NHS
Bedford Hospital
NHS Trust

# Annual Report 2017/18

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# 1. Chairman's Statement

## A message from Gordon Johns, Chairman

I am pleased to present the Bedford Hospital NHS Trust Annual Report and Accounts for *2017/18*

It has been another challenging year, but despite the pressures placed on the NHS, our staff and volunteers have again demonstrated outstanding hard work and commitment to providing high quality care to all requiring our services.

I know that this year, more than previous years, has been extremely tough, and on behalf of the Trust Board I would like to say thank you to all our staff and volunteers. It has not been easy, but they have all been a true credit to Bedford Hospital and the NHS.

Given the scale of the challenges faced, the Board is pleased with the overall performance of the Trust. Although we did not quite hit all our national standards, we are still one of the top performing hospitals in the country, and despite the significant increase in activity, managing to achieve our financial target without affecting the quality of care is an exceptional achievement.

This last year has provided another reminder of the wonderful support that Bedford Hospital receives from its local community, and of how integral it is to the population that it serves.

The people of Bedford and the surrounding areas love this hospital, and we receive on average around 350 compliments a month, which clearly shows how valued our workforce is by everyone who uses our hospital. Patients constantly tell me how thankful they are to the staff at Bedford Hospital and it is truly humbling to see the huge difference the hard work of our staff makes to the lives of patients.

We are grateful for the tremendous support from many charities, including among others the Bedford Hospitals Charity, the Friends of Bedford Hospital, and Hospital Radio. Thank you for working tirelessly to raise money to improve the service we provide to our patients; it makes a huge difference.

This year the Bedford Hospitals Charity celebrated their 30th anniversary. The charity has raised an extraordinary £10 million over the past 30 years, and has funded such major facilities as the Macmillan Primrose Unit, Primrose Car Service, and the new £1 million MRI Scanner which became operational in May 2018. Thank you to all for your past and continuing support of Bedford Hospital; it

makes an immense contribution to the sterling efforts of our staff and the care of our patients. Long may it continue.

I must also thank all our partner organisations for their help and support as we strive constantly to improve and develop our services to meet the needs of the population of Bedford and the surrounding areas.

Finally, thank you again to all our staff and volunteers. Our ability to provide our local community with access to high quality care depends upon the splendid effort and dedication that I see and so admire every day.

**Gordon Johns**
Chairman ,Bedford Hospital

# 2. Chief Executive's statement

## A message from Stephen Conroy, Chief Executive

I am delighted to introduce the Bedford Hospital annual report for 2017/18 and to share with you a selection of some of our many achievements and improvements of the year.

This year has been one of the busiest periods in the history of the NHS, and like many other hospitals we have seen a record amount of patients attending our A&E department, a significant rise in emergency admissions and increased acuity of those patients admitted.

Despite the additional pressure on our services our staff have remained a credit throughout, working hard in extremely challenging circumstances to ensure that we continue to deliver high quality care to the people of Bedfordshire and the surrounding areas. The focus on patient centred care has never wavered and both our clinical and non-clinical staff have continuously looked at ways in which we can improve the quality and safety of our patient care.

I would echo our Chairman Gordon Johns' thoughts in saying thank you to our staff and volunteers across the organisation who have worked under immense pressure to contribute to the successful running of the hospital. Thanks to your hard work we can proudly look back on another successful year.

We have successfully met the majority of our non-urgent care targets, such as routine diagnostic tests and cancer waiting times; however, In line with the national picture we have seen ever increasing demand for our services and as a result we did not meet our four hour A&E waiting times.

With the NHS as a whole struggling to achieve the national 4 hour A&E standard, we once again performed within the top quartile of Trusts in the country – achieving 90.36%. Although this means we could not consistently meet the NHS commitment to patients, we feel that our performance is still very strong taking into account the significant pressures seen by every hospital in the UK.

One of the critical standards for our patients is to achieve treatment within 18 weeks of referral for non-urgent conditions. Performance at Bedford Hospital has been strong; however the transfer of the Community Dermatology service along with the elective cancellations during the busy winter months has meant that the Trust narrowly missed its RTT target of 92% with a final reported position of 91%.

Despite the prolonged increase in activity the focus on quality has never wavered throughout the year, and our quality and safety indicators have been consistently good; meaning our patients are

receiving high quality care in a safe environment. Our infection rates have been low, we saw no cases of MRSA Bacteraemia, we reduced the Safety Thermometer 'new harm' rate by 12 % from 2016/17 and had consistently low mortality rates and reduced the number of delayed transfers of care.

Controlling our financial position while balancing operational and quality performance has been a key priority for the Trust and I am pleased to report that we successfully met our 2017/18 planned financial control target. The Trust started the year with a planned deficit of £8.8m and ended the year with a deficit of £6.5m (before a technical adjustment)

Performing better than the control total allowed the Trust to access a share of Sustainability and Transformation Incentive and Bonus Funding of £2.7m. This resulted in an outturn deficit of £6.5m, which was £2.3m better than the original control target. For more information on the Trust's finances in 2017/18 please visit page 23.

During these difficult times the Trust has been looking at ways in which we can help to improve the health and wellbeing of our staff and say thank you for their hard work. Monthly mindfulness sessions have been set up to help our staff relax and cope with the daily stresses of their jobs, our catering team have been committed to providing healthy meals and we are working with departments to understand how we can help further reduce stress.

We try to ensure that we say thank you to our hard working staff and one way of doing this was the re-introduction of our staff recognition awards for individuals and teams who had consistently gone above and beyond what was expected of them. The 2017 Bedford Awards for Trust Achievements (BAFTAS) was held on Friday 24 November and was a fantastic celebration of all the great work our staff do on a daily basis. Thank you to everybody who attended to make this evening so special and congratulations to all our winners and highly commended staff.

As well as our own internal awards many of our staff have been recognised with regionally or national awards or accreditations, this is a fantastic reflection on the hospital and shows that the work we are doing is recognised by our peers.

This year marks the 70th birthday of the NHS and as we look back on the year just gone it is important for us to remember just how far we have come since 1948.


In 1948/49, Bedford General Hospital employed 81 qualified nurses and midwives, eight radiographers, two pathological technicians, five physiotherapists and two pharmacists. The hospital had total patient attendances of 53,325 and an average daily bed occupancy of 322.

In 2018, Bedford Hospital NHS Trust now employs over 2,700 members of staff; more than 75,000 people attend the A&E department each year; we have more than 300,000 outpatient appointments; more than 25,000 people are admitted for an elective procedure; more than 20,000 people are admitted to the hospital as emergency patients each year; and 3,000 babies are born at the hospital each year. We now have 400 beds and this reflects the progress we have made in how we treat people, for example many more same day interventions.

As we look back and remember the achievements and advances we have made as both an organisation as well as the wider NHS, it is important that we look to the future and how we can continue to ensure our local population has access to high quality NHS services.

In 2018, we know that we cannot solve all of the challenges we face on our own, and believe that through collaborative working we can help to solve some of the issues faced by Bedford Hospital and the wider health and social care sector.

Over the last year we have been working closely with organisations in the Bedfordshire, Luton and Milton Keynes Sustainability Transformation Programme (BLMK STP) to help solve some of the challenges we face in providing modern healthcare and ensure the region can provide more integrated health care for everyone.

In September 2017, we announced exciting new plans to explore a merger between Bedford Hospital and Luton & Dunstable University Hospital to form a single NHS Foundation Trust. This will have one management team and will deliver a full range of services on both sites, providing better care for the populations we serve. This includes retaining key services such as A&E, maternity and paediatrics at Bedford Hospital.

It is an exciting time ahead and the merger presents various opportunities such as:

- Ensuring that A&E, Paediatrics and Maternity stay on the Bedford Hospital site meaning we are able to make sure that future generations have access to a full range of NHS services on the Bedford Hospital site.
- Enabling more specialties to offer patients a full '7 day' service - this gives better patient care and will help to reduce waiting times
- A more resilient provision of 'on call' and 'out of hours' emergency cover for the expanded population and across all specialties
- Providing certainty for Bedford residents and Bedford Hospital staff after years of speculation about core services being closed
- Increasing opportunities to attract and retain the best staff to a larger, integrated Trust.

Discussions are ongoing with NHSI about the revenue and capital requirements that will underpin the Trusts' ability to realise the benefits of the merger, which was originally proposed for April 2018. Both Trust Boards have committed to reviewing progress in June this year and agreeing the most likely date for the merger to proceed. In the meantime, we will use this additional time to further develop our plans and progress key activity, with priorities being the development of the IT and Pathology functions of the two Trusts.

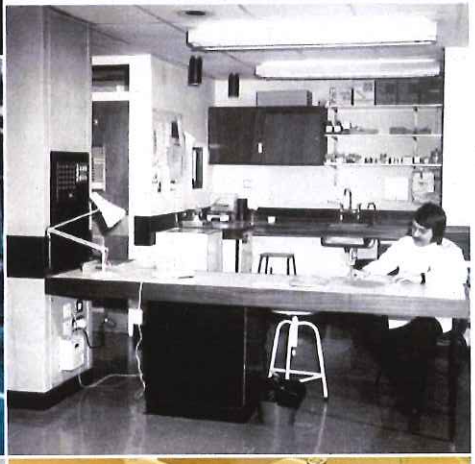
Overall it has been another very successful year for the hospital, and I would like to end by once again saying thank you to all our staff and volunteers for their hard work and dedication to ensuring patients continue to have access to high quality healthcare services at Bedford Hospital.

**Stephen Conroy**
Chief Executive ,Bedford Hospital

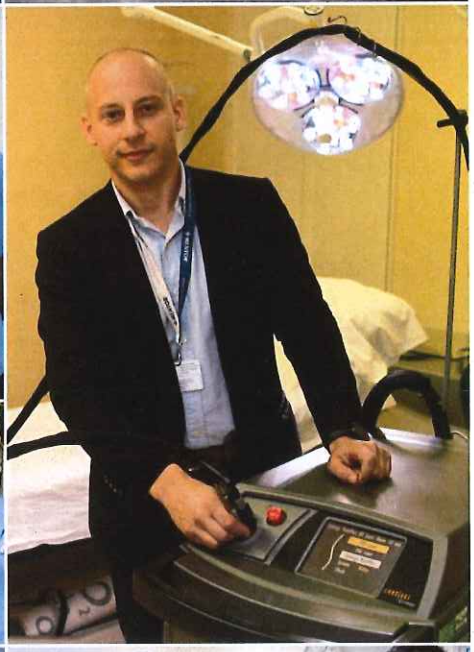
# 70 YEARS OF THE NHS 1948 - 2018





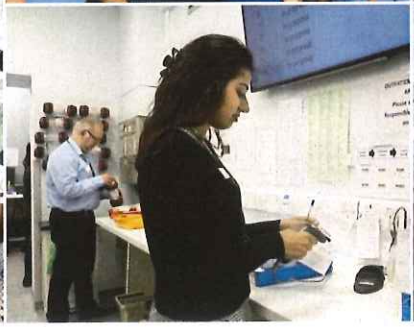












# 3. Overview

## a. The Trust

Bedford Hospital NHS Trust was established more than 200 years ago to provide hospital services to local residents. It became an NHS Trust on 1 November 1991.

It is a district general hospital providing consultant led 24-hour accident and emergency services, acute medicine, maternity, paediatrics and a range of surgical specialties. The hospital has approximately 400 inpatient beds of which 34 are maternity and 10 are critical care, plus 28 day-case beds within the hospital. The hospital provides a full range of district general hospital services.

The Trust is a member of a number of well-developed clinical networks across Bedfordshire, Hertfordshire and surrounding areas, including the East of England cancer, cardiac and stroke networks. It is an arterial hub for vascular services (commissioned by NHS England) and part of the Beds, Herts and Bucks Maxillofacial Network.

In addition there are strong existing clinical networks with Addenbrooke's (Cambridge University Hospitals NHS Foundation Trust) for cancer, paediatrics, neurology and Otoneurology (ENT). There are network arrangements with the Luton & Dunstable Hospital NHS Foundation Trust for stroke and head and neck cancers, and Northampton General Hospital for plastics. Pathology services are provided by Viapath, and Ophthalmology is sub-contracted to Moorfields Hospital NHS Foundation Trust.

Medical education links are primarily with the University of Cambridge, which continue to develop. Nursing, midwifery and allied professionals students are provided with the University of Bedfordshire and given the historical and geographical links this relationship allows the Trust to work closely with the university to design innovative healthcare roles for the future workforce.

The majority of the Trust's services are provided from its premises at the South Wing site, Kempston Road, Bedford. A small number of clinical services are delivered from Gilbert Hitchcock House (North Wing), Kimbolton Road, Bedford.

# b. The Trust's Services

| Service | Description | In the year 2017/18 |
|---|---|---|
| **Urgent and emergency care** | Consultant-led A&E department and most emergency surgery provided on-site 24/7. | 75,940 patients attended the A&E department, of which 17693 arrived by ambulance and 23,084 were admitted.<br>The Trust did not meet the 95% target for patients to be seen within four hours and declared a performance of 90.36%. |
| **Inpatients and intensive care** | Bedford Hospital has a total of 397 General and Acute beds (including escalation beds), used by patients needing to stay in hospital overnight for emergency care or for elective surgery.<br>The hospital has an intensive care unit on site for seriously ill patients, providing specialist one-to-one medical supervision round the clock. | Bedford Hospital treated 55,640 inpatients and undertook 28,760 elective procedures. |
| **Diagnostics and outpatients** | Diagnostics and outpatient care are available at Bedford Hospital. | Bedford Hospital delivered 314,924 outpatient attendances. |
| **Maternity (obstetrics)** | Bedford Hospital has a 24/7 consultant-led obstetrics unit with 44 maternity beds. For sick and premature babies, there's a special care baby unit on site staffed by paediatric nurses.<br>For low risk deliveries, expectant mums can opt to have their baby in a midwife-led community birthing facility, such as the Acorn Unit at Bedford Hospital. | 2,814 mothers gave birth in Bedford Hospital, with 53 mothers giving birth at home |
| **Children's services (paediatrics)** | Bedford Hospital has a paediatric assessment unit with overnight beds, where children can be assessed and cared for by specialist paediatric consultants, doctors and nurses. | There were 11,000 attendances to the paediatric unit. This includes 3,800 attendances to the children's assessment unit (Riverbank) for urgent or emergency care. |
| **Planned care** | Patients can go to Bedford Hospital for planned surgery or can choose to go to another hospital.<br>Some specialist care is not currently provided at Bedford Hospital. This includes radiotherapy and very specialised procedures such as brain and cardiothoracic surgery (heart and lungs). | The hospital saw 28,760 elective patients and undertook a further 89,000 procedures and interventions in outpatients.<br>1.0% operations were cancelled on the day for non-clinical reasons. The Trust did not meet required target of <0.8%. |
| **Support Services** | The Trust is supported by a range of non-clinical services, including catering, domestic services, maintenance and portering. | Around 2,000 meals are freshly prepared and cooked on-site each day for patients, visitors and staff.<br>The Trust scored above the national average across all areas in the 2017 Patient-Led Assessment of the Care Environment (PLACE), covering cleanliness, food, privacy, dignity and wellbeing, condition, appearance and maintenance, dementia and disability. |

Table 1: The Trust's services

# c. The year in Brief

## April

### New Nursing Associate Trainees begin course in Bedfordshire

A new course which will train over 40 Nursing Associates to support healthcare in Bedfordshire was officially launched.

The Nursing Associate role is a new member of the nursing family and part of the plan to expand and diversify the NHS workforce. The Nursing Associates will be highly trained and work as part of a team under the supervision of a registered Nurse to deliver patient care.

Bedford Hospital NHS Trust will lead the partnership with a number of organisations such as: University of Bedfordshire, Luton and Dunstable Hospital, East London Foundation Trust and Cambridge Community Services NHS Trust to deliver this two year groundbreaking training programme.

## May

### Love is in the air on Arnold Whitchurch Ward

Arnold Whitchurch ward helped to celebrate the 60th Wedding Anniversary of one of our patients. The patient's husband came in for the special celebrations with ward staff hosting the special event. Even though they are with us because they are poorly, it's always great to see smiles on our patient's faces. This also illustrates our pledge to put an end to 'PJ Paralysis' as getting patients moving, if they are able to – it often reduces the length of time they need to spend in hospital, therefore we have pledged to support them to be independent, get dressed in their day clothes in order to be able to return them home as soon as they are medically fit do so.

### Global Cyber Attack hits the NHS

In May, a global Cyber-attack affected many NHS Trusts, causing widespread problems. Bedford Hospital was not directly affected by the attack because we took early action and disconnected from any external networks as a precautionary measure.

The way our staff handled themselves throughout was a real credit to the NHS and in particular the IT team, senior managers on call, radiology, site team, staffing solutions and Viapath (who provide our pathology services) showed hard work and dedication to resolve any problems in a fast and responsive manner, making sure our patients remained safe throughout the weekend.

No patient disruption was caused at Bedford Hospital as a result of these attacks, with no operations or outpatient appointments cancelled and despite higher than average attendances to our A&E department we managed to see and treat well over 95% of our patients in the four hour national target.

## June

### Retired Consultant honoured in Queen's Birthday List

One of our retired consultants, Dr Ramesh Mehta, was recognised in the Queen's Birthday Honours List announced on 16 June 2017 with an appointment of the officer of the Order of British Empire (OBE) for services to the NHS.

Dr Mehta, until his recent retirement, served as a consultant and lead Paediatrician at the Trust and provided exemplary services to the NHS, spanning over thirty years.

His professional leadership as a Paediatrician has helped modernise local and regional Child Health services. He has influenced policy making decisions regarding the health care of children nationally. His various roles have included Chairman for the East of England Paediatric Development Group, Council member for the Royal College of Paediatrics and Child Health, Vice Chair for MRCPCH part 2 Examination Board, Member of the standards setting group in paediatrics & neonatology of General Medical Council and Reviewer for Health Care Commission. Dr Mehta has contributed significantly at national level on issues related to supporting equality and diversity for NHS professionals.

His passion to promote professional excellence and leadership, particularly within ethnic minority groups, led him to create a new voluntary body in 1996, The British Association of Physicians of Indian Origin (BAPIO). It has become the most influential national organisation of BME Doctors.

### Bedford Hospital plays key role in new ground-breaking cancer study

A national scientific study led by two Bedford Hospital and Cambridge University Hospital Oncologists has profoundly reduced the painful nail damage caused by one of the most commonly used chemotherapy drugs.

