

# Good practice in annual reports 2017-18

Examples of good  
practice from the Building  
Public Trust Awards



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# Good practice in annual reports 2017-18

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The NAO and the Building Public Trust Awards


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## Introduction

### About this guide

This guide provides examples of good practice in annual reporting, drawing on examples we have seen from the public, private and charity sectors. We have compiled these examples from the winners and shortlisted entries to the Building Public Trust Awards, which recognise trust and transparency in corporate reporting. PwC have run these awards for many years and the National Audit Office co-sponsors the award for Reporting in the Public Sector. The 2018 joint winners of the public sector award were the Ministry of Justice and the Crown Estate, with Highways England being highly commended. These organisations are leading the way in driving fresh thinking and innovation in their reporting, showing what good reporting looks like for the public sector.

### Here's why transparent reporting is important

Those who prepare annual reports and accounts, together with those charged with governance, have a duty to report on and account clearly for the use of those resources with which they have been entrusted, and to make sure reporting is “fair, balanced and understandable”. We have all seen the criticisms arising from recent corporate failures, including that annual reports and financial statements have become more difficult to follow because of their complexity. These criticisms can only serve to weaken the trust which the public should expect to be able to place in those who prepare annual reports and accounts, those who audit annual financial statements and those who set the standards which govern these activities.

The public sector is not immune to these risks. The sector's role is wide ranging and is becoming increasingly more complex, reflecting the services it delivers. And all this is done against the unprecedented challenges of Brexit and the need to manage scarce resources. So it is, perhaps, even more important that the public sector tells its “story” through trusted, good quality reporting,

and in ways that are relevant and accessible to readers – whether those readers are Members of Parliament or members of the public.

### What good reporting looks like in the public sector

Good annual reporting in the public sector explains where taxpayers' money has been spent and what has been achieved with that spend; and it gives insight into the challenges the sector faces and the risks to delivery and success, as well as how stewardship over public funds has been exercised. The need to demonstrate this is ever more important given the risks and challenges which the public sector faces.

The strength of the reporting by the winning and shortlisted organisations in the public sector category was that it:

- Made a real effort to provide frank and honest analysis of the financial and operational performance throughout the year;
- Made good use of graphics to help illustrate and communicate important or complex messages;

- Provided clear commentary on organisation-specific risks and plans to mitigate these in order to achieve future objectives; and
- Linked key performance indicators and risks back to the organisation's strategic objectives, so providing a more integrated annual report which more clearly told the organisation's story.

Although companies, charities and public sector bodies prepare their annual reports for different stakeholders, good practice in annual reporting has much in common, whatever the sector. In producing our guide, we reviewed the annual reports shortlisted for other categories at the Building Public Trust Awards, as well as the public sector annual reports, and chose examples of good practice across all sectors to produce our guide.

### Next steps

We hope that you will find these examples a useful source of inspiration, as you look to engage your readers as you write this year's annual reports and accounts. We look forward to continuing to work with the bodies we audit, Parliament and our wider stakeholders, to promote continued progress in reporting in the years ahead. If you would like further information about the guide, or any aspect of annual report and accounts production and audit, please contact your usual NAO team, or get in touch via [enquiries@nao.org.uk](mailto:enquiries@nao.org.uk).

### Kate Mathers

Executive Leader,  
National Audit Office  
May 2019

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## The NAO and the Building Public Trust Awards

### What are the Building Public Trust Awards?



The Building Public Trust Awards recognise trust and transparency in corporate reporting. They are sponsored by PwC.



18 awards presented.



Established in 2002.



One of the awards is co-sponsored by the NAO and is for excellence in public sector reporting.

### Excellence in Public Sector Reporting



In 2018, the award for Excellence in Public Sector Reporting was won jointly by The Crown Estate and Ministry of Justice.



50 public sector annual reports and accounts were reviewed by teams from the NAO and PwC.



Judges assessed each annual report in nine areas. The following slides summarise the judging criteria in each area and highlight areas of best practice.



The NAO's involvement with the Building Public Trust Awards is part of our wider commitment to helping raise the standards of reporting by public bodies.

### Judging areas

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## The NAO's Principles of a good annual report

A good annual report is attractive to those stakeholders that bodies want to tell their 'corporate story' to. The NAO has set out four key areas that may help bodies to achieve this aim.

### Accountability



- 'Telling the story' of the organisation in a fair and balanced way;
- Compliance with the relevant reporting requirements; and
- Clear action points to take forward.

### Transparency



- Frank and honest analysis;
- Consideration of the challenges an organisation is facing;
- Appropriate use of data; and
- Quantification of risks and performance measures.

### Accessibility



- Highlights key trends in the financial statements;
- Concise summaries of key points; and
- Consideration of how the organisation engages with key stakeholders and meets their needs.

### Understandable



- Use of:
- Plain English to explain difficult concepts;
  - Infographics and diagrams to communicate important messages; and
  - Clearly integrated structure to help users navigate it effectively.

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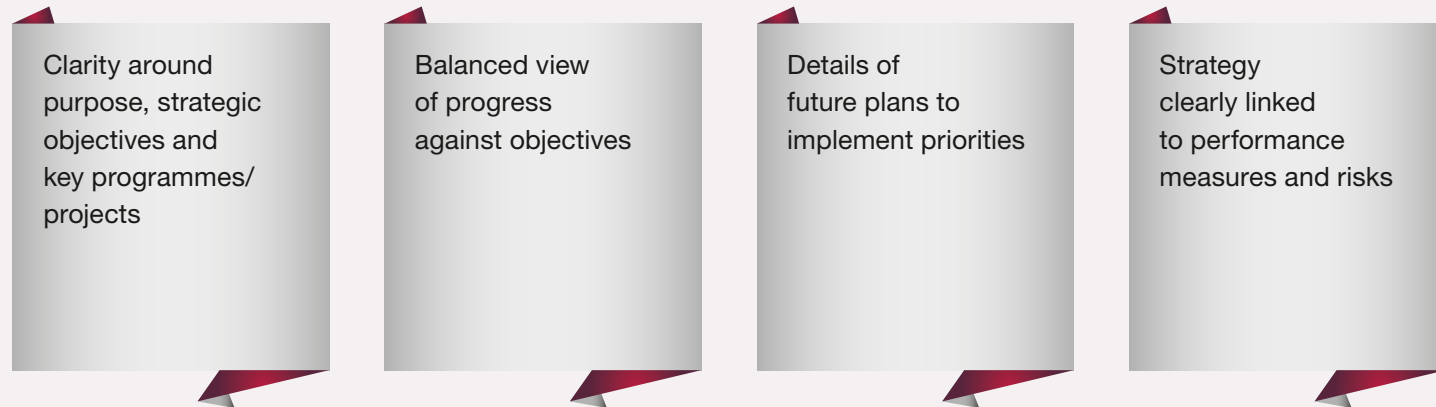


Understandable

## Strategy



### What did we look for?



- 1 Clear vision linked to strategic objectives
- 2 Vision, strategy and key performance indicators clearly interlinked
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### 1 Clear vision linked to strategic objectives

[Sightsavers 2017, page 10](#)



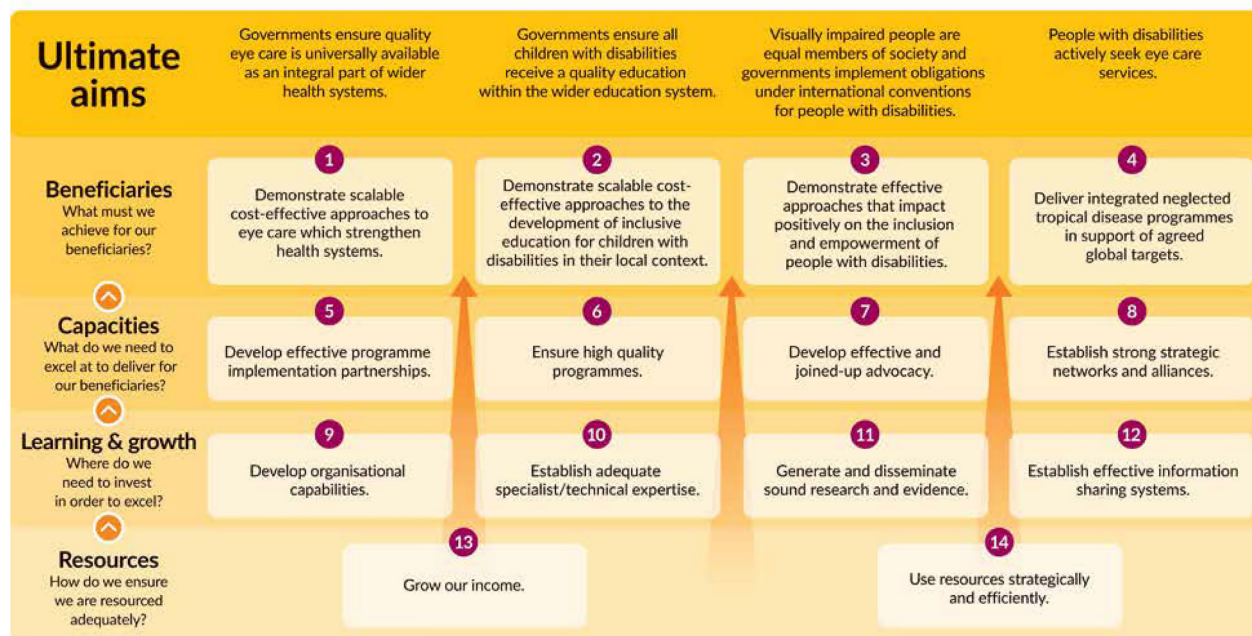
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## SIM Card: Strategy map

**Our vision:** No one is blind from avoidable causes; visually impaired people participate equally in society.  
**Our mission:** To eliminate avoidable blindness and promote equality of opportunity for disabled people.



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# Strategy

## 2 Vision, strategy and key performance indicators clearly interlinked

SSE 2018, pages 26–27



Strategy clearly set out

Looks back over current year and ahead to outlook for future years

Visual representations allow key performance indicators to be easily interpreted

KPIs used to quantify performance against specific elements of strategy



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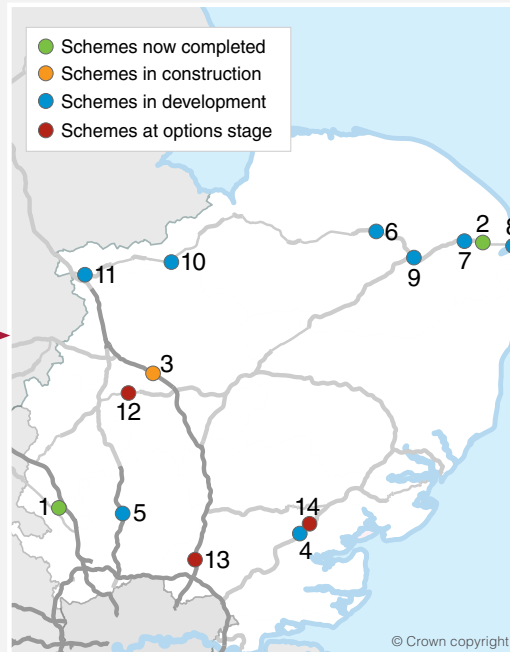
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### 3 Clarity around key programmes

[Highways England 2017-2018, page 84](#)

Clear visualisation of key projects currently under way

#### East of England



#### Schemes now completed

- 1 A5/M1 junction 11a link
- 2 A47 Acle Straight

#### Schemes in construction

- 3 A14 Cambridge to Huntingdon

#### Schemes in development

- 4 A12 Chelmsford to A120 widening
- 5 A1(M) junctions 6 to 8 smart motorway
- 6 A47 North Tuddenham to Easton
- 7 A47 Blofield to North Burlingham dualling
- 8 A47 and A12 junction enhancements
- 9 A47/A11 Thickthorn junction
- 10 A47 Guyhirn junction
- 11 A47 Wansford to Sutton

#### Schemes at options stage

- 12 A428 Black Cat to Caxton Gibbet
- 13 M11 junction 7a to junction upgrade
- 14 A12 whole-route technology upgrade



Where organisations have major programmes ongoing they should consider the best way to provide an update on progress

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## Strategy

### 4 Clear future plans to achieve priorities



[British Council 2017-18, page 47](#)

#### Organisational effectiveness and efficiency

During 2017-18 we identified five strategic change priorities designed to ensure the financial sustainability of the organisation and transform the

organisation by investing in people, systems and culture. By focusing on these priorities we will be able to achieve greater impact for our customers. The priorities are summarised below, together with an update on progress.

Clear summary of the progress over the year

Priority	Progress over last year	Looking forward
<b>Growing and diversifying income and surplus</b> 	<p>We have invested in our exams and English businesses to meet the evolving needs of our customers:</p> <ul style="list-style-type: none"> <li>An online payment option for exams candidates is enabled in 86 countries.</li> <li>New customer relationships management system introduced to improve our service to customers.</li> <li>Standardised automated system introduced to manage our global exams business.</li> <li>Rollout out of our new Teaching Centre Management System in all 50 countries where we teach English.</li> </ul> <p>The surplus from commercial activities (before central support costs) grew by £22.8 million compared to 2016-17.</p>	<p>We will continue to invest in our English and exams businesses including the development of new products and services – especially through the application of digital technologies. We will also invest in establishing new bilingual schools.</p>
<b>Improving our operational efficiency</b> 	<p>We reduced the number of staff based in the UK from 1,268 at the end of March 2017 to 1,148 by the end of March 2018, a reduction of nine per cent.</p> <p>We have put in place new operating models, standards, controls and processes to ensure the sustainability of our work.</p> <p>We have continued to develop regional hubs to improve the efficiency of our overseas network.</p> <p>An update on support costs as a percentage of total pre-tax expenditure can be found in the Financial review.</p>	<p>By 2020-21 we are projecting our corporate overheads to reduce by four per cent to £76 million against the 2017-18 baseline. This is after accounting for inflation which is expected to run at 2.0-3.0 per cent over the period.</p> <p>In 2018 we will continue to deliver overhead efficiencies across the whole of the organisation. We will look for efficiencies and effectiveness gains including through the increased use of shared services, continued development of global operating models and a new global estates strategy.</p>

Organisations should clearly set out how they intend to meet their objectives going forwards

Consideration of future plans to achieve objectives



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### 5 Case study

[Ministry of Justice 2017-18, page 11](#)



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### Case study: Investment in Birmingham Civil Justice Centre

**Background:** The Department has invested £8.12 milion in Birmingham Civil Justice Centre, 12 new multi-purpose and digitised courtrooms, more modern public space, and 19 new rooms for the judiciary have been built. The building now hosts 59 courtrooms and Chambers, 60 judges and around 223 employees – whose roles range from ensuring trials progress and assisting the judiciary to helping people who are attending court.

This investment into Birmingham CJC is part of the Department's £1bn reform and modernisation of the justice system – ensuring Britain's courts and tribunals are fit for the 21st century.

**Benefits:** Justice services and court user experience has improved following the centralisation of hearings from the Immigration Asylum Centre and Social Security and Child Support and Youth Court into Birmingham CJC. This has enabled HM Courts & Tribunals Service to surrender leases on other buildings in Birmingham.

