

Bedford Hospital NHS Trust



**Annual Accounts
2016/17**

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF BEDFORD HOSPITAL NHS TRUST

We have audited the financial statements of Bedford Hospital NHS Trust for the year ended 31 March 2017 on pages 2 to 39 under the Local Audit and Accountability Act 2014. These financial statements have been prepared under applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England. We have also audited the information in the Remuneration and Staff Report that is subject to audit.

This report is made solely to the Board of Directors of Bedford Hospital NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Board of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors, the Accountable Officer and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as

that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2017 and of the Trust's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1.2 to the financial statements concerning the Trust's financial position. The Trust incurred an annual deficit of £8.3m during the year ended 31 March 2017, increasing its cumulative deficit to £44.5m. The Trust has submitted a 2017/18 financial plan to NHS Improvement with a planned deficit of £8.8m, which would result in a cumulative deficit of £53.3m as at 31 March 2018. The Trust needs a significant injection of loan support of £8.8m over the course of 2017/18 in order to meet its liabilities and continue to provide healthcare services. The extent and nature of the financial support from the Department of Health, including whether the support will be forthcoming and sufficient, is currently uncertain, as are any terms and conditions associated with the funding. The requirement placed on public sector bodies require that judgements on going concern are reached with reference to the continuance of service provision by the public sector and measured with reference to public confirmation of funding for those services. These conditions and the other matters explained in Note 1.2 indicate the existence of a material uncertainty which may place significant doubt on the Trust's ability to achieve long term financial stability and to continue as a going concern. The financial statements do not include any adjustments that would result if the Trust was unable to continue as a going concern.

Opinion on other matters

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England; and
- the other information published together with the audited financial statements in the Annual Report and Accounts is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the governance statement does not comply with the Department of Health Group Accounting Manual 2016/17; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014; or

We have nothing to report in respect of the above responsibilities.

Other matters on which we are required to report by exception - referral to Secretary of State

We have a duty under the Local Audit and Accountability Act 2014 to refer the matter to the Secretary of State if we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 9 May 2017 a referral was made to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in respect of the Trust's failure to achieve its statutory break even duty.

Other matters on which we report by exception - adequacy of arrangements to secure value for money

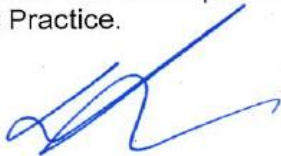
In considering the Trust's arrangements for securing financial resilience and its arrangements for challenging how it secures economy, efficiency and effectiveness we identified the following:

- the Trust incurred a deficit of £8.3m in 2016/17 and has a cumulative deficit of £44.5m as at 31 March 2017;
- the Trust has set a deficit budget of £8.8m for 2017/18, which would result in a cumulative deficit of £53.3m as at 31 March 2018;
- the Trust does not have sufficient cash to meet its commitments without receiving significant external funding; and
- the Trust was inspected by its regulator, the Care Quality Commission, which published its report in April 2016 giving the Trust an overall assessment of 'Requires Improvement'.

On the basis of our work, with the exception of the matters reported above, we are satisfied that, in all material respects, Bedford Hospital NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Bedford Hospital NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Neil Hewitson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

31 May 2017

Data entered below will be used throughout the workbook:

Trust name	Bedford Hospital NHS Trust
This year	2016-17
Last year	2015-16
This year ended	31 March 2017
Last year ended	31 March 2016
This year commencing:	1 April 2016
Last year commencing:	1 April 2015

Accounts 2016-17

**Statement of Comprehensive Income for year ended
31 March 2017**

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	9.1	(118,350)	(114,504)
Other operating costs	7	(84,305)	(75,891)
Revenue from patient care activities	4	168,506	158,070
Other operating revenue	5	23,996	16,337
Operating surplus/(deficit)		(10,153)	(15,988)
Investment revenue	11	15	20
Other gains and (losses)	12	0	1,522
Finance costs	13	(1,233)	(825)
Surplus/(deficit) for the financial year		(11,371)	(15,271)
Public dividend capital dividends payable		(1,900)	(2,752)
Retained surplus/(deficit) for the year		(13,271)	(18,023)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve	(22,484)	(754)
Net gain/(loss) on revaluation of property, plant & equipment	2,728	5,830
Total comprehensive income for the year	(33,027)	(12,947)

Financial performance for the year

Retained surplus/(deficit) for the year	(13,271)	(18,023)
Impairments (excluding IFRIC 12 impairments)	5,441	0
Adjustments in respect of donated gov't grant asset reserve elimination	(470)	83
Adjusted retained surplus/(deficit)	(8,300)	(17,940)

The notes on pages 8 to 39 form part of this account.

**Statement of Financial Position as at
31 March 2017**

		31 March 2017	31 March 2016
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	15	83,322	109,295
Intangible assets	16	4,753	3,547
Trade and other receivables	21	413	1,675
Total non-current assets		88,488	114,517
Current assets:			
Inventories	20	2,332	2,219
Trade and other receivables	21	18,822	9,829
Cash and cash equivalents	22	4,392	1,179
Sub-total current assets		25,546	13,227
Total current assets		25,546	13,227
Total assets		114,034	127,744
Current liabilities			
Trade and other payables	23	(14,867)	(17,297)
Provisions	27	(133)	(239)
Borrowings	24	(517)	(792)
DH capital loan	24	(120)	(120)
Total current liabilities		(15,637)	(18,448)
Net current assets/(liabilities)		9,909	(5,221)
Total assets less current liabilities		98,397	109,296
Non-current liabilities			
Trade and other payables	23	(1,045)	(1,045)
Provisions	27	(904)	(805)
Borrowings	24	(5,796)	(5,821)
DH revenue support loan	24	(37,733)	(15,900)
DH capital loan	24	(2,640)	(2,760)
Total non-current liabilities		(48,118)	(26,331)
Total assets employed:		50,279	82,965
FINANCED BY:			
Public Dividend Capital		105,200	104,859
Retained earnings		(71,166)	(58,430)
Revaluation reserve		16,245	36,536
Total Taxpayers' Equity:		50,279	82,965

The notes on pages 8 to 39 form part of this account.