Dr Robert Thomas and Dr Sarah Smith led this study with the help of The National Cancer Research Clinical Trials Development Committee, advisors from the Department of Biological Science at Coventry University and independent statisticians, ensuring it had the highest possible scientific design. It was independently audited to comply with good clinical practice guidelines and Cambridge University Central Research Ethics Committee approval.

Commenting on this study, Dr Thomas, Oncologist said, '"This trial confirms natural plant chemicals still have a helpful role in modern medicine – we have to keep looking."

Dr Sarah Smith, Oncologist also commented, "We take toxicity very seriously – this trial confirms patients journey through cancer treatments can still be improved."

## July

### Bedford Hospital NHS Trust experiences busiest A&E period in history

Bedford Hospital experienced the busiest A&E period in its history with ever increasing acuity of patients and continued to face these challenges without turning patients away.

On Monday 10 July we saw 284 attendances at our A&E department, the most ever in a single day.

This would signal the start of an extremely difficult year, in which our staff worked hard to cope with the additional demand that was placed on our services.

## August

### Place results

In August we received fantastic results from our Patient-Led Assessment of the Care Environment (PLACE).

PLACE are a self-assessment of non-clinical services which contribute to health delivered in both the NHS and independent or private healthcare sector in England. The Trust scored above the national average for every single standard.

This assessment looks at our food, cleanliness and general condition of the trust amongst other factors. It is a recognition of all the hard work many of our staff put in every day to ensure that aside our patients clinical care, their experience in our hospital is as pleasant as it can be. Thank you to the entire Support Services department for all of their hard work that resulted in this great achievement.

## September

### Merger with Luton and Dunstable University Hospital Foundation Trust Announced

In September the Trust announced plans to pursue a merger with Luton and Dunstable University Hospital NHS Foundations Trust to. The plans would create a single organisation with a single management team that will deliver a full range of services on both sites. This includes retaining key services such as A&E, maternity and paediatrics at Bedford Hospital.

The opportunities the merger presents are considerable. The decision would mean that our hospital's future is secured, after a turbulent and uncertain time and much speculation about core clinical services being moved off site. A&E, Maternity and Paediatrics will remain at Bedford Hospital. This merger would also assist to strengthen and enhance our clinical workforce across the two hospital sites, providing stability and improving health and care services for all our patients across the whole of Bedfordshire.

## October

### New play area opened in the Children's Ward

Steffi Goodwin who won her battle with cancer was the guest of honour at today's official opening of the redeveloped play area on Riverbank Ward at Bedford Hospital NHS Trust.

Steffi Goodwin, from Bedford, who was a patient on Riverbank Ward, joined the Hospital's Chief Executive, Stephen Conroy, to officially cut the ribbon to the redeveloped play area.

The outdoor play area has been completely revamped and modernised to enhance the delivery of patient care and create a fun and exciting environment to improve experience of young patients whilst on the ward.

Riverbank Ward staff initiated a campaign to raise the funds needed to complete this project. Staff completed a number of fundraising activities to kick off the campaign before approaching the Friends of Bedford Hospital Charity who then spearheaded the campaign by generously donating to the fund and recruiting a number of other local individuals and organisations that generously contributed.

### UNICEF Baby Friendly Initiative

Our Maternity Unit was successfully reassessed for the UNICEF Baby Friendly Initiative that ensures standards have been maintained for stage 3 status with families continuing to receive the best possible care and feeling fully supported with their feeding options. Of the 30 areas audited, 27 were passed with scores predominately above 90% (a pass grade is 80%). This is a fantastic achievement and is a credit to the commitment the staff and Managers have shown to the programme. Maternity staff are now focusing on achieving the 'Gold' status of this initiative.

### New Board appointments for Bedford Hospital

Bedford Hospital NHS Trust announced two new appointments to their Trust Board.

Fiona MacDonald has joined the Trust as the new interim Director of Workforce and Organisational Design and Steve Hone as Non-executive Director.

Fiona joined the NHS in 2003 at Peterborough and Stamford Hospitals, having previously worked in the private sector, and has worked in a variety of senior HR and Workforce roles. Most recently, as Deputy Director of Workforce and OD, Fiona worked on the transition to bring together Peterborough and Stamford NHS Foundation Trust and Hinchingbrooke Healthcare NHS Trust as North West Anglia NHS Foundation Trust in April 2017.

Steve Hone is a qualified engineer who has over 25 years extensive experience as a director and senior executive within the high service level distribution industry and latterly as a management consultant and non-executive director to a number of small and medium-sized businesses. Since

becoming involved in the NHS he held the posts of Chair of Kettering General Hospital for seven years – leading the Trust to Foundation status – and Chair of Bedfordshire Clinical Commissioning Group for a further two years.

## November

### Staff Recognised at Awards Ceremony

On Friday 24 November Bedford Hospital NHS Trust celebrated the hard work and dedication of hospital staff at their annual staff awards ceremony.

The 2017 Bedford Awards for Trust Achievements (BAFTAS) recognised those members of staff who have consistently gone above and beyond to provide high quality care for the people of Bedfordshire. The winners were:

**Care & Compassion**
**Winner: Sudesh Rani**
Highly commended: Rushpal Lal and Tessa Kidd

**Ward or Department of the Year**
**Winner: Shuttleworth Ward**
Highly Commended: Plastic Surgery and Laser Centre, and Cancer Services

**Excellence in Education/Teaching**
**Winner: Dr Anwar Rashid**
Highly Commended: Andrea Anniwell, Dr Anne Day

**Partnership Award**
**Winners: Viv Kilgour & Jane Daniel**

**CEO's Award for Outstanding Contribution**
**Winner: Nicola McIntosh**

**Winner of the CEO's Award for Outstanding achievement Nicola McIntosh** being presented with her award by CEO Stephen Conroy and Chairman Gordon Johns.

**Service improvement and Innovation**
**Winners: Domestic Supervisors**
Highly commended: Ambulatory Emergency Care Unit and Kyrsti Watson

**Leadership**
**Winner: Sadie King**
Highly commended: Kandarp Thakkar and Nichola Keer

We also celebrated the professionalism and commitment of 20 members of staff, who between them have over 580 years of service. Reaching and exceeding 25 of service is a remarkable achievement, and there are also five members of staff who have worked at the Trust for more than 40 years, which is truly incredible.

## December

### Bedford Hospital awarded Disabled Parking Accreditation

Bedford Hospital became one of only 13 hospitals across the UK to be awarded the Disabled Parking Accreditation (DPA) for its commitment to ensuring disabled drivers can park safely and easily.

Awarded by Disabled Motoring UK and managed by the British Parking Association, the DPA is accredited to an organisation that has taken action and introduced measures to ensure their parking facilities are suitable for disabled motorists.

To meet the criteria car parks must have sufficient accessible bays, clear signage, easy access and good lighting. Organisations should also offer accessible pay machines and actively work to reduce the abuse of disabled bays.

Bedford Hospital has recently increased the number of parking bays for disabled users in appropriate locations to ensure easy access into the hospital, and actively manages its car parks with the help of its car park contractor APCOA to reduce the abuse of disabled spaces.

The hospital already holds the Safer Car Park Mark, a national standard for UK car parks that ensures a safe environment and high standard of cleanliness, signage, surveillance and lighting. Both accreditations will be subject to an annual inspection.

## January

### Bedford hospital's wards receive recognition for support of older people

In February Harpur and Elizabeth wards retained the Elder Friendly Quality Mark in recognition of the support our staff gives to older people.

The mark, awarded by the Royal College of Physicians, recognises the high quality of care the wards provide for frail, older people, and the team's dedication to continuous improvement. The wards have retained the rating, having first gained it in 2017.

This mark puts them in a group of only 40 wards across the country to have achieved this recognition.

Patients over the age of 65 were asked for their feedback about care, including their experiences of comfort, food and drink, support from staff, getting help when needed, and privacy and dignity. Patients were also asked if they would be happy if a friend or family member was cared for on the ward.

## February

### Royal College of Physicians Award of Excellence

Bedford Hospital was awarded an award of excellence at the College Dinner by the representative of President of Royal College of Physicians London in recognition of our continued commitment to host the Clinical Examination (Practical Assessment of Clinical Examination Skills - PACES).

This is recognition of the dedication and commitment of our hard working staff and we are proud to have won this award in 2011, 2014 and now in 2017, the ONLY centre in UK and Overseas to have held this record. This was down to the hard work of everybody involved including our fantastic team of junior doctors, nursing staff and secretaries who sacrifice their time not only for the three exam weekends in the year but also the endless hours put in for the months leading up to the examination itself. A special mention should go to Dr Awais Bokhari, Consultant Cardiologist, who has been a major driver in ensuring the smooth running and organisation of the MRCP here at Bedford Hospital.

## March

### New Modular Theatre to Allow Essential Upgrade of Existing Operating Rooms

In March our surgical teams completed their first operating lists in a new modular theatre that will enable refurbishment of the pre-existing theatre complex.

Raised above the main entrance, the new innovative, state-of-the-art theatre makes good use of the estate, allows the undertaking of more complex surgery than the hospital's current mobile theatre and enables the refurbishment of existing operating rooms without losing essential theatre capacity.

The new space is made up of three units lifted by crane onto a bespoke steel gantry built outside the main entrance and will feature a walkway link to the current theatre complex, making it easily accessible for staff and patients. It is comparable in size with traditional operating rooms and replicates the equipment within the Trust's main operating complex to ensure continuity and familiarity for staff and clinical team members.

## Catering award

Our Catering Team were awarded Healthier Options status by Bedford Borough and Central Bedfordshire councils. The Healthier Options initiative aims to help local food businesses make healthier changes to their menu and food preparation and will replace the old Heartbeat Award which the Trust has held for the last 20 years.

Our Catering Team always produce good quality, freshly cooked food and they have worked extremely hard over the last year to make our meals healthier and raise awareness of the importance of a healthy and balanced diet. Much time and effort has gone in to ensuring shelves and menus are colour coded and labelled to highlight the calorie, fat, sugar and salt content of meals, sandwiches and drinks, making it easy to grab something tasty but healthy.

Catering staff have also received training from the Trust dieticians so they have a good understanding of what is healthy and what is not, fewer sugary drinks are now available to purchase, healthy breakfast options are now on the menu and the sandwich selection has been changed to ensure that at least 60% contain no more than 400kcal and less than 5g saturated fat per 100g. The team has worked extremely hard to make sure our staff and patients have the option to choose healthy, wholesome food.

# 4. Performance Report

## a. Operational performance

The Trust has, throughout 2017/18, continued to experience significant demand on its services and admitted high numbers of emergency cases. These pressures have been increased by the lack of sufficient community based services, including beds, resulting in delayed discharges and the maintenance of escalation beds year round.

The pressures arising from emergency demand and an increase in delayed discharges have led to the Trust not being able to deliver the A&E 95 per cent target throughout the year. The impact of these extenuating circumstances was recognised by NHS Improvement, in terms of the Trust successfully arguing for continued receipt of Sustainability and Transformation Funding in respect of the A&E standard.

One of the critical standards for our patients is to achieve treatment within 18 weeks of referral for non-urgent conditions. Performance at Bedford Hospital has been strong; however the transfer of the Community Dermatology service along with the elective cancellations during the busy winter months has meant that the Trust narrowly missed its RTT target of 92% with a final reported position of 90.99%.

Despite the aforementioned pressures, the Trust continued to maintain solid performance across quality and waiting time targets. Some key indicators are detailed below. (A full breakdown of service activity and performance can be found in Part 4).

- The Trust did not meet national access targets for referral to treatment waiting times;
- It achieved two-week, one-month and 62-day cancer waiting times;
- The Trust met its target for Clostridium difficile infections, reporting seven cases in the year.
- The Trust achieved its zero target for MRSA.
- There were no category 4 pressure ulcers and a reduction in category 3, whilst the number of category 2 pressure ulcers reported increased slightly;
- We have seen a rise in the number of complaints from patients principally owing to the number of operations cancelled at short notice; a result of the high number of emergency admissions.

| Activity information | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---|---|---|---|---|
| A&E attendances | 75,940 ↑ | 73,079 | 69,837 | 67,139 |
| Emergency admissions via A&E | 23,288 ↑ | 21,989 | 19,307 | 17,824 |
| All non-elective spells | 26,880 ↑ | 26,743 | 21,829 | 21,123 |
| Elective spells (not day cases) | 2,844 ↓ | 3,029 | 3,517 | 3,776 |
| Elective day cases | 25,916 ↑ | 24,843 | 23,230 | 22,998 |
| Total spells | 59,644 ↑ | 54,616 | 48,586 | 47,791 |
| **Referrals** | **2017/18** | | | |
| Written referrals from GP for first outpatient (OP) appointment | 49,070 → | 49,411 | 45, 449 | 45,211 |
| Other referrals for first OP appointment | 24,972 ↓ | 30,789 | 24,193 | 19,628 |
| Total referrals for first OP appointment | 74,042 ↓ | 80,200 | 69,642 | 64,839 |
| **Outpatient activity** | **2017/18** | | | |
| Consultant led first OP attendances | 65,899 ↓ | 67,244 | 61,405 | 60,117 |
| Other first OP attendances | 19,484 ↓ | 20,032 | 18,864 | 21,089 |
| Total first OP attendances | 85,383 ↓ | 87,276 | 80,269 | 81,206 |
| Consultant-led follow-up OP attendances (including with procedures) | 113,360 ↓ | 114,277 | 104,786 | 97,495 |
| Other follow-up OP attendances | 116,181 ↑ | 108,979 | 105,200 | 115,816 |
| Total follow-up OP attendances | 229,541 ↑ | 223,256 | 209,986 | 213,311 |
| **Births (number of babies delivered by hospital midwives/ doctors)** | 2880 ↑ | 2,861 | 3,016 | 2,924 |

Table 2: Trust Activity 2017/18

| Service activity | National standard | 2018/18 (%) | 2016/17 (%) | 2015/16 (%) |
|---|---|---|---|---|
| A&E waits (less than four hours) | 95% | 90.3% | 91.4% | 95% |
| Two week referrals for suspected cancer | 93% | 95% | 94.5% | 92.5% |
| Cancer patients receiving treatment within one month of decision to treat (31 day) | 96% | 97.7% | 98.1% | 99.1% |
| Cancer patients receiving treatment within two months of urgent GP referral (62 Day) | 85% | 85.9% | 83.3% | 88% |
| 18 Weeks incomplete pathways | 92% | 90.9% | 93.4% | 95.7% |
| Diagnostic waits (within six weeks) | 99% | 99.3% | 99.5% | 99.5% |

Table 3: Trust Service Activity 2017/18

| Service quality | Standard | 2017/18 | 2016/17 | 2015/16 |
|---|---|---|---|---|
| Planned operations cancelled (on the day) | <0.8% | 0.83% (290) | 0.78% (223) | 0.58% (157) |
| Patients rescheduled within 28 days | >95% | 99.32% | 98.21% | 96.18% |
| Delayed transfers of care (average per week) | <3.5% | 3.42% | 4.28% | 2.63% |
| MRSA bloodstream infections | 0 | 0 | 1 | 1 |
| Clostridium difficile infections | 10 | 8 | 8 | 17 |

Table 4: Trust quality performance 2017/18

# b. Financial performance

The Trust started the year with a planned deficit of £8.8m and ended the year with a deficit of £6.4m (before a technical adjustment)

Performing better than the control total allowed the Trust to access a share of Sustainability and Transformation Incentive and Bonus Funding of £2.7m. This resulted in an outturn deficit of £6.4m, which was £2.4m better than the original control target.

Two technical adjustments were applied to the headline deficit of £6.4m. The net value of the technical adjustments was £(2.4m), £1.5m of which was as a result of an asset impairment reversal related to land values and £(0.9)m related to an adjustment for donated assets and the relevant depreciation for the year.

There are a number of factors driving the financial performance in 2017/18, including:

- Increased non-elective activity that resulted in reduced income as elective activity was displaced
- Increased non-elective activity resulted in additional costs as additional beds were opened and staffed safely at premium costs.
- Income loss through the application of business rules, penalties and the marginal rate adjustment
- Pay pressure due to national shortages in medical and nursing posts and increases in establishment to deliver safe staffing standards. The Trust had an agency cap of £7.1 from NHS Improvement, which it exceeded by £1.2m, of which £1.6m related to medical staff agency costs. Good control has been maintained in terms of nursing agency spend and other staff groups with an underspend against the cap of £0.4m. Overall the expenditure for the year was £8.3m. (Agency spend in 2016/17 was £7.5m)

The income and expenditure outturn for the Trust is summarised in table 5.

| | 2017/18 (£000s) | 2016/17 (£000s) | 2015/16 (£000s) |
|---|---|---|---|
| Income | 205,028 | 192,502 | 174,407 |
| Pay costs | 125,814 | 118,350 | 114,504 |
| All other costs | 83,275 | 87,423 | 77,926 |
| **Net surplus/ (deficit)** | **(4,061)** | **(13,271)** | **(18,023)** |
| Technical adjustment (see above for explanation) | (2,381) | 4,971 | 83 |
| **Adjusted net surplus/ (deficit)** | **(6,442)** | **(8,300)** | **(17,940)** |

Table 5: Trust income and expenditure

The Trust invested £5.9m in 2017/18 in estates developments, service developments, IM&T and medical equipment. Key projects include:

- enabling works for a new MRI scanner £1.1m
- initial refurbishment works in the Cauldwell Centre - £0.8m
- upgrade of laminar flow capacity for theatres 3 and 4 - £0.6m
- installation works for the new modular theatre - £0.3m
- PC replacement programme and cyber security work - £0.2m
- telephony system replacement - £0.2m

This was in addition to funding provided by the Bedford Hospitals Charity for the MRI scanner.

Work has commenced on the upgrade of the Weller Wing building, now that the mental health Trust has vacated the premises. The building has been re-named the Caudwell Centre. Redevelopment of this building will allow this asset to be used in a beneficial manner to the Trust. The investment will improve the Trust's effectiveness and ability to support integration of acute, community and social care services.

The net assets held by the Trust are summarised in table 6.

| | 2017/18 (£000s) | 2016/17 (£000s) | 2015/16 (£000s) |
|---|---|---|---|
| Net assets | 48,393 | 50,279 | 82,965 |
| Financed by:- | | | |
| Public dividend capital | 106,170 | 105,200 | 104,859 |
| **Retained earnings** | **(74,594)** | **(71,166)** | **(58,430)** |
| Revaluation reserve | 16,817 | 16,245 | 36,536 |

Table 6: Net assets held by the Trust

The cash position was supported by the Revolving Working Capital Facility (RWCF) up to £8.5m loans from the Department of Health in-year.

