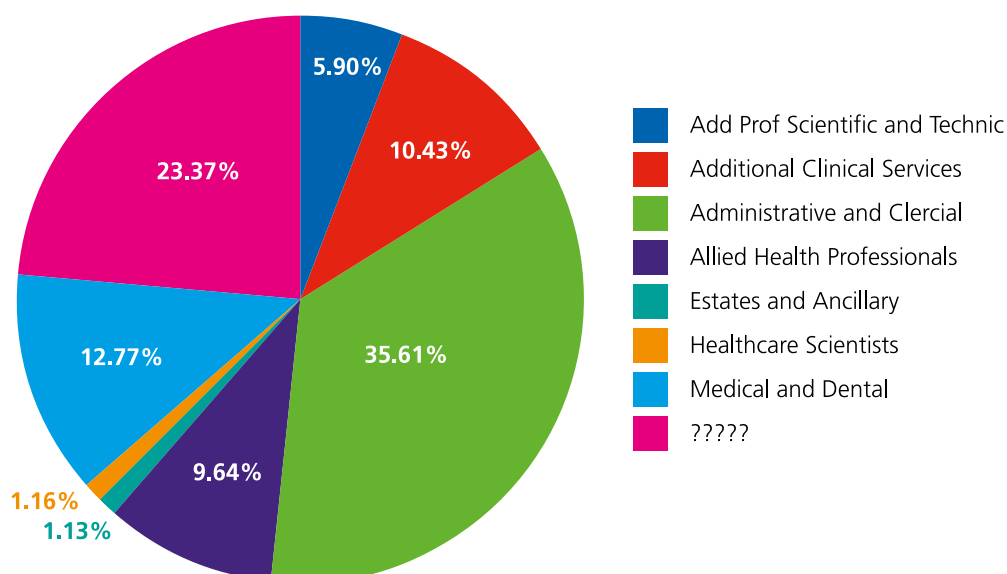
# Staff Report

## Our staff

As at 31 March 2019, the Trust employed 1,502 WTEs of staff, 57 WTEs higher than last year. The table below provides a breakdown by staff group.

### RNOH Staff WTE and Headcount as at 31st March 2019

Staff Group	Headcount	WTE	%
Additional Prof Scientific and Technical	95	89	5.909%
Additional Clinical Services	173	157	10.43%
Administrative and Clerical	585	525	35.61%
Allied Health Professionals	165	145	9.64%
Estates and Ancillary	17	17	1.13%
Healthcare Scientists	19	17	1.16%
Medical and Dental	211	192	12.77%
Nursing and Midwifery Registered	381	351	23.37%
<b>Grand Total</b>	<b>1,646</b>	<b>1,502</b>	<b>100%</b>



## Average number of employees 2018/19

Average Staff Numbers	2018/19 Total YTD	2018/19 Permanently Employed	2018/19 Other	2018/19 Total Employees Costs (£000s)	2018/19 Permanent Employees Costs (£000s)	2018/19 Other Employees Costs (£000s)	2017/18 Total Prior Year	2017/18 Permanently Employed	2017/18 Permanently Employed	Total Employee Costs (2017/18) £k	Permanent Employee Costs (2017/18) £k	Other Employee Costs (2017/18) £k
Medical and dental	195	183	12	27,044	25,738	1,306	184	178	6	24,510	23,847	663
Ambulance staff	0	0	0	0	0	0	0	0	0	0	0	0
Administration and estates	542	495	47	25,786	24,013	1,773	486	449	37	21,535	19,674	1,862
Healthcare assistants and other support staff	159	127	32	5,669	5,095	604	152	118	34	5,316	4,652	665
Nursing, midwifery and health visiting staff	438	356	82	20,730	16,584	4,146	457	388	69	20,727	16,874	3,853
Nursing, midwifery and health visiting learners	0	0	0	0	0		0	0	0	0	0	0
Scientific, therapeutic and technical staff	288	261	27	12,190	10,529	1,662	281	257	24	11,552	9,930	1,622
Social Care Staff	4	4	0	242	242	0	3	3	0	179	179	0
Healthcare Science Staff	2	2	0	113	113	0	3	3	0	109	109	0
Other	1	1	0	25	25	0	1	1	0	24	24	0
<b>Total</b>	<b>1,629</b>	<b>1,429</b>	<b>200</b>	<b>91,829</b>	<b>82,338</b>	<b>9,490</b>	<b>1,567</b>	<b>1,397</b>	<b>170</b>	<b>83,953</b>	<b>75,289</b>	<b>8,664</b>
Staff engaged on capital projects	8	8	0	671	671	0	7	6	1	629	572	57

The tables are subject to audit. The breakdown of costs and the split between salaries and wages, social security costs is set out in note 7 of the financial statements.

Gender	Very Senior Managers (incl. Non-execs)	Consultants	Senior Managers Band 8a	Senior Managers Band 8b	Senior Managers Band 8c	Senior Managers Band 8d	Senior Managers Band 9	Other Grades	All Staff
Female	6	30	108	18	23	11	6	968	1,170
Male	11	104	32	10	16	5	7	291	476
<b>Total</b>	<b>17</b>	<b>134</b>	<b>140</b>	<b>28</b>	<b>39</b>	<b>16</b>	<b>13</b>	<b>1,259</b>	<b>1,646</b>

## Staff Sickness absence

The Trust's average sickness absence rate for 2018/19 is 2.98%, which remains below the Trust target of 3%. This is slightly worse than last year's figure of 2.96%.

	2018-19
Average Sickness Rates 2018/19	2.98%
FTE calendar days lost to sickness	17,593
FTE calendar days available	495,593
Average working days lost per FTE	7



## Staff policies applied during the financial year

### Equality and diversity (including equal opportunities and disability)

The Organisational Development Manager took formal responsibility for Staff Equality & Diversity in 2018/19. During this year there was an increased focus on Equality & Diversity activity covering a number of areas, the development of values-based recruitment, the launch of a reverse mentoring scheme, the development of the Equality Achievement Network, and work to increase leadership commitment to, and capability with, diversity and inclusion. In addition, the Trust also undertook and reported against the Gender Pay Gap, Workforce Race Equality Standard, Equality Delivery System 2 and the Public Sector Equality Duty. The Trust also commenced preparations for the Workforce Disability Equality Standard which is due to be reported in August 2019. Whilst Equality & Diversity continues to be an area of focus for the Trust, the 2018 Staff Survey saw modest improvements including a closing of the gap between White and BME staff experience. The Trust's gender pay gap has seen a modest improvement (data as of 31 March 2018). Full reports are available on the Trust website at [www.rnoh.nhs.uk](http://www.rnoh.nhs.uk)

### Partnership Working

The Trust continues to work in partnership with union representatives to develop workforce policies, strategies for resolving employee relations issues, and change/transition projects with a monthly Partnership Committee taken place with our Union colleagues. Various updates to policies and procedures have been made over the last year with valuable contributions from unions to ensure these represent improvements for all staff. Union and staff representatives also continue to key stakeholders in the Redevelopment Programme.

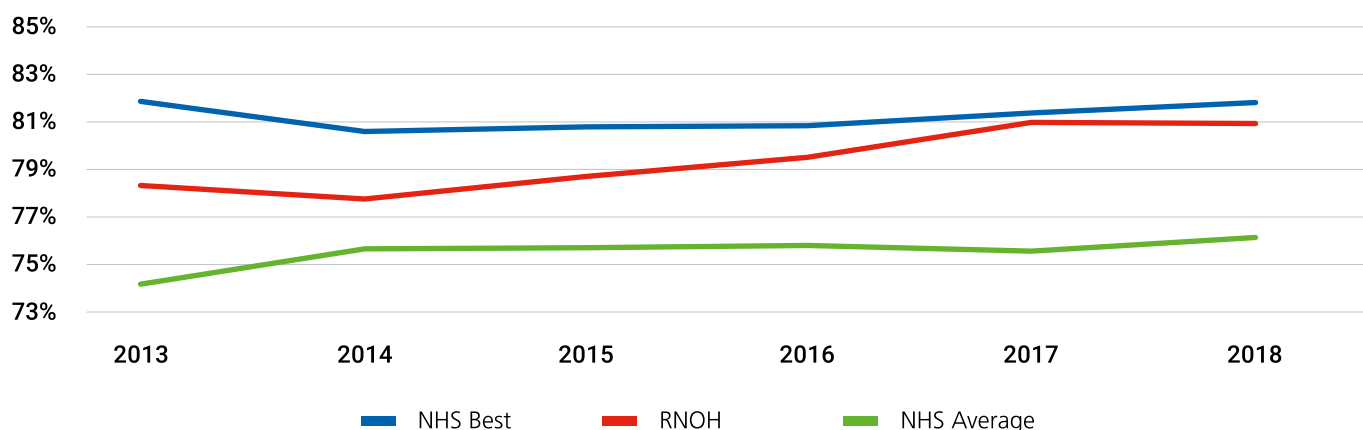
### Staff Experience:

In 2016 the RNOH made a commitment to focus on staff experience and to become the best place to work in the NHS within five years. Evidence tells us that not only does a positive staff experience benefit staff; it also benefits patients through positive patient experience and improved outcomes.

Following the creation of the RNOH VAL-YOU programme, staff experience within the Trust has continued to be a priority. By embedding our Values: Patient First always, Excellence in all we do, Trust, honesty and Respect for each other, and Equality for all, we continue to develop the culture within the organisation to help us reach our goal of becoming the best place to work in the NHS, as detailed in our vision.