The financial statements on pages 2 to 7 were approved by the Board on 30 May 2017 and signed on its behalf by

Chief Executive:

Date:



30 May 2017

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2016	104,859	(58,430)	36,536	0	82,965
Changes in taxpayers' equity for 2016-17					
Retained surplus/(deficit) for the year		(13,271)			(13,271)
Net gain / (loss) on revaluation of property, plant, equipment			2,728		2,728
Impairments and reversals			(22,484)		(22,484)
Transfers between reserves		535	(535)	0	0
Reclassification Adjustments					
Temporary and permanent PDC received - cash	341				341
Net recognised revenue/(expense) for the year	341	(12,736)	(20,291)	0	(32,686)
Balance at 31 March 2017	105,200	(71,166)	16,245	0	50,279
Balance at 1 April 2015	104,745	(41,851)	32,904	0	95,798
Changes in taxpayers' equity for the year ended 31 March 2016					
Retained surplus/(deficit) for the year		(18,023)			(18,023)
Net gain / (loss) on revaluation of property, plant, equipment			5,830		5,830
Impairments and reversals			(754)		(754)
Transfers between reserves		1,444	(1,444)	0	0
Reclassification Adjustments					
New PDC received - cash	414				414
PDC repaid in year	(300)				(300)
Net recognised revenue/(expense) for the year	114	(16,579)	3,632	0	(12,833)
Balance at 31 March 2016	104,859	(58,430)	36,536	0	82,965

**Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Charitable Funds Reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2016	104,859	(58,430)	36,536	0	0	82,965
Changes in taxpayers' equity for 2016-17						
Retained surplus/(deficit) for the year		(13,271)				(13,271)
Net gain / (loss) on revaluation of property, plant, equipment			2,728			2,728
Impairments and reversals			(22,484)			(22,484)
Transfers between reserves		535	(535)		0	0
Reclassification Adjustments						
Temporary and permanent PDC received - cash	341					341
Net recognised revenue/(expense) for the year	341	(12,736)	(20,291)	0	0	(32,686)
Balance at 31 March 2017	105,200	(71,166)	16,245	0	0	50,279
 Balance at 1 April 2015	 104,745	 (41,851)	 32,904	 0	 0	 95,798
Changes in taxpayers' equity for the year ended 31 March 2016						
Retained surplus/(deficit) for the year		(18,023)				(18,023)
Net gain / (loss) on revaluation of property, plant, equipment			5,830			5,830
Impairments and reversals			(754)			(754)
Transfers between reserves		1,444	(1,444)		0	0
Reclassification Adjustments						
New PDC received - cash	414					414
PDC repaid in year	(300)					(300)
Net recognised revenue/(expense) for the year	114	(16,579)	3,632	0	0	(12,833)
Balance at 31 March 2016	104,859	(58,430)	36,536	0	0	82,965

This table is included for information only. In accordance with note 1.3 the trust does not consolidate its Charitable Funds on the basis of materiality.

Information on reserves

1 Public dividend capital

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

2 Income and expenditure reserve

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

3 Revaluation Reserve

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

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		(10,153)	(15,988)
Depreciation and amortisation	15.1&16.1	5,021	5,993
Impairments and reversals	18	5,441	0
(Increase)/Decrease in Inventories		(113)	14
(Increase)/Decrease in Trade and Other Receivables		(7,731)	(1,213)
Increase/(Decrease) in Trade and Other Payables		(2,093)	2,608
Provisions utilised		(206)	(289)
Increase/(Decrease) in movement in non cash provisions		184	(140)
Net Cash Inflow/(Outflow) from Operating Activities		(9,650)	(9,015)
Cash Flows from Investing Activities			
Interest Received		15	20
(Payments) for Property, Plant and Equipment		(4,777)	(4,153)
(Payments) for Intangible Assets		(1,107)	(866)
Proceeds of disposal of assets held for sale (PPE)		0	2,000
Net Cash Inflow/(Outflow) from Investing Activities		(5,869)	(2,999)
Net Cash Inform / (outflow) before Financing		(15,519)	(12,014)
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		341	414
Gross Temporary and Permanent PDC Repaid		0	(300)
Loans received from DH - New Revenue Support Loans		37,098	28,581
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(120)	(120)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		(15,265)	(12,681)
Capital Element of Payments in Respect of Finance Leases and On-SoFP			
PFI and LIFT		(346)	(187)
Interest paid		(1,233)	(825)
PDC Dividend (paid)/refunded		(1,743)	(2,887)
Net Cash Inflow/(Outflow) from Financing Activities		18,732	11,995
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,213	(19)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		1,179	1,198
Cash and Cash Equivalents (and Bank Overdraft) at year end	22	4,392	1,179

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Accounting Manual 2016-17 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Going Concern

As required by the Government Financial Reporting Manual (FREM), the trust board has considered the appropriateness of preparing accounts on a going concern basis.

The trust's retained adjusted deficit for the year ending 31 March 2017 is £8.3m. In year, the trust originally expected to receive £5.8m Sustainability and Transformation Funding (STF). As a result of performing better than plan, the trust was able to access further STF, receiving £7.2m in total. The trust accessed £21.7m working capital support from NHS Improvement in 2016-17.

There is no prospect within the next twelve months, or the foreseeable future that health services will cease to be provided from the Bedford hospital site. In keeping with a number of other NHS trusts currently forecasting a deficit for the year ended 31 March 2018, the trust is assured of access via NHS Improvement (formerly NHS Trust Development Authority) to financial resources to support the forecast deficit out turn.

NHS improvement has approved an operational plan for 2017-18 and 2018-19. This is to deliver an £8.8m deficit in 2017-18 and a £6.8m deficit in 2018-19. The plan is based on having signed 2 year contracts with its NHS commissioners and the following assumptions:

- Ongoing cash support from the Department of Health – operation plan includes receipt of £8.8m and £6.8m revenue support loans from DH in the respective years to finance the revenue deficit
- Receipt of STF of £5.2m in each year
- Planned savings programmes of £7.8m in each year

The cumulative deficit to the end of 2016-17 is £44.5m. The projected in year adjusted retained deficit for 2017-18 is £8.8m and for 2018-19 is £6.8m leading to a projected cumulative deficit at 31 March 2018 of £53.3m and £60.1m by 31 March 2019.

The trust is projecting that in-year break-even will be achieved in the year ending 31 March 2021. This is based on STP-wide financial planning assumptions. Given the anticipated return to break-even as part of the STP, the ongoing cash support from DH and NHS Improvement in the form of loans, the receipt of STF and based on the trust's record in delivering its saving programme over the past few years, the trust board has concluded that the preparation of accounts on a going concern basis is appropriate and in compliance with the FREM.