The Trust's financial position has resulted in an increase in its overall cumulative deficit to £51.0m (note 37 of the annual accounts) and resulting in the Trust not achieving its statutory breakeven target.

The largest proportion (36%) of Bedford Hospital's revenue from patient care activities comes from treating patients in the accident and emergency department (6%) and admitting patients in an emergency (30%).

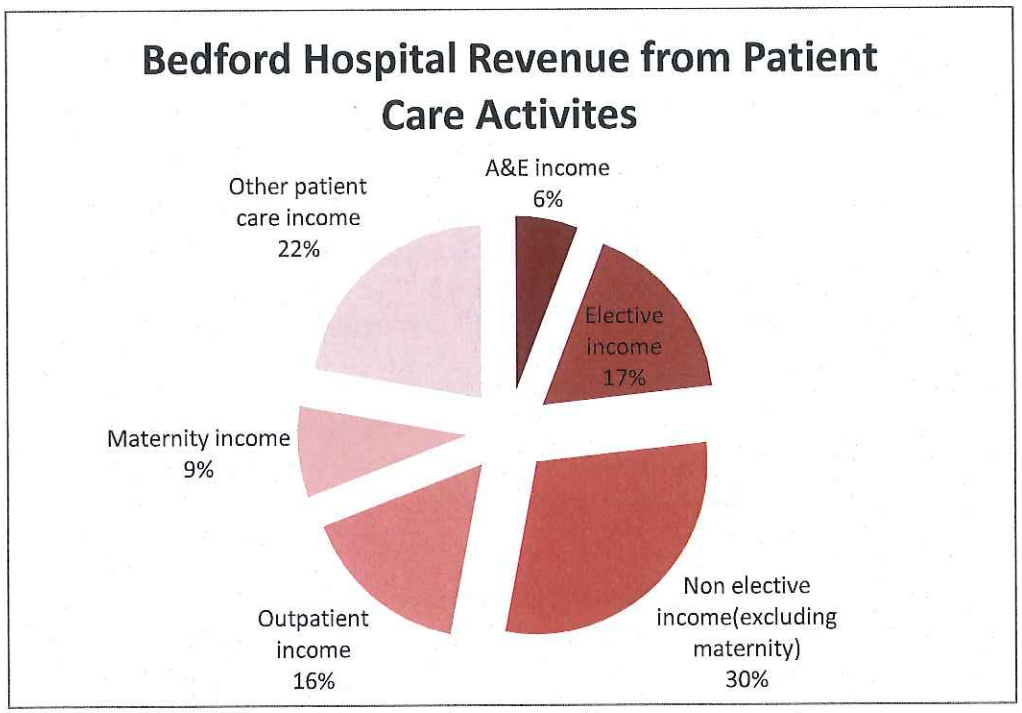



Figure 1: Revenue from patient care activities 2017/18

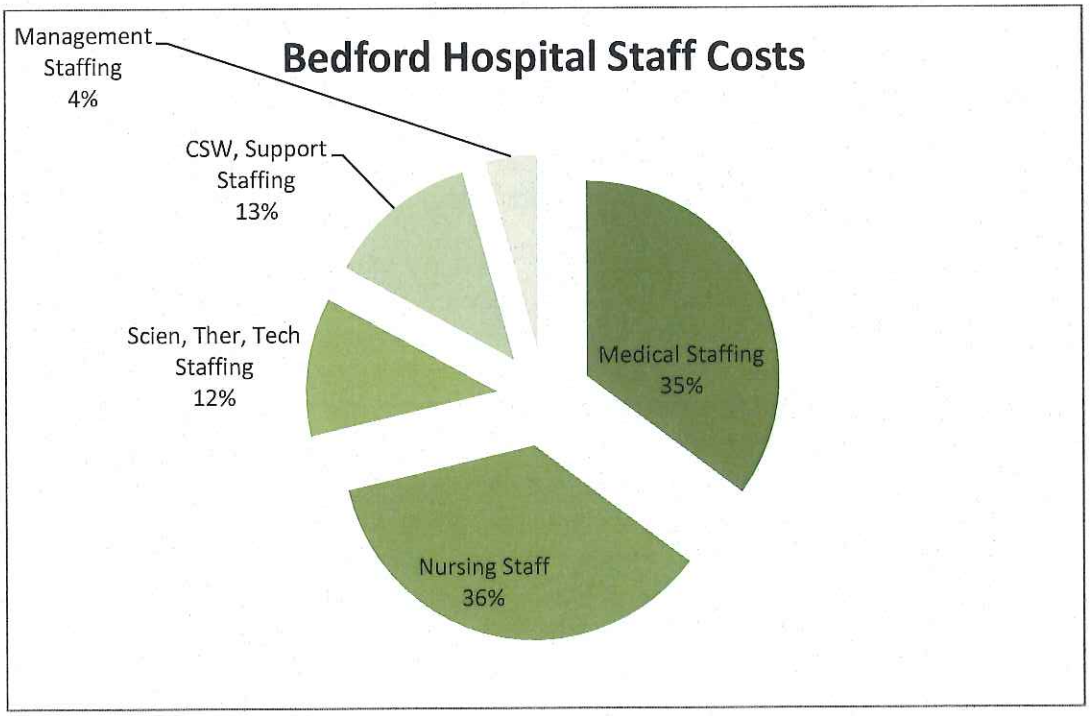



Figure 2: Staff costs 2017/18

74 percent of Bedford Hospital's staff costs in 2017/18 (75 percent in 2015/16) came from the deployment of doctors (31%), nurses (32%) and healthcare support staff (11%).

# c. Financial sustainability

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 2018 is £6.4m. In year, the Trust originally expected to receive £5.2m Sustainability and Transformation Funding (STF). As a result of performing better than plan, the Trust was able to access further STF, receiving £7.4m in total. The Trust accessed £8.4m working capital support from NHS Improvement in 2017/18.

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 ending 31 March 2019, the Trust is assured of access via NHS Improvement (formerly NHS Trust Development Authority) to financial resources to support the forecast deficit out turn.

The Trust has submitted an operational plan to NHS Improvement for 2018/19. This is to deliver an £6.67m deficit in 2018/19. This plan is based on having signed two-year contracts with its NHS commissioners, with 2018/19 being the second year, and the following assumptions:

- Ongoing cash support from the Department of Health – operational plan includes receipt of £6.8m revenue support loans from the Department of Health in-year to finance the revenue deficit;
- Receipt of STF of £7.4m in 2018/19;
- Planned savings programme of £7.8m in 2018/19.

The cumulative deficit to the end of 2017/18 is £50.9m (2016/17 is £44.5m). The projected in year adjusted retained deficit for 2018/19 is £6.67m, leading to a projected cumulative deficit at 31 March 2019 of £57.7m.

The Trust is projecting that in-year break-even will be achieved in the year ending 31 March 2021. Similar to other NHS providers there are various assumptions involved in the Trust's forward financial plans in order to achieve breakeven in 2020/21, the key components of which are set out in this report. As with any organisation of this size and complexity the Board recognises that there are risks and uncertainties, some of which may be material to the plan. The breakeven projection is based on STP-wide financial planning assumptions, which were based on five streams of activity; Prevention, Primary, Community and Social Care, Secondary, Digital Transformation and System Redesign. The combined effect of these streams of work will improve the financial sustainability of the Bedford, Luton and Milton Keynes Integrated Care System. The Integrated Care System is aiming to deliver a "joint oversight" level of maturity by the end of 2019/20. As part of the Secondary stream, Bedford Hospital NHS Trust and the Luton & Dunstable NHS Foundation Trust are developing a business case for a potential merger. The merger should deliver a surplus for the combined organisation. Given the anticipated return to break-even as part of the STP, the ongoing cash support from Department of Health and NHS Improvement in the form of loans, the receipt of STF and based on the Trust's record in delivering its savings programme over the last 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.

# d. Financial strategy

The financial strategy for 2018/19 and beyond is to seek a return to ongoing financial viability, aligned to the development of new models of care and future organisational forms.

Despite this recovery plan, the Trust will continue to generate deficits for at least the next three years unless transformational change is implemented across the local health economy. The Trust is forecasting a £6.67m deficit for 2018/19, which will continue a trend towards financial sustainability.

Part of the financial strategy includes developing a business case to consider a merger between Bedford Hospital NHS Trust and the Luton & Dunstable NHS Foundation Trust. The wider benefits of the merger are unlikely to be delivered until the formal merger is approved. However the trusts are committing to early joint working across IT and pathology, driving early efficiencies by working at scale. The actual date of the merger is under review and there are discussions with NHS Improvement, the system regulator for NHS service providers, about the capital needed for both hospital sites to deliver the many benefits that both organisations have identified could result from such a merger.

A key step in delivering financial viability was to achieve, or better, the original control total of £8.8m deficit mandated by NHS Improvement and agreed by the Board. The next key step is to ensure that the momentum that the Trust has created in achieving better than this target continues, and developing a savings plan, including a focus on delivering the £6.67m deficit forecast in 2018/19. The context for this delivery will be the implementation of the new models of care that are under development and consideration at present, and working in partnership across the Sustainability and Transformation Plan footprint to deliver additional savings and accelerate a sustainable financial position. The new healthcare delivery models would allow a radical re-working of the Trust's cost base, which will ensure the on-going financial viability of the Trust.

The elements of the Trust's financial strategy are:

- Achieve long-term financial viability by delivering annual financial plans over the next five years;
- Achieve the required levels of efficiency savings by closely managing costs and collaborating with commissioners and other local stakeholders to deliver strategic change;
- Capital investment on the hospital site in order to 'right size' the estate, make it fit for purpose and deliver the healthcare provision required by the people of Bedford.

The key elements of the 2018/19 financial plan are:

- Year-end I&E forecast deficit of £6.67m;
- Efficiencies planned to be achieved of £7.8m (3.9 percent of turnover);
- Year-end cash balance of £1.5m requiring £6.7m of revenue support;
- Capital expenditure plans worth £12.9m, which includes £6m for investment in primary care facilities at Gilbert Hitchcock House.

# e. Efficiency Plans

The Trust has made good progress in developing efficiency plans and expects these to be worth £7.8m in 2018/19.

The Trust's Delivery Support Unit continues to assist clinical business units and non-clinical departments in the planning and implementation of new efficiency interventions. The areas targeted for increased efficiency include, for example:

- Re-organisation of the Trust's bed-base to minimise the use of escalation beds;
- Improved theatre productivity, supported by the new theatre scheduling systems'
- Standardisation of procurement and clinical supplies use;
- Reducing the Trust's reliance on agency staff resulting in savings against agency premiums.

# f. Sustainable development

The Trust is committed to embedding sustainable practices and has a Board-approved Sustainable Development Management and Action Plan, which includes a series of key targets and performance indicators relating to energy, waste, water, travel and procurement.

Overall energy consumption and carbon emissions have increased from 2016/17 to 2017/18: consumption by around 7.7% and carbon emissions by 7.1%. A number of factors have driven this increase. Re-acquisition of the Weller Wing building (now known as the Cauldwell Centre) has increased the main hospital site footprint by around 4,000m2 to 57,650m2, This, together with overall average lower temperatures in 2017/18 compared to 2016/17 have increased the heating and electrical demand on the site.

For the energy related elements of the Trust's carbon footprint, the initial carbon reduction target of 10% by 2015 against a 2007 baseline is still being met, with a 19.3% reduction to date being achieved, with work ongoing towards reaching the target of a 34% reduction by 2020.

Water consumption has reduced significantly in 2017/18 compared to 2016/17 due to good control of usage and early identification of leaks, however overall water cost has increased significantly as a result of a large increase in the 'maximum daily demand' charge levied by the supplier.

**Energy consumption: 2013/14 to 2017/18**

| Utilities | | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|
| Gas | kWh | 18,514,916 | 19,220,208 | 19,133,132 | 19,391,725 | 21,010,685 |
| | tCO2e | 3,928 | 3,547 | 3,522 | 3,561 | 3,858 |
| Electricity | kWh | 8,424,348 | 8,319,101 | 7,797,800 | 7,739,172 | 8,387,574 |
| | tCO2e | 4,797 | 4,435 | 3,871 | 3,456 | 3,742 |
| Oil | kWh | 181,026 | 143,862 | 147,971 | 349,668 | 233,417 |
| | tCO2e | 58 | 46 | 47 | 111 | 74 |
| Total Energy Cost | | £1,525,292 | £1,545,619 | £1,477,764 | £1,320,426 | £1,486,279 |
| Water | m3 | 82,129 | 86,470 | 93,824 | 84,461 | 75,572 |
| | Cost | £180,305 | £171,559 | £182,260 | £176,307 | £225,525 |

| Waste | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| **Recycling** | 311 | 259 | 234 | 224 | 315 |
| **WEEE** | 5 | 4 | 5.6 | 2.3 | no data |
| **High Temp Disposal** | 0 | 0 | 52 | 0 | 0 |
| **High Temp Recovery** | 422 | 443 | 420 | 522 | 509 |
| **Landfill** | 351 | 301 | 322 | 327 | 349 |

Table 7: Energy consumption

| Carbon reduction targets | 2016/17 | 2017/18 |
|---|---|---|
| **Carbon emissions from energy consumption/ tonnes $CO_{2e}$** | 9,504 | 7,674 |
| **% reduction / increase** | - | -19.3% |

Table 8: Carbon reduction targets

The Trust continues to participate in 'demand response' initiatives by operating its own electricity generating plant during periods of high electricity demand, typically during late afternoon and early evening between November to February, thus reducing consumption from the grid and receiving payments from the network operator for participation in these schemes.

The Trust has various systems in place to manage energy use efficiently:

- A gas fired combined heat and power (CHP) unit which generates heat and electricity for use on site
- The main ward block roof has an array of solar panels installed – these generate approximately 20,000kWh of renewable electricity per year, equivalent to the electricity consumption of around 4 to 5 average homes
- Energy efficient LED lamps, pumps, inverters and lighting controls
- Building management system software and hardware to control heating, cooling and ventilation systems.

### Travel and Transport

The Trust has been working with Bedford Borough Council in the last year to develop a strategy for reducing the impact of carbon emissions from travel associated with staff and fleet vehicles. A joint staff travel habits survey has been undertaken and the results from this will be used to create a Green Travel Plan. Previous staff travel surveys have shown above average cycle use as a means of commuting to work for Bedford Hospital staff and the strategy will build on that achievement. The Trust has some excellent cycle parking provision that was designed in line with local authority cycle parking guidance – the King's Place Cycle Compound, pictured below, incorporates secure entry and exit, CCTV and dedicated lighting.

A similar compound is being built at the Kempston Road entrance to the site to provide additional secure staff cycle parking and encourage more staff to choose cycling as a means of travelling to work as an alternative to car use.

# g. Staff survey results

Overall the Trust's results were relatively positive showing that we have a highly motivated and engaged workforce that continues to deliver high quality care to our patients.

We did not see a great deal of change from the 2016 scores, however the percentage of staff appraised significantly improved and there was deterioration in the percentage of staff feeling unwell due to work related stress. Staff motivation at work, effective use of patient feedback, quality of non-mandatory learning and development opportunities and confidence in reporting unsafe clinical practice were among the areas where we are above the national average.

The Trust achieved a score of 3.8 for overall staff engagement against the NHS Staff Survey results for 2017. This compares against an average score of 3.79 for NHS Acute Trusts, and represents a slight decrease for the Trust from 3.82 for 2016.

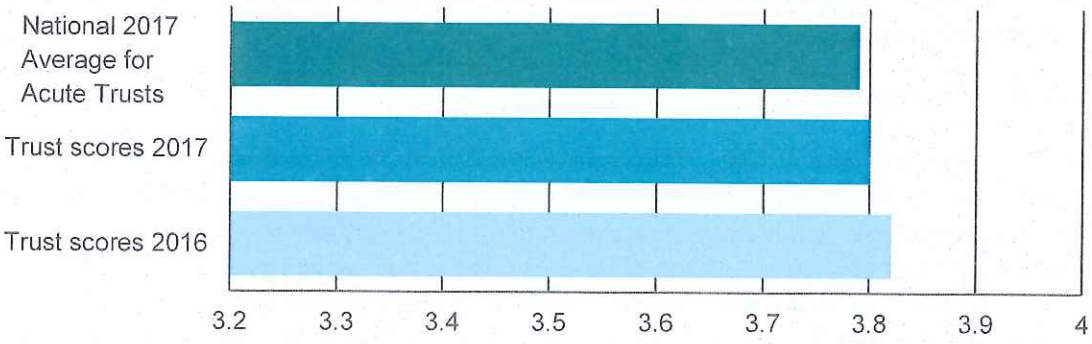



Table 9: Staff Survey Engagement Score

475 members of staff took part in the annual NHS staff survey which represents a response rate of 39%. The Trust's response rate is below the national average of 44% for NHS Acute Trusts in England and compares with a 41% response rate in previous years.

The Trust, when compared to the national average for Acute Trusts, is in the highest (best 20%) in 4 key areas; above (better than) average in 8; average in 8; below (worse than average) in 8 and in the lowest (worst 20%) in 4. The 2017 results in comparison to 2016 showed there has been an improvement in 1 key area, remained the same in 12 and decreased in 1.

The survey results where communicated across the Trusts via staff briefings, the intranet and to groups such as the Joint Staff side Management Committee, Medical Staff Council and the Clinical Leadership Forum. The outcomes will be triangulated with other indicators such as patient surveys, sickness absence, turnover and our recent cultural survey to build a fuller picture of what the data is telling us. The results will be broken down by staff groups, divisional and service level to enable a greater understanding of the results.

We will use the analysis of the results and the feedback from staff discussions and stakeholder groups to identify what improvements we need to make. The refreshed Workforce Strategy work-plan for 18/19 will incorporate the actions arising.

The results and actions arising will also be incorporated into the Organisation Development strategy that will underpin the planned merger with Luton and Dunstable NHS Foundation Trust.

# h. Complaints and compliments

The Trust has a statutory obligation for the handling and consideration of complaints and concerns; to ensure that they are dealt with efficiently, they are properly investigated and that immediate learning and action is taken if necessary. Supporting the formal elements of complaints, the Trust has a Patient Advice and Liaison Service (PALS) which works with staff, patients, relatives and carers to try and quickly resolve concerns informally and at local service level.

A formal complaint involves a thorough investigation following which the Chief Executive responds directly to the complainant. When investigating a complaint the Trust is guided by national requirements under the NHS Complaints Regulations, and has a local target of 45 working days in which to complete an investigation and respond to the complainant. For the majority of the year complaints have been *responded* to within 35 to 40 working days; this was driven by feedback from complainants who felt they had to wait too long for a response and the Trust is committed to further reduce the response time to 30 – 35 working days by the end of this year.