We are proud of the progress we have made, demonstrating improvement on our NHS Staff Survey staff engagement scores, against a background of no improvement in the broader NHS as illustrated in the chart below, achieving the best scores amongst Acute Specialist Trusts for Quality of Care for the second year, and seeing improvements across all Staff Survey themes (against a backdrop of stagnating overall NHS performance). The Chart below shows the results of the Staff Engagement Key Finding over the last six years. You will see that the RNOH has an improving trend over that period whilst the overall NHS performance is stagnated with a modest improvement this year.

## Staff Engagement Scores 2013 - 2018



This year, based on feedback through various channels including Staff Survey and a number of Focus Groups, the primary focus within the last 12 months of the Val-You programme has been to develop a culture of healthy conflict resolution and speaking up. This has consisted of:

- Creating an internal mediation scheme
- Delivering team based, Forum Theatre sessions addressing values, behaviours and inclusivity
- Creating a Resolution Policy, to replace our Bullying & Harassment and Grievance Policies encouraging and supporting a solution focused approach to resolving conflict
- Raising awareness of our Freedom to Speak up Guardians
- Continuing provision of leadership development including a regular Leadership Forum, supporting staff to access national NHS Leadership programmes and providing bespoke Leadership programmes for staff at all levels
- Introducing staff wellbeing workshops
- Launching of a reverse mentoring programme focused on diversity and inclusivity
- Delivering a very successful Diversity Festival

The Trust's focus in 2018/19 will be on continuing to embed a speaking up culture and the management of healthy conflict resolution. The Trust will also maintain its focus on creating a diverse and inclusive staff experience and embedding our values and behaviours. There will be a particular focus on supporting managers to build on their leadership skills, learning from positive practice and providing additional support where it is needed. The Trust will continue to evolve the leadership offering and mediation scheme and evaluating the reverse mentoring.

## Employee Consultation

During the past financial year the Trust has continued to offer an enhanced patient care service and experience. The Trust has carried out several formal organisational change programmes in order to facilitate an improved service for all.

These formal employee consultation programmes have included changes to the Critical Care Outreach Team who provide an invaluable service to patients during ever increasing demands. There have also been changes within Information Management & Technology (IMT) Team as a result of listening to staff. This will create a culture of continuous service improvement, whilst introducing a more flexible approach to utilising and deploying resources. The changes have enabled IMT to enhance the quality and governance across the directorate that will ultimately improve quality patient care and services.

There have also been changes within Finance, where a single member of staff was consulted in order to take on additional duties and broaden the role. The Information Governance (IG) team required consultative changes to be made due to changes in legislation. The consultation necessitated a review of the current services and practices in order to achieve the vision and strategy for the Trust.

Clinical Nurse Specialists (CNS) were also consulted in order to fully review their roles. It was recognised that CNS's make a huge contribution to the Trust; the consultation was about building for the future by providing high quality care and growing our excellent services, whilst creating an improved structure to offer career progression. In addition to this the roles would all align to ensure shared qualities and characteristics across the organisation.

The Trust also consulted with our Ward Clerks. This required a consultation to ensure that The Stanmore Building had appropriate administration/clerk cover for the new operational hours, both on the ward areas and on the reception area to enhance the patient journey, offering a first point of contact and delivering excellent customer service to all visitors to the hospital.

All formal organisational change programmes have involved partnership working between managers leading change programmes and staff side representatives. We have also started to engage earlier in the process before changes programmes launch to seek the input from staff to enhance staff engagement and involvement.

### **Annual staff achievement awards**

We welcomed over 300 colleagues to the Village Hotel to celebrate our Annual Staff Achievement Awards and to give a well-deserved thank you to our staff. This year the event was hosted by Shaun Williamson who added some light hearted comedy to the proceedings. We saw a further increase in nominations this year with more than 500 nominations, 300 of which were received from patients.

Winners of the 2018 awards were as follows:

#### **Achieving Excellence:**

Winner: Christine Bows

Runner up: Matt Phillips

#### **Advocating Equality & Fairness for all:**

Winner: Lola Norman

Runner up: Angela Sobers

#### **Championing Trust, Honesty & Respect in the Workplace:**

Winner: Carole Phelan

Runner up: Patience Akiri and Supriya Nerlekar

#### **Putting Patients First:**

Winner: Luke Anthony

Runner up: Mihela Bura

#### **Leadership & Inspiration:**

Winner; James Matthews

Runner Up; Jenny Sadikot

#### **Patient Choice:**

Winner: Jess Murphy

Runner up: John Lipson

#### **Team of the year – Clinical:**

Winner: Medical Emergency Team

Runner up: Safeguarding Adults Team

#### **Team of the year – Non-clinical:**

Winner: Courtesy Car Drivers

Runner up: Critical Care Admin Team and the Quality Team

#### **Volunteer of the year:**

Winner: Rolo 'The Chocolate Labrador' Soper

Runner up: Ian Farr

## Expenditure on Consultancies

During the year consultancy expenditure amounted to £6,794,775 (2017/18, £3,841,538). This included costs associated with site development, national orthopaedic initiatives and the Getting It Right First Time initiative.

## Table 1: Off Payroll Engagements

Table 1 below lists all off-payroll engagements of more than £245 per day and that last longer than six months as at 31 March 2019:

	Number
Number of existing engagements as of 31 March 2019	5
<b>Of which, the number that have existed:</b>	
for less than one year at the time of reporting	4
for between one and two years at the time of reporting	1
for between 2 and 3 years at the time of reporting	0
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

Confirmation that all existing off-payroll engagements have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

## Table 2: Off Payroll Engagements

Table 2 shows all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last longer than six months:

	Number
Number of new engagements between 1 April 2018 and 31 March 2019, or those that reached six months in duration during the time period.	5
Of which:	
No. assessed as caught by IR35	
No. assessed as not caught by IR35	5
No. engaged directly (via PSC contracted to the entity and are on the departmental payroll)	0
No. of engagements reassessed for consistency assurance purposes during the year	5
No. of engagements that saw a change to IR35 status following consistency review	0

## Table 3: Off-payroll board member/senior official engagements

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

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. (1)	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. (2)	0

## Table 4: Severance Payments

The tables are subject to audit.

Reporting of compensation schemes - exit packages 2018/19	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Exit package cost band (including any special payment element)			
<£10,000	-	5	5
£10,000 - £25,000	-	-	-
£25,001 - £50,000	1	-	1
£50,001 - £100,000	-	-	-
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
<b>Total number of exit packages by type</b>	<b>1</b>	<b>5</b>	<b>6</b>
Total cost (£)	£29,000	£13,000	£42,000

Exit packages: other (non-compulsory) departure payments	2018/19		2017/18	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs	-	-	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	5	13	-	-
Exit payments following Employment Tribunals or court orders	-	-	-	-
Non-contractual payments requiring HMT approval	-	-	-	-
<b>Total</b>	<b>5</b>	<b>13</b>	<b>-</b>	<b>-</b>

Of which:

Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary

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# **Annual Accounts for the year ended 31 March 2019**



## Statement of Comprehensive Income

	2018/19	2017/18
Note	£000	£000
Operating income from patient care activities	2 121,964	120,042
Other operating income	3 33,162	23,611
Operating expenses	5, 7 (183,993)	(152,197)
<b>Operating deficit from continuing operations</b>	<b>(28,867)</b>	<b>(8,544)</b>
Finance income	10 91	16
Finance expenses	11 (1,178)	(776)
Public Dividend Capital dividends payable	(378)	(1,253)
<b>Net finance costs</b>	<b>(1,465)</b>	<b>(2,013)</b>
Other gains	12 87	-
<b>Deficit for the year</b>	<b>(30,245)</b>	<b>(10,557)</b>
<b>Other comprehensive income</b>		
Revaluations of property, plant and equipment	14,16 4,869	4,901
<b>Total comprehensive expense for the period</b>	<b>(25,376)</b>	<b>(5,656)</b>
<b>Adjusted financial performance (control total basis):</b>		
Deficit for the period	(30,245)	(10,557)
Remove net impairments not scoring to the Departmental Expenditure Limit	17,785	-
Remove I&E impact of capital grants and donations	(910)	(1,250)
<b>Adjusted financial performance deficit</b>	<b>(13,370)</b>	<b>(11,807)</b>

## Statement of Financial Position

		31 March 2019	31 March 2018
	Note	£000	£000
<b>Non-current assets</b>			
Intangible assets	13	1,861	3,046
Property, plant and equipment	14	110,624	109,477
Receivables	18	1,018	1,148
<b>Total non-current assets</b>		<b>113,503</b>	<b>113,671</b>
<b>Current assets</b>			
Inventories	17	2,352	2,578
Receivables	18	16,001	25,889
Cash and cash equivalents	19	21,930	8,732
<b>Total current assets</b>		<b>40,283</b>	<b>37,199</b>
<b>Current liabilities</b>			
Trade and other payables	20	(23,571)	(26,348)
Borrowings	22	(5,866)	(5,116)
Provisions	23	(70)	(83)
Other liabilities	21	(2,996)	(2,878)
<b>Total current liabilities</b>		<b>(32,503)</b>	<b>(34,425)</b>
<b>Total assets less current liabilities</b>		<b>121,283</b>	<b>116,445</b>
<b>Non-current liabilities</b>			
Borrowings	22	(99,609)	(69,457)
Provisions	23	(521)	(546)
<b>Total non-current liabilities</b>		<b>(100,130)</b>	<b>(70,003)</b>
<b>Total assets employed</b>		<b>21,153</b>	<b>46,442</b>
<b>Financed by</b>			
Public dividend capital		30,176	30,089
Revaluation reserve		33,933	29,167
Income and expenditure reserve		(42,956)	(12,814)
<b>Total taxpayers' equity</b>		<b>21,153</b>	<b>46,442</b>

The notes on pages 125 to 180 form part of these accounts.