Using a case study can be a helpful way of highlighting the impact of wider programmes

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### 6 Concise summaries of strategies backed up by comprehensive detail

NSPCC 2017/18, pages 10–14



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NSPCC have five clearly summarised goals with criteria for success

Comprehensive detail for each of the goals is given further down the statements

#### Our strategy...

to make 5 million children safer.

1.

**Prevent child abuse in families facing adversity.**

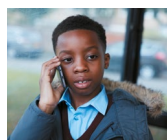


#### We'll know we're making progress if:

- more families facing domestic abuse, parental substance misuse or parental mental health problems get early help from the NSPCC to prevent child abuse and neglect
- more families facing adversity receive NSPCC-evaluated services to prevent child abuse and neglect
- systems change in the prevention of child abuse and neglect in families facing adversity
- people who work with children in families facing adversity are more confident in preventing child abuse and neglect

2.

**Prevent child sexual abuse.**



#### We'll know we're making progress if:

- more support is available to prevent harmful sexual behaviours and sexual offending
- there's increased evidence of 'what works' in preventing child sexual abuse
- people who work with children are more confident in preventing child sexual abuse
- there's increased public belief that child sexual abuse can be prevented.

#### Prevent child abuse in families facing adversity

goal 1.

By working with families in difficult circumstances, we're helping to provide the support they need to manage their problems and reduce the risk of abuse in the face of adversity.

All sorts of challenging circumstances can overload our capacity to care for children, and this creates significant risks for child abuse and neglect. Money problems, substance abuse or mental health issues can all impact on our ability to put our children first. We're helping parents and communities to manage these pressures so children have a more stable environment to grow up in.

#### \* Helping families to get early help

We know that the earlier families receive the right support, the better the outcomes for their children.

#### Supporting parents to keep their recovery on track

Parents Under Pressure® supports parents who are on a drug or alcohol treatment programme, helping them to develop secure and healthy relationships with their children. Through home visits, tailored to the needs of the family, we've been helping families develop strategies to deal with challenging behaviours and manage their own emotions.

This year, our evaluations found that Parents Under Pressure® had a positive impact on the wellbeing of the parents and children who took part. Compared with a group who received alcohol or drug treatment but did not take part in the programme, we found that children whose parents had taken part were at less risk of abuse.

#### Supporting other organisations to reach more families

Following a successful evaluation of our Baby Steps programme last year, we have supported other organisations to replicate the service – a process called scale-up. By helping other organisations to deliver this group programme, aimed at building parents' skills and confidence, we're reaching more families than we could do alone.

We've had an additional four agencies trained in delivering Baby Steps, meaning that the programme has now been scaled up in eight sites. Through our evaluation process, we know that it's a highly valued programme that has a real sense of helping families. Baby Steps can help equip parents to provide sensitive, responsive care to their babies, which may ultimately result in these children having better long-term outcomes. Training for practitioners has been well received and the programme has worked best where there was a dedicated Baby Steps team. We've also identified some barriers to implementing the programme and have an action plan to address them and improve the success of the scale-up process going forward.



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### 7 Continuity of strategic objectives

[Sightsavers 2016, page 54](#) and [Sightsavers 2017, page 34](#)

Objectives taken from 2016/17 financial statements

#### Our top priority objectives for 2017

##### Delivering for the beneficiaries

- Deliver on targets for all significant programmes, including the major NTD grants and the Uniting support centre, for which we need to ensure delivery of successful events and report for the fifth anniversary of the London Declaration.
- Ensure all new programmes (such as Irish Aid) have a successful inception and start-up period.
- Launch our Human Resources for Eye Health strategy.

It is good practice for organisations to set out objectives for the next financial year to ensure continuity of reporting, aiding accountability

Addressing prior year priority objectives

#### Progress towards planned objectives

##### Delivering for the beneficiaries

What we planned to do	What we did
<p><b>Deliver on targets for all significant programmes, including the major NTD grants and the Uniting support centre (for which we need to deliver successful events and report for the fifth anniversary of the London Declaration).</b></p>	<p>Our programme oversight process is working effectively, enabling both programme managers, the management team and the Audit Committee to track whether key programmes are delivering in line with targets. The vast majority of these are doing well.</p> <p>All the significant NTD programmes continue to deliver and are on track to meet their targets. All performance ratings received by funders in 2017 rated the programmes' performance as exceeding expectations and/or excellent.</p> <p><b>Two programmes were extended by the funder:</b></p> <p>a) UNITED, a DFID-supported integrated mass drug administration (MDA) programme in five states in northern Nigeria, exceeded its overall programme targets and delivered 116 million NTD treatments to 26 million people. This programme has been extended for a further 18 months until March 2019.</p> <p>b) Sightsavers' trachoma SAFE programmes, supported by DFID and The Queen Elizabeth Diamond Jubilee Trust, were both extended in terms of the scope and reach of the programmes.</p> <ul style="list-style-type: none"> <li>• Trachoma elimination continues to progress well in the nine supported countries, delivering 60 million treatments and managing 180,000 trichiasis cases.</li> <li>• Zambia has been extended to a fully supported national trachoma elimination programme.</li> <li>• Additional investment in Nigeria is enabling increasing progress in trachoma elimination.</li> <li>• Sudan has been added to the country portfolio.</li> </ul> <p>The Uniting programme went well, delivering a successful event in April in Geneva to celebrate the fifth anniversary of the London Declaration, and a world record in production of drugs by the pharmaceutical companies.</p>



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[Sightsavers 2017, page 64](#)

## Challenges in 2017

**As always, as well as significant progress and achievement, the year also brought several challenges.**

**1** The assertive media environment has not abated, and has recently intensified with the media coverage of Oxfam. As far as we can see there has been limited short-term impact on us – we saw no rise in donor cancellations, and Christmas donations were up. However, more recently we have seen some reduced success with mailings, although it is unclear what the cause may be.

**2** There has been a significant increase in the regulatory burden. A new governance code was introduced, and DFID introduced a mandatory suppliers' code. Perhaps the most challenging aspect of this is the requirement to ensure that all suppliers and all partners are also compliant, which will make coalition working more expensive. We are also concerned that an unintended consequence of this is to make it harder to work with smaller, less well-resourced partners. There is new leadership at the Charity Commission and as yet we do not know the full details of the additional regulations that will be implemented as a result of the current safeguarding summits.

Honest appraisal of challenges faced this year

Organisations should think about the wider challenges they face and be honest about those



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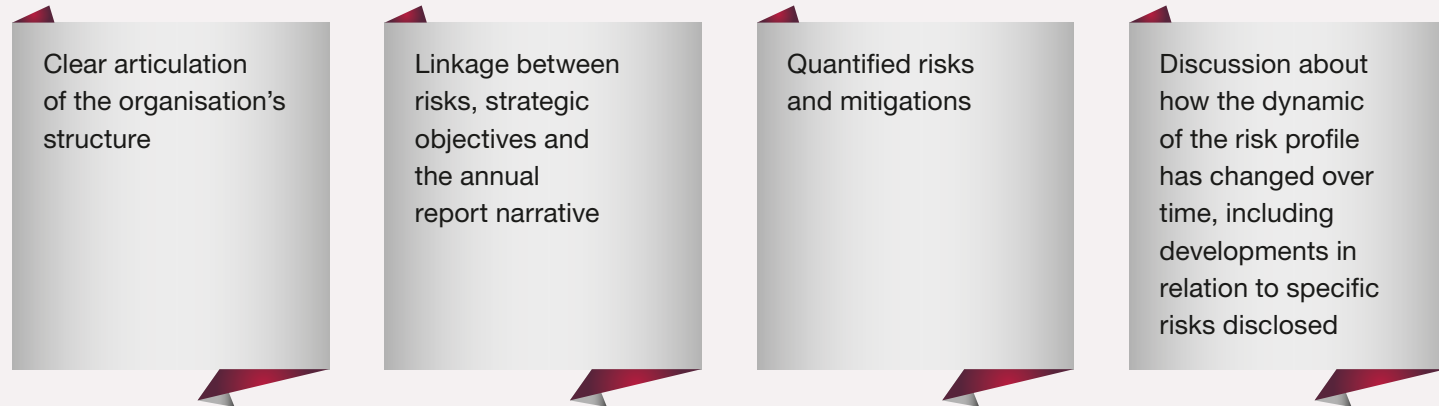
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## What did we look for?



- 1 Risk management process
- 2 Risk appetite statement
- 3 Clear insight into the dynamics of the risk profile
- 4 Strong links between risks and strategic objectives
- 5 Detailed risk analysis
- 6 Comprehensive risk analysis with mitigations
- 7 Clear links between risks, strategy and performance
- 8 Horizon scanning

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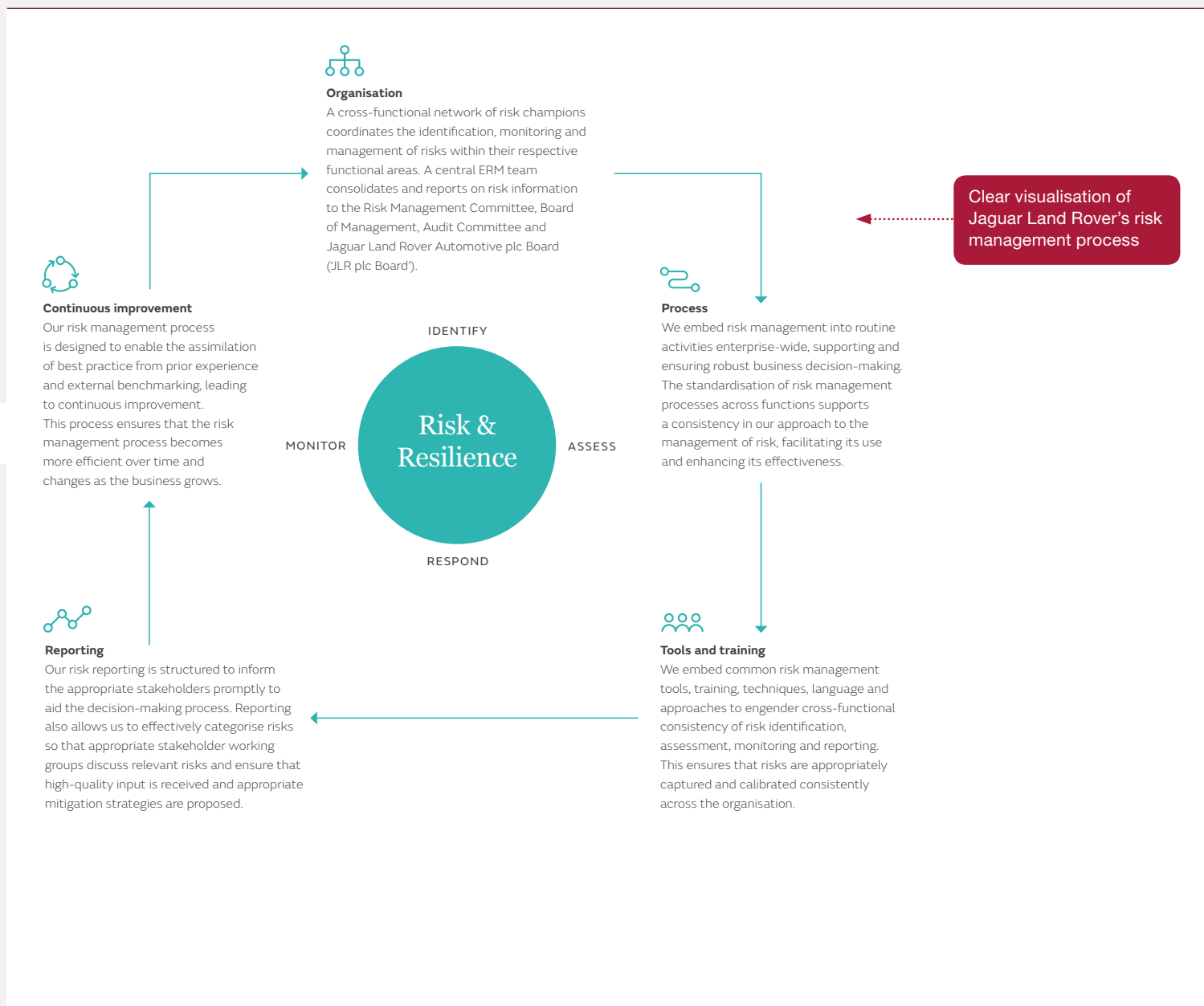
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# Risks

## 1 Risk management process Jaguar Land Rover 2017/18, page 79



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## Risks

### 2 Risk appetite statement

[Derwent London 2017, page 98](#)

Clear risk appetite statement covering different categories

#### Overview of risk appetite:

Category	Risk tolerance		
<b>Operational risks</b>	Operational risks include health and safety risks, continuity of the IT systems and retention of the senior management team.	Health and safety	Low
		IT continuity	Low
		Staff retention	Medium
<b>Financial risk</b>	Other than market-driven movements that are beyond the Group's immediate control, the Group will not generally accept risks where it is probable that: <ul style="list-style-type: none"> <li>Asset values decline by more than £100m from the Group's annual budget;</li> <li>EPRA profit before tax deviates by more than £5m from the Group's annual budget;</li> <li>Cost overruns occur on capital projects of more than 5% of the approved capex budget; and</li> <li>The Group's interest cover ratio will fall to within 20% of the level set in the Group's borrowing covenants.</li> </ul> <p>It is recognised that inherent market risk may result in these financial tolerances, in particular the assets limit, being exceeded. The Board accepts this market risk but seeks to manage and mitigate its impact where possible.</p>	REIT status	Low
		Credit rating	Low
		Decrease in asset value	Medium
		Profits	Medium
		Cost overruns	Medium
		Interest cover	Medium
<b>Reputational risk</b>	The Group has a low tolerance for risk in connection with reputational risk. In particular, this level of risk tolerance relates to any action that could adversely affect the Derwent London brand.	Brand value	Low
<b>Regulatory risk</b>	The Group's tolerance for regulatory risk arising from statute or the UK Corporate Governance Code and from adherence to 'best practice' guides.	Statutory	Low
		Governance	Low



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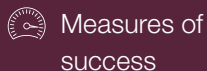
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# Risks



## 3 Clear insight into the dynamics of the risk profile

Pearson 2017, page 50

### Principal risks and uncertainties

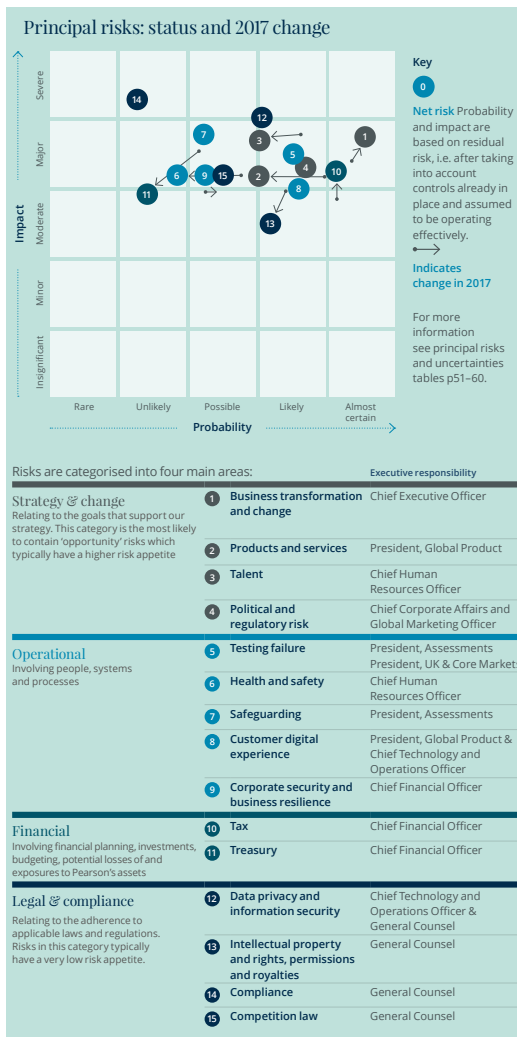
The Board of Directors confirms that throughout 2017 they undertook a robust assessment of the principal risks facing the company, in accordance with provision C.2.1 of the 2016 UK Corporate Governance Code.