1.3 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 Presentation of Financial Statements, restated prior period accounts are presented where the adoption of the new policy has a material impact.

Following the Treasury's agreement to apply IFRS10 to NHS charities from 1 April 2013, the Trust has established that as the Trust is the Corporate Trustee of the associated NHS Charity (Bedford Hospital the Trust Charitable Fund), it effectively has the power to exercise control so as to obtain economic benefits. However the transactions are immaterial in the context of the group and transactions and balances have therefore not been consolidated. Details of the transactions with the charity are included in the related parties note see note 33.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

For example, management has exercised critical judgement in assessing which assets to capitalise and determining useful economic lives of assets within Property, Plant and Equipment and Intangible Assets. In exercising that judgement, Management has heeded the historic principles for recognising assets and assessing asset useful economic lives within the NHS, the view of the end user within the Trust's business unit and best practice from other similar NHS bodies. Management has also exercised critical judgement in determining the values of provisions to recognise at the financial year-end. The judgement in respect of provisions has been based on guidance issued by DH, previous experiences and management's assessment of the likelihood of provisions materialising.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.5 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

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

The Trust receives income from the sale of goods or other Non Patient Services. These are accounted for on a cash received basis and arise from the following areas:

- Restaurants for use by both the public and staff
- Shops
- Vending Machines
- Car Parks
- Rent and overhead recovery for accommodation and premises
- Coroners' fees
- Hire of Equipment
- Supplier rebates
- Pathology testing fees
- Photocopying cost recovery
- Staff cost recovery for estates management, training and research
- Handling fees for organ donation

The vast majority of these transactions are cash transactions at the point of sale and consequently there is no material difference between cash and accruals accounting.

1.6 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the NHS trust commits itself to the retirement, regardless of the method of payment.

1.7 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

NOTES TO THE ACCOUNTS

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the NHS trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

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

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost, modern equivalent asset (MEA) basis.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. The trust has taken the option to value an alternative site using a modern equivalent asset approach.

Giles Awford, BSC, MRICS on behalf of the District Valuer Services the Property Services arm of the Valuation Agency undertook a valuation of the Trust's buildings and land as at 31 March 2016 and 31 March 2017 on a modern equivalent asset valuation basis.

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

IT equipment, transport, furniture, plant & machinery and fixtures are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.9 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;

NOTES TO THE ACCOUNTS

- the intention to complete the intangible asset and use it;
- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses as this is not considered to be materially different from fair value.

1.10 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the NHS trust expects to obtain economic benefits or service potential from the asset. This is specific to the NHS trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives.

Economic Lives of Non-Current Assets	Min Life	Max Life
	Years	Years
Intangible Assets		
Software Licences	0	6
Development Expenditure	0	4
IT - in house & 3rd Party Software	0	9
Property, Plant and Equipment		
Buildings exc Dwellings	20	30
Dwellings	11	22
Plant & Machinery	0	14
Transport Equipment	0	10
Information Technology	0	10
Furniture and Fittings	0	10

At each financial year-end, the NHS trust checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.11 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

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1.12 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.13 Non-current assets held for sale

The Trust has no non-current assets held for sale.

1.14 Leases

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

The trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The NHS trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

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

NOTES TO THE ACCOUNTS

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.16 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trust's cash management.

1.17 Provisions

Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 27.

1.19 Non-clinical risk pooling

The NHS trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

1.20 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.21 Value Added Tax

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

1.22 Foreign currencies

The NHS trust's functional and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

1.23 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts *[amend as appropriate]*.

1.24 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

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

1.25 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the NHS trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.26 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.27 Accounting Standards that have been issued but have not yet been adopted

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

1.28 Gifts

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

2 Operating segments

During 2016/17, the Trust has not reported to its Board of Directors the financial performance of the Trust at a divisional or segmental level. For the purposes of the 2016/17 financial statements therefore the Trust considers that it operates a single segment, namely healthcare, and segmental disclosures have therefore not been prepared.

3 Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Summary Table - aggregate of all schemes

	2016-17 £000s	2015-16 £000s
Income	3046	2,928
Full cost	1777	1,920
Surplus/(deficit)	1,269	1,008

The Trust operates car parks, a restaurant, bistro and hospital shop for the benefit of staff, patients and visiting members of the public. The cost of these activities is based on a management estimate as a proportion of the Trust's overall costs. The board requires the operation to be self-financing on a fully absorbed cost basis. Surpluses contribute to the overall financial performance of the Trust and are reinvested in the Trust facilities and services.

4 Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	120	65
NHS England	21,098	18,155
Clinical Commissioning Groups	143,445	134,833
Foundation Trusts	785	1,331
NHS Other (including Public Health England and Prop Co)	20	142
Additional income for delivery of healthcare services	0	300
Non-NHS:		
Local Authorities	583	1,142
Private patients	1,443	1,218
Overseas patients (non-reciprocal)	226	189
Injury costs recovery	722	626
Other Non-NHS patient care income	64	69
Total Revenue from patient care activities	168,506	158,070

Injury cost recovery income is subject to a provision for impairment of receivables of 22.94% to reflect the expected rates of collection.

The following external customers represent more than 10% of income from patient care activities:

	2016-17 £000s	2015-16 £000s
Bedfordshire CCG	135,554	127,752
NHS England	21,098	17,516

5 Other operating revenue

	2016-17 £000s	2015-16 £000s
Education, training and research	5,710	5,321
Charitable and other contributions to revenue expenditure -non- NHS	0	120
Receipt of charitable donations for capital acquisitions	599	171
Non-patient care services to other bodies	5,064	4,668
Sustainability & Transformation Fund Income	7,214	0
Income generation (Other fees and charges)	4,841	5,206
Rental revenue from operating leases	515	530
Other revenue	53	321
Total Other Operating Revenue	23,996	16,337
Total operating revenue	192,502	174,407

6 Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	226	189
Cash payments received in-year (re receivables at 31 March 2016)	39	20
Cash payments received in-year (iro invoices issued 2016-17)	48	63
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	16	49
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	46	15
Amounts written off in-year (irrespective of year of recognition)	159	87