The accounts on pages 123 to 180 were approved by the Board on 28th May 2019 and signed on its behalf by :

Name

Position

Date

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
<b>Taxpayers' equity at 1 April 2018 - brought forward</b>	<b>30,089</b>	<b>29,167</b>	<b>(12,814)</b>	<b>46,442</b>
Deficit for the year	-	-	(30,245)	(30,245)
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	(103)	103	-
Revaluations	-	4,869	-	4,869
Public Dividend Capital received	87	-	-	87
<b>Taxpayers' equity at 31 March 2019</b>	<b>30,176</b>	<b>33,933</b>	<b>(42,956)</b>	<b>21,153</b>

## 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
<b>Taxpayers' equity at 1 April 2017 - brought forward</b>	<b>29,782</b>	<b>24,266</b>	<b>(2,257)</b>	<b>51,791</b>
Deficit for the year	-	-	(10,557)	(10,557)
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	-
Revaluations	-	4,901	-	4,901
Public Dividend Capital received	307	-	-	307
<b>Taxpayers' equity at 31 March 2018</b>	<b>30,089</b>	<b>29,167</b>	<b>(12,814)</b>	<b>46,442</b>

## Information on reserves

### Public dividend capital

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

### Revaluation reserve

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

### Income and expenditure reserve

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

## Statement of Cash Flows

	Note	2018/19 £000	2017/18 £000
<b>Cash flows from operating activities</b>			
Operating deficit		(28,867)	(8,544)
<b>Non-cash income and expense:</b>			
Depreciation and amortisation	5	5,171	4,913
Net impairments	6	18,521	-
Income recognised in respect of capital donations	3	(1,166)	(1,482)
(Increase) / decrease in receivables and other assets		10,622	(11,484)
(Increase) / decrease in inventories		226	(4)
Increase in payables and other liabilities		1,681	3,799
Decrease in provisions		(38)	(23)
<b>Net cash generated from / (used in) operating activities</b>		<b>6,150</b>	<b>(12,825)</b>
<b>Cash flows from investing activities</b>			
Interest received		91	16
Purchase of intangible assets		(426)	(102)
Purchase of property, plant, equipment and investment property		(22,381)	(29,876)
Receipt of cash donations to purchase capital assets		1,007	1,448
<b>Net cash generated from / (used in) investing activities</b>		<b>(21,709)</b>	<b>(28,514)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		87	307
Movement on loans from the Department of Health and Social Care		30,677	45,666
Movement on other loans		(33)	52
Interest on loans		(1,060)	(661)
Other interest		(2)	-
PDC dividend paid		(912)	(1,169)
<b>Net cash generated from financing activities</b>		<b>28,757</b>	<b>44,195</b>
<b>Increase in cash and cash equivalents</b>		<b>13,198</b>	<b>2,856</b>
<b>Cash and cash equivalents at 1 April - brought forward</b>		<b>8,732</b>	<b>5,876</b>
<b>Cash and cash equivalents at 31 March</b>	19	<b>21,930</b>	<b>8,732</b>

## Notes to the Accounts

### Note 1 Accounting policies and other information

#### Note 1.1 Basis of preparation

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

##### Note 1.1.1 Accounting convention

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

##### Note 1.1.2 Going concern

These accounts have been prepared on a going concern basis. See further details at section 1.2.

#### Note 1.2 Critical judgements in applying accounting policies

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

##### Valuation of Land and Buildings

The land and buildings within the area of the Stanmore hospital site known as the Western Development Zone (WDZ) have been valued on the assumption that these assets are to continue to be in use as operational assets for the provision of healthcare by a NHS provider organisation. This property was used for the delivery of healthcare in 2018/19 which is planned to continue to 2020/21. Planning permission has been obtained for the use of the WDZ to be changed to residential housing. It is anticipated that the land within the WDZ will be sold in future years for residential development. As this property will continue to be used for its service potential until 2020/21 it does not meet the criteria for treatment as a surplus asset and it is therefore valued at current value in existing use in accordance with IAS 16 Property Plant and Equipment as adapted by the GAM. As a result of this critical judgement, there has been no change to the basis of valuation of the WDZ property compared to the prior-year.

##### Consolidation of Financial Statements

IFRS 10 Consolidated Financial Statements requires that accounts are consolidated where an entity controls another entity. The Trust's arrangements with the RNOH Charity have been reviewed and it has been established that the Trust does not have control of this charity, where control is defined in accordance with IFRS 10, as the Trustees of the Charity that are also Directors at the Trust form a small proportion of the total number of Trustees. No charities have therefore been consolidated within the Trust's financial statements.

### **Accounting for the Getting It Right First Time (GIRFT) Initiative - Gross/Net Accounting**

The Getting It Right First Time (GIRFT) programme aims to bring about higher-quality care in hospitals, at lower cost, by reducing unwanted variations in services and practices. It uses national data to identify the variations and outcomes, shares that data with all those concerned with a service – clinicians, clinical and medical directors, managers and Chief Executives – and monitors the changes that are implemented. There is an agreement between the Trust and the Trust Development Authority (TDA), which is part of NHS Improvement, under which the Trust provides services under the GIRFT programme and the TDA pays the Trust for the services delivered.

The GAM states that:

- \* 'revenue income and expenditure must be recorded gross unless one party is acting solely as an agent'
- \* 'an organisation is acting as an agent if its performance obligation is to arrange for the provision of a specified good or service by another party. It does not control that good or service before it is transferred to the customer.'

A key indicator of control set out in IFRS 15 is shown below:

'the entity is primarily responsible for fulfilling the promise to provide the specified good or service.' (IFRS 15 B:37)

In the case of the GIRFT service the Trust has an agreement with the TDA for the provision of GIRFT services, i.e. the Trust clearly has a responsibility to fulfil the promise to the TDA. Furthermore the Trust controls the inputs required to generate the services (performance obligations) under the agreement, e.g. the Trust employs the staff who provide the GIRFT services. Therefore gross accounting for GIRFT transactions has been applied within the 2018/19 financial statements.

### **Going Concern**

#### **Deficits Incurred and the 2018/19 Financial Plan**

The Trust has incurred in-year adjusted deficits for the 4 years 2015-16 - 2018/19. The Trust has been in a cumulative deficit position for the last three financial years 2016/17 - 2018/19 which follows a cumulative surplus in 2015/16. The revenue control total of a £1.9m deficit for 2019/20 has been agreed with NHS Improvement. The Trust's estimated underlying revenue deficit is £19.7m per annum as at March 2019 (this assumes that Provider Sustainability Funding and Financial Recovery Funding are not treated as recurrent sources of income).

#### **Financing the Planned Revenue Deficit**

The 2019/20 financial plan includes the net drawdown of £1.9m in Revenue Support Loans from the Department of Health and Social Care (DHSC) to cover the cash impact of the underlying planned deficit as well as working capital loan repayments of principal. This consists of gross drawdowns of £10.6m and loan repayments of £8.7m. A Revenue Support Loan drawdown of £4.1m was received from the DHSC in May 2019 to fund the deficit for April - May 2019. During 2018/19 the Trust drew down revenue support funding in the form of Revenue Support Loans and the Revenue Support Working Capital Facility which aggregated to £18.2m. The Trust's Board of Directors has a reasonable expectation that, consistent with 2018/19, adequate revenue support funding will be provided by DHSC in 2019/20 from the range of revenue funding sources for which the Trust can apply.



### **Note 1.3 Sources of estimation uncertainty**

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

#### **Valuation of Land and Property**

The carrying value of the Trust's land and buildings is based on the valuation undertaken during the year by the Trust's valuers Gerald Eve. Non-specialised properties (eg staff accommodation) were valued at market value and specialised properties (healthcare buildings) were valued at depreciated replacement cost on a modern equivalent asset principle. These valuations rely on a number of assumptions and estimates which introduce uncertainty. The main estimation techniques were:

- Land was valued on the assumption that the existing Green Belt designation and associated planning restrictions remain in force.
- For non-specialised buildings estimates were to market value, however few buildings of this type would be sold in the locality.
- For specialised buildings, the valuation relied upon Royal Institute of Chartered Surveyors Building Cost Information Service indices of the cost of construction for appropriate building types which are averages. The base valuations were discounted on an estimate of the remaining useful life of each building, and space requirements for service delivery were assumed to remain the same in a modern equivalent asset as in the present buildings. Finally, in accordance with IAS16, the component parts of each building were ascribed values as a proportion of the total, based on average proportions, with a different assessed life applied to each.

The carrying values at 31 March 2019 are: buildings £80,499,000 and land £17,384,000.

#### **NHS Injury Recovery Scheme**

The NHS Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts.

## **Note 1.4 Revenue from contracts with customers**

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

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

### ***Revenue from NHS contracts for healthcare***

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

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

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

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

### ***Revenue from research contracts***

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

### ***NHS injury cost recovery scheme***

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

### **Revenue from private patients**

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

### **Revenue from the Trust Development Authority for GIRFT Services**

The nature of these services are explained at note 1.2. Under the contract Trust expenditure on GIRFT services is charged to the Trust Development Authority (TDA). It is considered that the performance obligation is satisfied over time. Revenue is recognised when expenditure that is chargeable to the TDA under the contract is incurred.