The Trust offers complainants the opportunity to have access to an independent complaints advocacy service free of charge should they wish to have support through the complaints process.

The Trust endeavours to always provide a timely and satisfactory response to every complaint it receives. However, there are occasions when a complainant may not be satisfied with the response provided by the Trust. The Trust will endeavour to resolve the issues by writing a further letter and/or offering a meeting with the relevant clinicians. If the Trust's further efforts to resolve the issues are deemed unsatisfactory by the complainant, they are advised that they can refer their complaint to the Parliamentary and Health Services Ombudsman (PHSO).

**Overview**

The trust has seen a downward trend in complaints over the last three years. A sudden decline in 2016/17 was part of a continuing downward trend (351 in 14/15) which was matched to an increase in PALS activity. This year we have seen a rise in the number of complaints from patients principally owing to the number of operations cancelled at short notice; a result of the high number of emergency admissions.

| Dates | Number of complaints |
|---|---|
| 2015/16 | 244 |
| 2016/17 | 127 |
| 2017/18 | 176 |

Table 10: Number of complaints

The trust has achieved a reduction in complaints over the last three years by:

- 2015 – Staff training on induction and clinical update; targeted teaching using patient stories, volunteers engaged to collect data on compliments, data from complainant surveys and by adding actions and learning tables in the formal response letters.
- 2016 - Improving the quality of responses and proactive management of concerns through PALS, building a good relationship with the PHSO, and reducing response times to formal complaints.
- 2017 – In addition to the ongoing work of 2015/16 we identify themes from sub-subjects to inform staff of trends and areas where actions/service improvements can be made. As features of complaints commonly indicate a lack of clear communication 'Look, Listen and Learn' messages for staff are highlighted in the Chief Executive's weekly newsletter. Redacted complaint summaries/scenario and outcomes featured in Quality Improvement newsletter as a learning focus.

### Parliamentary and Health Service Ombudsman (PHSO)

The Ombudsman's role is to provide an independent complaint handling service for complaints that have not been resolved by the NHS. They investigate unresolved complaints and have the final say. In April 2017 the PHSO came under new leadership; the new Chair is leading modernisation and continuous improvement of the organisation and to enable easier access for people to have their complaints about NHS care and treatment resolved. The new leadership has brought about a shift in their scope; they are accepting more cases for investigation and have been noted by the Trust and our neighbouring trusts to be more critical in their findings.

From 1 April 2017 to 1 March 2018 the trust had six complaints referred to the PHSO; of those one complaint was partially upheld because the patient's pain score was not monitored closely, resulting in the patient not being given pain relief quickly enough. One complaint was not upheld and four cases are still under investigation.

This compares to the previous year April 2016 to April 2017 whereby 16 complaints were referred to the PHSO. Of those 12 were not upheld; three were partially upheld (two of which were complex and

jointly investigated by partner organisations). One complaint was upheld despite the trust's defence that the clinical management was safe and appropriate and required no changes to clinical practice to be implemented.

### Patient Advice and Liaison Service (PALS)

The Trust's PALS team offers patients and their families or carers a point of contact for any concern, query or any other form of feedback. It can facilitate communication between a patient and the relevant clinical teams. At times, a PALS concern may be escalated to a formal complaint, either as a result of the Trust's process for managing complex issues, or at the patient's request to ensure a more detailed investigation.

In 2017/2018 the Trust registered 656 new formal PALS contacts and resolved 673 concerns.

### Compliments

The Trust is fortunate to receive a significant number of compliments including feedback, thank you cards, gifts and donations with this year the Trust receiving over 4,500 compliments. These kind gestures from patients are provided at ward and service levels and include acknowledgements of individual members of staff and of services as a whole.

Individuals and teams who are named in compliments are included in the weekly staff newsletter as part of our drive to celebrate achievements and successes. The donations category includes both monetary donations to the Trust and donations of equipment. Small gifts, such as sweets and chocolates, are given frequently by patients to staff and are always gratefully received. Any larger gift items are declared to the Trust board secretary. The Trust aims to acknowledge each compliment and formally records them on the Datix system.

### Learning from complaints and PALS

- During 2016/17 the Trust introduced a clearer process to identify learning to the complainant and staff. Responses from the chief executive inform the complainant where we have changed our practices as a result of their complaint:
- A monthly quality improvement newsletter (QI) is circulated to all staff by email and hard copies are taken to each department by volunteers.
- A weekly newsletter from the Chief Executive to all staff highlights 'Look, Listen and Learn' messages from complaints and concerns
- Learning is shared at mandatory staff training at induction, clinical updates and targeted training at ward and departmental level.
- The complaints team participate in training staff in root cause analysis, statement writing and giving evidence at coroner's court.
- The complaints team participate in Regional doctors' training focusing on complaints, claims and statement writing.
- Learning from claims is also shared at clinical updates and targeted training at ward and departmental level

### Next steps

- To sustain and then further reduce the target response time to below 35 working days.

- To improve complainant satisfaction, by showing how their complaint has improved services for other service users, both these actions will be monitored by the complaint satisfaction survey.
- Continue to engage with staff to ensure prompt local resolution to respond and further reduce concerns.
- Improve patient experience by responding effectively when things go wrong and sharing good practice when patients have a good experience.
- To continue to share and embed the learning from complaints/concerns and claims through reporting, training and trust-wide cultural awareness.

**Friends and Family Test (FFT)**

Supporting the information from the annual in-patient survey, maternity survey, children and young people survey, complaints and PALS information and general feedback through listening events, the Trust uses the FFT data, each patient is surveyed at discharge or following an appointment by either text or paper survey form. FFT data is analysed into two main categories:

- Response rate
- Positivity of response

And these relate to four core service areas:

- Accident and emergency
- Inpatients
- Maternity
- Out patients

The Trust overall receives a response rate that is in line with the national average or above, while the percentage of positivity on average sits within the national range of best practice for A&E and below for maternity and inpatients.

In 2018/19 the Trust will:

- Review the themes within the narrative feedback of FFT comments and align with current training
- Develop a programme of engaging with difficult to reach patients to improve response rates e.g. in the care of the elderly, young people, people with dementia
- Target areas with low response rates

Signed: .....

**Stephen Conroy, Chief Executive**

**Accountable officer:**

Stephen Conroy, Chief Executive

**Organisation:**

Bedford Hospital NHS Trust

**Date:** 24 May 2018

# 5. Accountability report

## a. Corporate Governance Report

The Trust was established as a NHS Trust under statutory Instrument 1991 No 2329. The Board is corporately responsible, within the regulations and policy guidelines issued by the Secretary of State, and set out in the Trust's Standing Orders, Standing Financial Instructions and Scheme of Delegation, for setting the strategic direction of the Trust, and monitoring performance against its both strategic and operational objectives. The Trust has a duty to work in partnership with other bodies, including NHS Improvement, NHS England, Clinical Commissioning Groups and other health providers across the whole health economy.

The Trust is a member of a number of well-developed clinical networks across Bedfordshire, Hertfordshire and surrounding areas, including the East of England cancer, cardiac and stroke networks. It is an arterial hub for vascular services (commissioned by NHS England) and part of the Beds, Herts and Bucks Maxillofacial Network.

In addition there are strong existing clinical networks with Addenbrooke's (Cambridge University Hospitals NHS Foundation Trust) for cancer, paediatrics, neurology and Otoneurology (ENT). There are network arrangements with the Luton & Dunstable Hospital NHS Foundation Trust for stroke and head and neck cancers, and Northampton General Hospital for plastics. Pathology services are provided by Viapath, and Ophthalmology is sub-contracted to Moorfields Hospital NHS Foundation Trust.

Medical education links are primarily with the University of Cambridge, which continue to develop. Nursing, midwifery and allied professionals students are provided with the University of Bedfordshire and given the historical and geographical links this relationship allows the Trust to work closely with the university to design innovative healthcare roles for the future workforce.

The Trust Board comprises a chairman and five non-executive directors, who are considered to be independent as they were appointed by the Secretary of State for Health on the recommendation of the NHS Appointments Commission (prior to October 2012) and the appointments panel of the NHS Trust Development Authority (operating as NHS Improvement since 2016), for appointments and re-appointments from 1 October 2012; and five executive directors appointed by the Board. Non-executive appointments are for a four year period, renewable for a further four years. Executive directors are permanent appointments. Full membership details are outlined below.

## b. Non-Executive Directors

**Name:** Gordon Johns

**Post held:** Chairman

**Previous experience:** Gordon was the Senior Independent Director to December 2014 and occupied several senior roles in the financial services industry in the City of London for more than 36 years - Director of Lazard Brothers; Chief Executive of Kemper Investment Management; Director of ING Financial Markets. Gordon is experienced in investment management, investment banking, business start-up, business development, business strategy, and regulatory compliance.

**Details of company directorships and other significant interests:** Trustee of a charitable educational Trust and Chairman of the Board of Directors/Trustees of The Lymphoma Association.

**Membership of committees:** Remuneration (Chairman), Finance, Quality and Clinical Risk, Charitable Funds.

**Name**: Duncan Gear

**Post held**: Non-Executive Director

**Previous experience**: Duncan is a chartered accountant who spent the first half of his career in professional practice and industry, where he held a number of executive directorships. He then moved into the public sector, spending several years as a civil servant in the Department for Constitutional Affairs (now the Ministry of Justice). In 2000 he was appointed by the Home Secretary to the board of the Police Complaints Authority (now the IPCC). More recently he was appointed to the board of the newly-created Solicitors Regulation Authority. He has also been a magistrate in Bedford for many years.

**Details of company directorships and other significant interests**: Magistrate

**Membership of committees**: Audit (Chair), Remuneration, Quality and Clinical Risk, Charitable Funds.

**Name**: Dr Dorothy Gregson

**Post held**: Non-Executive Director

**Previous experience**: Following a long career in public health, latterly as director of Public Health for Bedfordshire, Dorothy moved to take up the post of Chief Executive for Cambridgeshire's Office of the Police and Crime Commissioner. Dorothy was appointed to Bedford Hospital's Board in September 2015.

**Details of company directorships and other significant interests**: Chief Executive for the Office of the Police and Crime Commissioner Cambridgeshire.

**Membership of committees**: None

**Name**: Deborah Kobewka

**Post held**: Non-Executive Director

**Previous experience**: Deborah has held several senior roles over 25 years with IMS Health, a company providing information, analytics and consulting services to the global healthcare industry, most recently as President Asia Pacific based in Singapore. Deborah has worked internationally as a management consultant advising on strategy, market entry, operational execution, start-ups, leadership development and mentoring and has recently been appointed as Managing Director for Healthcare UK.

**Details of company directorships and other significant interests**: Managing Director for Healthcare UK, Biochemist, Vice President Commercial at GBI, Consultant and Business Advisor at DKK Associates Ltd.

**Membership of committees**: Audit, Finance and Remuneration.

**Name**: Dr Carol McCall

**Post held**: Non-Executive Director

**Previous experience**: Carol is a qualified pharmacist, Faculty Fellow and member of the Faculty Board of the Royal Pharmaceutical Society. She is a Senior Healthcare Advisor, specialising in compliance, governance and risk and has significant international business experience including in the pharma industry. Carol's expertise lies in commercial operations, international supply chain, strategic planning, change management and market development. She has worked as a director and senior advisor for very large homecare providers and has a strong track record at European director level in pharmaceuticals. From 2011 to 2014, Carol was a member of the Department of Health Homecare Medicines Strategy Board. This joint industry, NHS and Department of Health strategy group formed to implement the recommendations of The Homecare Medicines Report – '*Towards a Vision for the Future*' (the Hackett Report).

**Details of company directorships and other significant interests**: None

**Membership of committees**: Quality and Clinical Risk (Chair), Audit, Remuneration, Charitable Funds.

**Name**: Steve Hone (from October 2017)

**Post held**: Non-Executive Director

**Previous experience**: Steve is a qualified engineer who has over 25 years extensive experience as a director and senior executive within the high service level distribution industry and latterly as a management consultant and non-executive director to a number of small and medium-sized businesses. Since becoming involved in the NHS he held the posts of Chair of Kettering General Hospital for seven years – leading the Trust to Foundation status – and Chair of Bedfordshire Clinical Commissioning Group for a further two years.

**Details of company directorships and other significant interests**: Director, Ristorante Vivo Ltd

**Membership of committees**: Finance (Chair), Audit, Charitable Funds, Remuneration.

# c. Executive Directors

**Name:** Stephen Conroy

**Post held:** Chief Executive Officer

**Previous experience:** Stephen was appointed as substantive chief executive in December 2013, having been acting chief executive from March 2013. He joined the Trust in 2011 as director of strategy and service development. Before coming to Bedford, he spent ten years in North Central London, including a period as CEO of a primary care Trust and programme director for the NCL acute services review. He has 20 years of board level experience in the NHS (acute, community and PCT), and has worked at senior level in local government. Stephen has spent five years working as a consultant to the NHS on strategic change and process re-engineering.

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Finance and Quality and Clinical Risk

**Name:** Tracey Brigstock

**Post held:** Acting Director of Nursing and Patient Services

**Previous experience:** Tracey has a Masters in Applied Health Studies and has spent more than 30 years working in the NHS. She was appointed as acting director of nursing and patient services in November 2016, following a previous three-month period in the role earlier that year. She joined the Trust in December 2012 as Deputy Director of Nursing and Patient Services from Sherwood Forest Hospitals NHS Trust, where she was divisional nurse director for emergency care and general medicine.

Prior to this Tracey worked in many different senior nurse positions – as matron, divisional lead nurse for surgery and surgical specialties at Kettering General Hospital.

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Statutory role for Director of Infection Prevention & Control (DIPC), Safeguarding, Quality and Clinical Risk

**Name:** Paul Tisi

**Post held:** Medical Director

**Previous experience:** Consultant Vascular Surgeon, Bedford Hospital (March 2001 to date).
**Previous management roles:** divisional clinical director - surgery and anaesthetics; associate medical director - surgery; divisional medical director - planned care

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Quality and Clinical Risk, Finance

**Name:** Karen Ward

**Post held:** Chief Operating Officer

**Previous experience:** Karen previously worked at Luton and Dunstable University Foundation Trust for 12 years, the last three years as director of operations. She trained as a registered general nurse qualifying in 1985, working mainly in medical specialities and cardiology. Karen discovered health service management in the early 1990s when she was selected to lead a Department of Health Total Quality Management project in West Hertfordshire. Her passion for quality of care for patients and effective team working stemmed from this experience and led to a number of management roles including general manager and director of quality. Karen has extensive experience developing integrated teams across organisations including sexual health services in West Hertfordshire and an integrated discharge team at Luton and Dunstable Hospital.

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Finance

**Name:** Damian Reid

**Post held:** Director of Finance

**Previous experience:** Damian was a director of finance at Cambridgeshire Community Services NHS Trust and more recently at Southport and Ormskirk Hospital NHS Trust. Between 2004 and 2008, Damian worked with the NHS foundation Trust regulator Monitor and NHS London, supporting acute and mental health Trusts that were applying to become foundation Trusts. This included working with financially challenged Trusts and assessing Trusts for Foundation Trust authorisation.

Prior to this, he worked in a range of finance roles, including the Compass Group, EC Harris and the Ministry of Defence.

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Finance, Audit and Charitable Funds

**Name:** Oonagh Monkhouse

**Post held:** Director of Workforce and Organisational Development (left the trust 30 September 2017)

**Previous experience:** Oonagh was previously the deputy director of workforce at Cambridge University Teaching Hospitals, where she undertook a number of senior human resources roles, including an 11-month period as the interim executive director of workforce during her 19 years with the Trust. Previous roles include the head of pay with the East of England Workforce Development Confederation, leading on the implementation of Agenda for Change pay arrangements, and the head of human resources for the East of England Strategic Health Authority during the restructuring of the CPLNHS change programme. Oonagh is originally from Northern Ireland and worked in a number of NHS organisations in Belfast before moving to Cambridge in 1993.

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Finance, Quality and Clinical Risk

**Name:** Fiona MacDonald

**Post held:** Interim Director of Workforce and Organisational Development (from 9 October 2017)

**Previous experience:** Fiona joined the NHS in 2003 at Peterborough and Stamford Hospitals having previously worked in the private sector. During her time at Peterborough and Stamford Hospitals she worked in a variety of senior HR and Workforce roles including HR lead for the PFI project to build Peterborough City Hospital, which completed in 2010, and as Assistant Director of Workforce working on the strategic agenda. Most recently as Deputy Director of Workforce and OD, Fiona worked on the transition to bring together Peterborough and Stamford NHS Foundation Trust and Hinchingbrooke Healthcare Trust as North West Anglia NHS Foundation Trust in April 2017.

**Details of company directorships and other significant interests:** None

**Membership of Committees:** Finance, Quality and Clinical Risk

In the case of each of the persons who are directors at the time the report is approved, each has confirmed that:

So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

During the year, Board members have attended development workshops, visited other Trusts, and met local stakeholders, especially local commissioners.

In 2017/18, the Board met in public on 11 occasions, plus the AGM, held in July 2017. Members of the public and staff are invited to attend Board meetings and to raise questions. Details of meetings and papers are available on the Trust's website.

The Trust is accountable to public, professional and parliamentary scrutiny in respect of the quality of service it provides, and the effective control of its resources. All members of the Board have confirmed their commitment to maintaining the public services values of accountability, probity and openness.

The roles and membership of the Audit Committee, the Remuneration Committee, Quality and Clinical Risk Committee and Finance Committee, are outlined in the Annual Governance Statement. A Charitable Funds Committee, with the same membership as the Audit Committee with the addition of the trust Chair and attended also by representatives from the Bedford Hospitals Charity and the Friends of Bedford Hospital discharges the Board's responsibilities as Trustees for the charitable funds held by the Trust.

In addition to membership of the sub-committees listed above, non-executive directors chair appointments and other committees as required by the Trust's human resources policies and have a programme for quality monitoring visits to wards and departments.

# d. Statement of the chief executive's responsibilities as the accountable officer of the trust

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

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

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

Signed.....