#### Our principal risks (as of 31 December 2017)

Listed in the table below (and shown on the adjacent risk map) are the most significant risks that may affect Pearson's future. A longer list of company-wide risks, plus emerging risks, was monitored and reviewed throughout the year. The most material of these are identified as principal risks. Principal risks are those which have a higher probability and significant impact on strategy, reputation or operations, or a financial impact greater than £50m.

The full impact of the UK's pending departure from the EU (Brexit) is still unclear, but we remain vigilant to potentially material risks for Pearson. Work continued throughout 2017 (led by a Steering Committee chaired by the CFO) to identify and mitigate any potential impact on (a) our principal risks below, such as treasury, tax or data privacy, or (b) other areas such as UK-EU supply chain and workforce mobility, including in the event of a 'no deal' exit scenario. We continue to believe that Brexit, in whatever form it takes, will not have a material adverse impact on Pearson as a whole.

The following principal risks also relate to the material issues considered in the 2017 sustainability report: products and services, testing failure, political and regulatory risk, data privacy, information security, customer digital experience, and safety and corporate security. You can read more in the Sustainability section on p24-33.



Diagrams to show the movement of risk during the year

Principle risks separated into four main areas

**USER FRIENDLY EXAMPLE:**  
Use of a clear key to help the user track risks

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- 6 Comprehensive risk analysis with mitigations
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## Risks

### 4 Strong links between risks and strategic objectives

Ministry of Justice 2017-18, pages 51–54

#### Objectives:

1. A prison and probation service that reforms offenders
2. A modern courts and justice system
3. A Global Britain that promotes the rule of law
4. A transformed Department

Category	Topic	Detail	Key mitigations
Specific Operational Issue	Prison Safety and Stability 1	<p>The level of violence, self inflicted deaths and self harm in prisons remains an area of concern.</p> <p>The overall total number of deaths in custody fell in 2017-18, including a significant reduction in self-inflicted deaths at 69 in 2017-18, down 40% from 115 in the previous year. However all other recorded statistics are up on the previous year:</p> <ul style="list-style-type: none"> <li>Self harm 11% increase;</li> <li>Prisoner on prisoner assaults 11% increase;</li> <li>Assaults on staff 23% increase.</li> </ul>	<p>Immediate focus has been to stabilise the system and achieve a reversal in the increasing trends by 2020 through the Prison Safety and Reform Programme focusing on substantial investment in the prison estate, increasing prison staff numbers and implementing revised offender management arrangements. Specific actions in 2017-18 include:</p> <ul style="list-style-type: none"> <li>Recruitment and Retention Project – 2,638 prison officers as at 31 March 2018;</li> <li>Closer working between priority prisons and Regional Safer Custody Leads to implement the Challenge, Support and Intervention Plan.</li> <li>Roll out of the revised Offender Management in Custody arrangements and work to promote rehabilitative cultures in prisons.</li> </ul>
	Prison population 1	<p>The in year prison capacity became increasingly difficult to manage due to unanticipated and sharp rises in the prison population. This peaked in August when the prison population was around 1,600 places higher than projected.</p> <p>In the first quarter of 2018 prison population pressures have reduced though future underlying trend is still up.</p>	<p>In the short term actions have been taken to ensure contingencies are in place to reduce impact on operational delivery. This included deferring the closure of both HMP Rochester and HMP Hindley to provide sufficient capacity.</p> <p>New capacity continues to come on stream and streamlining of the Home Detention Curfew process has improved timeliness of HDC releases.</p>

Clear links to the organisation's strategic objectives

Highlighting to the user the relevant strategic objectives which are affected by the risk

Comprehensive analysis of the key mitigations that the organisation has put in place



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## Risks

### 5 Detailed risk analysis BBC 2017-18, pages 113 and 114

Links to strategic objectives and movement of risk over time

Detailed mitigations

#### Strategic risks and opportunities

Note: Strategic risks and opportunities are mapped to the Public Purposes (1-5) below.

Principal risks and opportunities	Key mitigations
<b>1. Making sure everyone gets value from the BBC</b> There is a risk that, as consumer behaviours change and online business models develop, the BBC does not continue to provide high-quality and relevant content and services to all licence fee payers. There is also a risk that, in adapting to these challenges, audiences on traditional platforms are not maintained. We may also not meet the needs of underserved audiences, including youth, Nations and Regions and BAME.	<ul style="list-style-type: none"> <li>Additional investment in content for children, with a multiplatform offer and increased focus on digital.</li> <li>Continual focus on ensuring that we maintain a range of high-quality content across all genres.</li> <li>Ongoing initiatives focusing on user experience for our online products, both for those who are familiar with new technology and those who are not.</li> <li>Focus on the next generation and diversity to help ensure that the BBC continues to meet the needs of all our audiences, with new, diverse audience panels established to get closer to our under-represented audience groups.</li> <li>Focus on Nations and Regions, including the planned launch of a new dedicated TV channel in Scotland and existing dedicated cross-genre content centres for drama production in Glasgow, Cardiff, Belfast, Salford, Bristol, Birmingham and London.</li> <li>Audience metrics monitored, including reach, time spent with the BBC, audience demographics and audience feedback, to drive informed decision-making.</li> <li>Regular review of audience objectives, performance and trends at Executive Committee and Board meetings.</li> <li>Next Generation Committee and Diversity Steering Group in place, focused on meeting the needs of underserved audiences.</li> <li>Focus on digital investment to address competition and deliver greater personalisation, including the introduction of sign in.</li> <li>Challenging on and off-air diversity targets in place to drive a variety of voices across the BBC.</li> </ul>
<b>2. World class creativity</b> Competition from other broadcasters for content and talent continues to increase; in an external environment of cost inflation, there is a risk that we do not secure the best quality content supply. There is also a risk that we do not achieve authentic diversity in programme content and on-air talent, or that this is not balanced with our commitment to deliver impartial reporting.	<ul style="list-style-type: none"> <li>Merger of BBC Studios and BBC Worldwide brings content and sales together, better positioning us to manage programme supply in a changing marketplace.</li> <li>Focus on investing in a broad range of genres and content.</li> <li>Focus on attracting and retaining the best creative talent, supported by a market-competitive reward strategy.</li> <li>On-air talent and programme diversity targets in place, with improved measurement tools.</li> <li>Well-established editorial policy, with extensive monitoring and Executive Committee and Board review of exceptions.</li> <li>Processes in place to ensure compliance with Ofcom regulatory requirements, also supported by reporting and monitoring.</li> </ul>
<b>3. Global reach</b> Our ambition to grow global reach may be impacted by the increasingly challenging market environment (with more choice for users and consumption turning to social media), especially where there is an over-reliance on news updates (rather than analysis and original journalism). There is a risk that content developed by BBC Studios is not globally appealing, or that Worldwide does not obtain distribution rights. The reliance of World Service on syndication creates a risk that audiences don't attribute content to the BBC.	<ul style="list-style-type: none"> <li>Ongoing focus on editorial plans to ensure competitive programming.</li> <li>New Government-funded investment in the BBC World Service, allowing us to enhance existing services and to launch new services (including new territories).</li> <li>Investment in marketing and in technical innovation to improve audience and performance measurement.</li> <li>Greater attribution of content to the BBC (by audiences) to be addressed through improved branding and distinctive content.</li> <li>Organisational focus on digital (especially owned), over third party, syndicated TV.</li> </ul>

Key to risk movement:  
anticipated movement in risk over the next 12 months

- ▲ Risk increasing
- No risk movement
- ▼ Risk decreasing

#### Public purposes

- To provide impartial news and information to help people understand and engage with the world around them
- To support learning for people of all ages
- To show the most creative, highest quality and distinctive output and services
- To reflect, represent and serve the diverse communities of all of the UK's nations and regions and, in doing so, support the creative economy across the UK
- To reflect the UK, its culture and values to the world



WHAT DID WE LOOK FOR?

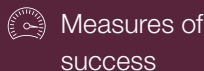
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## 6 Comprehensive risk analysis with mitigations

Derwent London 2017, pages 36–43

Highlighting the movement within the year or the introduction of new risks

Clear plans in place to build on their progress this year

### Our principal risks continued

#### Strategic risks

That the Group's business model and/or strategy does not create the anticipated shareholder value or fails to meet investors' and other stakeholders' expectations.

Risk	Our key controls	Potential impact	What we did in 2017	Further mitigating actions for 2018
<b>1. Inconsistent strategy</b>				
<p>The Group's strategy is not met due to poor strategy implementation or a failure to respond appropriately to internal or external factors such as:</p> <ul style="list-style-type: none"> <li>- an economic downturn and/or the Group's development programme being inconsistent with the current economic cycle; and</li> <li>- London losing its global appeal with a consequential impact on the property investment or occupational markets.</li> </ul>				
<p>The Group conducts an annual five-year strategic review and prepares a budget and three rolling forecasts covering the next two years.</p> <p>The Board considers the sensitivity of the Group KPIs and key metrics to changes in the assumptions underlying our forecasts in light of anticipated economic conditions. If considered necessary, modifications are made.</p> <p>The Group's development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances.</p> <p>The Group seeks to maintain income from properties until development commences and has an ongoing strategy to extend income through lease renewals and re-gearing.</p> <p>The Group aims to de-risk the development programme through pre-lets.</p> <p>The Group maintains sufficient headroom in all the Group's key ratios and financial covenants and a focus on interest cover.</p>				
<p>The Board considers this risk to have remained broadly the same. Throughout the year, the Group continued to benefit from a resilient central London office market.</p>				
<b>2. Adverse Brexit settlement</b>				
<p>Risk that negotiations to leave the EU result in arrangements which are damaging to the London economy.</p> <p>As a predominantly London-based Group, we are particularly sensitive to any factors which impact upon London's growth and demand for office space.</p> <p>Negotiations are likely to be ongoing during 2018 and the operating framework facing UK businesses and the effect on London post-Brexit cannot be accurately predicted.</p>				
<p>The Group's strong financing and covenant headroom enables it to weather a downturn.</p> <p>The Group's diverse and high-quality tenant base provides resilience against tenant default. See page 12 for analysis of the Group's tenant base.</p> <p>The Group focuses on good value, middle market rent properties which are less susceptible to reductions in tenant demand. The Group's average 'topped-up' office rent is only £49.74 per sq ft.</p> <p>The Group develops properties in locations where there is greatest potential for future demand, such as near Crossrail stations.</p> <p>Income is maintained at future developments for as long as possible.</p> <p>Ongoing strategy is to extend income through lease renewals and re-gearing and to de-risk the development programme through pre-lets.</p> <p>Updates received on occupier trends by engaging with our current tenants and advisers.</p>				
<p>Although some progress on negotiations has been made, the Board considers this risk to have remained broadly the same during the year.</p>				

#### Key

##### Strategic objectives

- 1 To optimise returns and create value from a balanced portfolio
- 2 To grow recurring earnings and cash flow
- 3 To attract, retain and develop talented employees

- 4 To design, deliver and operate our buildings responsibly
- 5 To maintain strong and flexible financing

##### Movement during the year

- ➔ Risk increased
- ➡ Risk unchanged
- ➞ Risk decreased

Clearly showing which strategic objectives they are impacting

Clear summary of the actions taken during the financial year

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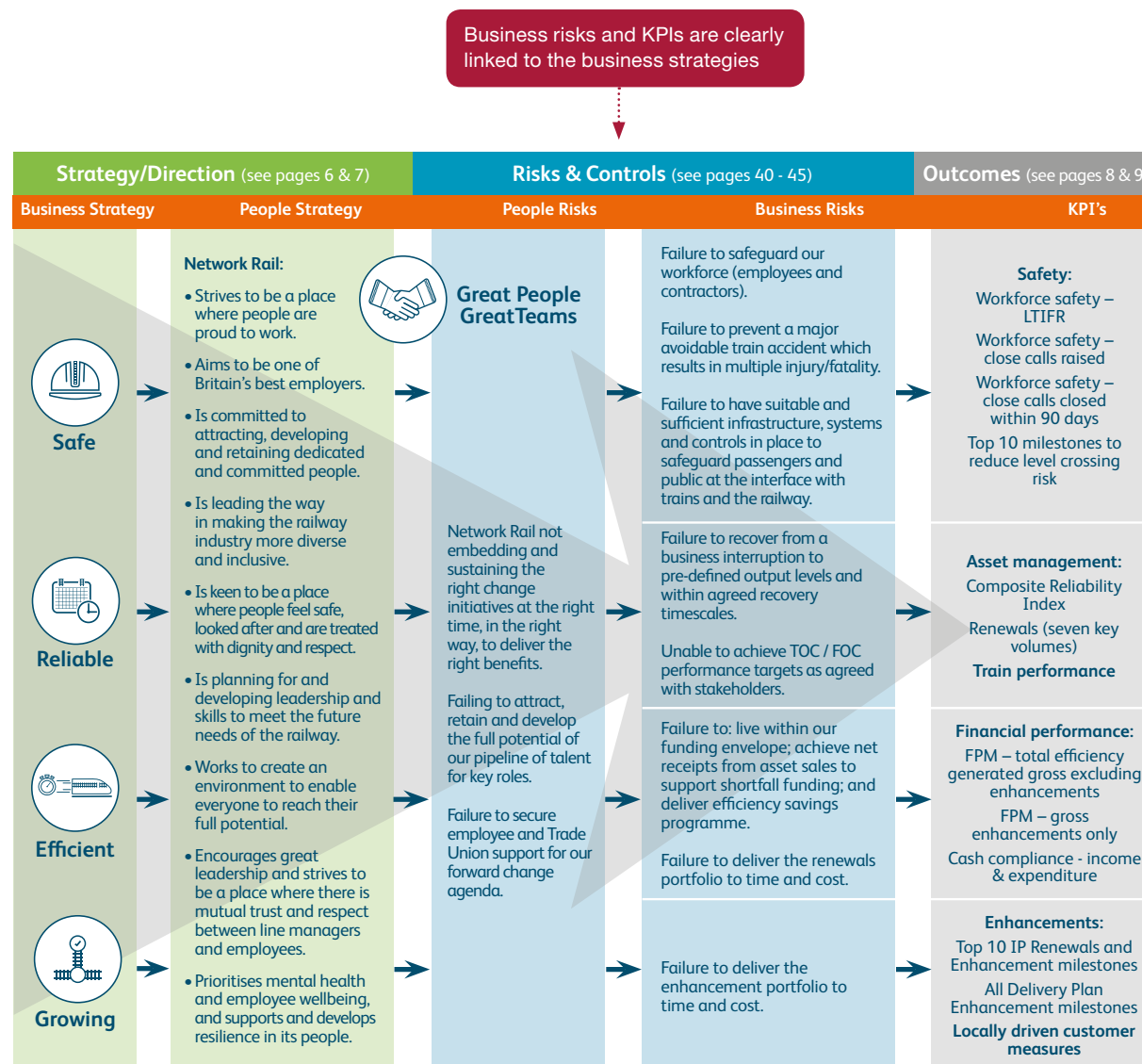
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## Risks