### **Note 1.5 Revenue grants and other contributions to expenditure**

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

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

### **Note 1.6 Other income**

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 1.7 Expenditure on employee benefits**

#### **Short-term employee benefits**

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. Staff are not permitted to carry forward leave from one accounting year to the next, but must use up their entire entitlement in the year in which it is earned

#### **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 Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is 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 1.8 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 1.9 Property, plant and equipment**

### **Note 1.9.1 Recognition**

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of 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.
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost, or
- where computer equipment (e.g. personal computers and computer peripherals) are purchased which have a cost individually of £250 or more and are connected to the Trust's intranet

Where a large 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 lives.

### **Note 1.9.2 Measurement**

#### **Valuation**

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

All assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

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

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

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

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

#### **Subsequent expenditure**

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

### **Depreciation**

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

### **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 1.9.3 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 ie:
  - management are committed to a plan to sell the asset
  - an active programme has begun to find a buyer and complete the sale
  - the asset is being actively marketed at a reasonable price
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

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

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 useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

#### **Note 1.9.4 Donated and grant funded assets**

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

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

### Note 1.9.5 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	Indefinite life	
Buildings, excluding dwellings	0	90
Dwellings	19	33
Plant & machinery	0	9
Information technology	0	9
Furniture & fittings	7	50

### Note 1.10 Intangible assets

#### Note 1.10.1 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.

#### **Software**

Software which is integral to the operation of hardware, eg 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, eg application software, is capitalised as an intangible asset.

#### Note 1.10.2 Measurement

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

Subsequently intangible assets are measured at current 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. Revaluations 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 lives in a manner consistent with the consumption of economic or service delivery benefits.

#### Note 1.10.3 Useful economic life of intangible assets

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

	Min life Years	Max life Years
Software licences	0	9

### **Note 1.11 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.

### **Note 1.12 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 1.13 Carbon Reduction Commitment scheme (CRC)**

The CRC scheme is a mandatory cap and trade scheme for non-transport CO<sub>2</sub> emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO<sub>2</sub> it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO<sub>2</sub> emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO<sub>2</sub> emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

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

Allowances acquired under the scheme are recognised as intangible assets.

### **Note 1.14 Financial assets and financial liabilities**

#### **Note 1.14.1 Recognition**

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

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

#### **Note 1.14.2 Classification and measurement**

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

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities are classified as subsequently measured at amortised cost.

#### ***Financial assets and financial liabilities at amortised cost***

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



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

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

### ***Impairment of financial assets***

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

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses.

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

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

### **Note 1.14.3 Derecognition**

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

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

## **Note 1.15 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. The Trust only has operating leases.

### **Note 1.15.1 The Trust as lessee**

#### ***Operating leases***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

### **Note 1.15.2 The Trust as lessor**

#### ***Operating leases***

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

## **Note 1.16 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***

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, 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 23.2 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 an annual contribution to NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any "excesses" payable in respect of particular claims are charged to operating expenses when the liability arises.

### Note 1.17 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 entity's control) are not recognised as assets, but are disclosed in note 24 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 24, 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 entity'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 1.18 Public Dividend Capital

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

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets (including lottery funded assets), (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and (iii) any PDC dividend balance receivable or payable.

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

### Note 1.19 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### Note 1.20 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 *FReM*.

### Note 1.21 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 the Trust 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 1.22 Early adoption of standards, amendments and interpretations

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

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

**IFRS 16 Leases**

This standard will become effective for the 2020/21 financial statements. The impact may be material. This impact is expected to be clarified following the issue of the 2020/21 HM Treasury Financial Reporting Manual (FReM).

**IFRIC 23 Uncertainty over Income Tax Treatments**

This standard becomes effective for the 2019/20 financial statements subject to EU and HM Treasury endorsement. No material impact expected.

**IAS 28 Investments in Associates and Joint Ventures**

This standard becomes effective for the 2019/20 financial statements subject to EU and HM Treasury endorsement. No material impact expected.

**Amendment to IAS 28 Investments in Associates and Joint Ventures**

This standard becomes effective for the 2019/20 financial statements. No material impact expected.

**IFRS 17 Insurance Contracts**

This standard becomes effective for the 2022/23 financial statements subject to EU and HM Treasury endorsement. No material impact expected.

## Note 2 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

<b>Note 2.1 Income from patient care activities (by nature)</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Elective income	51,210	48,285
Non elective income	2,830	2,312
First outpatient income	3,065	3,519
Follow up outpatient income	16,394	15,934
High cost drugs income from commissioners (excluding pass-through costs)	1,209	1,163
Other NHS clinical income	38,976	41,283
Private patient income	7,080	6,682
Agenda for Change pay award central funding	1,053	-
Other clinical income	147	864
<b>Total income from activities</b>	<b>121,964</b>	<b>120,042</b>

## Note 2.2 Income from patient care activities (by source)

<b>Income from patient care activities received from:</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
NHS England	54,348	53,569
Clinical commissioning groups	57,769	55,608
Department of Health and Social Care	1,074	27
Non-NHS: private patients	7,080	6,682
Injury cost recovery scheme	147	864
Non NHS: other	1,546	3,292
<b>Total income from activities</b>	<b>121,964</b>	<b>120,042</b>
<b>Of which:</b>		
Related to continuing operations	121,964	120,042
Related to discontinued operations	-	-

**Note 2.3 Overseas visitors (relating to patients charged directly by the provider)**

	2018/19	2017/18
	£000	£000
Amounts added to allowance for credit losses	52	17

**Note 3 Other operating income**

	2018/19	2017/18
	£000	£000
<b>Other operating income from contracts with customers:</b>		
Research and development (contract)	1,449	920
Education and training (excluding notional apprenticeship levy income)	2,083	2,249
Non-patient care services to other bodies	321	398
Provider sustainability / sustainability and transformation fund income	1,543	3,901
Patient Transport Services	4,295	3,865
Other contract income*	22,064	10,672
<b>Other non-contract operating income</b>		
Education and training - notional income from apprenticeship fund	191	49
Receipt of capital grants and donations	1,166	1,482
Charitable and other contributions to expenditure	50	75
<b>Total other operating income</b>	<b>33,162</b>	<b>23,611</b>
<b>Of which:</b>		
Related to continuing operations	33,162	23,611
Related to discontinued operations	-	-

\* The principal components of other income are :

- 1 Funding for the Getting It Right First Time initiative £17,822k (£8,165k 2017/18) - see note 37.1 and 37.2
- 2 Compensation from a supplier relating to an IT system implementation £2,160k (£NIL 2017/18)

**Note 4.1 Additional information on revenue from contracts with customers recognised in the period**

**2018/19**  
**£000**

Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end

122

Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods

-

IFRS 15 is applied without restatement therefore the comparative analysis has not been restated.

## Note 5 Operating expenses

### Note 5.1 Operating expenditure by type of expense

	2018/19	2017/18
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	701	765
Purchase of healthcare from non-NHS and non-DHSC bodies	1,885	2,666
Staff and executive directors costs	89,915	82,162
Remuneration of non-executive directors	69	63
Supplies and services - clinical (excluding drugs costs)	30,624	28,526
Supplies and services - general	6,240	5,725
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	2,408	2,405
Inventories written down	266	138
Consultancy costs	6,795	3,842
Establishment	2,430	1,894
Premises	5,671	5,008
Transport (including patient travel)	4,632	4,918
Depreciation on property, plant and equipment	3,959	3,670
Amortisation on intangible assets	1,212	1,243
Net impairments	18,521	-
Movement in credit loss allowance: contract receivables / contract assets	(88)	
Movement in credit loss allowance: all other receivables and investments	(77)	(277)
Increase in other provisions	28	30
Change in provisions discount rate(s)	(6)	5
Audit fees payable to the external auditor		
audit services- statutory audit	48	48
other auditor remuneration (external auditor only)	10	10
Internal audit costs	49	48
Clinical negligence	3,917	4,594
Legal fees	279	231
Research and development	1,262	1,072
Education and training	1,659	1,696
Rentals under operating leases	928	943
Redundancy	29	72
Hospitality	113	93
Other	514	607
<b>Total</b>	<b>183,993</b>	<b>152,197</b>



## Note 5.2 Other auditor remuneration

	2018/19 £000	2017/18 £000
<b>Other auditor remuneration paid to the external auditor:</b>		
Audit-related assurance services	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

## Note 5.3 Limitation on auditor's liability

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

## Note 6 Impairment of assets

	2018/19 £000	2017/18 £000
<b>Net impairments charged to operating deficit resulting from:</b>		
Loss or damage from normal operations	103	-
Abandonment of assets in course of construction	633	-
Other	17,785	-
<b>Total net impairments charged to operating surplus / deficit</b>	<b>18,521</b>	<b>-</b>
Impairments charged to the revaluation reserve	-	-
<b>Total net impairments</b>	<b>18,521</b>	<b>-</b>

The 'other' impairment disclosed in the table above of £17,785k relates to the opening of a new ward block (The Stanmore Building) in December 2018. In order to assess if an impairment is to be recognised this building was valued by a firm of professional valuers when it became available for use. This valuation was based on value in existing use.

The abandonment of assets in the course of construction of £633k in the table above relates to expenditure incurred on the design, surveys, enabling works and planning fees for a facility, the Biomedical Engineering Hub (BEH), that is not to be constructed. Further details can be found at note 27.

## Note 7 Employee benefits

	2018/19	2017/18
	Total	Total
	£000	£000
Salaries and wages	72,342	66,168
Social security costs	7,634	7,147
Apprenticeship levy	333	310
Employer's contributions to NHS pensions	7,925	7,472
Pension cost - other	6	2
Termination benefits	29	72
Temporary staff (including agency)	4,231	3,411
<b>Total gross staff costs</b>	<b>92,500</b>	<b>84,582</b>
<b>Of which</b>		
Costs capitalised as part of assets	671	629

### Note 7.1 Retirements due to ill-health

During 2018/19 there were 2 early retirements from the Trust agreed on the grounds of ill-health (none in the year ended 31 March 2018). The estimated additional pension liabilities of these ill-health retirements is £177k (0k in 2017/18).