7 Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	239	336
Services from NHS Foundation Trusts	9,806	9,283
Total Services from NHS bodies*	10,045	9,649
Purchase of healthcare from non-NHS bodies	10,005	10,520
Trust Chair and Non-executive Directors	48	48
Supplies and services - clinical	32,076	30,410
Supplies and services - general	3,706	3,765
Consultancy services	1,700	779
Establishment	2,048	1,907
Transport	93	110
Business rates paid to local authorities	841	766
Premises	6,759	6,660
Hospitality	47	52
Insurance	39	44
Legal Fees	50	190
Impairments and Reversals of Receivables	175	218
Inventories write down	63	137
Depreciation	4,472	5,529
Amortisation	549	464
Impairments and reversals of property, plant and equipment	5,441	0
Internal Audit Fees	82	69
Audit fees	50	50
Other auditor's remuneration [detail]	12	35
Clinical negligence	5,460	3,954
Education and Training	498	465
Other	46	70
Total Operating expenses (excluding employee benefits)	84,305	75,891
Employee Benefits		
Employee benefits excluding Board members	117,323	113,452
Board members	1,027	1,052
Total Employee Benefits	118,350	114,504
Total Operating Expenses	202,655	190,395

The audit fee of £41,667 plus VAT relates to the current statutory audit fee in respect of 2016-17. Other Auditor's Remuneration of £10,000 plus VAT relates to the Quality Accounts audit fee in respect of 2015-16.

Internal Audit Fees of £82,000 include a payment of £27,000 in respect of a counterfraud specialist service.

*Services from NHS bodies does not include expenditure which falls into a category below

8 Operating Leases

The Trust has several lease agreements as follows:

A Building with a lease to 2059, with future payments of £26.881m

Clinical Equipment and vehicles with leases ranging from one year to 6 years, with future payments of £2.185m

8.1 Bedford Hospital NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				400	886
Total				400	886
Payable:					
No later than one year		319	648	967	1,110
Between one and five years	0	1,374	1,531	2,905	2,481
After five years	0	25,189	6	25,195	25,948
Total	0	26,882	2,185	29,067	29,539

8.2 Bedford Hospital NHS Trust as lessor

The Trust rented Weller Wing, a mental health facility, to South Essex Partnership University NHS Foundation Trust up to 31 March 2015. At this point the lease transferred to East London NHS Foundation Trust (ELFT), the new mental health provider commissioned by Bedfordshire CCG, from 1 April 2015. ELFT has however given notice, which has been accepted by BHT, to terminate its lease with effect from 31 March 2017. Part of the premises, now known as the Cauldwell Centre, has been let to two tenants. Neither tenant has exclusive use of the premises and have not been issued with leases.

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	515	530
Contingent rents	0	0
Total	515	530
Receivable:		
No later than one year	0	535
Between one and five years	0	0
After five years	0	0
Total	0	535

9 Employee benefits

9.1 Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
Employee Benefits - Gross Expenditure		
Salaries and wages	99,432	97,851
Social security costs	8,724	6,849
Employer Contributions to NHS BSA - Pensions Division	10,301	10,025
Termination benefits	40	0
Total employee benefits	118,497	114,725
Employee costs capitalised	147	221
Gross Employee Benefits excluding capitalised costs	118,350	114,504

Note: In line with the DH GAM, employee benefits should be shown in the accounts note in a single column for all categories of staff, which matches those shown for employee benefits in the staff costs disclosure in the Staff Report part of the annual report. See paragraphs 5.60 - 5.62 in the DH GAM for more detail.

9.2 Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	2	1
	£000s	£000s
Total additional pensions liabilities accrued in the year	105	111

9.3 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

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

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

10 Better Payment Practice Code**10.1 Measure of compliance**

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	65,062	108,669	59,907	70,990
Total Non-NHS Trade Invoices Paid Within Target	41,230	86,823	46,989	58,354
Percentage of NHS Trade Invoices Paid Within Target	63.37%	79.90%	78.44%	82.20%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,407	15,052	902	9,690
Total NHS Trade Invoices Paid Within Target	594	4,542	441	7,536
Percentage of NHS Trade Invoices Paid Within Target	42.22%	30.18%	48.89%	77.77%

The Better Payment Practice Code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later.

10.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2016-17 £000s	2015-16 £000s
Amounts included in finance costs from claims made under this legislation	0	1
Total	0	1

11 Investment Revenue

	2016-17 £000s	2015-16 £000s
Bank interest	15	20
Subtotal	15	20
Total investment revenue	15	20

12 Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain (Loss) on disposal of assets held for sale	0	1,522
Total	0	1,522

13 Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	713	322
Interest on obligations under finance leases	505	500
Interest on obligations under PFI contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on obligations under LIFT contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Total interest expense	1,218	822
Other finance costs	0	0
Provisions - unwinding of discount	15	2
Total	1,233	824

14 Auditor Disclosures**14.1 Other auditor remuneration**

No other payments have been made to the external auditor other than for external audit of the annual financial accounts and quality accounts.

14.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2016/17 or 2015/16.

15.1 Property, plant and equipment**2016-17****Cost or valuation:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Opening cost or valuation	12,000	84,857	311	575	21,332	96	5,529	969	125,669
Opening balance adjustment	0	111	(111)	0	0	0	0	0	0
At 1 April 2016	12,000	84,968	200	575	21,332	96	5,529	969	125,669
Additions of Assets Under Construction				718					718
Additions Purchased	0	1,210	0		1,228	0	609	11	3,058
Additions - Purchases from Cash Donations & Government Grants	0	0	0	546	44	0	0	0	590
Reclassifications	0	0	0	(645)	645	0	(695)	0	(695)
Disposals other than for sale	0	0	0	0	(729)	0	(938)	(16)	(1,683)
Revaluation	(5,426)	469	(5)	0	0	0	0	0	(4,962)
Impairments/reversals charged to reserves	(2,847)	(19,601)	(36)	0	0	0	0	0	(22,484)
At 31 March 2017	3,727	67,046	159	1,194	22,520	96	4,505	964	100,211

Depreciation

Opening depreciation	0	0	6		13,266	64	2,584	454	16,374
Opening balance adjustment	0	6	(6)		0	0	0	0	0
At 1 April 2016	0	6	0		13,266	64	2,584	454	16,374
Reclassifications	0	0	0		0	0	(25)	0	(25)
Disposals other than for sale	0	0	0		(729)	0	(938)	(16)	(1,683)
Revaluation	(5,441)	(2,240)	(9)		0	0	0	0	(7,690)
Impairments/reversals charged to operating expenses	5,441	0	0		0	0	0	0	5,441
Charged During the Year	0	2,237	9		1,495	4	641	86	4,472
At 31 March 2017	0	9	0	0	27,298	132	4,846	978	33,263
Net Book Value at 31 March 2017	3,727	67,037	159	1,194	(4,778)	(36)	(341)	(14)	66,948