**Stephen Conroy, Chief Executive**

**Accountable officer:**
Stephen Conroy, Chief Executive

**Organisation:**
Bedford Hospital NHS Trust

**Date:** 24 May 2018

# e. Annual governance statement

### Scope of responsibility

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

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Bedford Hospital NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bedford Hospital NHS Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

### Capacity to handle risk

The Trust recognises that risk is individualistic by nature and as such can be difficult to predict. The following systems and processes are in place for managing and monitoring risk:

- A risk management policy;
- Clear division between assurance and operational responsibilities;
- Devolution of responsibility and accountability for risk assessment and management throughout the organisation;
- Identification and quantification of risk using a common assessment tool;
- A risk register, based on a single risk management database (Datix) is in place;
- A Board Assurance Framework that has developed to contain sufficient information to provide assurance to the Trust Board and senior management over the effectiveness of the controls in place to manage the Trust's significant strategic risks.
- An adverse incident reporting system;

Developed policy framework including policies on Fraud and bribery, declaration of interests and acceptance of gifts and hospitality and whistleblowing;

During 2017/18 a Risk and Compliance Board meeting was introduced to provide leadership over the review of all risks currently on the risk register and to validate newly added risks 15+. The Risk and Compliance Board moderates risk scores, where necessary, to ensure consistency of risk scoring across the Trust. A series of Executive chaired confirm and challenge panels were also put in place to review all 15+ risks with the relevant risk owners.

A 15+ clinical and non-clinical risk paper goes to the Risk and Compliance Board and it sends an upward report plus the 15+ risk paper to the Executive Management Committee and the Quality and Clinical Risk Committee in order to provide assurance to the Trust Board. Other risks are reviewed at

the executive led divisional monthly performance meetings and divisional quality groups. All 20+ risks are notified to an executive director and 25+ risks get escalated to the CEO immediately on the day and robust mitigations must be put in place.

The Board receives upward reports from each of its sub-committees monthly highlighting risks for escalation.

The Audit Committee maintain oversight of the risk management processes.

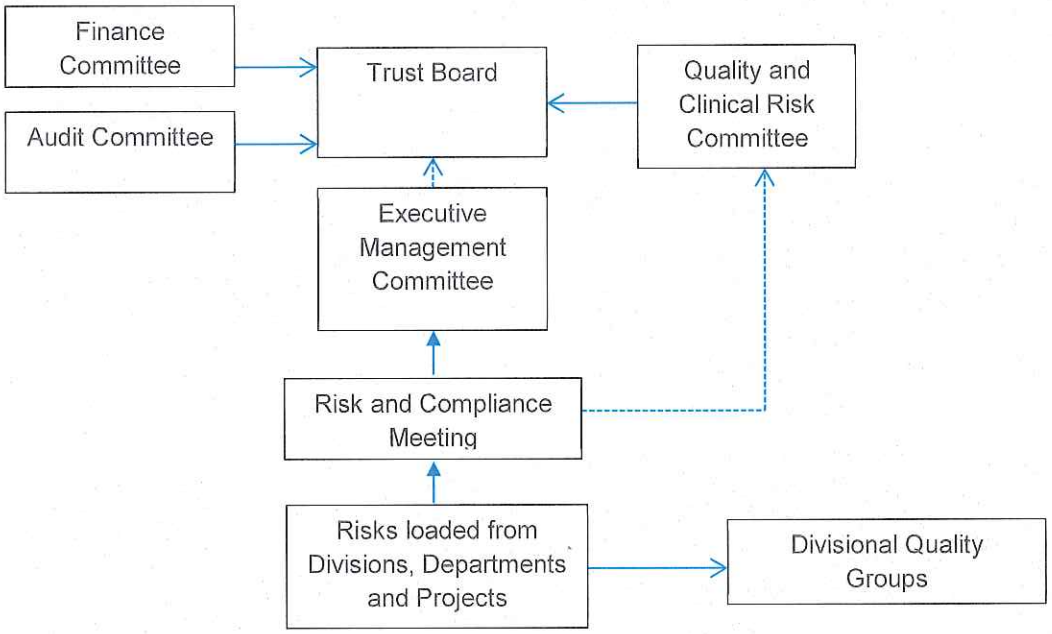



Figure 3: Risk Management Escalation Structure

Risks are identified on a bottom up basis by managers and scored using a 5x5 impact x likelihood matrix consistent with good risk practice and NHSR standards. Those with a residual risk rating of 15 or more, including those from failure to maintain compliance with CQC registration, are reported monthly to the relevant management board e.g. Risk and Compliance Board, Quality Board, Health & Safety Board and Executive Management Committee for management review. Each department and division regularly reviews all risks and their ratings in light of mitigating actions and ensures learning is captured and fed back.

Risks to data security are managed and controlled through the Information Governance (IG) Steering Group which has agreed policies and procedures which include a Caldicott Guardian, Senior Information Risk Owner (SIRO), control of access to systems, encryption and monitoring and which reviews performance against the information governance toolkit. The Trust made a Level 2 compliant submission of the Information Governance toolkit on 30 March 2018, meeting national requirements.

In the Financial year 2017/18 there was one level 2 IG breach which was submitted to the Information Commissioner. This related to financial information at patient level which had been sent to a Clinical Commissioning Group (CCG). CCGs are not legally allowed to have access to patient data through reporting. The Information Commissioner confirmed that no further action would be

taken against the Trust due to the changes in processes which had been put into place internally once the breach had been identified.

It should also be noted that the RNOH reported a level 2 breach to the Information Commissioner which involved a member of Bedford Hospital staff. The Information Commissioner confirmed that no action would be taken against this Trust as the circumstances of the breach did not require action to be taken.

The Trust's Board Assurance Framework indicates the risk against achievement of the Trust's strategic objectives which are aligned with the CQC domains and include as main areas of focus, objectives to:

- Support quality improvement through implementation of the Quality Improvement Strategy
- Implement local clinical service developments
- Implement an organisation wide programme to transform patient experience and care
- Ensure appropriate emergency pathways
- Maximise elective productivity
- Agree a contract that supports effective financial and capacity plans
- Deliver the agreed financial plan
- Deliver the efficiencies derived from the Lord Carter Report
- Identify a sustainable future clinical model via a proposed merger with the Luton and Dunstable Hospital University Foundation Trust
- Deliver, with the CCG, LAs and other Trusts, a STP reflecting a sustainable future
- Take steps to integrate with Community services

The potential key risks, set out in the BAF, were identified in April 2017 as being:

- Insufficiently robust capacity plans
- Emergency demand exceeding available capacity
- Ineffective system management of emergency demand
- Elective activity levels not meeting plan
- Insufficient CCG contracted activity levels
- Shortfall in delivery of CIPs
- Staffing levels exceeding budgeted establishment
- Non receipt of Sustainability and Transformation funding
- Relative inefficiency as measured by national metrics (Lord Carter)
- Unable to recruit and retain the appropriate clinical workforce
- Insufficient capacity or capability to lead or deliver projects and transformation
- Limited or no progress in integration with community services

Review of these risks was undertaken and reported to the Trust Board. The Board reviews the full BAF quarterly with significant risks reviewed monthly or bi-monthly by the associated committee, in particular the Finance and Quality & Clinical Risk Committees; or where necessary through the Board agenda.

I am satisfied that there is no evidence of any systematic failure of control.

**The risk and control framework**

There is a risk management policy in place which:

- Is endorsed by the Board;
- Sets out the Trust's structure for governance and the aims for managing risks to patients, staff, visitors, contractors and to service quality.
- Outlines the organisational and individual responsibilities and arrangements for risk management
- Sets out the systems and processes by which the aims will be achieved.

The strategy is easily available to all staff via the Trust's intranet and reviewed regularly to ensure it remains appropriate and current.

The Trust has a designated counter fraud specialist service, provided through its Internal Auditors, which offers a pro-active approach to fraud awareness and prevention.

The Trust appointed a Freedom to Speak up Guardian to help encourage a culture of "speaking up" so everyone feels comfortable raising a concern and confident that it will be investigated effectively. Patient safety is paramount at Bedford Hospital and all staff have a duty to raise concerns so we can learn from mistakes and maintain a high quality of care across the hospital.

The role of the Freedom to Speak up Guardians has been created as a result of recommendations from Sir Robert Francis' Freedom to Speak Up review, published in February 2015.

Two Chief Residents were appointed in August to reflect concerns of Junior Doctors to the clinical leadership as required.

The Trust Board has overall responsibility for overseeing the management of risk. I have overall responsibility for governance (clinical, non-clinical and business), which includes risk management. This responsibility is exercised through the designated accountability of executive directors

- Director of Finance – Finance, Estates and Information Technology risk. Board Assurance Framework and also the Senior Information Risk Owner
- Medical Director - Clinical risk. Also the Caldicott Guardian.
- Director of Nursing and Patient Services – Clinical risk, risk management, non- clinical risk and risks associated with support services.
- Director of Workforce and Organisational Development - risks associated with human resources.
- Chief Operating Officer - risk associated with access targets and delivery of activity.

The Trust's training programme includes generic training in risk assessment, as well as training in specific areas such as COSHH (Health & Safety) The Trust's weekly staff e bulletin includes a section on learning from issues as well as highlighting risk areas.

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

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

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

The trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Cyber security is a key risk within the NHS; the Wannacry attack in May 2017 penetrated 34 NHS organisations and NHS Digital have followed up with additional testing. This work has highlighted the need to strengthen security processes, software updates and elements of hardware.

The risks include the need to ensure privacy of personal data, maintain protection against crime and avoid corruption of records.

Bedford Hospital has improved in all of these areas, with additional switches to improve our infrastructure, an accelerated process for introducing patches and briefings to staff to improve processes (including password security), however additional steps will be taking during 2018/19 to support best practice.

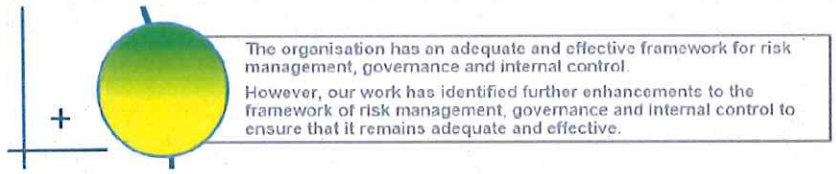
### Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee, the quality and clinical risk committee and reports to the Executive Management Committee from the Divisions, (which address quality and risk issues), Quality Board, IM&T Strategy Board, and Health and Safety Committee. Lessons learned from incidents have been followed up through action plans as part of the Trust's commitment to be a learning organisation. Positive assurance on quality has been achieved through for example, GMC education reviews, the independent 'CHKS' rankings, hospitals' standardised mortality index (SHMI), accreditation as an Investor in People, Joint Advisory Group (JAG) accreditation and various awards, for example achieving the CHKS Top 40. I am assured that plans are in place to address potential weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit provides me with an opinion substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Board Assurance Framework. As such, it is one component that the Board takes into account in making its Annual Governance Statement.

The Head of Internal Audit opinion is as follows:

**Head of internal audit opinion 2017/18**




Action plans have been agreed to overcome the weaknesses identified by internal audit. The Audit Committee tracks implementation of agreed management actions.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with reassurance. The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by:

- The work of our external auditors.
- The work undertaken by internal auditors and clinical audit in recommending improvements to control systems and testing compliance with controls
- Regular performance reviews of care quality commission standards, and other performance measures.
- External assessments by regulatory bodies, for example CQC, HSE and Health Education England.

NHS Improvement issued guidance for Well Led reviews in June 2017 that strongly encouraged all providers to carry out developmental reviews of their leadership and governance using the well-led framework every three to five years. Accordingly the Executive Directors have completed a self-assessment of each of the eight key lines of enquiry (Sep 2017). The self-assessment rating is 'Good', within the range available. A Trust Board seminar was held to both challenge and confirm this rating with the outcome that the Non-Executives were assured of the 'Good' self-assessment rating and that this was consistent with the examples of good practice and evidence provided (Oct 2017).

In 2017 NHS Improvement advised all providers to carry out a self-certification to provide assurance that they have complied with the NHS Provider Licence and associated NHS Acts and have had regard to the NHS Constitution.

Although NHS trusts are exempt from needing the provider licence (it applies to NHS Foundation Trusts and independent healthcare providers), directions from the Secretary of State require the NHS Trust Development Authority to ensure that NHS trusts comply with conditions equivalent to the licence as it deems appropriate.

The Single Oversight Framework (SOF) bases its oversight on the NHS provider licence. NHS trusts are therefore legally subject to the equivalent of certain provider licence conditions and must self-certify under these licence provisions.

Two declarations are required by the NHS provider licence:

- Condition G6(3) – providers must certify that their Board has taken all precautions necessary to comply with the licence, NHS Act and NHS Constitution.
    - This is a general condition and the assumption would ordinarily be that a Trust was compliant unless there was some exceptional circumstance e.g. the CQC had, through inspection, advised that the organisation was in breach or that the Trust was aware of a significant matter that might cause a breach.
- Condition FT4(8) – providers must certify compliance with required governance standards and objectives.

These ask that Trusts are assured that they have the necessary governance systems and processes in place to support compliance. These cover similar themes that are to be found, and assured, in annual audit. There are therefore a number of key documents that can be referred to in support of the declaration. In summary;

- Board structures and accountability – Standing Orders, Standing Financial Instruction and Scheme of Delegation – Updated Jan 17
- Risk – BAF in place, updated regularly, reviewed by committees, audited.
- Efficiently and effectiveness – SFIs, Scheme of Delegation, Business Planning processes
- NHS Constitution – Standing Orders, Board level performance reporting
- Quality – Quality governance structures including Board level committee, Quality Impact Assessments
- Capacity and Capability – Board appraisal, Fit and Proper Persons Test, Board Recruitment processes, OD Programme in place.
- The Board declared compliance via self-certification in May 2017.

Multi-agency and multi-disciplinary meetings between the Trust, Clinical Commissioning Group and local authorities identify potential risks e.g. by monitoring safeguarding initiatives for both children and vulnerable adults, reducing delayed discharges, ensuring effective plans for use in the event of a major incident or disaster.

Active participation in the local overview and scrutiny committees enables them to be informed of the risks facing the Trust, and vice versa. The Trust, working with partner agencies, continued to have in place business continuity plans to deal with a range of scenarios, including those resulting from climate change.

Based on a review of evidence to support compliance, the Board is able to provide reasonable assurance that it is compliant with the rights and pledges within the NHS Constitution and has had regard to the NHS Constitution in carrying out its functions.

Conclusion

No significant internal control issues have been identified.

**The governance framework of the organisation**

The Board of Directors is responsible for achievement of the organisational objectives and my role as Chief Executive is to agree the objectives of the Executive Directors. The Board of Directors is responsible for ensuring that internal controls – financial, clinical, organisational - are in place and the effectiveness of these controls is regularly reviewed. The Executive Team and the Executive Management Committee ensures that action is taken to implement controls and address any

shortcomings. The Trust Board is appraised of the operational effectiveness of the organisation through review at every Board meeting via an Integrated Performance Report which sets out performance against the key standards across the range of risk- activity, quality, finance, human resources. The Trust has a governance framework, approved by the Board, including Standing Orders, SFIs, Scheme of Delegation which support the discharge of its statutory functions and that these are delivered within the overall governance framework.

Trust Board agendas are structured with standing sections to cover: strategic issues, patient safety and experience and performance and assurance including workforce reports and regular review of the Board Assurance Framework (BAF). Key issues for the board during the year have been:

Managing delivery of the Trust's deficit control total whilst maintaining quality, safety and operational performance; in particular the risks arising from unbudgeted escalation beds and enhanced staffing resulting from emergency pressures.

Developing the plans for future sustainability via a proposed merger with the Luton and Dunstable Hospital University Foundation Trust in the context of the Bedfordshire, Luton and Milton Keynes (BLMK) Sustainability and Transformation Plan (STP).

These issues are discussed in more detail in the Significant Issues section later in this statement.

With its composition of Chair and Non-Executive Directors, appointed by the Appointments Commission or more recently by NHS Improvement the Trust has an appropriate balance of Non-Executive Directors and Executive Directors, the Board believes that it is compliant with best current corporate governance practice, with regard to the composition of the Board.

**Committees of the Board and their roles**

Board sub committees are Audit, Finance, Quality and Clinical Risk and Charitable Funds Committees, meeting regularly and reporting to the Trust Board following each meeting. The Remuneration Committee meets as required.

The Audit Committee, comprised of four non-executive directors and chaired by Mr Duncan Gear, reviews the organisational risks identified in the Board Assurance Framework, financial control systems and receives regular reports from the internal and external auditors and the local counter fraud specialist. Key work during 2017/18 has included:

Ensuring prompt and effective responses to internal audit reports. This was previously highlighted by the Committee as an area of weakness that required specific management attention and the improvement has continued as a priority into 2017/18 supported by a system to track internal audit recommendations;

A key goal has been to ensure that issues covered by internal audit reports align well to the BAF risks.

The Finance Committee, comprising three non-executive and six executive directors and chaired by Mr Steve Hone has continued to provide a forum where detailed consideration is given to the major financial issues facing the Trust. These have centred on achievement of the very challenging Transforming for Excellence programme, monitoring cash flow and its implications for the capital programme, reviewing the risks facing the Trust, including the impact of local commissioning initiatives, capacity issues and winter pressures. The Committee played an important role in seeking

assurances on the robustness of assumptions, recovery actions and risk mitigations behind the Trust's forecast outturn.

The Quality and Clinical Risk Committee under the chairmanship of Dr Carol McCall has three non-executive directors as members, plus the Medical Director, Director of Nursing and Patient Services, the Director of Workforce and OD, and the Chief Executive. The purpose of the committee is to provide assurance to the board that there is in place an effective system of quality and clinical governance, clinical risk management and internal controls across the clinical activities undertaken by or within Bedford Hospital NHS Trust, to support the organisation's objectives. This includes monitoring of mortality and approval of the clinical audit plan. It oversees the preparation of the Quality Account, and reviews the action taken in response to Serious Incidents and never events. Serious incidents and never events are also reported to every public Board meeting. The committee is working on a bi-monthly cycle, supported by a forward plan. The Chairs of the Quality and Audit Committees sit on each committee to provide consistency of approach to key assurance issues.

The Remuneration Committee, including all non-executive directors, makes decisions on the remuneration and terms of service of directors and senior managers, taking into account comparative data from other Trusts. It also reviews the performance of the Chief Executive and through him, the other executive directors and determines any changes to remuneration. In the 2017/18 financial year a 1% cost of living increase was paid to executive directors with effect from 1 April 2017, and all claimed business expenses have been paid at the nationally agreed NHS rates in respect of NHS business only.

The Charitable Funds Committee has the same membership as the Audit Committee, with the addition of the Trust's Chair and is also attended periodically by representatives from the Bedford Hospitals Charity and the Friends of Bedford Hospital Charity. It discharges the Board's responsibilities as Trustees for the charitable funds held by the Trust.