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

## **Note 8 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](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

### **a) Accounting valuation**

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

The latest assessment of the liabilities of the 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 latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

### **Other Pension Schemes**

The Trust also makes pension contributions towards a small number of the Trust's employees (17 employees in 2018/19, 11 employees 2017/18) who are members of the National Employment Savings Trust. The NHS Trust's contribution to this scheme was £6,150 (£1,970 in 2017/18).

## Note 9 Operating leases

### Note 9.1 Royal National Orthopaedic Hospital NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Royal National Orthopaedic Hospital NHS Trust is the lessee.

	2018/19 £000	2017/18 £000
<b>Operating lease expense</b>		
Minimum lease payments	928	943
<b>Total</b>	<b>928</b>	<b>943</b>
	<b>31 March</b>	
	<b>2019</b>	31 March 2018
	<b>£000</b>	<b>£000</b>
<b>Future minimum lease payments due:</b>		
- not later than one year;	721	721
- later than one year and not later than five years;	2,885	2,885
- later than five years.	8,595	9,316
<b>Total</b>	<b>12,201</b>	<b>12,922</b>

The Trust has an agreement with Homeview Properties Ltd for the lease of an outpatient clinic in a building at Bolsover Street, London W1 for 25 years commencing November 2009. The rental was £856,228 per annum including VAT in 2018/19. There is no provision in the lease agreement for extension of the lease nor for the purchase of the property by the Trust. The Trust is responsible for the insurance and maintenance of the building and for the payment of service charges to the landlord.

## Note 10 Finance income

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

	2018/19 £000	2017/18 £000
Interest on bank accounts	91	16
<b>Total finance income</b>	<b>91</b>	<b>16</b>

## Note 11.1 Finance expenditure

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

	2018/19 £000	2017/18 £000
<b>Interest expense:</b>		
Loans from the Department of Health and Social Care	1,165	776
Other loans	11	-
Interest on late payment of supplier invoices	2	-
<b>Total interest expense</b>	<b>1,178</b>	<b>776</b>

## Note 11.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2018/19 £000	2017/18 £000
Amounts included within interest payable arising from claims	2	-

## Note 12 Other gains

	2018/19 £000	2017/18 £000
Gains on disposal of assets	87	-
<b>Total gains on disposal of assets</b>	<b>87</b>	<b>-</b>

The gain on disposal relates to the sale of Magnetic Resonance Imaging (MRI) equipment.

# **Note 13.1 Intangible assets - 2018/19**

	Software licences £000	Intangible assets under construction £000	Total £000
<b>Valuation / gross cost at 1 April 2018 - brought forward</b>	<b>7,422</b>	<b>-</b>	<b>7,422</b>
Additions	-	27	27
Reclassifications	27	(27)	-
<b>Valuation / gross cost at 31 March 2019</b>	<b>7,449</b>	<b>-</b>	<b>7,449</b>
<b>Amortisation at 1 April 2018 - brought forward</b>	<b>4,376</b>	<b>-</b>	<b>4,376</b>
Provided during the year	1,212	-	1,212
<b>Amortisation at 31 March 2019</b>	<b>5,588</b>	<b>-</b>	<b>5,588</b>
<b>Net book value at 31 March 2019</b>	<b>1,861</b>	<b>-</b>	<b>1,861</b>
<b>Net book value at 1 April 2018</b>	<b>3,046</b>	<b>-</b>	<b>3,046</b>

Note 13.2 Intangible assets - 2017/18

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2017 - as previously stated	7,207	-	7,207
Additions	-	215	215
Reclassifications	215	(215)	-
Valuation / gross cost at 31 March 2018	<u>7,422</u>	<u>-</u>	<u>7,422</u>
Amortisation at 1 April 2017 - as previously stated	3,133	-	3,133
Provided during the year	<u>1,243</u>	<u>-</u>	<u>1,243</u>
Amortisation at 31 March 2018	<u>4,376</u>	<u>-</u>	<u>4,376</u>
Net book value at 31 March 2018	3,046	-	3,046
Net book value at 1 April 2017	4,074	-	4,074

**Note 14.1 Property, plant and equipment - 2018/19**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Valuation/gross cost at 1 April 2018 - brought forward</b>	<b>14,320</b>	<b>43,578</b>	<b>2,055</b>	<b>42,977</b>	<b>24,417</b>	<b>7,241</b>	<b>258</b>	<b>134,846</b>
Additions	-	-	-	18,758	-	-	-	18,758
Impairments	-	(17,888)	-	(633)	-	-	-	(18,521)
Revaluations	3,064	(519)	(3)	-	-	-	-	2,542
Reclassifications	-	53,324	-	(57,056)	990	1,594	1,148	-
Disposals / derecognition	-	-	-	-	(255)	-	-	(255)
<b>Valuation/gross cost at 31 March 2019</b>	<b>17,384</b>	<b>78,495</b>	<b>2,052</b>	<b>4,046</b>	<b>25,152</b>	<b>8,835</b>	<b>1,406</b>	<b>137,370</b>
<b>Accumulated depreciation at 1 April 2018 - brought forward</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>18,789</b>	<b>6,419</b>	<b>116</b>	<b>25,369</b>
Provided during the year	-	2,232	98	-	1,238	339	52	3,959
Revaluations	-	(2,229)	(98)	-	-	-	-	(2,327)
Disposals / derecognition	-	-	-	-	(255)	-	-	(255)
<b>Accumulated depreciation at 31 March 2019</b>	<b>-</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>19,772</b>	<b>6,758</b>	<b>168</b>	<b>26,746</b>
<b>Net book value at 31 March 2019</b>	<b>17,384</b>	<b>78,447</b>	<b>2,052</b>	<b>4,046</b>	<b>5,380</b>	<b>2,077</b>	<b>1,238</b>	<b>110,624</b>
<b>Net book value at 1 April 2018</b>	<b>14,320</b>	<b>43,533</b>	<b>2,055</b>	<b>42,977</b>	<b>5,628</b>	<b>822</b>	<b>142</b>	<b>109,477</b>

Of the reclassification between 'assets under construction' and 'buildings excluding dwellings' in the table above, £51,452k relates to the opening of a new ward block in December 2018 (The Stanmore Building).

Of the impairments disclosed in the table above for 'buildings excluding dwellings', £17,785k relates to the recognition of the impairment to The Stanmore Building when this facility was completed. This impairment is based on a valuation undertaken by a firm of professional valuers.



Note 14.2 Property, plant and equipment - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2017 - as previously stated	12,040	42,539	2,019	11,798	23,894	6,799	258	99,347
Additions	-	-	-	32,627	-	-	-	32,627
Revaluations	2,280	556	36	-	-	-	-	2,872
Reclassifications	-	483	-	(1,448)	523	442	-	-
Valuation/gross cost at 31 March 2018	14,320	43,578	2,055	42,977	24,417	7,241	258	134,846
Accumulated depreciation at 1 April 2017 - as previously stated	-	41	-	-	17,473	6,109	105	23,728
Provided during the year	-	1,941	92	-	1,316	310	11	3,670
Revaluations	-	(1,937)	(92)	-	-	-	-	(2,029)
Accumulated depreciation at 31 March 2018	-	45	-	-	18,789	6,419	116	25,369
Net book value at 31 March 2018	14,320	43,533	2,055	42,977	5,628	822	142	109,477
Net book value at 1 April 2017	12,040	42,498	2,019	11,798	6,421	690	153	75,619

**Note 14.3 Property, plant and equipment financing - 2018/19**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Net book value at 31 March 2019</b>								
Owned - purchased	17,384	76,184	2,052	4,046	4,794	2,077	727	<b>107,264</b>
Owned - donated	-	2,263	-	-	586	-	511	<b>3,360</b>
<b>NBV total at 31 March 2019</b>	<b>17,384</b>	<b>78,447</b>	<b>2,052</b>	<b>4,046</b>	<b>5,380</b>	<b>2,077</b>	<b>1,238</b>	<b>110,624</b>

**Note 14.4 Property, plant and equipment financing - 2017/18**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Net book value at 31 March 2018</b>								
Owned - purchased	14,320	41,768	2,055	41,496	5,039	822	142	105,642
Owned - donated	-	1,765	-	1,481	589	-	-	3,835
<b>NBV total at 31 March 2018</b>	<b>14,320</b>	<b>43,533</b>	<b>2,055</b>	<b>42,977</b>	<b>5,628</b>	<b>822</b>	<b>142</b>	<b>109,477</b>

## **Note 15 Donations of property, plant and equipment**

During 2018/19 donated asset acquisitions of £1,166k were recognised (£1,482k 2017/18). All these donations were from the RNOH Charity. These donations are summarised below :

- Contribution of £1,007k towards the construction and equipping of a new ward block (Stanmore Building)
- Items of medical equipment aggregating to £159k

## **Note 16 Revaluations of property, plant and equipment**

### **Land, Buildings and Dwellings**

During 2018/19, the Trust engaged Gerald Eve LLP, an independent firm of Chartered Surveyors, to undertake a valuation of its land and buildings as at 31 March 2019. The firm had previously undertaken a similar valuation as at 31 March 2018. The partner in charge of the valuation was Mr Richard Ayres MRICS.

In accordance with IAS16, assets are required to be carried at fair value.