Asset financing:

Owned - Purchased	3,727	65,398	159	601	7,496	28	2,243	386	80,038
Owned - Donated	0	1,645	0	593	486	0	0	13	2,737
Held on finance lease	0	0	0	0	506	0	0	41	547
Total at 31 March 2017	3,727	67,043	159	1,194	8,488	28	2,243	440	83,322

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	2,869	33,438	205	0	17	0	0	7	36,536
Movements (specify)	(2,832)	(17,417)	(39)	0	(1)	0	0	0	(20,289)
At 31 March 2017	37	16,021	166	0	16	0	0	7	16,247

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	660
Dwellings	0
Plant & Machinery	58
Balance as at YTD	718

During the year a number of assets that had been fully written down to a nil net book value, and were no longer in use, were disposed. These items had an original cost of £2.119m (Tangible Assets £1.682m and Intangible Assets £0.437m).

The reclassification lines do not total zero because previously intangible assets under construction were not recognised separately from tangible assets under construction. Following a change in policy intangible assets under construction are now recognised. Consequently intangible assets under construction that were previously accounted for as tangible assets under construction in prior years have to be transferred upon being commissioned to the table for intangible assets.

15.2 Property, plant and equipment prior-year**2015-16****Cost or valuation:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	13,090	76,515	572	3,307	21,085	79	4,117	899	119,664
Additions of Assets Under Construction				2,678					2,678
Additions Purchased	0	1,171	0		297	17	339	54	1,878
Additions - Purchases from Cash Donations & Government Grants	0	43	0	33	79	0	0	16	171
Additions Leased (including PFI/LIFT)	0	0	0		728	0	0	0	728
Reclassifications	0	3,685	0	(5,443)	685	0	1,073	0	0
Disposals other than for sale	(100)	0	(296)	0	(1,542)	0	0	0	(1,938)
Revaluation	75	3,132	35	0	0	0	0	0	3,242
Impairments/reversals charged to operating expenses	(1,065)	311	0	0	0	0	0	0	(754)
At 31 March 2016	12,000	84,857	311	575	21,332	96	5,529	969	125,669

Depreciation

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	0	0	2		12,668	62	1,894	359	14,985
Disposals other than for sale	0	0	(10)		(1,542)	0	0	0	(1,552)
Revaluation	0	(2,576)	(12)		0	0	0	0	(2,588)
Charged During the Year	0	2,576	26		2,140	2	690	95	5,529
At 31 March 2016	0	0	6	0	13,266	64	2,584	454	16,374
Net Book Value at 31 March 2016	12,000	84,857	305	575	8,066	32	2,945	515	109,295

Asset financing:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Owned - Purchased	12,000	78,376	305	528	6,922	32	2,945	448	101,556
Owned - Donated	0	2,194	0	47	511	0	0	15	2,767
Held on finance lease	0	4,287	0	0	633	0	0	52	4,972
Total at 31 March 2016	12,000	84,857	305	575	8,066	32	2,945	515	109,295

15.3 (cont). Property, plant and equipment

During the year ended 31 March 2017 assets were donated to the Trust as below:

Bedford Hospital Charity (independent external charity) assets to the value of £545,594;

The Friends of Bedford Hospital (independent external charity) assets to the value of £35,000;

Bedford Hospital Trust Charitable Funds (NHS Charitable Trust associated with Bedford Hospital and under the control of the Bedford Hospital corporate trustee) assets to the value of £9,500; and an external donation from Bedford CCG of £9,500.

The Trust employed the services of the District Valuation Office to undertake a Modern Equivalent Asset (MEA) valuation of the land and buildings for Bedford Hospital as at 31 March 2017. In accordance with the HM Treasury's standard approach to depreciated replacement cost valuations based on modern equivalent assets and, the option contained within that standard approach that where it would meet the location requirements of the service being provided, an alternative site can be valued the trust has exercised the option to value an alternative site. The valuation was undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by, respectively, the NHS Manual for Accounts or the NHS Foundation Trust Annual Reporting Manual, each of which is compliant with the HM Treasury Financial Reporting Manual (FReM) guidance applicable from 1st April 2015 onwards. The valuation was also in accordance with the requirements of the Royal Institution of Chartered Surveyors RICS Valuation.2

The independent valuation resulted in an overall decrease in the values of Land, Buildings and Dwelling by a gross amount of £27,446,000 (a net increase of £1,242,000 and a reduction of £28,688,000). These changes were primarily attributed to an overall decrease in the Land values due to the alternate site valuations. This has resulted in an impairment to the Statement of Comprehensive Income of £5,441,000.

The land relating to dwellings is valued at £76,500 (2015-16 £145,000), a decrease of **£77,500**

Land is not depreciated.

16 Intangible non-current assets

16.1 Intangible non-current assets

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Developmen t Expenditure - Internally Generated	Intangible Assets Under Constructio n	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2016-17							
At 1 April 2016	6,078	595	0	0	70	0	6,743
Additions of Assets Under Construction						444	444
Additions Purchased	632	0	0	0	0	0	632
Additions - Purchases from Cash Donations and Government Grants	9	0	0	0	0	0	9
Reclassifications	431	0	0	0	0	264	695
Disposals other than by sale	(331)	(52)	0	0	(54)	0	(437)
At 31 March 2017	6,819	543	0	0	16	708	8,086
Amortisation							
At 1 April 2016	2,566	572	0	0	58		3,196
Reclassifications	25	0	0	0	0		25
Disposals other than by sale	(331)	(52)	0	0	(54)		(437)
Charged During the Year	524	23	0	0	2		549
At 31 March 2017	2,784	543	0	0	6	0	3,333
Net Book Value at 31 March 2017	4,035	0	0	0	10	708	4,753
Asset Financing: Net book value at 31 March 2017 comprises:							
Purchased	4,004	0	0	0	10	708	4,722
Donated	31	0	0	0	0	0	31
Total at 31 March 2017	4,035	0	0	0	10	708	4,753