Operational management is through the Executive Management Committee, comprising the Executive Directors, Divisional Directors and Divisional Medical Directors and other key heads of service. Key performance indicators are set out in more detail in the performance report and financial statements.

### Annual Quality Account

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

The Trust has, as required, prepared a Quality Account for the year, which sets out a review of the Trust's quality performance in 2017/18 as well as setting out priorities for quality improvement in 2018/19.

The Quality and Clinical Risk Committee provides assurance to the Board that the Quality Account presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data - in particular the quality and accuracy of elective waiting time data, and the risks to the quality and accuracy of this data.

### Quality governance

Quality and safety has a defined governance structure to support its delivery and assurance. At Board level the Quality and Clinical Risk Committee (QCRC) provide assurance to the Board on the

key clinical governance systems and on delivery of quality performance. This includes a range of quality metrics (via scorecards) including incident reporting, mortality and staffing.

During the financial year 2017/18, the Trust declared a total of 34 serious incidents. Of these serious incidents 3 were classed as a never event. This is in comparison to 38 serious incidents with one classified as a never event in 2016/17. All Serious Incidents were subject to a Root Cause Analysis (RCA) investigation, including recommendations and action plans based on the findings of individual investigations. Implementation of the actions is managed and monitored through the appropriate division and through the Serious Incident Review Panel (SIRP).

At management level the Quality Board (reporting to the Executive Management Committee) is executive chaired and oversees delivery of quality and safety objectives and monitoring of performance. Any statutory clinical duties requiring management groups are monitored via this structure for example safeguarding and the human tissue act.

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

The trust continued during 2017/18 to work hard on the delivery of the trusts efficiency programme which had a target of £7.8m. The efficiency programme was managed through the delivery support unit (DSU) who supported and engaged with stakeholders in the delivery of the programme.

| | Full Year | Performance | | |
|---|---|---|---|---|
| **Workstream** | **Plan** | **YTD Target** | **YTD Act** | **Variance** |
| Grip & Control | (2,626) | (2,626) | (2,029) | (597) |
| Workforce | (819) | (819) | (726) | (93) |
| Activity | (2,006) | (2,006) | (2,273) | 267 |
| Corporate & Commercial | (1,534) | (1,534) | (1,693) | 159 |
| Elective Care | (583) | (583) | (370) | (213) |
| Private Patient | (200) | (200) | (132) | (68) |
| Patient Flow | (32) | (32) | (32) | 0 |
| **Totals** | **(7,800)** | **(7,800)** | **(7,255)** | **(545)** |
| | | | Delivery | 93% |

Table 11: Review of economy, efficiency and effectiveness of the use of resources

The programme was split into workstreams for reporting and divisions for individual project delivery management. Overall the trust delivered £7.3m (93%) of the planned target. The best performing areas being operating theatre productivity and effective activity coding.

The economic cost pressures across the organisation have been challenging with locum and agency cost inflation needing to be contained through effective internal controls, whilst non pay inflationary pressures have had to be managed tightly to ensure the trust has been able to deliver its defined control total.

The trusts outturn position demonstrates our ability to manage the use of resources in order to efficiently deliver the required outturn for the financial year 2017/18 being a £(6.5)m deficit against a plan of £(8.8)m.

| | 2017/18 Plan (£000s) | 2017/18 Actual (£000s) | Variance (£000s) |
|---|---|---|---|
| Operating Income from patient care activities | 168,678 | 177,928 | 9,250 |
| Other operating income | 20,127 | 27,100 | 6,973 |
| Employee Expenses | (118,081) | (125,814) | (7,733) |
| Operating expenses excluding employee expenses | (74,988) | (80,999) | (6,011) |
| **Operating Surplus/(Deficit)** | **(4,264)** | **(1,785)** | **2,479** |
| **Finance Costs:** | | | |
| Finance Income | 12 | 23 | 11 |
| Finance Expense | (1,090) | (1,266) | (176) |
| PDC dividends | (2,000) | (1,155) | 845 |
| **Net Finance Costs** | **(3,078)** | **(2,398)** | **680** |
| Other gains/(losses) including disposal of assets | | 122 | 122 |
| **Surplus/(deficit) for the year** | **(7,342)** | **(4,061)** | **3,281** |
| Add back impairments/(reversals) | | (1,470) | (1,470) |
| Remove capital donations/grants I&E impact | (1,500) | (911) | 589 |
| **Adjusted retained surplus/ (deficit)** | **(8,842)** | **(6,442)** | **2,400** |

Table 12: Actual outturn 2017-18 versus plan

## Significant issues

Managing delivery of the Trust's deficit control total whilst maintaining quality and safety; in particular the risks arising from unbudgeted escalation beds and enhanced staffing resulting from emergency pressures.

The Trust has, throughout 2017/18, continued to experience significant demand on its services and admitted high numbers of emergency cases. These pressures are compounded by the lack of sufficient community based services, including beds, resulting in delayed discharges, high numbers of medically optimised patients and the maintenance of escalation beds year round, as well as by the increasing age and acuity of admitted patients. Key risks that were managed therefore included;

- Emergency demand and the year-long use of escalation beds;
- The lack of a robust and funded health system winter plan;
- Increasing and significant contractual challenges from Bedfordshire CCG;
- The impact of agency caps;
- Maintaining staffing levels.

The Trust delivered its control total but 2018/19 is predicted to be the most challenging financial environment for many years and the Trust's capacity to deliver savings without cross organisational transformation e.g. urgent care, is limited. Identifying a viable commissioner and provider savings programme is therefore a core part of the work being undertaken by the STP.

Developing the plans for future sustainability via a proposed merger with the Luton and Dunstable Hospital University Foundation Trust in the context of the Bedfordshire, Luton and Milton Keynes (BLMK) Sustainability and Transformation Plan (STP).

In September 2017 the Board approved a Strategic Outline Case of a proposed merger between Bedford Hospital NHS Trust and Luton and Dunstable Hospital University Foundation Trust to form a single NHS Foundation Trust and the following supporting activities were undertaken:

- Due Diligence and legal advice
- Staff engagement programme
- Establishment of an Integration Board
- Detailed planning and costing of transitional activities and integration costs
- Partnership work with NHSI to engage expert input and enabling support

Both hospitals are committed members of the BLMK Accountable Care System (ACS) and this proposal is fully aligned with the STP strategy and the delivery of integrated care across the STP area.

One of the real strengths of this proposal is that the two hospitals already work closely together – and have been doing so successfully for a number of years. Examples of this are specialties such as Neonatal Intensive Care, vascular surgery and stroke services, and others including Ear, Nose and Throat (ENT), Oral and Maxillofacial (OMF), cervical and breast screening services.

As both hospitals serve the populations of Bedfordshire, there is a strong overlap in the catchment areas as well as shared links with commissioners, local councils and ambulance, community and mental health providers. The executive teams and Boards at both Trusts strongly believe that a merger between the two hospitals will build and strengthen this existing partnership, encourage

expertise to be shared across the two sites, streamline the way that care is provided and remove numerous inefficiencies to ensure that patients have a better experience and improved outcomes.

Importantly, the merger fully supports the work programme of the Sustainability and Transformation Plans (STP) over the last 18 months and will ensure the region can provide more integrated health care for everyone.

Since the announcement, teams from both hospitals have been working closely and at pace to develop a shared vision and to understand what an integrated Trust would look like, supported by BLMK STP partners and national regulators NHS Improvement (NHSI). A Full Business Case, outlining benefits for patients, possible improvements in service provision, opportunities for staff and financial savings, was unanimously approved by both Trust Boards and submitted to NHSI in December 2017.

Discussions are ongoing with NHSI about the revenue and capital requirements that will underpin the Trusts' ability to realise the benefits of the merger, which was originally proposed for April 2018. Both Trust Boards have committed to reviewing progress in June 2018 to agree the most likely date for the merger to proceed. In the meantime, we will use this additional time to further develop our plans and progress key activity, with priorities being the development of the IT and Pathology functions of the two Trusts. The merger presents various opportunities such as:

- Enabling more specialities to offer patients a full '7 day' service - this gives better patient care and will help to reduce waiting times
- A more resilient provision of 'on call' and 'out of hours' emergency cover for the expanded population and across all specialties
- Providing certainty for Bedford residents and Bedford Hospital staff after years of speculation about core services being closed
- Increasing opportunities to attract and retain the best staff to a larger, integrated Trust.

NHS Improvement has recognised the Trust's relative good operational performance and its continued focus on delivering its control total whilst maintaining performance and quality standards.

### The modern slavery act 2015

Bedford Hospital NHS Trust is committed to maintaining and improving systems, processes and policies to avoid complicity in human rights violation. We realise that slavery and human trafficking can occur in many forms, such as forced labour, domestic servitude, sex trafficking and workplace abuse.

Our policies, governance and legal arrangements are robust, ensuring that proper checks and due diligence take place in our employment procedures to ensure compliance with this legislation.

Signed.....

**Stephen Conroy, Chief Executive**

**Accountable officer:**
Stephen Conroy, Chief Executive

**Organisation:**
Bedford Hospital NHS Trust

**Date:** 24 May 2018

# 6. Remuneration and staff report

## a. Remuneration Committee

The Remuneration Committee, chaired by the senior independent director, and including all non-executive directors, makes decisions on the remuneration and terms of service of directors and senior managers, taking into account comparative data from other trusts. It also reviews the performance of the chief executive and through him, the other executive directors and determines any changes to remuneration. (See 56)for details of the membership of the Remuneration Committee).

The executive directors of Bedford Hospital, who are employed on permanent contracts by the trust, have a notice period of six months, with the exception of the medical director, who is on a consultant's contract, and has a notice period of three months. Executive directors are not entitled to any special termination payments, and no provision has been made in the accounts for these items. Non-executive directors were appointed by the NHS Appointments Commission (prior to October 2012) and the appointments panel of NHS Improvement (for appointments and re-appointments from 1 October 2012) for an initial term of four years, which can be renewed for one further term of four years.

No scheme for awarding executive directors' performance related bonuses linked to performance targets have been agreed by the remuneration committee for 2017/18. No director has a vehicle provided by the trust and expenses are reimbursed at nationally agreed rates only for expenditure incurred on official business.

The tables on the following pages give details of salary and pension for the senior managers of the trust, and details of contract start dates and end dates (where appropriate).

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

The median remuneration of the trust's staff is calculated using the total remuneration of the total staff, excluding the highest paid director. This has been calculated based on annualised, full-time equivalent remuneration as at 31 March 2018. The calculation also includes agency and other temporary employees covering staff vacancies, but excludes consultancy services. Only the remuneration paid to the employee has been included.

The banded remuneration of the highest paid director, excluding accrued pension benefits, in Bedford Hospital NHS trust in the financial year 2017/18 was £145,000-150,000 (2016/17 was £145,000 - £150,000). This was 5.62 times (2016/17, 5.55 times) the median remuneration of the workforce, which was £26,245 (2016/17, £26,302). The movement in the banded remuneration between years and the impact on the ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid director was mainly as a result of a reduced reliance on agency and interim staff, thus reducing the median pay. Remuneration ranged from £6,844 to £147,460 (2016/17 £15,246 to £146,000). The median pay disclosure is subject to audit.

There was a partial lifting of the pay freeze across the NHS in 2017/18, resulting in a 1% increase for all staff on agenda for change pay scales and medical pay scales. Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

| Name and Title | Current Contract Start Date | Contract end date/ Non Executive renewal date | Leaving date where applicable | 2017-18 Salary (bands of £5000) £000 | 2017-18 Expense payments (taxable) Rounded to the nearest £100 | 2017-18 Performance related Bonuses (bands of £5000) £000 | 2017-18 Long Term performance pay and bonuses (bands of £5,000) £000 | 2017-18 All pension-related benefits (bands of £2,500) £000 | 2017-18 TOTAL (bands of £5,000) £000 | 2016-17 Salary (bands of £5000) £000 | 2016-17 Expense payments (taxable) Rounded to the nearest £100 | 2016-17 Performance related Bonuses (bands of £5000) £000 | 2016-17 Long Term performance pay and bonuses (bands of £5,000) £000 | 2016-17 All pension-related benefits (bands of £2,500) £000 | 2016-17 TOTAL (bands of £5,000) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non Executive Directors** | | | | | | | | | | | | | | | |
| Mr G Johns, Trust Board Chairman | 2015 | 2018 | N/A | 20-25 | 24 | | | | 20-25 | 20-25 | 26 | | | | 20-25 |
| Mr D Gear, Non Executive Director | 2008 | 2018 | N/A | 5-10 | 4 | | | | 5-10 | 5-10 | 0 | | | | 5-10 |
| Mrs D Kobewka, Non Executive Director | 2012 | 2018 | N/A | 5-10 | 4 | | | | 5-10 | 5-10 | 8 | | | | 5-10 |
| Dr D Gregson, Non Executive Director | 2012 | 2018 | N/A | 0 | 0 | | | | 0 | 0 | 0 | | | | 0 |
| Mr A McKeever, Non Executive Director | 2014 | 2018 | Apr-17 | 0-5 | 3 | | | | 0-5 | 5-10 | 21 | | | | 5-10 |
| Dr C McCall, Non Executive Director | 2014 | 2018 | N/A | 5-10 | 8 | | | | 5-10 | 5-10 | 11 | | | | 5-10 |
| Mr S Hone, Non Executive Director | 2017 | 2018 | N/A | 0-5 | 4 | | | | 0-5 | | | | | | |

Table 13: Non-executive Director's salary information (AUDITED)

| Name and Title | Current Contract Start Date | Contract end date/ Non Executive renewal date | Leaving date where applicable | 2017-18 Salary (bands of £5000) £000 | 2017-18 Expense payments (taxable) Rounded to the nearest £100 | 2017-18 Performance related Bonuses (bands of £5000) £000 | 2017-18 Long Term performance pay and bonuses (bands of £5,000) £000 | 2017-18 All pension-related benefits (bands of £2,500) £000 | 2017-18 TOTAL (bands of £5,000) £000 | 2016-17 Salary (bands of £5000) £000 | 2016-17 Expense payments (taxable) Rounded to the nearest £100 | 2016-17 Performance related Bonuses (bands of £5000) £000 | 2016-17 Long Term performance pay and bonuses (bands of £5,000) £000 | 2016-17 All pension-related benefits (bands of £2,500) £000 | 2016-17 TOTAL (bands of £5,000) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | | | | | | | |
| Mr S Daniells-Conroy, Chief Executive Officer | Jan-14 | N/A | N/A | 145-150 | 8 | 0 | 0 | 20-22.5 | 165-170 | 145-150 | 9 | 0 | 0 | 25-27.5 | 170-175 |
| Mr P Tisi, Acting Medical Director | Apr-16 | N/A | Aug-16 | | | | | | | 45-50 | 0 | 10-15 | 0 | 0 | 55-60 |
| Mr P Tisi, Medical Director (substantive) | Aug-16 | N/A | N/A | 155-160 | 19 | 35-40 | 0 | 0 | 190-195 | 90-95 | 11 | 20-25 | 0 | 0 | 110-115 |
| Mrs A Fraser , Director of Nursing and Patient services | 2013 | N/A | Nov-16 | | | | | | | 105-110 | 3 | 0 | 0 | 0 | 105-110 |
| Mrs T Brigstock, Acting Director of Nursing and Patient Services | Nov-16 | N/A | Mar-18 | 105-110 | 2 | 0 | 0 | 150-152.5 | 255-260 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ms K Ward, Chief Operating Officer | Sep-15 | N/A | N/A | 105-110 | 7 | 0 | 0 | 77.5-80 | 185-190 | 60-65 | 0 | 0 | 0 | 50-52.5 | 110-115 |
| Mr D Reid, Director of Finance | Sep-15 | N/A | N/A | 125-130 | 0 | 0 | 0 | 7.5-10 | 135-140 | 65-70 | 0 | 0 | 0 | 0-2.5 | 65-70 |

Table 14: Executive Director's salary information (AUDITED)

Note for Table 13 and Table 14

Note 1: The Trust Board comprises a chairman, 6 non-executive directors, 5 executive directors and 1 further member - director of workforce, who is a non-voting member of the Trust Board and, as such, does not appear in the remuneration report. This is in line with the Manual for Accounts guidance on the Annual Report in respect of 'senior managers'. The non-voting members are not deemed to have 'authority or responsibility for directing or controlling the major activities of the NHS body'.

| Name and Title | 2017-18 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Real increase/(decrease) in pension at pension age (bands of £2,500) £000 | Real increase/(decrease) in pension lump sum at pension age (bands of £2,500) £000 | Total accrued pension at pension age at 31 March 2018 (bands of £5,000) £000 | Lump sum at pension age related to accrued pension at 31 March 2018 (bands of £5,000) £000 | Cash Equivalent Transfer Value at 1 April 2017 £000 | Real increase/(decrease) in Cash Equivalent Transfer Value £000 | Cash Equivalent Transfer Value at 31 March 2018 £000 | Employer's contribution to stakeholder pension £000 |
| Mr S Daniells-Conroy, Chief Executive (substantive) | 0-2.5 | 5-7.5 | 35-40 | 115-120 | 827 | 82 | 917 | 0 |
| Mr D Reid, Director of Finance | 0-2.5 | 0-2.5 | 10-15 | 35-40 | 234 | 7 | 244 | 0 |
| Ms K Ward, Chief Operating Officer | 2.5-5.0 | 10-12.5 | 45-50 | 145-150 | 890 | 134 | 1033 | 0 |
| Mr P Tisi, Medical Director | 0-2.5 | 0-2.5 | 45-50 | 140-145 | 857 | 35 | 901 | 0 |
| Mrs T Brigstock, Interim Director of Nursing & Patient Services | 5.0-7.5 | 20-22.5 | 40-45 | 125-130 | 663 | 181 | 851 | 0 |

Table 15: Executive Director pension information (AUDITED)

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0% to 2.8%. This rate affects the calculation of CETV figures in this report. Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

In the budget on 23 March 2011, HM Treasury confirmed its intention to review the basis for the calculation of Cash Equivalent Transfer Values (CETVs) payable from public service schemes, including the NHS Pension Scheme. The review was undertaken and revised guidance was issued on 26 October 2011.

For the calculation of CETVs as at 31 March 2016, NHS Pensions have followed the revised guidance and have used the updated Government Actuary Department (GAD) factors in their calculations.

The new factors will have differing impacts of the CETVs of the individuals concerned depending on their age and normal retirement age.