The Trust's specialised buildings, those used for the provision of services, are valued at depreciated replacement cost.

The valuation of the Stanmore Hospital land assumed that its Green Belt designation would continue and that the Trust would continue to occupy the Stanmore site.

In general, the valuation assumed that buildings have a maximum life expectancy from new of 90 years, with the buildings depreciated on a straight line basis from 100% at completion of construction to zero, once their life span has been met. The valuation has given consideration to the remaining useful life of the buildings.

### **Plant and Equipment**

Plant and machinery is categorised as either long term, medium term or short term, with the assumed lives of these categories being fifteen, ten and five years respectively.

Information Technology equipment is generally assumed to have a life of five years.

Furniture and fittings are categorised in the same way as plant and machinery into long, medium and short-term life assets.

## Note 17 Inventories

	<b>31 March 2019 £000</b>	31 March 2018 £000
Drugs	213	174
Consumables	2,031	2,376
Energy	38	28
Other	70	-
<b>Total inventories</b>	<b><u>2,352</u></b>	<b><u>2,578</u></b>

Inventories recognised in expenses for the year were £17,529k (2017/18: £15,847k). Write-down of inventories recognised as expenses for the year were £266k (2017/18: £138k).

## Note 18 Receivables

### Note 18.1 Trade receivables and other receivables

	31 March 2019 £000	31 March 2018 £000
<b>Current</b>		
Contract receivables*	11,872	
Contract assets*	1,914	
Trade receivables*		14,011
Capital receivables	100	-
Accrued income*		11,104
Allowance for impaired contract receivables / assets*	(534)	
Allowance for other impaired receivables	(448)	(1,106)
Prepayments	1,252	961
PDC dividend receivable	504	-
VAT receivable	1,349	866
Other receivables	(8)	53
<b>Total current trade and other receivables</b>	<b>16,001</b>	<b>25,889</b>
<b>Non-current</b>		
Contract receivables*	1,018	
Accrued income*		1,148
<b>Total non-current trade and other receivables</b>	<b>1,018</b>	<b>1,148</b>
<b>Of which receivables from NHS and DHSC group bodies:</b>		
Current	9,579	20,161
Non-current	-	-

\*Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis of receivables has not been restated under IFRS 15.

## Note 18.2 Allowances for credit losses - 2018/19

	Contract receivables and contract assets £000	All other receivables £000
<b>Allowances as at 1 Apr 2018 - brought forward</b>		<b>1,106</b>
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	581	(581)
New allowances arising	226	-
Changes in existing allowances	-	-
Reversals of allowances	(314)	(77)
Utilisation of allowances (write offs)	41	-
<b>Allowances as at 31 Mar 2019</b>	<b>534</b>	<b>448</b>

## Note 18.3 Allowances for credit losses - 2017/18

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

	All receivables £000
<b>Allowances as at 1 Apr 2017</b>	<b>1,474</b>
Increase in provision	(277)
Amounts utilised	(91)
<b>Allowances as at 31 Mar 2018</b>	<b>1,106</b>

## Note 19 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.

	2018/19	2017/18
	£000	£000
<b>At 1 April</b>	<b>8,732</b>	5,876
Net change in year	13,198	2,856
<b>At 31 March</b>	<b>21,930</b>	<b>8,732</b>
<b>Broken down into:</b>		
Cash at commercial banks and in hand	47	47
Cash with the Government Banking Service	21,883	8,685
<b>Total cash and cash equivalents as in Statement of Financial Position and as in Statement of Cash Flows</b>	<b>21,930</b>	<b>8,732</b>

## Note 20 Trade and other payables

	31 March 2019 £000	31 March 2018 £000
<b>Current</b>		
Trade payables	5,112	5,017
Capital payables	1,526	5,707
Accruals	13,133	12,155
Social security costs	1,153	1,030
Other taxes payable	1,046	880
PDC dividend payable	-	30
Accrued interest on loans*		142
Other payables	1,601	1,387
<b>Total current trade and other payables</b>	<b>23,571</b>	<b>26,348</b>
<b>Of which payables from NHS and DHSC group bodies:</b>		
Current	5,666	6,514

\*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note. IFRS 9 is applied without restatement therefore comparatives have not been restated.



## Note 21 Other liabilities

	<b>31 March 2019 £000</b>	31 March 2018 £000
<b>Current</b>		
Deferred income: contract liabilities	2,996	2,878
<b>Total other current liabilities</b>	<b>2,996</b>	<b>2,878</b>

## Note 22 Borrowings

### Note 22.1 Current and non-current borrowings

	<b>31 March 2019 £000</b>	31 March 2018 £000
<b>Current</b>		
Loans from the Department of Health and Social Care	5,847	5,064
Other loans	19	52
<b>Total current borrowings</b>	<b>5,866</b>	<b>5,116</b>
<b>Non-current</b>		
Loans from the Department of Health and Social Care	99,609	69,457
<b>Total non-current borrowings</b>	<b>99,609</b>	<b>69,457</b>

## Note 22.2 Reconciliation of liabilities arising from financing activities

	Loans from DHSC £000	Other loans £000	Total £000
<b>Carrying value at 1 April 2018</b>	<b>74,521</b>	<b>52</b>	<b>74,573</b>
<b>Cash movements:</b>			
Financing cash flows - payments and receipts of principal	30,677	(33)	<b>30,644</b>
Financing cash flows - payments of interest	(1,049)	(11)	<b>(1,060)</b>
<b>Non-cash movements:</b>			
Impact of implementing IFRS 9 on 1 April 2018	142	-	<b>142</b>
Interest charge arising in-year	1,165	11	<b>1,176</b>
<b>Carrying value at 31 March 2019</b>	<b>105,456</b>	<b>19</b>	<b>105,475</b>

In accordance with IAS 7 a comparative disclosure is not required for this reconciliation as 2018/19 is the year of adoption of IFRS 9 Financial Instruments.

## Note 23 Provisions

### Note 23.1 Provisions for liabilities and charges analysis

	<b>Pensions: early departure costs</b>	<b>Legal claims</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2018</b>	<b>604</b>	<b>25</b>	<b>629</b>
Change in the discount rate	(6)	-	(6)
Arising during the year	43	10	53
Utilised during the year	(60)	(25)	(85)
<b>At 31 March 2019</b>	<b>581</b>	<b>10</b>	<b>591</b>
<b>Expected timing of cash flows:</b>			
- not later than one year;	60	10	70
- later than one year and not later than five years;	241	-	
- later than five years.	280	-	241
			<b>280</b>
<b>Total</b>	<b>581</b>	<b>10</b>	<b>591</b>

The provision for early departure costs provides for enhancement of pension entitlements of early retirees. It is based on the present value of the Trust's annual contribution projected in accordance with average life expectancy tables published by the Government Actuary.

The provision for legal claims relates to claims made by staff and others which are covered by the LPTS scheme referred to in note 1.16. The amounts are based on assessments by the NHS Litigation Authority up to the Trust's policy excess (£10,000) in the case of each claim. Potential additional liabilities up to the policy excess, where successful claims exceed the NHSLA's estimate, are disclosed as contingent liabilities.

## Note 23.2 Clinical negligence liabilities

At 31 March 2019, £42.1m was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Royal National Orthopaedic Hospital NHS Trust (31 March 2018: £45.5k).

## Note 24 Contingent Assets and Liabilities

	31 March 2019 £000	31 March 2018 £000
<b>Value of contingent liabilities</b>		
NHS Resolution legal claims	(7)	(17)
<b>Gross value of contingent liabilities</b>	<b>(7)</b>	<b>(17)</b>
Amounts recoverable against liabilities	-	-
<b>Net value of contingent liabilities</b>	<b>(7)</b>	<b>(17)</b>

The contingent liability represents the Trust's potential additional liability for claims against which the Trust is insured under the LTPS scheme in the event that a settlement, where liability is established, exceeds the NHS Resolution estimate. However, the Trust's maximum liability in any case cannot exceed the policy excess.

The Trust has no contingent assets.

## Note 25 Contractual commitments

### Note 25.1 Capital commitments

	31 March 2019 £000	31 March 2018 £000
Property, plant and equipment	230	8,895
Intangible assets	-	44
<b>Total</b>	<b>230</b>	<b>8,939</b>

### Note 25.2 Other commitments

The Trust is committed to making payments under non-cancellable contracts (which are not leases), aggregating to £36.8m (2019/20 £16.3m, 2020/21 £6.1m, 2021/22 £6.1m, 2022/23 £6.1m, 2023/24 £2.2m)

## **Note 26 Financial instruments**

### **Note 26.1 Financial risk management**

International financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period 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 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 the financial reporting standards mainly apply. 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 facing the Trust in undertaking its activities.

#### **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 overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

#### **Interest rate risk**

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the NHS Improvement and the Department of Health and Social Care (DHSC). The capital loans are for 5 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust also borrows from the government to ensure liquidity remains adequate when the Trust has a revenue deficit - the interest on this borrowing is also fixed for the life of the borrowing. The Trust therefore has low exposure to interest rate fluctuations.

#### **Liquidity risk**

The Trust's operating costs are incurred under contracts with NHS England and Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. External funding required by the Trust for capital expenditure is usually obtained as loans from the DHSC - requests for these loans are subject to a prudential borrowing assessment carried out by NHS Improvement and the DHSC. The Trust has historically had access to revenue support loans and/or a working capital facility from the DHSC which ensure that the Trust's liquidity remains adequate when revenue deficits are incurred. In 2018/19 the Trust drew down £18.2m in the form of DHSC Interim Revenue Support Loans. There is a reasonable level of assurance that access to adequate DHSC revenue support funding will be available in 2019/20. The Trust is not, therefore, exposed to significant liquidity risks.