16.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Licenses and Trademarks £000's	Patents £000's	Development Expenditure - Internally Generated £000's	£000's	Total £000's
2015-16							
Cost or valuation:							
At 1 April 2015	5,023	595	0	0	70	0	5,688
Additions - purchased	1,055	0	0	0	0	0	1,055
At 31 March 2016	<u>6,078</u>	<u>595</u>	<u>0</u>	<u>0</u>	<u>70</u>	<u>0</u>	<u>6,743</u>
Amortisation							
At 1 April 2015	2,151	525	0	0	56	0	2,732
Charged during the year	415	47	0	0	2	0	464
At 31 March 2016	<u>2,566</u>	<u>572</u>	<u>0</u>	<u>0</u>	<u>58</u>	<u>0</u>	<u>3,196</u>
Net book value at 31 March 2016	3,512	23	0	0	12	0	3,547
Net book value at 31 March 2016 comprises:							
Purchased	3,486	24	0	0	11		3,521
Donated	27	0	0	0	0		27
Total at 31 March 2016	<u>3,513</u>	<u>24</u>	<u>0</u>	<u>0</u>	<u>11</u>	<u>0</u>	<u>3,548</u>

The reclassification lines do not total zero because previously intangible assets under construction were not recognised separately from tangible assets under construction. Following a change in policy, intangible under construction are now recognised. Consequently intangible assets under construction that were previously accounted for as tangible assets under construction in prior years have to be transferred upon being commissioned to the table for intangible assets.

16.3 Intangible non-current assets

The Trust software assets are not revalued, hence no revaluation reserve for intangible assets.

All intangible assets are held at cost and amortised at rates calculated to write them down to nil net book value over the estimated useful life of the asset.

There are no intangible assets with indefinite useful lives.

17 Analysis of impairments and reversals recognised in 2016-17

	2016-17 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Changes in market price	5,441
Total charged to Annually Managed Expenditure	5,441
Total Impairments of Property, Plant and Equipment changed to SoCI	5,441
Total Impairments charged to SoCI - AME	5,441
Overall Total Impairments	5,441

The net reduction in the value of land and buildings as a result of the Modern Equivalent Asset (MEA) Alternative Site Valuation undertaken as at 31 March 2017 has resulted in an impairment charge to the Statement of Comprehensive Income of £5,441,000.

18. Analysis of impairments and reversals recognised in 2016-17

	Property Plant and Equipment	Intangible Assets	Financial Assets	Non- Current Assets Held for Sale	Total £000s
Other	0	0	0	0	0
Changes in market price	5,441	0	0	0	5,441
Total charged to Annually Managed Expenditure	5,441	0	0	0	5,441
Total Impairments of Property, Plant and Equipment changed	5,441	0	0	0	5,441

Donated and Gov Granted Assets, included above

	£000s
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

Any increases or reduction in the value of land and buildings as a result of the Modern Equivalent Asset valuation undertaken as at 31 March 2017 has resulted in an impairment charge to the Statement of Comprehensive Income because there was insufficient revaluation reserve to reflect impairments in their entirety in movements within reserves. The impairment is first charged against the relevant revaluation reserve and then any excess impairment over the value of the reserve is charged to the Statement of Comprehensive Income.

19 Commitments**19.1 Capital commitments**

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	1,519	156
Intangible assets	93	269
Total	1,612	425

20 Inventories

	Drugs	Consumables	Work in Progress	Energy	Loan Equipment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	778	1,359	0	21	0	61	2,219	0
Additions	15,003	12,976	0	0	0	1,628	29,607	0
Inventories recognised as an expense in the period	(14,828)	(12,980)	0	(7)	0	(1,616)	(29,431)	0
Write-down of inventories (including losses)	(63)	0	0	0	0	0	(63)	0
Balance at 31 March 2017	890	1,355	0	14	0	73	2,332	0

21.1 Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS receivables - revenue	7,627	2,968	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	6,159	3,168	0	0
Non-NHS receivables - revenue	1,772	1,198	0	0
Non-NHS prepayments and accrued income	3,544	2,404	413	1,675
PDC Dividend prepaid to DH	0	139	0	0
Provision for the impairment of receivables	(657)	(643)	0	0
VAT	260	348	0	0
Other receivables	117	247	0	0
Total	18,822	9,829	413	1,675
Total current and non current	19,235	11,504		
Included in NHS receivables are prepaid pension contributions:	0			

The great majority of trade is with NHS bodies primarily commissioners. As NHS Commissioners are funded by Government to buy NHS patient car services, no credit scoring of them is considered necessary.

21.2 Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	2,937	1,356
By three to six months	334	507
By more than six months	649	438
Total	3,920	2,301

21.3 Provision for impairment of receivables

	2016-17	2015-16
	£000s	£000s
Balance at 1 April 2016	(643)	(520)
Amount written off during the year	161	95
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(175)	(218)
Balance at 31 March 2017	(657)	(643)

Provisions have been made in full for all non NHS debts originating prior to 31 March 2016. Injury allowance debtors have been provided at 22.94%.

22 Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	1,179	1,198
Net change in year	3,213	(19)
Closing balance	4,392	1,179
Made up of		
Cash with Government Banking Service	4,387	1,174
Commercial banks	0	0
Cash in hand	5	5
Cash and cash equivalents as in statement of financial position	4,392	1,179
Cash and cash equivalents as in statement of cash flows	4,392	1,179

23 Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS payables - revenue	1,922	3,464	0	0
NHS accruals and deferred income	2,163	2,360	0	0
Non-NHS payables - revenue	2,616	5,016	0	0
Non-NHS payables - capital	904	1,241	0	0
Non-NHS accruals and deferred income	4,557	2,819	1,045	1,045
Social security costs	1,279	1,035		
PDC Dividend payable to DH	17	0		
Accrued Interest on DH Loans	127	51		
VAT	0	67	0	0
Tax	1,170	1,140		
Other	112	104	0	0
Total	14,867	17,297	1,045	1,045
Total payables (current and non-current)	15,912	18,342		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	0	0		
number of Cases Involved (number)	0	0		
outstanding Pension Contributions at the year end	1,427	1,394		

24 Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Loans from Department of Health	120	120	40,373	18,660
Finance lease liabilities	517	792	5,796	5,821
Total	637	912	46,169	24,481
Total other liabilities (current and non-current)	46,806	25,393		

Borrowings / Loans - repayment of principal falling due in:

	DH £000s	31 March 2017 Other £000s	Total £000s
0-1 Years	120	922	1,042
1 - 2 Years	120	3,670	3,790
2 - 5 Years	16,320	1,014	17,334
Over 5 Years	23,933	707	24,640
TOTAL	40,493	6,313	46,806

25 Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	82	82	1,045	1,300
Transfer of deferred revenue	0	0	0	(255)
Current deferred income at 31 March 2017	82	82	1,045	1,045
Total deferred income (current and non-current)	1,127	1,127		

The £1,045,000 non-current deferred income relates to former NHS staff now deployed with a Community Interest Company. The staff involved had the option to retain their former NHS terms and conditions of employment under a NHS contract. These staff are now hosted by Bedford Hospital NHS Trust (BHT) and BHT were paid £1,300,000 a sum equivalent to the accumulated redundancy pay and associated costs should the CIC company wish to make those staff redundant. In 2015/16, 4 staff took voluntary redundancy, which reduces the long term creditor.

26 Finance lease obligations as lessee

On 29 March 2004, the Trust entered in to a finance lease for Beeden House which expires on the 5 April 2128 at an annual rent of £522,342. The rent is subject to an annual escalation of 2.5% up to the 29th anniversary. Subsequent rent reviews take place on the 30th anniversary and every 5 years thereafter. The lease has a break date on the 30th anniversary of the commencement of the term and each succeeding 10th anniversary of the commencement of the term.

Amounts payable under finance leases (Buildings)

Not relevant for trust

	Minimum lease payments		Present value of minimum	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Within one year	720	702	464	643
Between one and five years	3,065	2,990	1,587	2,202
After five years	11,239	12,034	3,668	3,025
Less future finance charges	(9,305)	(9,856)	0	0
Minimum Lease Payments / Present value of minimum lease payments	<u>5,719</u>	<u>5,870</u>	<u>5,719</u>	<u>5,870</u>
Included in:				
Current borrowings			464	643
Non-current borrowings			5,255	5,227
			<u>5,719</u>	<u>5,870</u>

Amounts payable under finance leases (Other)

Not relevant for trust

	Minimum lease payments		Present value of minimum	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Within one year	202	202	53	149
Between one and five years	605	807	160	594
After five years	0	0	381	0
Less future finance charges	(213)	(266)		
Minimum Lease Payments / Present value of minimum lease payments	<u>594</u>	<u>743</u>	<u>594</u>	<u>743</u>
Included in:				
Current borrowings			53	0
Non-current borrowings			541	0
			<u>594</u>	<u>0</u>

27 Provisions

	Total	Comprising: Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change)	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	1,044	986	58	0	0	0	0	0
Arising during the year	212	186	26	0	0	0	0	0
Utilised during the year	(206)	(148)	(58)	0	0	0	0	0
Reversed unused	(28)	(28)	0	0	0	0	0	0
Unwinding of discount	15	15	0	0	0	0	0	0
Change in discount rate	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trusts on being authorised as FT	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies under absorption accounting	0	0	0	0	0	0	0	0
Balance at 31 March 2017	1,037	1,011	26	0	0	0	0	0
Expected Timing of Cash Flows:								
No Later than One Year	133	107	26	0	0	0	0	0
Later than One Year and not later than Five Years	440	440	0	0	0	0	0	0
Later than Five Years	464	464	0	0	0	0	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2017 105,147

As at 31 March 2016 95,751

28 Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	(21)	0
Net value of contingent liabilities	(21)	0

29 Analysis of charitable fund reserves

31 March 2017 £000s	31 March 2016 £000s
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On the grounds of materiality no Charitable Funds have been consolidated into the Bedford Hospital NHS Charitable Accounts.

Restricted / Endowment Funds	23	0
Non-Restricted Funds	353	390
	376	390

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. They may also be capital funds (e.g. endowments) where the assets are required to be invested, or retained for use rather than expended.

30 Financial Instruments

Not relevant for trust

30.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with clinical commissioning groups and the way those commissioners are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trusts standing financial instructions and policies agreed by the board of directors. The NHS Trust's treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with primary care [organisation]s, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

31.2 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			0
Receivables - NHS		13,786		13,786
Receivables - non-NHS		5,449		5,449
Cash at bank and in hand		4,392		4,392
Total at 31 March 2017	0	23,627	0	23,627
Receivables - NHS		6,136		6,136
Receivables - non-NHS		3,717		3,717
Cash at bank and in hand		1,179		1,179
Total at 31 March 2016	0	11,032	0	11,032

31.3 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
NHS payables		4,085	4,085
Non-NHS payables		11,827	11,827
Other borrowings		40,493	40,493
PFI & finance lease obligations		6,313	6,313
Total at 31 March 2017	0	62,718	62,718
NHS payables		5,824	5,824
Non-NHS payables		11,355	11,355
Other borrowings		18,780	18,780
PFI & finance lease obligations		6,613	6,613
Total at 31 March 2016	0	42,572	42,572

32 Events after the end of the reporting period

There are no significant events after the end of the reporting year.

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33 Related party transactions

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Bedford Hospital.

The Trust has not entered into any significant transactions directly with the Department of Health in 2016-17. During the year the Trust has had a significant number of material transactions with other entities for which the Department is regarded as the parent Department. For example :

CCGs
NHS Foundation Trusts
NHS Trusts
NHS Litigation Authority
NHS Business Services Authority

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with HM Revenue and Customs.

The Trust has also received revenue and capital payments from Bedford Hospital NHS Trust Charitable Funds, the single trustee of which is the Trust Board.

The table below shows all the related party organisations with which the Trust has had material transactions in the year to 31 March 2017 i.e. Transactions over £250,000 in any of the four categories analysed below:

	Payables to Related Party £000s	Receivables from Related Party £000s	Revenue £000s	Expenditure £000s
CCGs				
Aylesbury Vale CCG	0	195	277	0
Bedfordshire CCG	0	3,941	135,554	0
Cambridgeshire And Peterborough CCG	0	251	954	0
East And North Hertfordshire CCG	0	11	344	0
Luton CCG	0	4	1,044	0
Milton Keynes CCG	0	172	2,972	0
Nene CCG	0	51	1,463	0

CCG transactions are in respect of healthcare service provision by the Trust.