### Exit Packages

There were no exit packages agreed in 2017-18.

| Exit packages agreed in 2016-17 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Exit package cost band (including any special payment element) | *Number of compulsory redundancies | Cost of compulsory redundancies | Number of other departures agreed | Cost of other departures agreed | Total number of exit packages | Total cost of exit packages | Number of Departures where special payments have been made | Cost of special payment element included in exit packages |
| | Number | £ | Number | £ | Number | £ | Number | £ |
| Less than £10,000 | 0 | 0 | 0 | | 0 | | 0 | 0 |
| £10,000-£25,000 | 0 | 0 | 0 | | 0 | | 0 | 0 |
| £25,001-£50,000 | 0 | 0 | 1 | 39,737 | 1 | 39,737 | 0 | 0 |
| £50,001-£100,000 | 0 | 0 | 0 | | 0 | | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | | 0 | | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | | 0 | | 0 | 0 |
| >£200,000 | 0 | 0 | 0 | | 0 | | 0 | 0 |
| Total | | | 1 | 39,737 | 1 | 39,737 | | |

Table 16: Exit packages agreed in 2016-17

## Off-payroll engagements

A Treasury requirement for public sector bodies to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and NI arrangements, not being classed as employees) was introduced in 2012-13. The requirement remains in place for 2017-18.

| | Number |
|---|---|
| Number of existing engagements as of 31 March 2018 | 1 |
| *Of which, the number that have existed:* | |
| for less than one year at the time of reporting | 0 |
| for between one and two years at the time of reporting | 1 |
| for between 2 and 3 years at the time of reporting | 0 |
| for between 3 and 4 years at the time of reporting | 0 |
| for 4 or more years at the time of reporting | 0 |

Table 17: All off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than six months

| | Number |
|---|---|
| Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018 | 0 |
| Number of new engagements which include contractual clauses giving Bedford Hospital the right to request assurance in relation to income tax and National Insurance obligations | 0 |
| Number for whom assurance has been requested | |
| *Of which:* | |
| assurance has been received | 0 |
| assurance has not been received | 0 |
| engagements terminated as a result of assurance not being received | 0 |
| | |
| Number of off-payroll engagements of Board members, and/or senior officers with significant financial responsibility, during the year | 0 |
| Number of individuals that have been deemed "Board members, and/or senior officers with significant financial responsibility" during the financial year. This figure includes both off-payroll and on-payroll engagements | 5 |

Table 18: All new off-payroll engagements between 1 April 2017 and 31 March 2018, for more than £245 per day and that last longer than six months

The above disclosure has not been audited and there is no requirement for the information to be audited.

**Off payroll engagement of Board members**

There were no interim staff covering executive director roles at BHT during 2017-18.

Signed: .....

**Stephen Conroy, Chief Executive**

**Date:** 24 May 2018

**Accountable officer:**
Stephen Conroy, Chief Executive

**Organisation:**
Bedford Hospital NHS Trust

# b. Staff report

### Diversity and inclusivity

Bedford Hospital is committed to providing a diverse and inclusive environment for the provision of services and within the workforce. The hospital uses the national Equality Delivery System to demonstrate its compliance with the Public Sector Equality Duty and annually engages with stakeholders to review progress against the four Equality Delivery System goals which are:

- Better Health Outcomes
- Improved Patient Access and experience
- A representative and supported workforce
- Inclusive leadership

There has been continued development through patient experience groups, and practical improvements to the site. Elizabeth Ward retained the Quality Mark for Elder Friendly Hospital Wards which was awarded by the Royal College of Psychiatrists. The Unicef baby friendly assessment was undertaken and re-accredited, making it one of four Trusts in the East of England to have received this award.

The NHS Workforce Race Equality Standard also provides a framework for the hospital to tackle unconscious bias, provide training and opportunities for BME staff and others, and initiatives in these areas have been running during 2017/18.

The Trust adheres to its Equality and Diversity policy during all aspects of employment and completes an equality impact assessment for all relevant Trust policies. This policy sets standards to protect employees against discrimination on the grounds of nine protected characteristics:

- Age
- Disability
- Gender re-assignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race including nationality and ethnicity
- Religion on belief
- Sex
- Sexual orientation

Members of the staff Diversity and Inclusivity network work together to run annual events, review policies, launch and implement a Diversity Calendar and engage with Trust initiatives to ensure that a wide perspective of views are included.

### Training and awareness within the hospital

Equality and Diversity training is mandatory training for our staff and we have seen significant improvement in staff trained, reaching 91.85% in 2017/18. We have continued to provide Mental Health First Aid Training for staff and managers through our Occupational health service. The training has been very well received by those attending so far.

Bedford Hospital NHS Trust is committed to providing equal opportunities for disabled employees. The Trust has been recognised as 'Disability Confident' against national standards and promotes this in its recruitment advertising and selection processes.

From writing job descriptions, to shortlisting and selection, the Trust adheres to its recruitment and selection and equality and diversity policies to ensure job vacancies at the Trust are accessible for disabled applicants.

The Equality and Diversity Policy sets out the steps the Trust will take to retain employees who have become disabled or have had a change in their personal circumstance during employment. It also

### Gender Pay gap

Following a government consultation it became mandatory from 31 March 2017 for all public sector organisations with over 250 employees to report annually on their gender pay gap. The gender pay gap is different to equal pay. Equal pay relates to pay differences between individuals or groups who carry out the same or similar jobs or work of equal value. It is unlawful to pay people unequally because of their gender. Gender pay gap refers to the differences between the earnings of men and women regardless of roles or seniority. The headlines from Bedford Hospital's report are that:

- There is a mean average pay gap of 29% and a median hourly rate gap of 11.8% within the Trust.
- 65% of the top quartile are females however this is a lower percentage than in other quartiles.
- There is a bonus gender pay gap difference of -12.4% (mean), which favours women more than men, whilst there is no difference in relation to the median bonus pay within the Trust.
- There were 41 males, equivalent to 5.03% of the male workforce and 13 women, 0.47% of the female workforce who received a Clinical Excellence Award during the 2016/17 financial year.

*Note: The report is based on rates of pay as at 31 March 2017 and bonuses paid in the year 1 April 2016 – 31 March 2017. It includes all workers in scope at 31 March 2017.*

Further analysis will take place to identify specific actions and a work plan will be developed. Our initial focus will be to understand the variance of the upper quartile when compared to the lower three quartiles. The gender pay gap will be monitored through the Trust's Equality and Diversity Committee.

### Number of senior civil service staff/senior managers by band in 2017/18

| Banding | Total |
|---|---|
| **Band 8a** | 73 |
| **Band 8b** | 21 |
| **Band 8c** | 15 |
| **Band 8d** | 8 |
| **Band 9** | 3 |
| **Total** | **120** |

Table 19: Number of senior civil service staff/senior managers by band in 2017/18

Staff costs and average number of employees by staff group for 2017/18

| Staff Group | Total Costs (£000) | | | Average Number of employees (WTE) | | |
|---|---|---|---|---|---|---|
| | Permanently employed staff costs (£000) | Other staff costs (£000) | Total staff (£000) | Permanently employed staff (WTE) | Other staff (WTE) | Total staff (WTE) |
| Medical and dental | 30,598 | 9,192 | **39,790** | 309 | 29 | **338** |
| Administration and estates | 13,339 | 1,058 | **14,397** | 491 | 40 | **531** |
| Clinical Support Workers and other support staff | 19,302 | 1,537 | **20,839** | 614 | 116 | **730** |
| Nursing, midwifery and health visiting staff | 32,420 | 6,330 | **38,750** | 785 | 108 | **893** |
| Scientific, therapeutic and technical staff | 10,981 | 620 | **11,601** | 258 | 13 | **271** |
| Healthcare Science Staff | 818 | 43 | **861** | 15 | 1 | **16** |
| **TOTAL** | **107,458** | **18,780** | **126,238** | **2,472** | **307** | **2,779** |

Table 20: Staff costs and average number of employees by staff group for 2017/18

Staff Composition as at 31 March 2018

| Banding | Female | Male | Total |
|---|---|---|---|
| Band 1 | 113 | 43 | 156 |
| Band 2 | 421 | 93 | 514 |
| Band 3 | 207 | 28 | 235 |
| Band 4 | 183 | 29 | 212 |
| Band 5 | 459 | 77 | 536 |
| Band 6 | 377 | 69 | 446 |
| Band 7 | 216 | 45 | 261 |
| Band 8a | 61 | 12 | 73 |
| Band 8b | 11 | 7 | 18 |
| Band 8c | 7 | 7 | 14 |
| Band 8d | 5 | 2 | 7 |
| Band 9 | 1 | 1 | 2 |
| VSM | 4 | 2 | 6 |
| Non-Executives | 3 | 3 | 6 |
| Junior Doctors | 73 | 73 | 146 |
| Middle Grade | 5 | 23 | 28 |
| Consultants | 37 | 109 | 146 |
| **Total** | **2183** | **623** | **2806** |

Table 21: Staff Composition as at 31 March 2018

**Consultancy spend 2017/18**

The Trust spent £396,000 on consultancy during 2017/18 (£1,700,000 in 2016/17).

## Sickness Absence

| As provided by DHSC | Average FTE 2017 | Adjusted FTE days lost to Cabinet Office definitions | Average Sick Day per FTE |
|---|---|---|---|
| | 2,435 | 17,784 | 7.3 |

Table 22: Sickness absence data 2017/18

Signed: .....

**Stephen Conroy, Chief Executive**

**Date:** 24 May 2018

**Accountable officer:**
Stephen Conroy, Chief Executive

**Organisation:**
Bedford Hospital NHS Trust

# c. Statement of the directors' responsibilities in respect of the accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- assess the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

Signed: .....

**Stephen Conroy, Chief Executive**

**Date:** 24 May 2018

Signed: .....

**Damian Reid, Director of Finance**

**Date:** 24 May 2018

# 7. Tables and Figures

**Bedford Hospital NHS Trust**

Kempston Road

Bedford

MK42 9DJ

Tel: 01234 355122

www.bedfordhospital.nhs.uk

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Bedford Hospital NHS Trust

Annual accounts for the year ended 31 March 2018

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Bedford Hospital NHS Trust ("the Trust") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2018 and of its income and expenditure 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 being relevant to NHS Trusts in England and included in the Department of Health Group Accounting Manual 2017/18.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 1.1.2 to the financial statements concerning the Trust's financial position. The Trust incurred a deficit of £6.5m during the year ended 31 March 2018, increasing its cumulative deficit to £51.0m. The Trust has submitted a 2018/19 financial plan to NHS Improvement with a planned deficit of £6.7m. The Trust needs a significant injection of loan support totalling £6.7m in 2018/19 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 this funding.

These events and conditions, along with the other matters explained in note 1.1.2, constitute a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information in the Annual Report

The Accountable Officer is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements

### Annual Governance Statement

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the Department of Health Group Accounting Manual 2017/18. We have nothing to report in this respect.

### Remuneration and Staff Report

In our opinion the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Department of Health Group Accounting Manual 2017/18.

**Directors' and Accountable Officer's responsibilities**

As explained more fully in the statement set out on page 63, the directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity . As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, on page 38 the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

**Report on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.

**Qualified conclusion**

Except for the matters outlined in the basis for qualified conclusion paragraph below we are satisfied that in all significant respects Bedford Hospital NHS Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2018.

**Basis for qualified conclusion**

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 £6.5m in 2017/18 and has a cumulative deficit of £51.0m as at 31 March 2018;
- The Trust has set a deficit budget of £6.7m for 2018/19, which would result in a cumulative deficit of £57.7m as at 31 March 2019;
- The Trust does not have sufficient cash to meet its commitments without receiving significant external funding; and
- The Trust was most recently inspected by its regulator, the Care Quality Commission, which published its report in April 2016 giving the Trust an overall assessment of "Requires Improvement".

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

As explained in the statement set out on page 38, the Chief Executive, as the Accountable Officer, is responsible for ensuring that value for money is achieved from the resources available to the Trust. 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.

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 the use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, 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. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

**Statutory reporting matters**

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

- 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.

We have nothing else to report in these respects.

We are required to report to you if we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency

On 3 May 2018 we referred a matter to the Secretary of State under section 30(1)(b) of the Act in relation to Bedford Hospital NHS Trust breaching its breakeven duty for the year ended 31 March 2018.

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

## CERTIFICATE OF COMPLETION OF THE AUDIT

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
London
E14 5GL
25 May 2018

## Statement of Comprehensive Income

| | Note | 2017/18 £000 | 2016/17 £000 |
|---|---|---|---|
| Operating income from patient care activities | 3 | 177,928 | 168,506 |
| Other operating income | 4 | 27,100 | 23,996 |
| Operating expenses | 5, 7 | (206,813) | (202,655) |
| **Operating surplus/(deficit) from continuing operations** | | **(1,785)** | **(10,153)** |
| Finance income | 10 | 23 | 15 |
| Finance expenses | 11 | (1,266) | (1,233) |
| PDC dividends payable | | (1,155) | (1,900) |
| **Net finance costs** | | **(2,398)** | **(3,118)** |
| Other gains / (losses) | 12 | 122 | - |
| **Surplus / (deficit) for the year from continuing operations** | | **(4,061)** | **(13,271)** |
| **Surplus / (deficit) for the year** | | **(4,061)** | **(13,271)** |
| **Other comprehensive income** | | | |
| **Will not be reclassified to income and expenditure:** | | | |
| Impairments | 6 | 1,158 | (22,484) |
| Revaluations | 16 | 47 | 2,728 |
| **Total comprehensive income / (expense) for the period** | | **(2,856)** | **(33,027)** |

## Financial performance for the year

| | | |
|---|---|---|
| Retained surplus/(deficit) for the year | **(4,061)** | (13,271) |
| Prior period adjustment to correct errors and other performance adjustments | | |
| IFRIC 12 adjustment (including IFRIC 12 impairments) | **(1,470)** | 5,441 |
| Impairments (excluding IFRIC 12 impairments) | | |
| Adjustments in respect of donated gov't grant asset reserve elimination | **(911)** | (470) |
| Adjustment re absorption accounting | | |
| **Adjusted retained surplus/(deficit)** | **(6,442)** | (8,300) |

The notes on pages 6 to 49 form part of this account.

## Statement of Financial Position

| | Note | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | 5,038 | 4,753 |
| Property, plant and equipment | 14 | 87,314 | 83,322 |
| Trade and other receivables | 19 | 689 | 413 |
| **Total non-current assets** | | **93,041** | **88,488** |
| **Current assets** | | | |
| Inventories | 18 | 2,665 | 2,332 |
| Trade and other receivables | 19 | 17,991 | 18,822 |
| Cash and cash equivalents | 20 | 2,405 | 4,392 |
| **Total current assets** | | **23,061** | **25,546** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | (11,010) | (14,563) |
| Borrowings | 23 | (16,240) | (637) |
| Provisions | 25 | (120) | (133) |
| Other liabilities | 22 | (186) | (304) |
| **Total current liabilities** | | **(27,556)** | **(15,637)** |
| **Total assets less current liabilities** | | **88,546** | **98,397** |
| **Non-current liabilities** | | | |
| Borrowings | 23 | (38,439) | (46,169) |
| Provisions | 25 | (829) | (904) |
| Other liabilities | 22 | (885) | (1,045) |
| **Total non-current liabilities** | | **(40,153)** | **(48,118)** |
| **Total assets employed** | | **48,393** | **50,279** |
| **Financed by** | | | |
| Public dividend capital | | 106,170 | 105,200 |
| Revaluation reserve | | 16,817 | 16,245 |
| Income and expenditure reserve | | (74,594) | (71,166) |
| **Total taxpayers' equity** | | **48,393** | **50,279** |

The notes on pages 6 to 49 form part of this account.

Signature .....
Name Stephen Conroy
Position Chief Executive
Date **24 May 2018**

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

| | Public dividend capital | Revaluation reserve | Available for sale investment reserve | Other reserves | Merger reserve | Income and expenditure reserve | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Taxpayers' equity at 1 April 2017 - brought forward** | **105,200** | **16,245** | **-** | **-** | **-** | **(71,166)** | **50,279** |
| Surplus/(deficit) for the year | - | - | - | - | - | (4,061) | (4,061) |
| Other transfers between reserves | - | (597) | - | - | - | 597 | - |
| Impairments | - | 1,158 | - | - | - | - | 1,158 |
| Revaluations | - | 47 | - | - | - | - | 47 |
| Transfer to retained earnings on disposal of assets | - | (36) | - | - | - | 36 | - |
| Public dividend capital received | 970 | - | - | - | - | - | 970 |
| **Taxpayers' equity at 31 March 2018** | **106,170** | **16,817** | **-** | **-** | **-** | **(74,594)** | **48,393** |

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

| | Public dividend capital | Revaluation reserve | Available for sale investment reserve | Other reserves | Merger reserve | Income and expenditure reserve | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Taxpayers' equity at 1 April 2016 - brought forward** | **104,859** | **36,536** | **-** | **-** | **-** | **(58,430)** | **82,965** |
| Prior period adjustment | - | - | - | - | - | - | - |
| **Taxpayers' equity at 1 April 2016 - restated** | **104,859** | **36,536** | **-** | **-** | **-** | **(58,430)** | **82,965** |
| Surplus/(deficit) for the year | - | - | - | - | - | (13,271) | (13,271) |
| Other transfers between reserves | - | (535) | - | - | - | 535 | - |
| Impairments | - | (22,484) | - | - | - | - | (22,484) |
| Revaluations | - | 2,728 | - | - | - | - | 2,728 |
| Public dividend capital received | 341 | - | - | - | - | - | 341 |
| **Taxpayers' equity at 31 March 2017** | **105,200** | **16,245** | **-** | **-** | **-** | **(71,166)** | **50,279** |

**Information on reserves**

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

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

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

## Statement of Cash Flows

| | Note | 2017/18 £000 | 2016/17 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating surplus / (deficit) | | (1,785) | (10,153) |
| **Non-cash income and expense:** | | | |
| Depreciation and amortisation | 5 | 5,179 | 5,021 |
| Net impairments | 6 | (1,470) | 5,441 |
| Income recognised in respect of capital donations | 4 | (1,059) | (599) |
| (Increase) / decrease in receivables and other assets | | 574 | (7,731) |
| (Increase) / decrease in inventories | | (333) | (113) |
| Increase / (decrease) in payables and other liabilities | | (5,265) | (2,093) |
| Increase / (decrease) in provisions | | (102) | (22) |
| **Net cash generated from / (used in) operating activities** | | **(4,261)** | **(10,249)** |
| **Cash flows from investing activities** | | | |
| Interest received | | 23 | 15 |
| Purchase of intangible assets | | (688) | (1,107) |
| Purchase of property, plant, equipment and investment property | | (4,831) | (4,777) |
| Sales of property, plant, equipment and investment property | | 279 | - |
| Receipt of cash donations to purchase capital assets | | 1,059 | 599 |
| **Net cash generated from / (used in) investing activities** | | **(4,158)** | **(5,270)** |
| **Cash flows from financing activities** | | | |
| Public dividend capital received | | 970 | 341 |
| Movement on loans from the Department of Health and Social Care | | 8,279 | 21,713 |
| Capital element of finance lease rental payments | | (410) | (346) |
| Interest paid on finance lease liabilities | | (565) | (558) |
| Other interest paid | | (651) | (675) |
| PDC dividend (paid) / refunded | | (1,191) | (1,743) |
| **Net cash generated from / (used in) financing activities** | | **6,432** | **18,732** |
| **Increase / (decrease) in cash and cash equivalents** | | **(1,987)** | **3,213** |
| **Cash and cash equivalents at 1 April - brought forward** | | **4,392** | **1,179** |
| Prior period adjustments | | | - |
| **Cash and cash equivalents at 1 April - restated** | | **4,392** | **1,179** |
| **Cash and cash equivalents at 31 March** | 20 | **2,405** | **4,392** |

## Notes to the Accounts

### Note 1 Accounting policies and other information

#### Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017/18 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

#### Note 1.1.1 Accounting convention

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

#### Note 1.1.2 Going concern

These accounts have been prepared on a going concern basis.