## Note 26.2 Carrying values of financial assets

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Total book value £000
<b>Carrying values of financial assets as at 31 March 2019 under IFRS 9</b>		
Trade and other receivables excluding non financial assets	13,850	<b>13,850</b>
Cash and cash equivalents at bank and in hand	21,930	<b>21,930</b>
<b>Total at 31 March 2019</b>	<b>35,780</b>	<b>35,780</b>

	Loans and receivables £000	Total book value £000
<b>Carrying values of financial assets as at 31 March 2018 under IAS 39</b>		
Trade and other receivables excluding non financial assets	23,555	<b>23,555</b>
Cash and cash equivalents at bank and in hand	8,732	<b>8,732</b>
<b>Total at 31 March 2018</b>	<b>32,287</b>	<b>32,287</b>

### Note 26.3 Carrying value of financial liabilities

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Total book value £000
<b>Carrying values of financial liabilities as at 31 March 2019 under IFRS 9</b>		
Loans from the Department of Health and Social Care	105,456	<b>105,456</b>
Other borrowings	19	<b>19</b>
Trade and other payables excluding non financial liabilities	19,934	<b>19,934</b>
<b>Total at 31 March 2019</b>	<b>125,409</b>	<b>125,409</b>
	Other financial liabilities £000	Total book value £000
<b>Carrying values of financial liabilities as at 31 March 2018 under IAS 39</b>		
Loans from the Department of Health and Social Care	74,521	<b>74,521</b>
Other borrowings	52	<b>52</b>
Trade and other payables excluding non financial liabilities	26,327	<b>26,327</b>
<b>Total at 31 March 2018</b>	<b>100,900</b>	<b>100,900</b>

In 2018/19 the Trust drew down a loan from a private sector entity; however the Trust did not make loan repayments in accordance with the loan agreement. The loan principal was £151k. The loan was drawn in 2018/19 and fully repaid in 2018/19. Additional charges of £11k were incurred. These additional charges are shown under 'fruitless payments' in note 27.

### Note 26.4 Fair values of financial assets and liabilities

Carrying value is a reasonable approximation of fair value for financial assets and liabilities.

For trade and other receivables the carrying value is a reasonable approximation to fair value as, in general, such receivables are expected to be settled within 60 days.

For trade and other payables the carrying value is a reasonable approximation to fair value as, in general, the payment is expected to be released within 60 days of recognition of the payable.

For borrowings the chargeable interest rate has been compared to the interest rates available as at the end of the financial year for loans with similar characteristics. As the difference in interest rates are minimal the carrying value for borrowings is a reasonable approximation to fair value.

### Note 26.5 Maturity of financial liabilities

	<b>31 March 2019 £000</b>	31 March 2018 £000
In one year or less	25,555	31,443
In more than one year but not more than two years	29,813	564
In more than two years but not more than five years	58,717	67,737
In more than five years	11,324	1,156
<b>Total</b>	<b>125,409</b>	<b>100,900</b>

## Note 27 Losses and special payments

	2018/19		2017/18	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
<b>Losses</b>				
Overpayment of salaries	1	-	1	136
Fruitless payments	2	644	-	-
Bad debts and claims abandoned	-	-	18	91
Stores losses and damage to property	3	7	-	-
<b>Total losses</b>	<b>6</b>	<b>651</b>	<b>19</b>	<b>227</b>
<b>Special payments</b>				
Ex-gratia payments	5	24	1	7
Extra-statutory and extra-regulatory payments	-	-	1	-
<b>Total special payments</b>	<b>5</b>	<b>24</b>	<b>2</b>	<b>7</b>
<b>Total losses and special payments</b>	<b>11</b>	<b>675</b>	<b>21</b>	<b>234</b>
Compensation payments received		41		-

Fruitless payments includes 2 losses :

### 1 Abandonment of assets in the course of construction

A loss of £633k was recognised due to the abandonment of assets in the course of construction. This relates to expenditure incurred on the design, surveys, enabling works and planning fees for a facility, the Biomedical Engineering Hub (BEH), that is not to be constructed. The BEH was a joint venture project between University College London (UCL) and the Trust to create a new building to be occupied by the UCL Division of Surgery staff at Stanmore, UCL Faculty of Engineering Teams, the Trust's Department of Histopathology and the Trust's Research & Innovation Centre Team to create a modern, flexible, world-class research, academic and clinical building.

Plans to build the facility were announced in May 2014 and a reserved matters planning application for the facility was made to the London Borough of Harrow in late 2015.

In February 2017 UCL informed the Trust that they wished to pause the BEH project. The project was restarted, however, following UCL raising concerns surrounding the funding of the project, the Trust Board made the decision to halt the project in August 2018 and refocus on rehousing the Trust's Prosthetics and Orthotics Unit (re-housing the Prosthetics and Orthotics Unit was part of a range of changes linked to the BEH facility).

### 2 Charges incurred as loan repayments were not made in accordance with a loan agreement

This loss amounts to £11k and is explained at note 26.3.



## **Note 28 New Accounting Standards**

### **Note 28.1 Initial application of IFRS 9**

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

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

Under IFRS 9, borrowings from the Department of Health and Social Care, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings increased by £142k, and trade payables correspondingly reduced.

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

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classification of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these receivables at 1 April 2018 was £0k.

### **Note 28.2 Initial application of IFRS 15**

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

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

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

## **Note 29 Related parties**

The Department of Health and Social Care (DHSC) is the parent department of the Trust. During 2018/19 the Trust has had a significant number of material transactions with entities for which the Department is regarded as the parent department. Those DHSC entities with which the Trust has had income or expenditure of greater than £1.0m in 2018/19 or have receivables or payables balances greater than £1.0m as at 31st March 2019 are set out below:

Royal Free London NHS Foundation Trust  
St George's University Hospitals NHS Foundation Trust  
NHS Barnet CCG  
NHS Bedfordshire CCG  
NHS Brent CCG  
NHS Ealing CCG  
NHS East and North Hertfordshire CCG  
NHS Enfield CCG  
NHS Haringey CCG  
NHS Harrow CCG  
NHS Havering CCG  
NHS Herts Valleys CCG  
NHS Hillingdon CCG  
NHS Luton CCG  
NHS Mid Essex CCG  
NHS Redbridge CCG  
NHS England  
Health Education England  
NHS Resolution  
NHS Improvement (includes the Trust Development Authority)

During the year none of the DHSC Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust.

The Director of Research and Innovation Centre provided advice in 2018/19 to Medacta UK Ltd and the Trust spent £308k on purchasing implants from this entity in 2018/19 (£189k 2017/18).

The RNOH Charity (formerly the Special Trustees of the Royal National Orthopaedic Hospital) exists to administer endowment and other charitable funds in the interests of the Trust's patients. The charity publishes its financial statements separately. This charity reimbursed the Trust £186,549 (2017/18 £342,000) in respect of financial and other administrative duties undertaken on behalf of the charity by staff employed by the Trust. The RNOH Charity also funded Trust capital expenditure of £1,166k in 2018/19 (£1,482k 2017/18). During 2018/19 two Trustees of the RNOH Charity have also been members of the Board of the NHS Trust.

## **Note 30 Events after the reporting date**

There are no events after the reporting period of such significance or materiality that require reporting in this note.

### Note 31 Compliance with The Better Payment Practice code

	2018/19 Number	2018/19 £000	2017/18 Number	2017/18 £000
<b>Non-NHS Payables</b>				
Total non-NHS trade invoices paid in the year	25,284	112,968	25,606	112,961
Total non-NHS trade invoices paid within target	20,517	88,816	20,669	94,582
Percentage of non-NHS trade invoices paid within target	81.1%	78.6%	80.7%	83.7%
<b>NHS Payables</b>				
Total NHS trade invoices paid in the year	919	10,572	850	11,123
Total NHS trade invoices paid within target	689	8,728	578	8,721
Percentage of NHS trade invoices paid within target	75.0%	82.6%	68.0%	78.4%

The Better Payment Practice code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of valid invoice, whichever is later.

### Note 32 External financing

The Trust is given an external financing limit (EFL) against which it is permitted to underspend:

	2018/19 £000	2017/18 £000
Cash flow financing	17,533	43,169
<b>External financing requirement</b>	<b>17,533</b>	<b>43,169</b>
<b>External financing limit (EFL)</b>	<b>30,688</b>	<b>45,684</b>
<b>Underspend against EFL</b>	<b>13,155</b>	<b>2,515</b>

### Note 33 Capital Resource Limit

The Trust is given a Capital Resource Limit (CRL) against which it is permitted to underspend:

	2018/19 £000	2017/18 £000
Gross capital expenditure	18,785	32,842
Less: Donated and granted capital additions	(1,166)	(1,482)
<b>Charge against Capital Resource Limit</b>	<b>17,619</b>	<b>31,360</b>
<b>Capital Resource Limit</b>	<b>18,249</b>	<b>32,930</b>
<b>Underspend against CRL</b>	<b>630</b>	<b>1,570</b>

### Note 34 Breakeven duty financial performance

	2018/19 £000	2017/18 £000
Adjusted financial performance surplus / (deficit) (control total basis)	(13,370)	(11,807)
Remove impairments scoring to Departmental Expenditure Limit	736	-
<b>Breakeven duty financial performance deficit</b>	<b>(12,634)</b>	<b>(11,807)</b>

**Note 35 Compliance with the Control Total agreed with NHS Improvement**

	<b>2018/19</b>	2017/18
	<b>£000</b>	£000
Adjusted financial performance deficit (Control Total basis). Explained further in SOCI.	<u>(13,370)</u>	<u>(11,807)</u>
Adjusted deficit Control Total agreed with NHS Improvement	<u>(7,012)</u>	<u>(16,207)</u>
(Adverse)/beneficial variance	<u>(6,358)</u>	<u>4,400</u>

The primary reason for the adverse variance in 2018/19 is that the sale of a land parcel within the Stanmore Hospital site and associated profit on disposal, planned for 2018/19, has been deferred into a future financial year.