### 7 Clear links between risks, strategy and performance

Network Rail 2018, page 7



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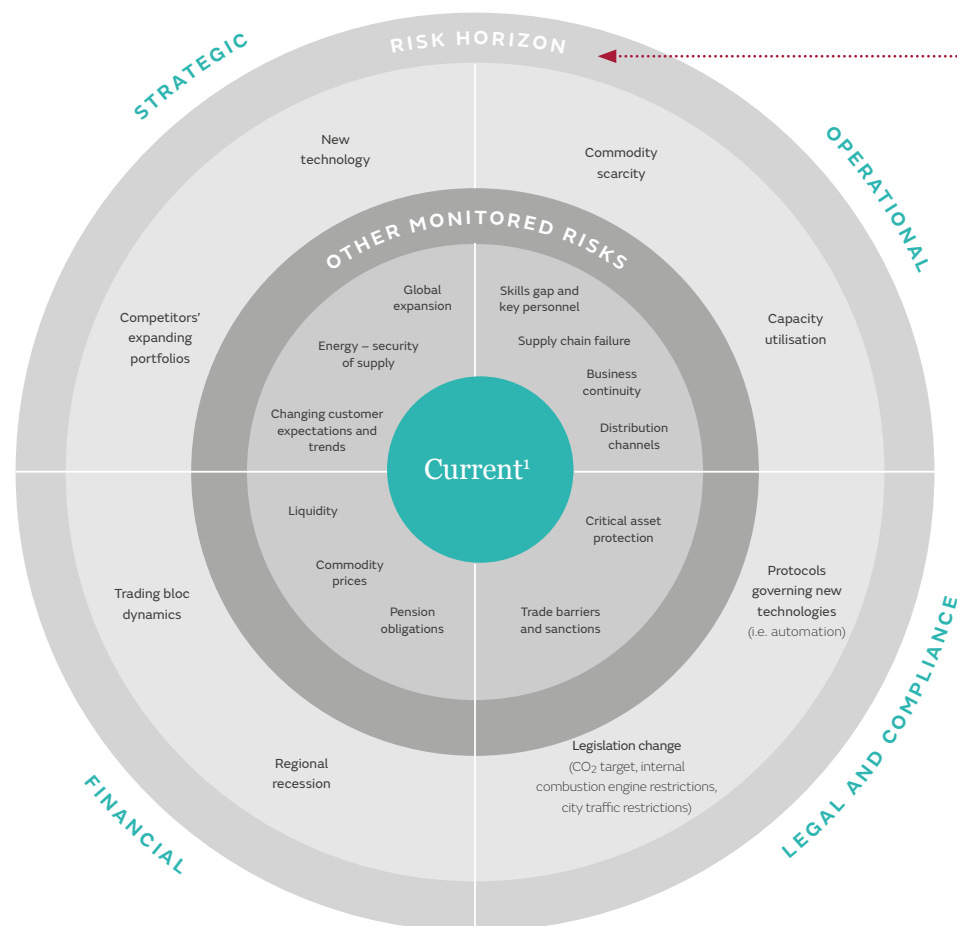
# Risks

## 8 Horizon scannings

[Jaguar Land Rover 2017/18, page 81](#)

### RISK HORIZON

We recognise the need to anticipate and prepare for future challenges and trends that may develop and that could materially affect our long-term business success. Our risk horizon enables us to proactively anticipate forthcoming issues to inform our strategy creation process.



Jaguar Land Rover includes information on their risk horizon

It is useful for organisations to consider the wider enterprise risks they face



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### What did we look for?

Discussion of the different delivery models, the reasons for using these models and how they achieved value for money

Narrative around how business operations support wider Parliamentary objectives

For significant contracted-out services: discussion of how these contracts are awarded and how the entity manages the ongoing contract

Consideration of capital investment and how it achieves value for money

- 1 Clear operating model
- 2 Creative illustration of operating models in practice
- 3 Visual representation of programmes
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- 5 Achieving value for money
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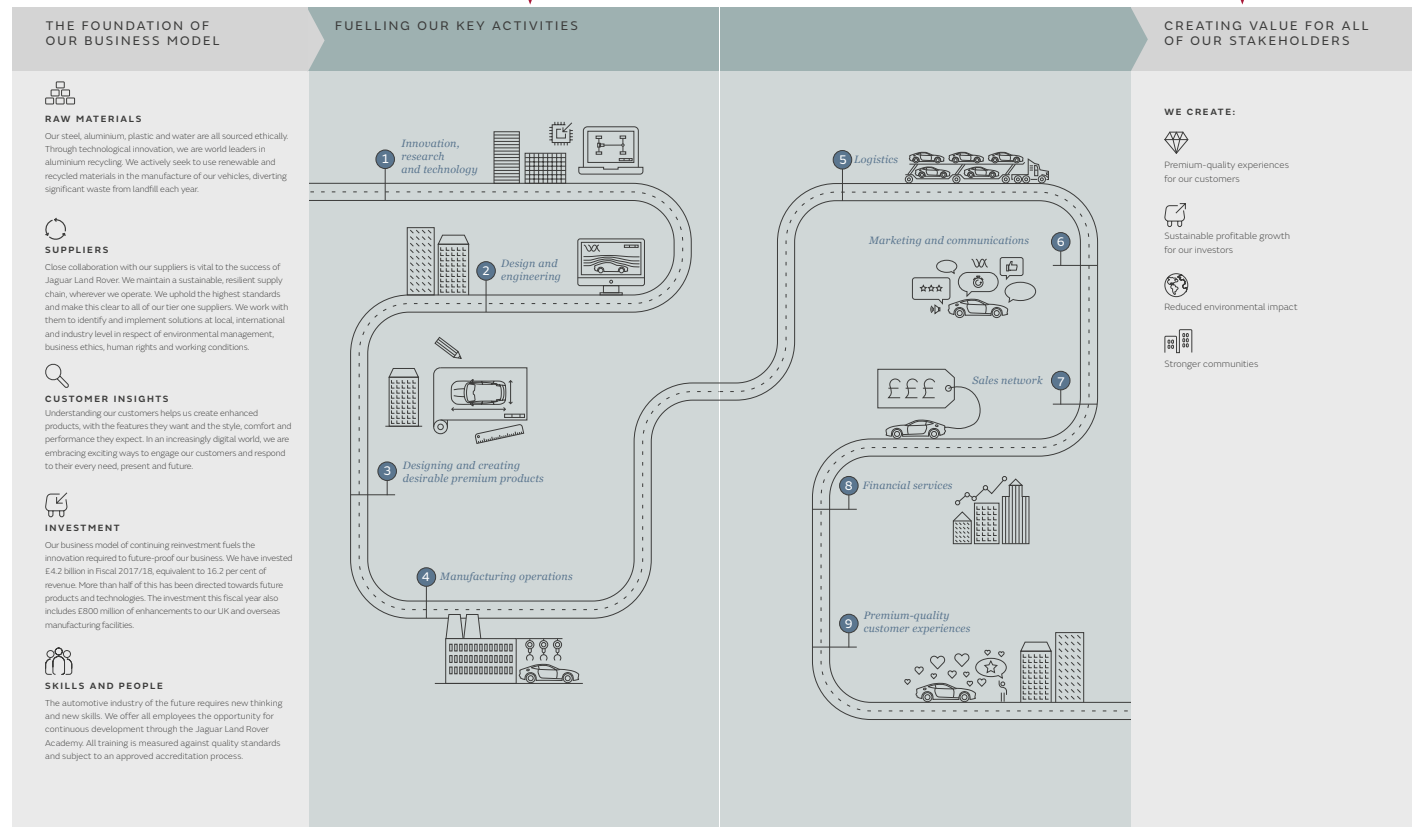
## Operations

### 1 Clear operating model

[Jaguar Land Rover 2017/18, pages 16–17](#)

**USER FRIENDLY EXAMPLE:**  
Interactive process diagram to present their business model

Sets out the value stakeholders obtain from the model



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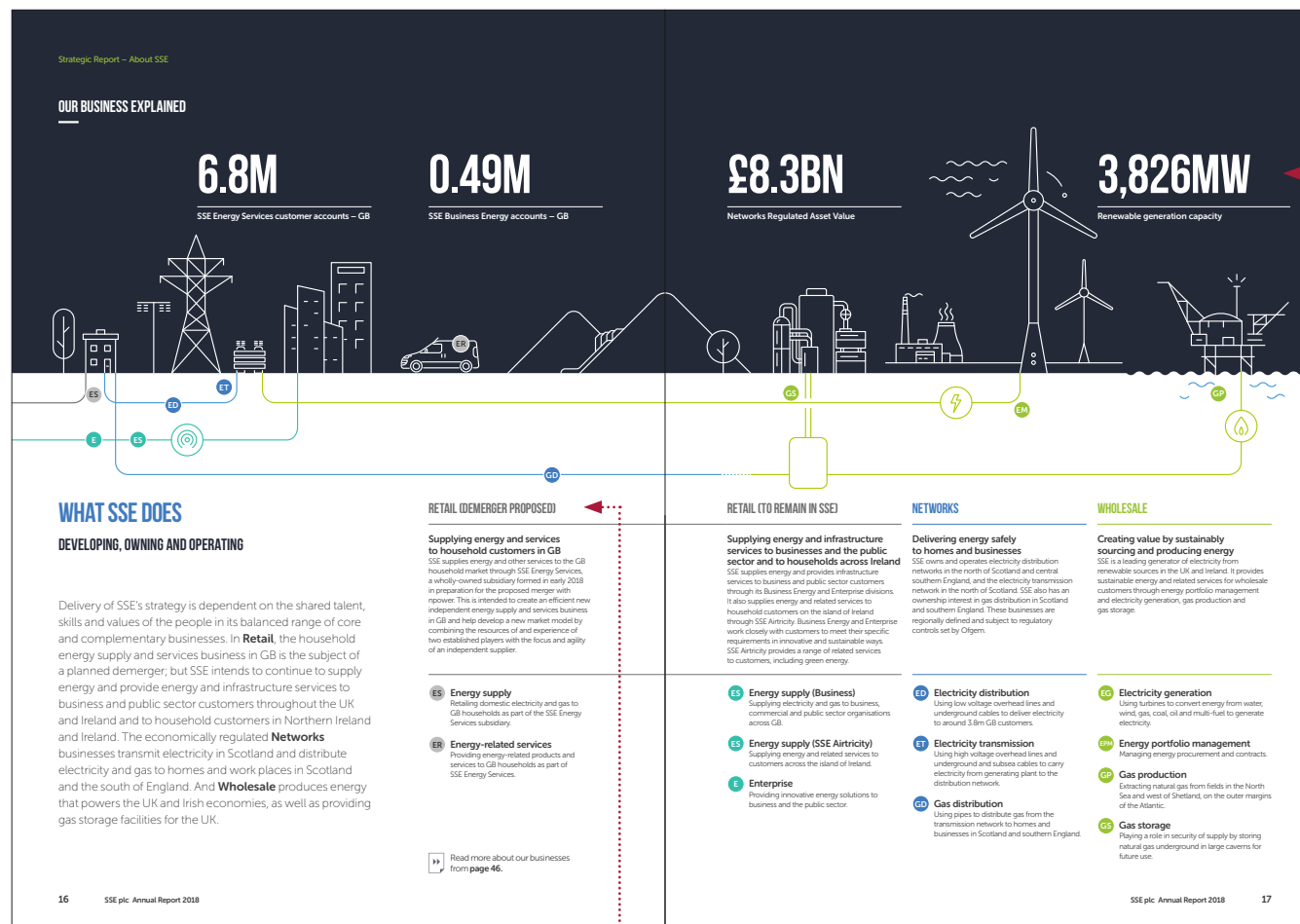
### 2 Creative illustration of operating models in practice

SSE 2018, page 18



#### WHAT DID WE LOOK FOR?

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Potential changes to the business model brought to the user's attention



**USER FRIENDLY EXAMPLE:**  
Interactive animations to engage users

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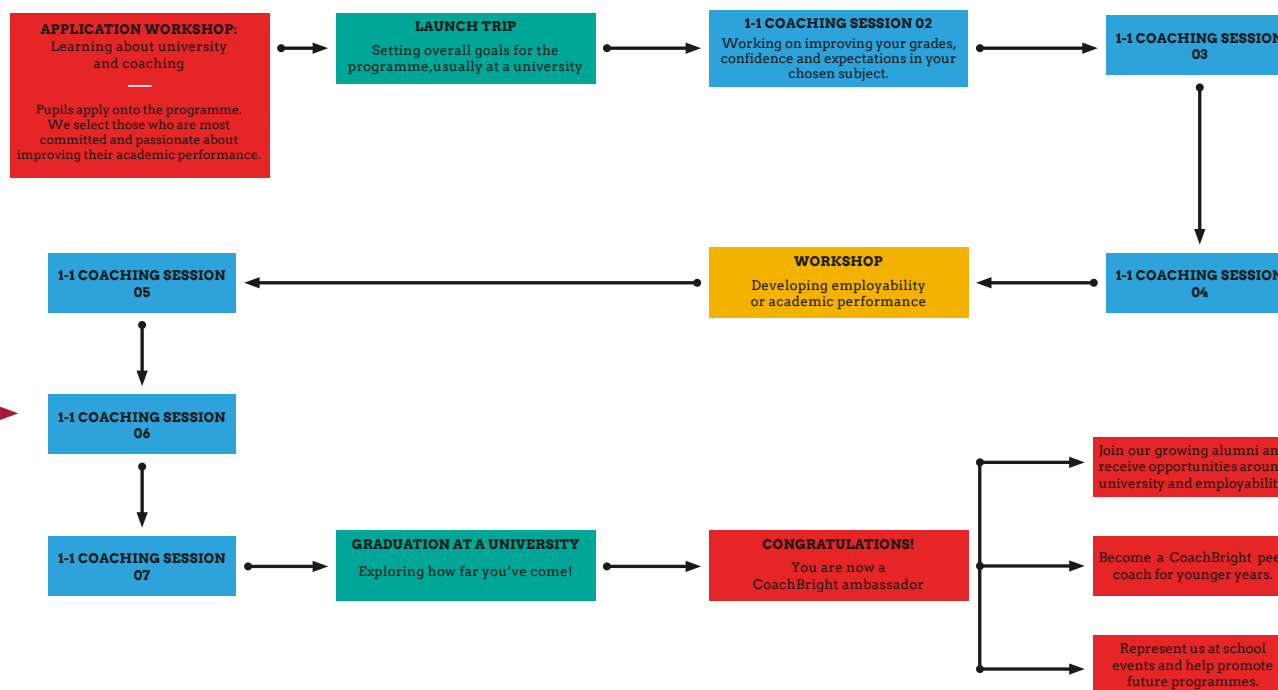
## Operations

### 3 Visual representation of programmes

[Coachbright 2016-17, pages 8–9](#)

Coachbright has clearly set out the work it undertakes for its coaching programmes

We deliver in-school coaching programmes that last for 10 weeks and are subject specific. Our programmes typically begin in October or January.