NHS Foundation Trusts

Cambridge Univ Hosp NHS Foundation Trust	135	68	213	607
Luton And Dunstable University Hospital NHS Foundation Trust	184	159	539	1,153
Moorfields Eye Hospital NHS Foundation Trust	1,388	623	4,288	8,949
Norfolk And Norwich University Hospitals NHS Foundation Trust	63	0	342	64
South Essex Partnership NHS Foundation Trust	66	136	910	266
East London NHS Foundation Trust	38	794	998	26

Moorfields Eye Hospital NHS FT is a sub contractor for the provision of ophthalmology at the Trust.
All other Foundation Trusts transactions are in respect of clinical and non clinical services.

Special Health Authorities

Health Education England	0	72	5,003	0
NHS Litigation Authority	6	0	0	5,466

NHS England

NHS England Core	70	3,155	7,239	70
Central Midlands Local Office	0	58	6,341	0
East Local Office	70	368	741	70
East Midlands Specialised Commissioning Hub (formerly known as Central Midlands Commissioning Hub)	15	124	1,837	15
East of England Specialised Commissioning Hub (formerly known as East Commissioning Hub)	0	1,830	12,707	0

NHS Area Team Transactions are in respect of healthcare service provision by the Trust.

Local Authorities

Bedford Unitary Authority	0	11	757	0
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In respect of Healthcare service provision by the Trust to LA's.

Government Departments

HM Revenue and Customs Trust Statement	2,449	259	259	8,130
National Health Service Pension Scheme	1,428	0	0	9,793

Charitable Funds

Bedford Hospital Trust Charitable Funds	0	0	719	733
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Bedford Hospital Trust Charitable Funds	0	0	719	733
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Prior year Comparators

The table below shows all the related party organisations with which the Trust had material transactions in the year to 31 March 2016 i.e. Transactions over £250,000 in any of the four categories analysed below:

	Payables to Related Party £000s	Receivables from Related Party £000s	Revenue £000s	Receivables from Related Party £000s
CCGs				
Bedfordshire CCG	0	1,248	127,752	17
Cambridgeshire And Peterborough CCG	0	37	672	0
East And North Hertfordshire CCG	0	0	311	3
Luton CCG	0	0	1,064	0
Milton Keynes CCG	0	135	2,640	0
Nene CCG	0	213	1,175	0
Aylesbury Vale CCG	0	131	260	0

CCG transactions are in respect of healthcare service provision by the Trust.

NHS Foundation Trusts

Cambridge Univ Hosp NHS Foundation Trust	134	41	188	491
Luton And Dunstable University Hospital NHS Foundation Trust	288	148	450	798
Moorfields Eye Hospital NHS Foundation Trust	2,752	677	4,290	8,196
Norfolk And Norwich University Hospitals NHS Foundation Trust	0	19	360	1
South Essex Partnership NHS Foundation Trust	200	43	716	228
Southend University Hospitals NHS Foundation Trust	0	0	1	0
East London NHS Foundation Trust	0	560	997	6

Moorfields Eye Hospital NHS FT is a sub contractor for the provision of ophthalmology at the Trust.
All other Foundation Trusts transactions are in respect of clinical and non clinical services.

Special Health Authorities

Health Education England	0	18	4,739	3
Public Health England	0	130	541	9
NHS Litigation Authority	0	0	0	3,954

NHS Area Teams

Central Midlands Local Office	0	586	5,316	0
East Local Office	0	1,047	1,168	0
Central Midlands Commissioning Hub	0	160	1,480	0
East Commissioning Hub	0	235	9,431	0

NHS Area Team Transactions are in respect of healthcare service provision by the Trust.

Local Authorities

Bedford Unitary Authority				
Central Bedfordshire Unitary Authority	0	11	1,166	0
	73	18	104	811

In respect of Healthcare service provision by the Trust to LA's.

Government Departments

HM Revenue and Customs Trust Statement	2,242	0	0	6,849
National Health Service Pension Scheme	0	0	0	10,025
NHS Blood and Transplant	74	0	0	854

Charitable Funds

Bedford Hospital the Trust Charitable Fund

0

0

288

309

34 Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	64,734	8
Special payments	2,844	16
Gifts	0	0
Total losses and special payments and gifts	67,578	24

The total number of losses cases in 2015-16 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	232,131	71
Special payments	11,192	19
Total losses and special payments	243,323	90

Details of cases individually over £300,000

No individual cases exceeded £300,000

35 Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

35.1 Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	114,529	116,892	126,513	134,959	143,694	212,893	223,009	158,810	164,094	174,407	192,502
Retained surplus/(deficit) for the year	3,513	2,234	2,118	1,351	(3,286)	1,053	987	(9,467)	(20,235)	(18,023)	(13,271)
Adjustment for:											
Timing/non-cash impacting distortions:											
Adjustments for impairments	0	0	0	(739)	3,560	(457)	234	764	0	0	5,441
Adjustments for impact of policy change re donated/government grants assets						(399)	3	0	481	83	(470)
Absorption accounting adjustment							0	0	0	0	0
Other agreed adjustments	12,120	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	15,633	2,234	2,118	612	274	197	1,224	(8,703)	(19,754)	(17,940)	(8,300)
Break-even cumulative position	3,513	5,747	7,865	8,477	8,751	8,948	10,172	1,469	(18,285)	(36,225)	(44,525)

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS [organisation]'s financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (I.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	13.65	1.91	1.67	0.45	0.19	0.09	0.55	-5.48	-12.04	-10.29	-4.31
Break-even cumulative position as a percentage of turnover	3.07	4.92	6.22	6.28	6.09	4.20	4.56	0.93	-11.14	-20.77	-23.13

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

35.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets based on the pre audited accounts and therefore the actual capital cost absorption rate is automatically 3.5%.

35.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	2016-17	2015-16
	£000s	£000s
External financing limit (EFL)	22,036	16,820
Cash flow financing	18,495	15,726
Finance leases taken out in the year	0	728
External financing requirement	18,495	16,454
Under/(over) spend against EFL	3,541	366

35.4 Capital resource limit

The Trust is given a capital resource limit which it is not permitted to exceed.

	2016-17	2015-16
	£000s	£000s
Gross capital expenditure	5,451	6,516
Less: book value of assets disposed of	0	(396)
Less: donations towards the acquisition of non-current assets	(599)	(171)
Charge against the capital resource limit	4,852	5,949
Capital resource limit	5,302	7,622
(Over)/underspend against the capital resource limit	450	1,673