**Note 36 Breakeven duty rolling assessment**

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Breakeven duty in-year financial performance</b>		1,026	(911)	1,102	2,078	5,912	235	(6,076)	(6,796)	(11,807)	(12,634)
<b>Breakeven duty cumulative position</b>	(2,954)	(1,928)	(2,839)	(1,737)	341	6,253	6,488	412	(6,384)	(18,191)	(30,825)
<b>Operating income</b>		94,370	102,469	111,762	120,802	132,331	130,490	131,628	140,587	143,653	155,126
<b>Cumulative breakeven position as a percentage of operating income</b>		(2.0%)	(2.8%)	(1.6%)	0.3%	4.7%	5.0%	0.3%	(4.5%)	(12.7%)	(19.9%)

### **Note 37 Operating Segments**

Two criteria need to be satisfied under IFRS 8 Operating Segments to require the disclosure of a separate operating segment in the financial statements:

- The service meets the criteria for a separate operating segment
- Quantitative thresholds are met

Getting It Right First Time (GIRFT) services involve the collection, analysis, interpretation and presentation of clinical data. It does not involve the provision of clinical interventions directly to patients which is a feature of the Trust's core services. The income generated by the GIRFT service is greater than 10% of the Trust's income in 2018/19. Both the criteria within IFRS 8 Operating Segments are met.

Operating income and operating expenditure by segment is reported at note 37.1 and a prior year comparator at note 37.2. Balance sheet information is not held separately for the GIRFT segment.

**Note 37.1 Operating Segments 2018/19**

**Income from patient care activities by nature:**

	2018/19	2018/19	2018/19
	GIRFT	Other	Trust Total
	£000	£000	£000
Elective income	-	51,210	51,210
Non elective income	-	2,830	2,830
First outpatient income	-	3,065	3,065
Follow up outpatient income	-	16,394	16,394
High cost drugs income from commissioners (excluding pass-through costs)	-	1,209	1,209
Other NHS clinical income	-	38,976	38,976
Private patient income	-	7,080	7,080
Agenda for Change pay award central funding	-	1,053	1,053
Other clinical income	-	147	147
<b>Total income from activities</b>	<b>-</b>	<b>121,964</b>	<b>121,964</b>

**Other operating income**

	2018/19	2018/19	2018/19
	GIRFT	Other	Trust Total
	£000	£000	£000
<b>Other operating income from contracts with customers:</b>			
Research and development (contract)	-	1,449	1,449
Education and training (excluding notional apprenticeship levy income)	-	2,083	2,083
Non-patient care services to other bodies	-	321	321
Provider sustainability / sustainability and transformation fund income (PSF / STF)	-	1,543	1,543
Patient Transport Services	-	4,295	4,295
Other contract income	17,822	4,242	22,064
<b>Other non-contract operating income</b>			
Education and training - notional income from apprenticeship fund	-	191	191
Receipt of capital grants and donations	-	1,166	1,166
Charitable and other contributions to expenditure	-	50	50
<b>Total other operating income</b>	<b>17,822</b>	<b>15,340</b>	<b>33,162</b>

**Note 37.1 Operating Segments 2018/19 continued**

**Operating expenses**

	2018/19 GIRFT £000	2018/19 Other £000	2018/19 Trust Total £000
Purchase of healthcare from NHS and DHSC bodies	-	701	701
Purchase of healthcare from non-NHS and non-DHSC bodies	-	1,885	1,885
Staff and executive directors costs	9,906	80,009	89,915
Remuneration of non-executive directors	-	69	69
Supplies and services - clinical (excluding drugs costs)	133	29,621	29,754
Supplies and services - general	3	6,237	6,240
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	-	2,408	2,408
Inventories written down	-	266	266
Consultancy costs	6,193	602	6,795
Establishment	1,248	1,182	2,430
Premises	168	6,373	6,541
Transport (including patient travel)	4	4,628	4,632
Depreciation on property, plant and equipment	-	3,959	3,959
Amortisation on intangible assets	-	1,212	1,212
Net impairments	-	18,521	18,521
Movement in credit loss allowance: contract receivables / contract assets	-	(88)	(88)
Movement in credit loss allowance: all other receivables and investments	-	(77)	(77)
Increase/(decrease) in other provisions	-	-	-
Change in provisions discount rate(s)	-	(6)	(6)
Audit fees payable to the external auditor			
audit services- statutory audit	-	44	44
other auditor remuneration (external auditor only)	-	10	10
Internal audit costs	-	49	49
Clinical negligence	-	3,917	3,917
Legal fees	11	268	279
Research and development	-	1,262	1,262
Education and training	34	1,625	1,659
Rentals under operating leases	-	928	928
Redundancy	-	29	29
Hospitality	78	35	113
Other	44	498	542
<b>Total</b>	<b>17,822</b>	<b>166,167</b>	<b>183,989</b>



**Note 37.2 Operating Segments 2017/18**

**Income from patient care activities received from:**

	2017/18	2017/18	2017/18
	GIRFT	Other	Trust Total
	£000	£000	£000
Elective income	-	48,285	48,285
Non elective income	-	2,312	2,312
First outpatient income	-	3,519	3,519
Follow up outpatient income	-	15,934	15,934
High cost drugs income from commissioners (excluding pass-through costs)	-	1,163	1,163
Other NHS clinical income	-	41,283	41,283
Private patient income	-	6,682	6,682
Agenda for Change pay award central funding	-	-	-
Other clinical income	-	864	864
	<u>-</u>	<u>120,042</u>	<u>120,042</u>

**Other operating income**

	2017/18	2017/18	2017/18
	GIRFT	Other	Trust Total
	£000	£000	£000
<b>Other operating income from contracts with customers:</b>			
Research and development (contract)	-	920	920
Education and training (excluding notional apprenticeship levy income)	-	2,249	2,249
Non-patient care services to other bodies	-	398	398
Provider sustainability / sustainability and transformation fund income (PSF / STF)	-	3,901	3,901
Patient Transport Services	-	3,865	3,865
Other contract income	8,165	2,507	10,672
<b>Other non-contract operating income</b>			
Education and training - notional income from apprenticeship fund	-	49	49
Receipt of capital grants and donations	-	1,482	1,482
Charitable and other contributions to expenditure	-	75	75
<b>Total other operating income</b>	<u>8,165</u>	<u>15,446</u>	<u>23,611</u>

## Note 37.2 Operating Segments 2017/18 continued

### Operating expenses

	2017/18	2017/18	2017/18
	GIRFT	Other	Trust Total
	£000	£000	£000
Purchase of healthcare from NHS and DHSC bodies	-	765	765
Purchase of healthcare from non-NHS and non-DHSC bodies	-	2,666	2,666
Staff and executive directors costs	4,527	77,635	82,162
Remuneration of non-executive directors	-	63	63
Supplies and services - clinical (excluding drugs costs)	21	28,505	28,526
Supplies and services - general	115	5,610	5,725
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	-	2,405	2,405
Inventories written down	-	138	138
Consultancy costs	2,743	1,099	3,842
Establishment	594	1,300	1,894
Premises	78	4,930	5,008
Transport (including patient travel)	1	4,917	4,918
Depreciation on property, plant and equipment	-	3,670	3,670
Amortisation on intangible assets	-	1,243	1,243
Net impairments	-	-	-
Movement in credit loss allowance: contract receivables / contract assets	-	-	-
Movement in credit loss allowance: all other receivables and investments	-	(277)	(277)
Increase in other provisions	-	30	30
Change in provisions discount rate(s)	-	5	5
Audit fees payable to the external auditor			
audit services- statutory audit	-	48	48
other auditor remuneration (external auditor only)	-	10	10
Internal audit costs	-	48	48
Clinical negligence	-	4,594	4,594
Legal fees	4	227	231
Research and development	-	1,072	1,072
Education and training	9	1,687	1,696
Rentals under operating leases	-	943	943
Redundancy	-	72	72
Hospitality	60	33	93
Other	13	594	607
<b>Total</b>	<b>8,165</b>	<b>144,032</b>	<b>152,197</b>

## Independent auditor's report to the Directors of the Royal National Orthopaedic Hospital NHS Trust

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Royal National Orthopaedic Hospital NHS Trust (the 'Trust') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

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

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

#### Other information

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

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

other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual 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**

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

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we make a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 22 May 2019 we referred matters to the Secretary of State:

- under section 30(a) of the Local Audit and Accountability Act 2014 in relation to the Trust's planned breach of its breakeven duty for the years ending 31 March 2019 and 31 March 2020
- under section 30(b) of the Local Audit and Accountability Act 2014 in relation to the Trust having entered into a loan with a private sector organisation in contravention of Department of Health and Social Care and HM Treasury guidance.

### **Responsibilities of the Directors and Those Charged with Governance for the financial statements**

The Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

#### **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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Matter on which we are required to report by exception - Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We have nothing to report in respect of the above matter.

#### **Responsibilities of the Accountable Officer**

The Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

#### **Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 21(1)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of the Royal National Orthopaedic Hospital NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors 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 Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

*Iain Murray*

Iain Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

28 May 2019





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