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### 4 Clear consideration of the value an organisation creates

Crown Estate 2017/18, pages 10–11



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#### Our approach

At the heart of our approach is our purpose: creating brilliant places through conscious commercialism. It's about taking a long-term view, working in partnership with our customers and creating destinations that are relevant, attractive and profitable.

#### What sets us apart

- Our expertise and critical mass enables us to achieve competitive advantage and outperformance
- We believe in placemaking; creating environments where people can thrive
- Our best-in-class asset managers work closely with our customers
- Our approach to regeneration is based on enhancing spaces sensitively, carefully and for the long term

#### What we do

We actively manage our portfolios through four principal activities.

##### Investment management

We buy and sell assets in line with our investment strategy, with a focus on our chosen sectors where we can outperform the market through our expertise and critical mass.

##### Development management

We plan, construct, develop and refurbish to create successful places where our customers and communities can thrive.

##### Asset management

We actively manage our assets, working closely with our customers to help achieve their business objectives while, at the same time, increasing the value of our portfolio.

##### Property management

We enhance our investment, development and asset management activities with effective property management to ensure we address the needs of our customers, partners and communities.

#### Reinvestment into the business

We access capital to invest in our portfolios, both through strategic partnerships and the sale of assets where we have completed our asset management plans.

#### What we rely on

We draw upon six capitals in the management of our business model.



##### Financial resources

Financial capability to run our business.



##### Physical resources

Property, plant and equipment we own and use.



##### Natural resources

The natural resources that we manage and use.



##### Our people

The skills and experience of our employees.



##### Our know-how

Our collective expertise and processes.



##### Our networks

Our relationships with stakeholders; including customers, partners and communities.

#### Our contribution to the Treasury

Our annual net revenue profit is paid to the Treasury.

£2.7bn

Generated for the Treasury in the last ten years.

The Crown Estate considered the value that it created both financially and beyond

#### The value we create

Beyond meeting our income and total return targets we also consider the wider value we deliver against each capital.

£329.4m

4.0% year-on-year increase in net revenue profit

£342.5m

Capital spent on acquisitions, developments and capital improvements

50%

Operational waste recycled

95%

Employees 'Proud to work' for The Crown Estate

25 hours

Average training per employee p.a.

£2.3bn

Funds managed on behalf of our strategic joint venture partners

#### Total Contribution

Our evolving methodology enables us to discuss our overall impact on the six capitals. It applies economic multipliers to a number of non-financial metrics, in order to create a comparable assessment of outcomes. Certain metrics are included within this report. Our Total Contribution report and our full methodology can be found at: [thecrownestate.co.uk/total-contribution](http://thecrownestate.co.uk/total-contribution)

Read more on our strategy: [page 12](#)

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### 5 Achieving value for money

[Public Health England 2017/18, page 14](#)



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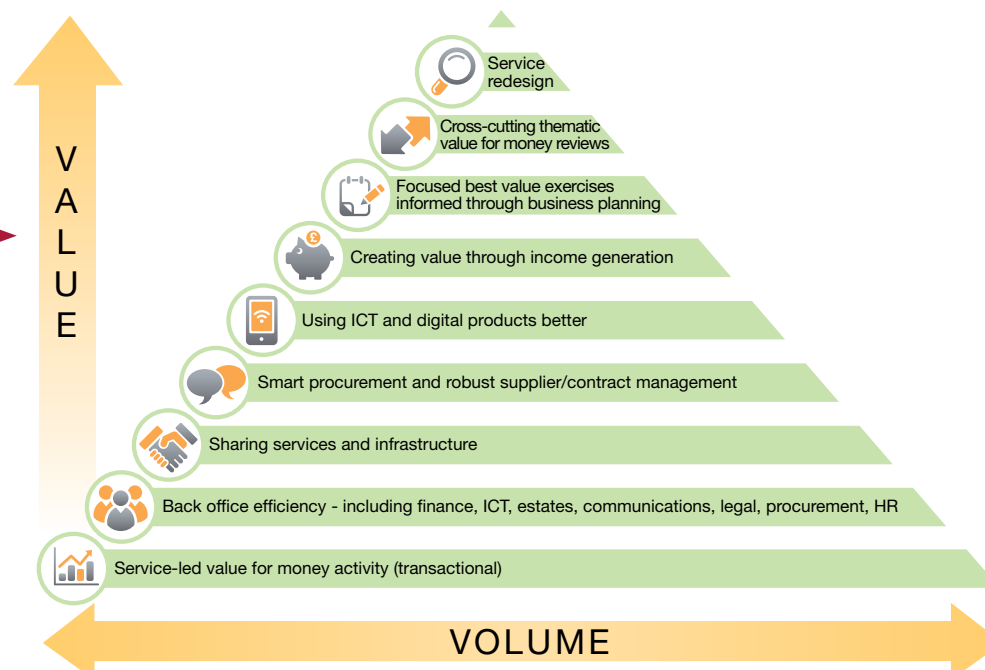
Public Health England has calculated efficiencies it has made since 2013

### Taxpayer value strategy and delivery

Through a relentless focus on value for money, encapsulated in our taxpayer value model below, we have delivered recurrent efficiency savings of £145m. This is a saving of more than 30% of our net operating costs and cumulatively represents around £0.5bn savings for the taxpayer since we were formed in 2013.

We have achieved this while continuing to keep the nation safe from infectious disease, environmental hazards and working to improve the public's health.

Setting out the ways it achieves value from its business



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## 6 Efficiency

[Pearson 2017, page 18](#)

### Our business model and strategy

#### 3 Become simpler and more efficient

2013 ← **c.£650m** of cost savings<sup>1</sup> → 2016

##### Focus areas

- › Centralising functions for a simpler and leaner organisation
- › Commence roll-out of single global Enterprise Resource Planning software

2017 ← **c.£300m** of cost savings<sup>2</sup> → 2020

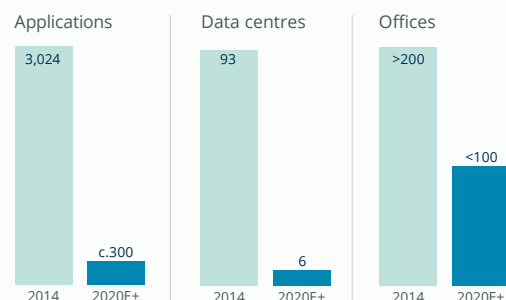
##### Focus areas

- › Further simplification through shared services centres
- › Leaner organisations through reduction in headcount
- › Reduction in number of legacy applications, data centres and office locations
- › Complete roll-out of global Enterprise Resource Planning

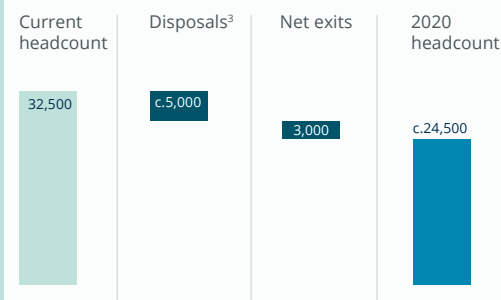
##### Recent activity

- › US K-12 courseware Held-For-Sale in 2018
- › Exited WSE, GEDU, Utel, smaller businesses in 2017

#### Infrastructure simplification



#### Headcount reduction



Pearson has used graphs to demonstrate how it is making itself more efficient

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### 7 Employee engagement

Pearson 2017, page 27

#### Employee engagement survey

Employee engagement remains a consistent priority as we navigate changes to our business. Last year, each member of the Pearson Executive Management team committed to respond to the key themes highlighted in our 2016 Employee Engagement Survey. Each Executive developed a plan with progress monitored quarterly. Highlights from those plans:

Aspect	Issue	Response
<b>Career Development and Mentoring</b>	More information for employees on how to progress their careers at Pearson	Over 1,500 employees participated in Career Development Workshops across 111 sessions in 27 locations in 23 countries. Over 100 mentoring relationships have been established.
<b>Company Strategy</b>	To do more to communicate on our products and reporting on progress	We introduced Discovery Days – forums to engage employees on our strategy, products and brand and provide workshops to gain new skills. 24 Discovery Days were held in 2017 in 14 countries. Since 2016, 24% of Pearson employees have attended a Discovery Day.
<b>Learning and Development</b>	More opportunity to develop functional and management skills	Academies were launched on Technology, Product, Sales and Finance to strengthen expertise and career development.  We introduced Workforce 2020 capabilities defining who we are, how we act and what we do. These provide guidance on the capabilities Pearson expects.  We launched our Leadership Academy, delivering what leadership looks like at all levels in the organisation. The Academy offers a range of programmes, resources and support. It includes a pilot of a new Manager Fundamentals training programme to help prepare new managers for success.  All of the above are available through Pearson U and open to all employees. In 2017, 25,725 employees took at least one course in Pearson U.



During 2017, we followed up by asking 1,700 Pearson leaders to take an organisational health survey to help us understand areas where we could further boost performance. Key findings include the following:

Aspect:	Action taken:
Being clear on our strategy	Set our three strategic priorities, published a company-wide performance dashboard, appointed a new Chief Strategy Officer and been clear on our priorities as part of our brand focus
Accountability and ownership	Have been more explicit on expectations of individuals to collaborate and deliver against the strategy
Innovation and partnership	Invested in new platforms and partnerships
Insight	Created a global research and insight function
Operational excellence	Accelerated the investment in centres of excellence, driving efficiency through investment in technology
Diversity and inclusion	Established a new committee and global team to help us better reflect the communities we serve

Pearson has included detailed analysis of how it engages with its people

Clear points to demonstrate action being taken

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### What did we look for?

Narrative which clearly demonstrates the governance structure and tone at the top

Transparent information about how the Board works effectively to govern the organisation

- 1 Clear governance structure
- 2 Board attendance and composition
- 3 Insight into what the Board considered during the year
- 4 Use of case studies to illustrate decision-making process
- 5 Detailed board evaluation process
- 6 Insight into the Audit Committee
- 7 Consideration of how committees spend their time

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## Governance

### 1 Clear governance structure

[Crown Estate 2017/18, page 52](#)

Clear governance structure with page references to where the user can find more information

#### Board Committees

Delivering focus and challenge to our remuneration, senior succession planning and recruitment; and examining and challenging our processes, risk management and assurance.



Read more: [pages 67-76](#)

#### The Board

Setting strategy, answering our most significant corporate questions and ensuring The Crown Estate is run to the very highest standards.

Chairman	
Senior Independent Board Member	
Independent Non-Executive Board Members	
Executive Board Members	
Non-Executive Board Counsellors	



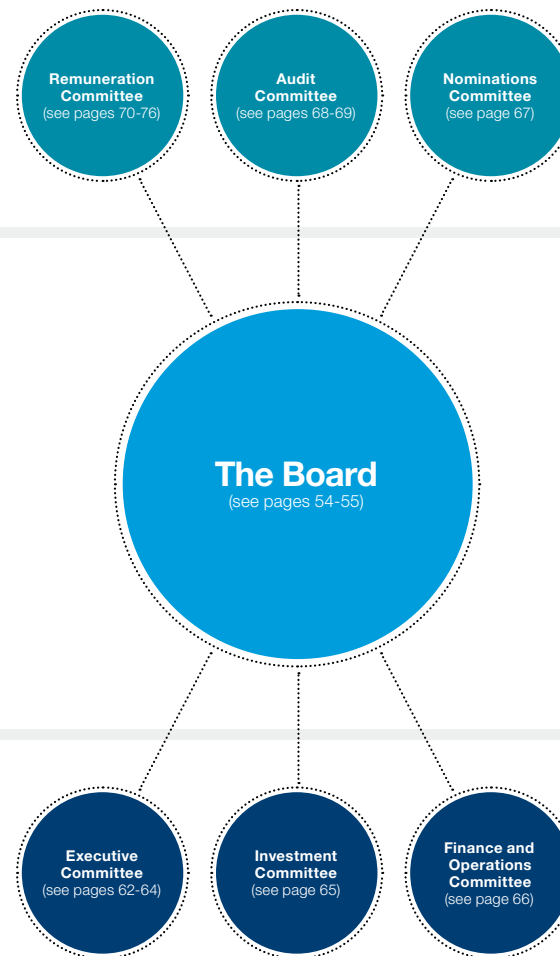
Read more: [pages 54-59](#)

#### Executive Committees

Implementing the strategies set by the Board, making decisions with fully integrated checks and balances, and driving our performance.



Read more: [pages 62-66](#)



#### WHAT DID WE LOOK FOR?

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### 2 Board attendance and composition

Marks and Spencer 2018, page 32

Board composition and attendance shown in a clear and concise manner

#### BOARD COMPOSITION, ROLES AND ATTENDANCE AS AT YEAR END

CHAIRMAN	ATTENDED	MAX POSSIBLE	INDEPENDENT	RESPONSIBILITY IN 2017/18	LINKED TO REMUNERATION
Archie Norman	6	6		Board governance and performance, shareholder engagement	
Robert Swannell	2	2		Board governance and performance, shareholder engagement	
EXECUTIVE DIRECTORS					
<b>Chief Executive</b> Steve Rowe	8	8		Strategy and Group performance	✓
<b>Chief Finance Officer</b> Helen Weir	8	8		Group Financial Performance, Property, IT and Clothing & Home distribution	✓
<b>Executive Director</b> Patrick Bousquet-Chavanne	8	8		Customer, Marketing and M&S.com	✓
NON-EXECUTIVE DIRECTORS					
Vindi Banga	8	8	✓	Independent non-executive directors assess, challenge and monitor the executive directors' delivery of strategy within the risk and governance structure agreed by the Board. As Board Committee members, they also review the integrity of the Company's financial information, recommend appropriate succession plans and monitor Board diversity.	
Alison Brittain	8	8	✓		
Miranda Curtis	6	6	✓		
Andrew Fisher	8	8	✓		
Andy Halford	8	8	✓		
Richard Solomons	8	8	✓		

This table provides details of scheduled meetings held in the 2017/18 financial year.



#### WHAT DID WE LOOK FOR?

- 1 Clear governance structure
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### 3 Insight into what the Board considered during the year

[Crown Estate 2017/18, page 56](#)

The Crown Estate included good insight into what the Board covered during the year

#### Strategy and innovation

- Undertook the Board strategy session.
- Approved the 2018/19 and five-year strategy for The Crown Estate.
- Approved the Corporate Plan for The Crown Estate.
- Reviewed the long-term strategic vision for each of The Crown Estate's portfolios.

#### Financial performance

- Reviewed quarterly financial results and capital forecasts.
- Reviewed regular performance updates, including against non-financial targets.
- Approved the revenue target and budget for 2018/19.

#### Investment, assets and funding

- Approved the sale of Altrincham Retail Park.
- Approved the re-development of Morley House.
- Approved the development of Fosse Park West and the Fosse Park Food Court.
- Implemented a new form of market reporting for the Board.



#### People, culture and values

- Reviewed The Crown Estate's approach to stakeholder and customer engagement.
- Reviewed the results of The Crown Estate's staff survey, 'One Voice'.
- Reviewed The Crown Estate's health and safety activity and performance.
- Reviewed reports on sustainability.

#### Risk management and internal control

- Reviewed and approved The Crown Estate's strategic risk architecture.
- Considered and approved The Crown Estate's material issues.
- Reviewed regular reports on assurance from the Audit Committee.
- Reviewed reports on risk from the business, including information security and privacy.

#### Governance and stakeholder management

- Approved the key principles to support a review of the terms of reference for the Board and Committees of The Crown Estate.
- Approved the methodology for establishing The Crown Estate's viability and approved the Viability Statement.
- Approved The Crown Estate's register of interests.
- Evaluated the Board's effectiveness, as part of an externally facilitated Board evaluation.
- Approved The Crown Estate's Annual Report for 2016/17 as being fair, balanced and understandable.



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### 4 Use of case studies to illustrate decision-making process

[Ministry of Justice 2017-18, page 50](#)

The Ministry of Justice included a case study in its Governance Statement setting out how the Department dealt with a significant issue

#### Case study: Carillion

On 15 January 2018 construction giant Carillion went into liquidation after huge financial troubles finally overwhelmed it. Carillion, which specialised in construction, as well as facilities management and ongoing maintenance, held many government contracts – including building hospitals, managing schools and highways, and maintaining prisons.

For the Department this meant that maintenance services previously provided by Carillion for 52 prisons were at risk.

The Department's risk management arrangements rely on the effective identification, analysis and management of risks, and this was evidenced by our response to the collapse of Carillion. In recognition of our complex supplier services model, and the high reliance we place on supplier provided services, the Department had considered the impact and likelihood of such a market failure, and was well prepared to manage and mitigate the risk to ensure we kept our essential public services running safely.

Following the announcement of Carillion's collapse the Department took immediate action to:

- Commit the necessary funding required by the Official Receiver to maintain services;
- Provide assurance to staff engaged on the prison maintenance contracts that they would continue to be paid, ensuring staff employed under the contract continued to come to work; and
- Create Gov Facility Services Limited to maintain the delivery of prison facilities management services from 12 February 2018.

The positive action of the Department helped mitigate a potential service failure, and ensured the continuation of professional and effective service delivery to ensure essential repairs and maintenance are carried out in a timely manner to ensure the health and safety of staff and prisoners.



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## 5 Detailed board evaluation process

[Nationwide 2018, page 53](#)



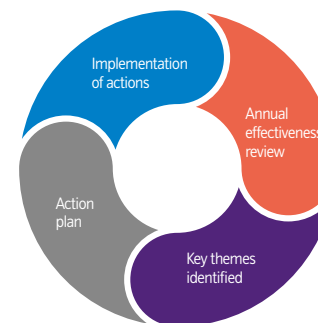
### WHAT DID WE LOOK FOR?

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The process the Board uses to evaluate itself is clearly explained

## Nationwide's approach to Board effectiveness

Board evaluation is an ongoing process with each annual review driving a programme of continuous improvement throughout the year. Enhancing the effectiveness of the Board is in the interests of the Society and its members and is intrinsic to Nationwide's ethos as a mutual. The programme which has been developed at Nationwide is designed to ensure that all directors, both executive and non executive, contribute strongly to the good governance of Nationwide.



## 2017 evaluation

In March and April of 2017 the Board conducted a thorough internal review of its own performance and concluded that it was operating effectively.

The review consisted of a questionnaire being circulated to all Board members, followed by one to one interviews. The results of the questionnaire and interviews were then presented to the

Board for discussion in May 2017 and as a result a number of key themes and an action plan were identified for both the Board and its Committees. These are detailed in the table shown here.

Action plan for the Board and implementation of it clearly laid out, enabling accountability

### The Board

Key Themes	Action Plan	Implementation
<b>Member engagement:</b> Bringing members' views to the Board	The Board having regard to member views is very important. Ways to best represent these views and channel member feedback to the Board have been identified and an ongoing programme of activities has been developed.	The programme of Member TalkBacks has continued throughout the financial year and for the first time a number of members were invited to the Board strategy day in October 2017 to provide member input to future strategy.
<b>Broadening Board reporting</b>	A broader range of inputs to Board reporting would allow for greater debate in the Board. Wider inputs would also increase the Board's focus on matters such as competitive landscape, stakeholder views, changes to the business model and technology advances.	During the financial year, both the Chief Executive Officer's Report and the Business Performance Pack report have evolved and been strengthened to improve Board Reporting.  The Chief Executive Officer's Report opens the Board meeting and provides the Board with a full and transparent perspective on current achievements, issues and challenges and also a view as to what is coming up in the month ahead. It sets the tone for the Board conversation and during the year has developed to show how the Society is progressing against the strategy cornerstones via a mixture of visual and narrative reporting.  The Business Performance Pack which provides financial reporting has also been improved during the year to include sections for each strategy cornerstone. There has also been greater engagement with business areas to enhance the insight and forward-looking management information provided to the Board.  The Board received a Competitive Landscape report in January 2018 which examined the current market backdrop and how this related to the current competitive environment, and considered its implications for Nationwide's Strategy.  External inputs to the Board have also been sought, for example from the Banking Standards Board, who attended the Board meeting in March 2018.

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## 6 Insight into the Audit Committee

[John Lewis 2018, page 62](#)

John Lewis set out details of the accounting issues covered by the audit committee

AUDIT AND RISK COMMITTEE REPORT	
<p><b>01</b></p> <p><b>Impairment</b></p> <p>NOTES 3.1, 3.2</p>	<p><b>02</b></p> <p><b>Exceptional items</b></p> <p>NOTE 2.3</p>
<p><b>OUR SIGNIFICANT FINANCIAL REPORTING ISSUES, AND OUR RESPONSE</b></p> <p>As part of the preparation of the Annual Report and Accounts, the Committee considered the following significant financial reporting issues.</p>	<p><b>Issue:</b> The Partnership has significant non-current assets, both tangible and intangible. Judgement is exercised in reviewing their carrying value in respect of possible impairment. Initial trigger tests, such as whether performance was in line with expectations, provided indicators of some assets with a potential impairment. For each of these assets, management prepared a value in use model or obtained valuations to assess the asset's carrying value and calculated an impairment charge where appropriate.</p> <p><b>Response:</b> The Committee reviewed and challenged the methodology and assumptions applied to test impairment and the results of the trigger tests, including the assumptions used in cash flow projections as part of the value in use calculations. The Committee considered the sensitivity of the proposed impairment charge to movements in key assumptions such as the discount rate, long-term growth rate and performance. The Committee considered programmes where a significant intangible assets have been capitalised or are work in progress, to ensure it is comfortable that future economic benefit will be generated.</p> <p>The Committee satisfied itself that the assumptions used and the resulting impairment charge were reasonable.</p>
<p><b>06</b></p> <p><b>Depreciation and useful economic lives</b></p> <p>NOTE 3.2</p>	<p><b>07</b></p> <p><b>Supplier income</b></p> <p>NOTE 4.2</p>
<p><b>Issue:</b> The Partnership has significant non-current tangible assets in the form of freehold land and buildings and long leasehold buildings. Depreciation is recorded to write down non-current assets to their residual value over their estimated useful lives. Determining an asset's residual value and estimated useful life involves significant judgement.</p> <p><b>Response:</b> The Committee received a memorandum from management detailing the review of residual values and useful economic lives. The Committee satisfied itself that the residual values and useful economic lives were appropriate, considering the sensitivity of changes in residual value on depreciation.</p>	<p><b>Issue:</b> The Partnership receives supplier income mainly in the form of volume and marketing rebates. Judgement is exercised in estimating the value of rebates to accrue, ensuring they are appropriately calculated and the level of disclosure. Care has been taken to ensure that rebates are recognised in the accounting period to which they relate.</p> <p>Supplier income balances accrued at the year-end were not material. However, given the industry specific focus on supplier rebates, this is kept under review.</p> <p><b>Response:</b> The Committee reviewed the paper prepared by management detailing supplier rebates earned during the year and accrued at the year-end. The Committee considered that the supplier rebate balance was appropriate.</p>

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### 7 Consideration of how committees spend their time

[Nationwide 2018, page 60](#)

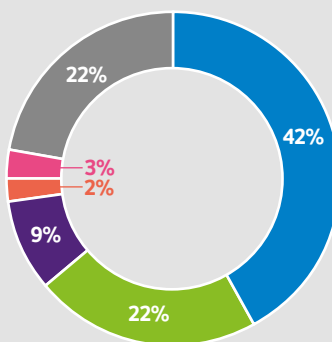


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Nationwide included a graphic in their annual report setting out how the audit committee spent its time

#### How the Committee spent its time in the year



- Financial reporting
- Internal controls and risk management (including internal audit)
- External audit
- Financial crime
- Statutory duties
- Other (including meeting administration)

The time spent on external audit matters was unusually high this year due to the audit tender.

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What did we look for?

Quantified key performance indicators (KPIs) aligned to strategic objectives

Balanced assessment of goals achieved and performance against targets

- 1 Clear demonstration of whether performance measures have been achieved
- 2 Strong links to strategic objectives
- 3 Quantification of non-financial objectives
- 4 Honesty in reporting KPIs
- 5 Quantitative analysis of people factors

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## Measures of success

### 1 Clear demonstration of whether performance measures have been achieved

Highways England 2017-2018, pages 18-19



#### WHAT DID WE LOOK FOR?





- 1 Clear demonstration of whether performance measures have been achieved
- 2 Strong links to strategic objectives
- 3 Quantification of non-financial objectives
- 4 Honesty in reporting KPIs
- 5 Quantitative analysis of people factors

KPIs clearly set out

## Overview of our performance

This section provides a snapshot of our performance over the last three years. Our key performance indicators (KPIs), set and agreed by the DfT in 2015, provide a framework against which we assess our performance internally with our staff and discuss externally with the DfT (our Shareholder) and the Office of Rail and Road (our Monitor). Our results show that we are meeting the majority of our performance commitments, and we recognise that we have more to do to improve.

KPIs tracked across prior years

Objective	KPI	2017-18	2016-17	2015-16
<b>Making the network safer</b>	 We must achieve a 40% reduction in the number of people killed and seriously injured on our network by the end of 2020 (based on provisional data from January to September)	13.4% decrease	6.1% increase	3.6% decrease
<b>Improving user satisfaction</b>	 We must achieve a score of 90% road user satisfaction by March 2017 and then maintain or improve	88.73%	89.11%	89.32%
<b>Supporting the smooth flow of traffic</b>	 We must make sure there is 97% lane availability in any one year to support the smooth flow of traffic	98.26%	98.41%	98.4%
	 We must clear at least 85% of incidents on the motorways within the hour	87.90%	85.93%	85.96%



Organisations should ensure that the targets they measure their performance against are clearly set out

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### 2 Strong links to strategic objectives

[John Lewis 2018, page 18](#)



WHAT DID WE LOOK FOR?

- 1 Clear demonstration of whether performance measures have been achieved
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Clearly sets out organisation's strategy

#### 1 STRONGER BRANDS AND NEW GROWTH

##### OUR STRATEGY

There are four aspects to stronger brands and new growth. The first is developing an increasingly distinct, great value, product proposition loved by customers known as product differentiation. Secondly, we are systematically improving the quality of the customer experience and service proposition across both Waitrose and John Lewis and enhancing lives. Thirdly, we are extending the use of technology to enhance our ability to engage customers directly in shops and across all channels with our Partners supporting our Human + Digital plans. Alongside this we strive to build customer confidence in the products and services we sell and the way we sell them by sourcing and selling with integrity.

##### KPI COMMENTARY

Against a challenging backdrop with subdued consumer demand, both Waitrose and John Lewis achieved positive like-for-like sales growth and Partnership gross sales increased. Our overall number of customers grew by 4.0 per cent in Waitrose and 2.5 per cent in John Lewis. The number of higher spending 'Best' customers grew in Waitrose and edged backwards in John Lewis. We track this because we want our new propositions to appeal most to our best customers. Our Net Promoter Score identifies how strongly a customer recommends us to a friend. This year it fell in Waitrose due to the short-term operational impacts from significant changes in our shop structures and operating models, but increased in John Lewis. In both Divisions, we continue to focus on putting customers at the heart of what we do.

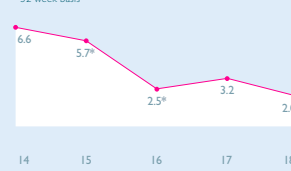
Footnotes to KPIs

1 Reporting of this KPI was implemented within the Partnership alongside our transition to the It's Your Business 2028 strategy. KPI data has therefore only been reported from 2018/16 onwards. As time passes the level of data available on customer spend increases; primarily returns data and the ability to link spend to a specific customer. The historical KPIs are therefore restated each year to reflect the most recent data available.

Detailed analysis of KPIs over a number of years

##### GROSS SALES GROWTH %

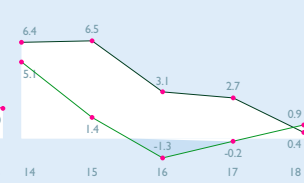
2018: **2.0%**  
\*52 week basis



Percentage increase in gross sales during the reporting period. Gross sales is defined on page 91.

##### LIKE-FOR-LIKE SALES GROWTH %

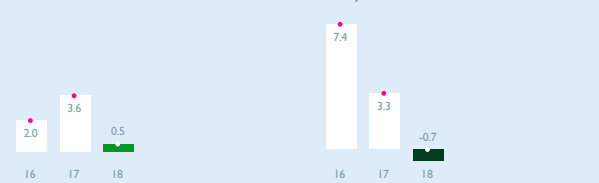
2018 WAITROSE: **0.9%** 2018 JOHN LEWIS: **0.4%**



A measure of the year-on-year shop and online gross sales growth, removing the impact of shop openings and closures. This measure indicates the underlying sales performance on a consistent basis.

##### INCREASE IN 'BEST' CUSTOMERS %<sup>1</sup>

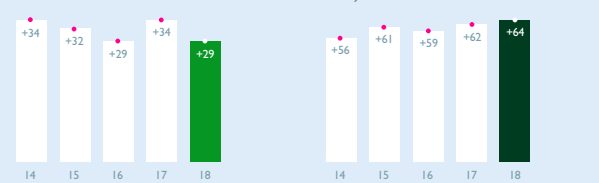
2018 WAITROSE: **0.5%** 2018 JOHN LEWIS: **-0.7%**



Percentage increase in 'Best' customers during the reporting period. 'Best' customers are those customers who exceed particular spend and purchase frequency thresholds over a given time frame.

##### NET PROMOTER SCORE (NPS)

2018 WAITROSE: **+29** 2018 JOHN LEWIS: **+64**



Net Promoter Score is a measure between -100 and +100, that shows the willingness of customers to recommend our products and services to others. A larger positive figure represents a higher level of customer satisfaction and loyalty to our brand.

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### 3 Quantification of non-financial objectives

Canal and River Trust 2017/18, pages 7 and 51

Non-financial KPIs quantified and movement against prior year is clearly stated to enable reader to track progress

Clear reporting on whether target met

Quantified targets for 2018/19 set in advance aids accountability

Waterway measures	2016/17 Actual	2017/18 Actual	2017/18 Target
Boating customer satisfaction**	76%	70%	72%
Visitor satisfaction	85%	91%	86%
Regular visitor numbers to reach each fortnight (from our monthly surveys)	4.3m	4.3m	4.5m
Public safety measure – number of reported incidents on our network	382	313	350
Internal safety measure – accident frequency rate expressed as number of accidents per 100,000 hours worked	0.26	0.09	0.24
Number of days of unplanned navigation closures within our control (individual instances over 48hrs)	549	490	400

Employee and engagement measures	2016/17 Actual	2017/18 Actual	2017/18 Target
Employee engagement (those answering positively to six key engagement measures)	66%	68%	68%
Volunteer satisfaction	94%	96%	90%
Volunteer hours	540,700	616,300	600,000
People aware of the Trust	33%	36%	40%
Friends actively donating to the Trust each month	20,600	24,100	28,500
Number of children reached through our education programme	92,700	81,700	75,000
Community adoptions	181	225	220
Diversity – % employees Black, Asian and minority ethnic***	N/A	5.1%	5%
Diversity – % senior management female***	N/A	22%	25%

Our ambition goes well beyond these contractual targets. Some of our key performance measures are summarised in the table below, reflecting the breadth of the Trust's activities, and builds on the progress that we have already made.

Waterway measures	2017/18 Actuals	2018/19 Target
Boating customer satisfaction	70%	72%
Visitor satisfaction	91%	90%
Regular visitor numbers each fortnight (from our monthly surveys)	4.3m	4.5m
Public safety measure – number of reported incidents on our network attributable to infrastructure defects*	29	25

Employee and engagement measures	2017/18 Actuals	2018/19 Target
Internal safety measure – accident frequency rate expressed as number of accidents per 100,000 hours worked	0.09	0.10
Employee engagement (those answering positively to six key engagement measures)	68%	69%
Volunteer satisfaction	96%	95%
Volunteer hours	616,300	670,000
People aware of the Trust	36%	42%
Friends actively donating to the Trust each month	24,100	30,000
Number of children reached through our education programme	81,700	85,000
Community adoptions	225	260
Diversity – % employees Black, Asian and minority ethnic	5.1%	5.5%
Diversity – % senior management female	22%	25%



WHAT DID WE LOOK FOR?

- 1 Clear demonstration of whether performance measures have been achieved
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### 4 Honesty in reporting KPIs

[DVLA 2017-18, pages 17 and 21](#)



Organisations should clearly set out whether targets have been achieved, as well as an explanation where they have not

Highlight areas where they did not achieve their targets

3. Unrivalled safety, security and compliance	Target	Result
3.1 Increase the range of penalty payments that can be paid online.	March 2018	Achieved
3.2 Increase the number of cases going through the Single Justice Process (SJP) against the 2016-17 outturn, by being an early adopter of changing processes for Her Majesty's Courts and Tribunal Service (HMCTS).	15%	Achieved
3.3 No immediate increase in VED evasion against the 2015 Roadside Survey of 1.4%.	November 2017	Not achieved (see page 21)
3.4 To conclude medical cases and make a licensing decision within 90 working days.	90%	Achieved

#### VED evasion

The latest published figures (2017 Roadside Survey) estimate that 98.2% of all vehicles on the road are taxed correctly. We continue to collect around £6 billion in tax every year which clearly shows that the overwhelming majority of motorists understand the law and what they have to do to stay legal.

We have a wide range of measures in place to help motorists meet their legal responsibility of taxing their vehicle. These include:

- reminder letters
- direct debit options
- 24/7 online service
- telephone service.

Despite these measures, a small percentage of motorists continue to evade paying their vehicle tax on time. The report shows an increase in drivers falsely declaring their vehicle off road and then continuing to drive it untaxed.

We are committed to cracking down on this and we will continue to warn motorists of the consequences of not taxing their vehicle. We operate a comprehensive package of measures to ensure that vehicle tax is convenient to pay but very hard to avoid.

We will take swift and effective enforcement action against those who do not tax their vehicle. This includes sending late licensing penalty notices, court action, use of debt collectors and clamping and removal of untaxed vehicles.

While evasion has always had the potential to impact on how much revenue we collect at the time, our enforcement work means that we always recoup a significant amount of this potential lost revenue.

Mix of quantified and non-quantified targets

Detailed explanation for why targets not met



#### WHAT DID WE LOOK FOR?

- 1 Clear demonstration of whether performance measures have been achieved
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### 5 Quantitative analysis of people factors

[Nationwide 2018, page 19](#)

The importance of staff is clearly set out

Key data sets over five-year period presented as graphics

### Making Nationwide a great place to work

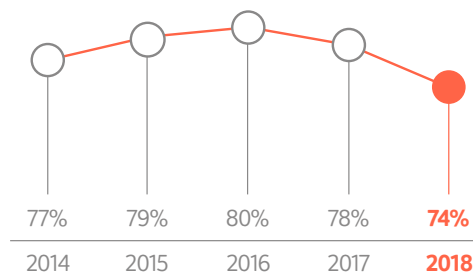
We want to be one of the country's best places to work and we believe that our mutual heritage and social purpose helps connect our people around a clear philosophy of care.

Not just because this is the right thing to do but because this is a key ingredient of our service record and part of our competitive advantage. Engaged and valued colleagues are much more likely to deliver the service our members deserve, which in turn helps grow our business and deliver more value to our members.



#### Key performance indicators

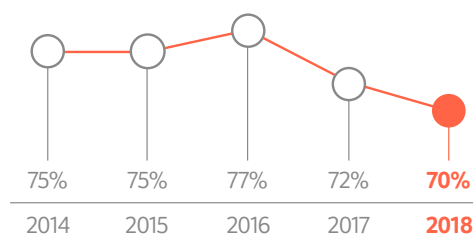
**Measure**  
Employee engagement



**Performance**  
Engagement  
(Global HP benchmark 2018 = 77%)  
We scored 74% for employee engagement, which is slightly below the global high performing (HP) benchmark

**2017/18 Target:** Global HP Benchmark

**Measure**  
Employee enablement



**Performance**  
Enablement  
(Global HP benchmark 2018 = 71%)  
Employee enablement, at 70% is just below the global HP benchmark

**2017/18 Target:** Global HP Benchmark



#### WHAT DID WE LOOK FOR?

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### Financial performance



### Understandable

## Financial performance



### What did we look for?

An understandable and fair reflection of financial performance that is consistent with the underlying financial statements

Discussion of actual performance against expected/ budgeted performance

- 1 Where the organisation spent its money
- 2 Explanation of budgets
- 3 Comprehensive overview of key financial indicators
- 4 Analysis of financial statements
- 5 Detailed analysis of financial performance
- 6 Analysis of sources of income

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## Financial performance

### 1 Where the organisation spent its money

[Highways England 2017-2018, page 117](#)



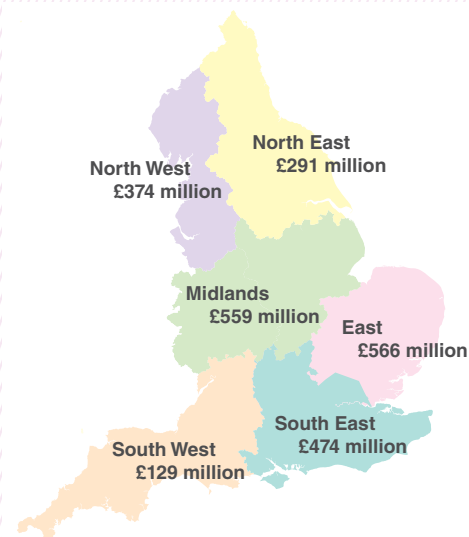
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Capital	2017-18 £m	2016-17 £m
Asset renewal	776	626
Capital improvement	1,360	1,279
Other capital investment	183	115
<b>Total</b>	<b>2,319</b>	<b>2,020</b>

Resource	2017-18 £m	2016-17 £m
Roads PFI	421	413
Operational maintenance	272	270
Operation of the network	169	176
Corporate services	162	144
Protocols	58	49
<b>Total</b>	<b>1,082</b>	<b>1,052</b>

### Where we spent our money in 2017-18 (£3.4 billion)



**National £1,007 million**  
(including PFI service payments, national projects and support costs)

Highways England broke down its expenditure both by geographical and business area

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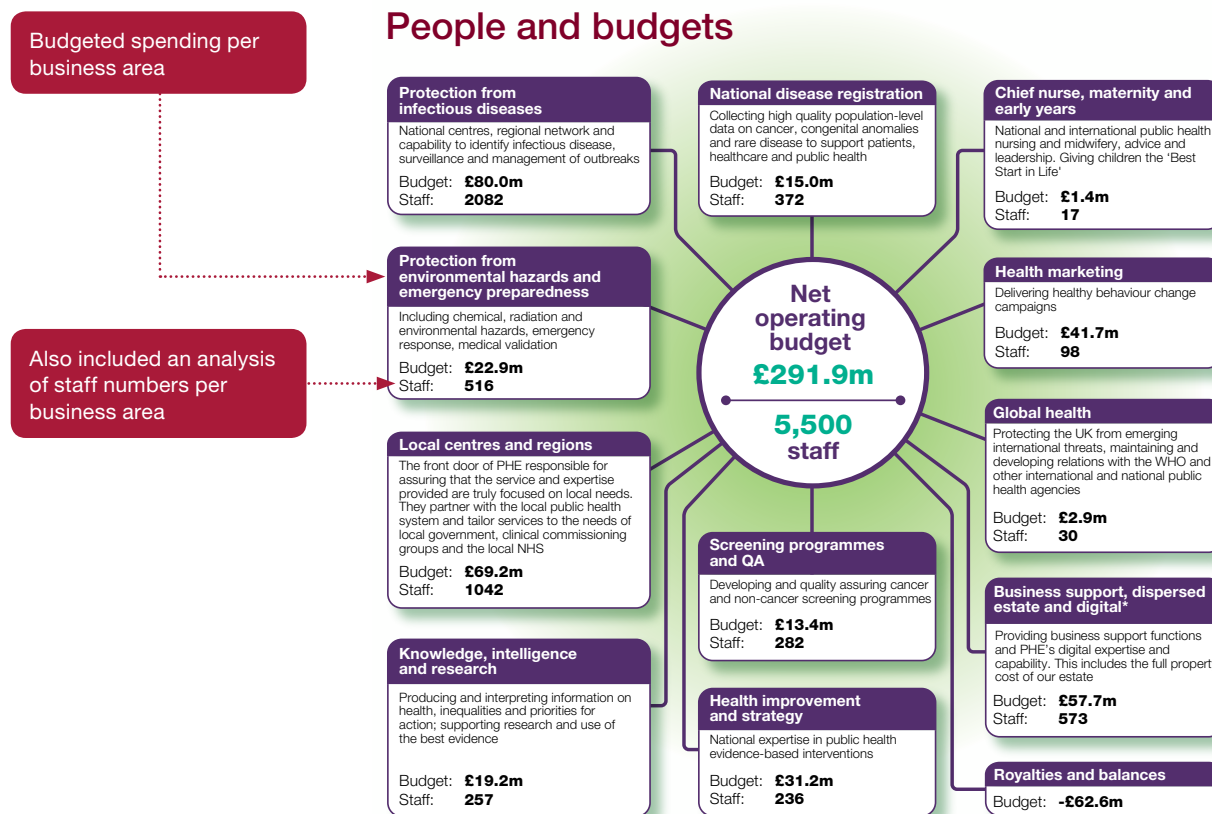
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## Financial performance

### 2 Explanation of budgets

Public Health England 2017/18, page 13



\* Communications, Corporate Affairs, Financial and Commercial, People Directorate, PHE Harlow, Infrastructure (ICT, Digital and Estates)

### Other funding:

**£3,011.1m**  
Ring-fenced local authority grant

**£644.0m**  
Vaccines and counter-measures

**£42.8m**  
Developing cancer and non-cancer screening

Externally generated income:

**£183.9m**  
Commercial income: sources include services, research, royalties and dividends



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## 3 Comprehensive overview of key financial indicators

[Jaguar Land Rover 2017/18, page 73](#)



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### Succinct explanations of financial results

### FINANCIAL PERFORMANCE

#### Consolidated income statement

Jaguar Land Rover achieved record wholesales, retails and revenue for the eighth consecutive year; however, profitability was lower primarily due to higher depreciation and amortisation related to new models.

#### REVENUE

Revenue was £25.8 billion in Fiscal 2017/18, up from £24.3 billion in the prior year with higher wholesales of 545,298 units (excluding sales from the China joint venture), up 2.0 per cent year on year, led by Velar, E-PACE and the all-new Land Rover Discovery. Similarly, retail sales (including sales from the China joint venture) were 614,309 in Fiscal 2017/18, up 1.7 per cent.

#### EBITDA<sup>1</sup> – EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

EBITDA was £2.8 billion (10.8 per cent margin) in Fiscal 2017/18, down slightly from the EBITDA of £2.9 billion (12.1 per cent margin) in the previous fiscal year, as favourable volume and mix and lower material costs were offset by higher incentive spending, higher marketing costs and £97 million of certain Q4 engineering costs.

#### EBIT<sup>1</sup> – EARNINGS BEFORE INTEREST AND TAXES

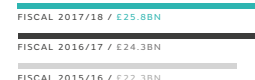
EBIT was £974 million (3.8 per cent margin) in Fiscal 2017/18 compared to £1.4 billion (5.9 per cent margin) in Fiscal 2016/17. The lower EBIT in Fiscal 2017/18 includes higher depreciation and amortisation related to new products launched during the year and the lower EBITDA, partially offset by higher China joint venture profits of £252 million.

#### PBT – PROFIT BEFORE TAX

PBT was £1.5 billion in Fiscal 2017/18, down slightly from the £1.6 billion PBT of last year given the lower EBIT, higher net interest expense and the non-recurrence of Tianjin recoveries last year, offset by more favourable revaluation of unrealised foreign currency debt and hedges and the £437 million pension credit in the first quarter.

#### PAT – PROFIT AFTER TAX

PAT was £1.1 billion in Fiscal 2017/18, down compared to the £1.3 billion PAT of last year. The effective tax rate in Fiscal 2017/18 was 26.2 per cent compared to 21.0 per cent last year. This primarily reflects a £54 million charge for the impact of the change in the US Federal rate from 35 per cent to 21 per cent on deferred tax assets. For further disclosure on our approach to tax, please see note 14 on page 129 of the financial statements.



£25.8bn



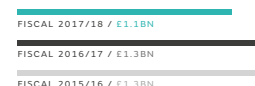
£2.8bn  
(10.8% Margin)



£974m  
(3.8% Margin)



£1.5bn



£1.1bn



Public sector organisations should consider how they can provide a clear narrative against their key financial indicators

Financial performance compared against prior years

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# Financial performance

## 4 Analysis of financial statements

BBC 2017-18, page 69

The BBC has included detailed analysis of the different components of its income statement

### Summary consolidated income statement For year ended 31 March 2018

Income statement classification	What is it?	2018 £m	2017 £m	What has happened?
Licence fee income	The total of licence fees collected	3,830	3,787	1.1% increase due mainly to inflationary increase.
Other income	Commercial income	1,233	1,167	Increase due to additional World Service income and external income being generated by BBC Studios.
<b>Total income</b>		<b>5,063</b>	4,954	
Operating costs	The cost of producing all content and of running the BBC	(4,815)	(4,943)	Reduction due to timing of major sporting events (such as the Olympic Games and UEFA Euro 2016) and an accounting estimate change in prior year relating to amortisation of distribution rights held by BBC Worldwide.
Restructuring costs	Sums provided to fund future efficiency initiatives	(14)	(50)	Continued development of savings plans.
Share of results of associates and joint ventures	Our share of the profit of businesses where we control 50% or less	36	46	The reduction reflects reduced UKTV profits (investment held by BBC Worldwide).
Gain on disposal of non-current assets	Profit on disposal of operations and fixed assets	5	8	Profit generated from the disposal of available-for-sale financial assets within BBC Worldwide.
Net financing costs	The net interest on the BBC's pension assets and liabilities, interest on loans and fair value movements on derivatives	(96)	(134)	Reduction due to exchange rate gains on borrowings and variation in the charge relating to pension liabilities.
Taxation charge	The net tax liability of the BBC on its taxable profits	1	(10)	Tax charge arises on commercial activities. These are offset by the impact of tax rate changes on deferred tax in 2017/18.
<b>Group surplus/(deficit) for the year</b>		<b>180</b>	(129)	



Organisations should think carefully about how they can bring out the key points from the financial statements to assist a user's understanding



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### 5 Detailed analysis of financial performance

John Lewis 2018, pages 30–31

Financial analysis used to support strategic objectives with clear KPIs

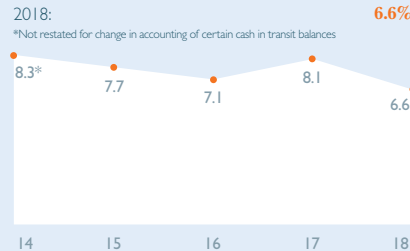
#### OUR STRATEGY

We measure our performance in financial sustainability through the Return on Invested Capital (ROIC), Debt Ratio and Profit per average Full Time Equivalent (FTE). Our financial sustainability priority continues to be to strengthen our balance sheet, while also ensuring we make the right long-term investment decisions and continue to generate a sufficient level of profitability. We are also focused on delivering more with less through improved productivity and using our natural resources as efficiently as possible.

#### KPI COMMENTARY

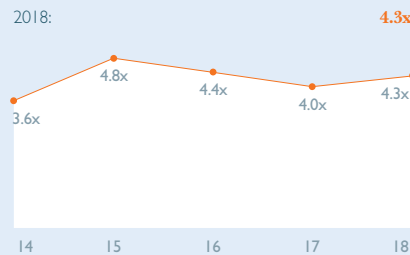
We have seen a decline in Return in Invested Capital (ROIC) and Profit per average Full Time Equivalent (FTE) and our Debt Ratio increased to 4.3 times (4.3x). These are principally due to the reduction in our profits during the year.

#### RETURN ON INVESTED CAPITAL (ROIC) %



Post tax profit, adjusted for non-operating and exceptional items, as a proportion of average operating net assets, adjusted to reflect a deemed capital value for property lease rentals.

#### DEBT RATIO – TOTAL NET DEBTS AS A MULTIPLE OF CASH FLOW



#### DEBT RATIO

The Debt Ratio is a measure of our total net debts (including post-tax accounting pension deficit and a discounted measure for operating lease commitments) relative to our cash flow. The ratio tells us how many years it would take to repay all of our debt if we did not spend any money on anything else, such as capital expenditure or Partnership Bonus.

We anticipated our Debt Ratio would worsen in the year given the expected decline in profits, and it did increase to 4.3 times from 4.0 times in 2016/17. The increase was not more significant, due to both our strong net cash generation and a reduction in our pension liabilities.

In the year, we revised our methodology for valuing the pension obligation. The change in methodology more appropriately reflects the accounting requirements. This has had the impact of reducing our pension deficit by £210m.

Given the outlook for the year ahead, we recognise we are unlikely to make much progress in reducing our Debt Ratio in 2018/19, however we are committed to bringing the number down to around three times over the long-term.

Frank financial analysis



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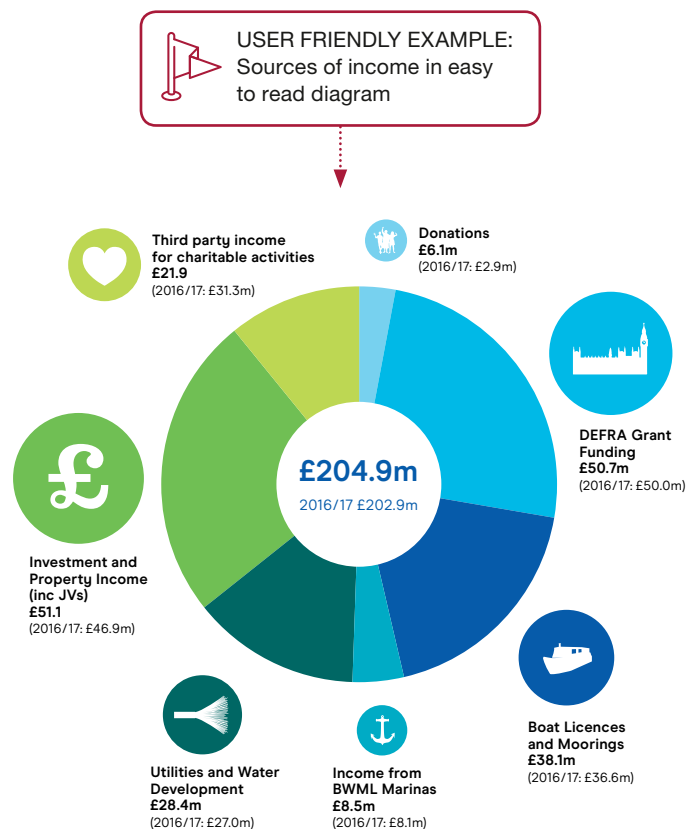
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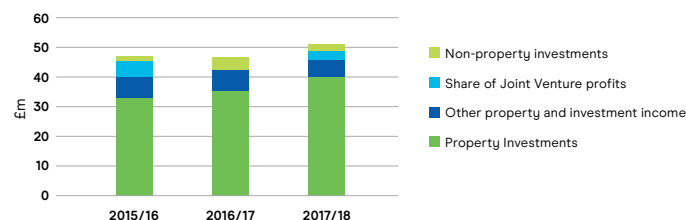
## Financial performance

### 6 Analysis of sources of income

Canal and River Trust 2017/18, pages 35 and 38



Additional information relating to different sources of income



**Non-property investments:** The total return on the Trust's portfolio reduced in 2017/18, having had a record performance in the previous year. Non-property investment performance is discussed in more detail on page 40.

**Share of Joint Venture profits:** The main joint venture interests of the group, Waterside Places LP and H2O Urban (No2) LLP, engage in waterside property developments from which a share of income is derived.

Within both ventures a number of significant schemes moved further through the development pipeline which will see sales volumes and profits in future periods.

**Other property and investment income** includes wayleaves and interest receipts. The slight decrease in this category is owing to a fall in wayleave income and the closure of the Reinsurance captive to new business at 31 March 2017.

**Property investments** form the largest part of this income line – being rents and premiums from our large property portfolio which has performed consistently well over the past three years.

The increase in income against prior year is due primarily to additional capital employed early in the financial year from funds on deposit at the previous year end pending investment.

**Third party income for charitable activities** represents amounts received for third party funded regeneration projects, along with funding from local and national partners to regenerate and restore the waterways. Museums and visitor attractions run by the Trust also generate charitable income.



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### What did we look for?

Use of plain English,  
graphics and  
appropriate layout  
to enable the user  
to understand  
and gauge the  
importance of the  
information presented

Clear structure to  
help users navigate  
the annual report

Concise summaries  
with links to  
further information  
as required

Use of different  
mediums to  
provide information

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### 1 Clear and consistent key to annual report

[Derwent London 2017, pages 30–31](#)

A clear key can help a user navigate the annual report

**Key**

**Strategic objectives**

- 1 To optimise returns and create value from a balanced portfolio
- 2 To grow recurring earnings and cash flow
- 3 To attract, retain and develop talented employees
- 4 To design, deliver and operate our buildings responsibly
- 5 To maintain strong and flexible financing

**Other**

- Remuneration

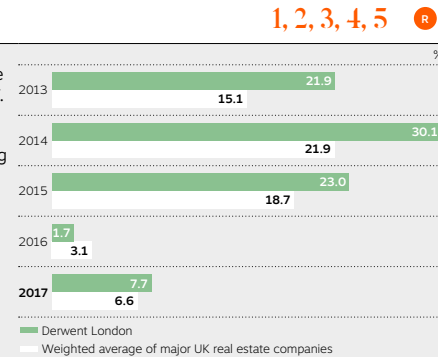
#### Key performance indicators

##### Total return

Total return equates to the combination of NAV growth plus dividends paid during the year. We aim to exceed our benchmark, which is the average of other major real estate companies.

##### Our performance

Our total return of 7.7% meant that we outperformed our benchmark in 2017. Our cumulative performance over the past five years of 114% has exceeded our benchmark by 31%, demonstrating how our strategy can deliver above average long-term returns.



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### 2 Interviews with key stakeholders

Pearson 2017, page 41

Pearson used interviews to communicate key points in its annual report

What excites you most about the work you do at Pearson?

AC

In Pearson I have the amazing opportunity to work with different geographies all over the world. PTE Academic is delivered in over 50 countries and part of my job is really to understand the singularities of each market. I particularly enjoy engaging with the geographies and providing them with data insights that can inform their business strategy.

What is your main goal for 2018?

AC

To support the growth of the PTE Academic test, our main goal as a team is to improve the operational infrastructure around the test, and to redevelop the customer journey. My role is to help the team achieve this goal by analysing operational performance, identifying areas of improvement and working with stakeholders to make them.

How are you helping Pearson in its transition to digital?

AC

PTE Academic is a computer-based test and I have been involved in the operational and technology improvements of the product. As with every digital product, we can generate valuable operational data that can turn into evidence based decision-making.

What is your biggest win at Pearson to date?

AC

I am proud of my work producing genuine data reporting that has been used by teams, colleagues and management. In addition to providing valuable insight and informing decision-making at all levels, I have been able to introduce a data-driven culture within the team and with the geographies. These reporting capabilities have also served to provide accurate forecasting and a robust test centre capacity plan, which has been instrumental for supporting the growth of the test.

#### Pearson Test of English in one minute

The Pearson Test of English Academic is the computer-based English test trusted by universities, colleges and governments around the world.

250 centres around the world



"The test is a true reflection of what's required in communicating ... Reading, Writing, Speaking and Listening"

Elizabeth Karanja, Australia, October 2017

Differentiated consumer experience drove c.70% volume growth

+c.70%

"I introduced a *data-driven culture*. More accurate forecasting has supported the growth of the test."



AC Alvaro Castro  
Product Management Analyst

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### 3 Innovative use of digital

[Hiscox 2017, pages 48, 51 and 56](#)

Links are included within the annual report to other web pages

Since the network's launch in 2008, our progress in meeting a set of principles outlined by ClimateWise has been subject to annual independent review. In 2017, we were given a score of 69%, ranking us seventh among the participants. The Hiscox ClimateWise Report is available at [www.hiscoxgroup.com/responsibility](http://www.hiscoxgroup.com/responsibility).

For more detail on corporate responsibility see [hiscoxgroup.com](http://hiscoxgroup.com)



The Board's Terms of Reference include a Schedule of Matters Reserved for Board Decision, a copy of which can be found on the Group's website: [www.hiscoxgroup.com](http://www.hiscoxgroup.com).



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### 4 Use of different forms of media

[Sightsavers 2017, pages 22 and 24](#)

Sightsavers included links within the annual report to other media types



Listen to Professor Hawking's full keynote speech:  
[www.sightsavers.org/profhawking](http://www.sightsavers.org/profhawking)



Hear more of Dorcas and Simon's story in our celebratory video:  
[www.sightsavers.org/onebillion](http://www.sightsavers.org/onebillion)



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### 5 Glossary

[NHS Resolution 2017/18, page 189](#)

## Glossary

**ALB** – Arm's Length Body.

**CCGs** – Clinical commissioning groups have taken over commissioning from primary care trusts.

**CNST** – The Clinical Negligence Scheme for Trusts indemnifies Members for clinical negligence claims.

**CTG** – Cardiotocograph is a technical means of recording the fetal heartbeat and the uterine contractions during pregnancy, typically in the third trimester.

**DHSC** – Department of Health and Social Care.

**HM Treasury Discount Rates** – These discount rates are designed to recognise the value of money over time: £1 now may be worth more or less in the future. Applying a discount rate to the amounts we expect to pay out in the future enables us to put a value on those outgoings at today's prices. It tells us how much we would need to pay out if we settled all of those future obligations today.

**Duty of Candour** – The statutory duty of candour places a requirement on providers of health and adult social care to be open with patients when things go wrong. It means providers must notify the patient about incidents where 'serious harm' has occurred and provide an apology and explanation where appropriate.

**ELS** – Existing Liabilities Scheme is funded by DHSC and is a clinical negligence claims scheme that indemnifies pre-April 1995 incidents.

**Ex-RHA** – The Ex-Regional Health Authorities Scheme is funded by DHSC and is a clinical negligence claims scheme that indemnifies the liabilities of former regional health authorities.

**Extranet** – A secure web portal providing our members and our solicitors with real-time access to their claims data. The data help our members prevent harm to patients and staff, which might otherwise lead to future claims against the NHS.

**FHSAU** – Family Health Services Appeal Unit, now known as Primary Care Appeals.

**HPAN** – Healthcare Professional Alert Notice is an alert system managed nationally by Practitioner Performance Advice to alert employers to the existence of serious grounds for concern about a regulated health practitioner who has departed the organisation and for whom the concerns were unresolved. This differs from performers' list management (restrictions on practice), which are logged centrally by Primary Care Appeals and shared with requesting health bodies.

**IBNR** – Incurred but not reported claims; claims that may be brought in the future.

**LASPO** – Legal Aid Sentencing and Punishment of Offenders Act. Legal reforms that came into force on 1 April 2013. The reforms change, among other matters, the amount that claimant solicitors can recover from the defendant under conditional fee agreements and limit after-the-event insurance.

A glossary of acronyms and key terms included in the annual report to help make it more accessible to users

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