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 is 2018 is £6.5m. In year, the trust originally expected to receive £5.2m Sustainability and Transformation Funding (STF). As a result of performing better than plan, the trust was able to access further STF, receiving £7.4m in total. The trust accessed £8.4m working capital support from NHS Improvement in 2017-18. 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 2019, the trust is assured of access via NHS Improvement (formerly NHS Trust Development Authority) to financial resources to support the forecast deficit out turn.

The trust has submitted an operational plan to NHS Improvement for 2018-19. This is to deliver an £6.7m deficit in 2018-19. The plan is based on having signed two-year contracts with its NHS commissioners with 2018-19 being the second year and the following assumptions:

- Ongoing cash support from the Department of Health – operational plan includes receipt of £6.8m revenue support loans from DH in the respective years to finance the revenue deficit;
- Receipt of STF of £7.4m in 2018-19;
- Planned savings programmes of £7.8m in 2018-19.

The cumulative deficit to the end of 2017-18 is £51.0m (2016-17 is £44.5m). The projected in year adjusted retained deficit for 2018-19 is £6.67m leading to a projected cumulative deficit at 31 March 2019 of £57.7m.

The trust is projecting that in-year break-even will be achieved in the year ending 31 March 2021. Similar to other NHS providers there are various assumptions involved in the Trust's forward financial plans in order to achieve breakeven in 2020/21, the key components of which are set out in this note. As with any organisation of this size and complexity the Board recognises that there are risks and uncertainties, some of which may be material to the plan. The breakeven projection is based on STP-wide financial planning assumptions, which were based on five streams of activity; Prevention, Primary, Community and Social Care, Secondary, Digital Transformation and System Redesign. The combined effect of these streams of work will improve the financial sustainability of the Bedford, Luton and Milton Keynes Integrated care System. The Integrated Care System is aiming to deliver a ""joint oversight"" level of maturity by the end of 2019-20. As part of the Secondary stream, Bedford Hospital NHS Trust and the Luton and Dunstable NHS Foundation Trust are developing a business case for a potential merger. The merger should deliver a surplus for the combined organisation. Given the anticipated return to break-even as part of the STP, the ongoing cash support from Department of Health and NHS Improvement in the form of loans, the receipt of STF and based on the trust's record in delivering its savings programme over the last 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.

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

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, Plan 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 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. management has also exercised judgement in respect of part completed patient spells and annual leave.

**Note 1.3 Income**

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

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

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

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 acccounted 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.

**Note 1.4 Expenditure on employee benefits**

**Pension costs**

*NHS Pension Scheme*

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

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

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

**Note 1.5 Expenditure on other goods and services**

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

**Note 1.6 Property, plant and equipment**

**Note 1.6.1 Recognition**
Property, plant and equipment is capitalised where:

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

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

**Note 1.6.2 Measurement**
***Valuation***
All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at valuation. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

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.

William Arkell, MA, MRICS, partner Geral Eve and Co. LLP undertook a valuation of the Trust's buildings and land as at 31 March 2018 on a modern equivalent asset basis apart from the dwellings that were values at market value. Previously, 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 apart from the dwellings that were valued at market value.

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

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

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

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

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

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

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

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

**Note 1.6.3 Derecognition**
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:

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

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

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

The trust has no non current assets held for resale.

**Note 1.6.4 Donated and grant funded assets**
Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

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

**Note 1.6.5 Useful economic lives of property, plant and equipment**

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

| | Min life Years | Max life Years |
|---|---|---|
| Land | - | - |
| Buildings, excluding dwellings | 29 | 30 |
| Dwellings | 10 | 47 |
| Plant & machinery | - | 15 |
| Transport equipment | - | 9 |
| Information technology | - | 10 |
| Furniture & fittings | 1 | 10 |

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

**Note 1.7 Intangible assets**

**Note 1.7.1 Recognition**

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

***Internally generated intangible assets***

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

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

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

***Software***

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

**Note 1.7.2 Measurement**

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

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

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

***Amortisation***
Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

**Note 1.7.3 Useful economic lives of intangible assets**
Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

| | Min life Years | Max life Years |
|---|---|---|
| Information technology | - | 10 |
| Development expenditure | 3 | 3 |
| Websites | - | - |
| Software licences | - | - |
| Licences & trademarks | - | - |
| Patents | - | - |
| Other (purchased) | - | - |
| Goodwill | - | - |

**Note 1.8 Inventories**
Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

**Note 1.9 Cash and cash equivalents**

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

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

**Note 1.10 Financial instruments and financial liabilities**

***Recognition***
Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

***De-recognition***
All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the trust has transferred substantially all of the risks and rewards of ownership.

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

***Classification and measurement***
Financial assets are categorised as fair value through income and expenditure, loans and receivables.

[Financial liabilities are classified as "fair value through income and expenditure".

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

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

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

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

**Note 1.11 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.

**Note 1.11.1 The trust as lessee**

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

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

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

***Operating leases***
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.

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

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

**Note 1.12 Provisions**

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

***Clinical negligence costs***
NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS resolution on behalf of the trust is disclosed at note 27.2 but is not recognised in the trust's accounts.

***Non-clinical risk pooling***
The trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any "excesses" payable in respect of particular claims are charged to operating expenses when the liability arises.

**Note 1.13 Contingencies**

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

**Note 1.14 Public dividend capital**

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

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

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

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

**Note 1.15 Value added tax**

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

**Note 1.16 Corporation tax**

The Trust is not liable for Corporation Tax because it is not carrying out significant commercial activities that are not part of core health care delivery.

**Note 1.17 Third party assets**

Assets belonging to third parties (patient monies, for example) are not recognised in the accounts since the trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*.

**Note 1.18 Losses and special payments**

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

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

**Note 1.19 Gifts**

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

**Note 1.20 Early adoption of standards, amendments and interpretations**
No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

**Note 1.21 Standards, amendments and interpretations in issue but not yet effective or 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.

**Note 2 Operating Segments**

During 2017/18, 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 2017/18 financial statements therefore the Trust considers that it operates a single segment, namely healthcare, and segmental discclosures have therefore not been prepared.

## Note 3 Operating income from patient care activities

| Note 3.1 Income from patient care activities (by nature) | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Acute services** | | |
| Elective income | 27,472 | 28,917 |
| Non elective income | 52,092 | 47,140 |
| First outpatient income | 12,488 | 12,064 |
| Follow up outpatient income | 14,541 | 16,103 |
| A & E income | 10,658 | 9,135 |
| High cost drugs income from commissioners (excluding pass-through costs) | 11,082 | 10,465 |
| Other NHS clinical income | 41,093 | 40,476 |
| **Community services** | | |
| Community services income from CCGs and NHS England | 928 | 826 |
| **All services** | | |
| Private patient income | 1,484 | 1,443 |
| Other clinical income | 6,090 | 1,937 |
| **Total income from activities** | **177,928** | **168,506** |

| Note 3.2 Income from patient care activities (by source) | | |
|---|---|---|
| **Income from patient care activities received from:** | **2017/18 £000** | **2016/17 £000** |
| NHS England | 21,978 | 21,098 |
| Clinical commissioning groups | 149,912 | 143,445 |
| Other NHS providers | 3,341 | 905 |
| NHS other | 13 | 20 |
| Local authorities | - | 583 |
| Non-NHS: private patients | 1,484 | 1,443 |
| Non-NHS: overseas patients (chargeable to patient) | 370 | 226 |
| NHS injury scheme | 749 | 722 |
| Non NHS: other | 81 | 64 |
| **Total income from activities** | **177,928** | **168,506** |
| **Of which:** | | |
| Related to continuing operations | 177,928 | 168,506 |
| Related to discontinued operations | - | - |

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

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Income recognised this year | 370 | 226 |
| Cash payments received in-year | 243 | 87 |
| Amounts added to provision for impairment of receivables | 25 | 62 |
| Amounts written off in-year | 107 | 159 |

**Note 4 Other operating income**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Research and development | 414 | 296 |
| Education and training | 6,387 | 5,414 |
| Receipt of capital grants and donations | 1,059 | 599 |
| Charitable and other contributions to expenditure | 4 | - |
| Non-patient care services to other bodies | 5,619 | 5,064 |
| Sustainability and transformation fund income | 7,459 | 7,214 |
| Rental revenue from operating leases | - | 515 |
| Other income | 6,158 | 4,894 |
| **Total other operating income** | **27,100** | **23,996** |
| **Of which:** | | |
| Related to continuing operations | 27,100 | 23,996 |
| Related to discontinued operations | - | - |

**Note 4.3 : Other Income**

| | | 2017/18 | 2016/17 |
|---|---|---|---|
| | | £000 | £000 |
| Car Parking Income | | 1,565 | 1,515 |
| Catering | | 1,539 | 1,526 |
| Cancer Alliance | | 1,497 | - |
| Property rental (not lease income) | | 236 | - |
| Staff accommodation rental | | 240 | 249 |
| Clinical tests | | 111 | 171 |
| Other income not already covered | | 970 | 1,433 |
| | **Other income** | 6,158 | 4,894 |

**Note 5 Operating expenses**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Purchase of healthcare from NHS and DHSC bodies | 10,451 | 10,045 |
| Purchase of healthcare from non-NHS and non-DHSC bodies | 10,402 | 10,005 |
| Staff and executive directors costs | 125,770 | 118,014 |
| Remuneration of non-executive directors | 44 | 48 |
| Supplies and services - clinical (excluding drugs costs) | 13,723 | 16,688 |
| Supplies and services - general | 3,568 | 3,706 |
| Drug costs (drugs inventory consumed and purchase of non-inventory drugs) | 18,095 | 15,004 |
| Inventories written down | 123 | 63 |
| Consultancy costs | 396 | 1,700 |
| Establishment | 2,131 | 1,886 |
| Premises | 7,298 | 7,304 |
| Transport (including patient travel) | 923 | 413 |
| Depreciation on property, plant and equipment | 4,509 | 4,472 |
| Amortisation on intangible assets | 670 | 549 |
| Net impairments | (1,470) | 5,441 |
| Increase/(decrease) in provision for impairment of receivables | 261 | 175 |
| Increase/(decrease) in other provisions | (40) | - |
| Audit fees payable to the external auditor | | |
| audit services- statutory audit | 42 | 50 |
| other auditor remuneration (external auditor only) | 11 | 12 |
| Internal audit costs | 93 | 82 |
| Clinical negligence | 7,566 | 5,460 |
| Legal fees | 110 | 50 |
| Insurance | 47 | 39 |
| Education and training | 841 | 498 |
| Rentals under operating leases | 732 | 400 |
| Car parking & security | 301 | 296 |
| Hospitality | 33 | 47 |
| Losses, ex gratia & special payments | 3 | - |
| Other services, eg external payroll | 161 | 162 |
| Other | 19 | 46 |
| **Total** | **206,813** | **202,655** |
| **Of which:** | | |
| Related to continuing operations | 206,813 | 202,655 |
| Related to discontinued operations | - | - |

**Note 5.1 Other auditor remuneration**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Other auditor remuneration paid to the external auditor:** | | |
| 1. Audit of accounts of any associate of the trust | - | - |
| 2. Audit-related assurance services | 11 | 12 |
| 3. Taxation compliance services | - | - |
| 4. All taxation advisory services not falling within item 3 above | - | - |
| 5. Internal audit services | - | - |
| 6. All assurance services not falling within items 1 to 5 | - | - |
| 7. Corporate finance transaction services not falling within items 1 to 6 above | - | - |
| 8. Other non-audit services not falling within items 2 to 7 above | - | - |
| **Total** | **11** | **12** |

**Note 5.2 Limitation on auditor's liability**

The contract signed on 1 April 2017 states the liability of KPMG, its members, partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed £1m, aside from where the liability cannot be limited by law. This is in aggregate in respect of all services.

**Note 6 Impairment of assets**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Net impairments charged to operating surplus / deficit resulting from:** | | |
| Changes in market price | (1,470) | 5,441 |
| **Total net impairments charged to operating surplus / deficit** | **(1,470)** | **5,441** |
| Impairments charged to the revaluation reserve | (1,158) | 22,484 |
| **Total net impairments** | **(2,628)** | **27,925** |

The independent valuation resulted in an overall increase in the values of Land, Buildings and Dwelling by a gross amount of £2,674,000 (a net increase of £4,038,000 and a reduction of £1,364,000). These changes were primarily attributed to an overall increase in the Land and Building values due to changes in market conditions. A reversal of impairment to the Statement of Comprehensive Income of (£1,470,000) is recognised due to an increased in the value of Land which was origianlly impaired downwards in the 2016/17 accounts.

## Note 7 Employee benefits

| | 2017/18 Total £000 | 2016/17 Total £000 |
|---|---|---|
| Salaries and wages | 87,185 | 83,608 |
| Social security costs | 9,764 | 8,724 |
| Apprenticeship levy | 489 | - |
| Employer's contributions to NHS pensions | 10,881 | 10,301 |
| Termination benefits | - | 40 |
| Temporary staff (including agency) | 17,919 | 15,488 |
| **Total gross staff costs** | **126,238** | **118,161** |
| Recoveries in respect of seconded staff | - | - |
| **Total staff costs** | **126,238** | **118,161** |
| **Of which** | | |
| Costs capitalised as part of assets | 468 | 147 |

## Note 7.1 Retirements due to ill-health

During 2017/18 there was 1 early retirement from the trust agreed on the grounds of ill-health (2 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £46k (£105k in 2016/17).

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

**Note 8 Pension costs**

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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**

Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

**b) Full actuarial (funding) valuation**

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

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

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

## Note 9 Operating leases

### Note 9.1 Bedford Hospital NHS Trust as a lessor

The trust was a lessor to another NHS body until 31 March 2017, at which time the arrangement ceased.

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Operating lease revenue** | | |
| Minimum lease receipts | - | 515 |
| **Total** | - | **515** |

### Note 9.2 Bedford Hospital NHS Trust as a lessee

The Trust has severeal lease agreements as follows: A Building with a lease until 2059; Clinical equipment and vehicles with leases ranging from one year to six years with future payments as hown in the table below

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Operating lease expense** | | |
| Minimum lease payments | 732 | 400 |
| **Total** | **732** | **400** |

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Future minimum lease payments due:** | | |
| - not later than one year; | 726 | 967 |
| - later than one year and not later than five years; | 1,842 | 2,905 |
| - later than five years. | 24,819 | 25,195 |
| **Total** | **27,387** | **29,067** |
| Future minimum sublease payments to be received | - | - |

**Note 10 Finance income**

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

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Interest on bank accounts | 23 | 15 |
| **Total** | **23** | **15** |

**Note 11.1 Finance expenditure**

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

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| **Interest expense:** | | |
| Loans from the Department of Health and Social Care | 683 | 713 |
| Finance leases | 569 | 505 |
| **Total interest expense** | **1,252** | **1,218** |
| Unwinding of discount on provisions | 14 | 15 |
| **Total finance costs** | **1,266** | **1,233** |

**Note 11.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |

**Note 12 Other gains / (losses)**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Gains on disposal of assets | 207 | - |
| Losses on disposal of assets | (85) | - |
| **Total gains / (losses) on disposal of assets** | 122 | - |
| **Total other gains / (losses)** | **122** | - |

Note 13 Intangible assets - 2017/18

| | Software licences £000 | Licences & trademarks £000 | Internally generated information technology £000 | Development expenditure £000 | Intangible assets under construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Valuation / gross cost at 1 April 2017 - brought forward** | **543** | **-** | **6,819** | **16** | **708** | **8,086** |
| Additions | - | - | 450 | - | 482 | 932 |
| Reclassifications | - | - | 1,213 | - | (1,190) | 23 |
| Disposals / derecognition | (293) | - | (1,227) | - | - | (1,520) |
| **Gross cost at 31 March 2018** | **250** | **-** | **7,255** | **16** | **-** | **7,521** |
| **Amortisation at 1 April 2017 - brought forward** | **543** | **-** | **2,784** | **6** | **-** | **3,333** |
| Provided during the year | - | - | 668 | 2 | - | 670 |
| Disposals / derecognition | (293) | - | (1,227) | - | - | (1,520) |
| **Amortisation at 31 March 2018** | **250** | **-** | **2,225** | **8** | **-** | **2,483** |
| **Net book value at 31 March 2018** | **-** | **-** | **5,030** | **8** | **-** | **5,038** |
| **Net book value at 1 April 2017** | **-** | **-** | **4,035** | **10** | **708** | **4,753** |

There was no Assets Under Construction (AUC) permited within Intangible Assets and as a result, all AUCs were within the Tangible column of the PPE. The £23k within the Reclassification line relates to a software asset which was commisioned and then reclassified from tangible to intangible assets. Please see note 14.1.

Note 13.1 Intangible assets - 2016/17

| | Software licences | Licences & trademarks | Internally generated information technology | Development expenditure | Intangible assets under construction | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation / gross cost at 1 April 2016 - as previously stated** | 595 | - | 6,078 | 70 | - | 6,743 |
| Prior period adjustments | - | - | - | - | - | - |
| **Valuation / gross cost at 1 April 2016 - restated** | 595 | - | 6,078 | 70 | - | 6,743 |
| Transfers by absorption | - | - | - | - | - | - |
| Additions | - | - | 641 | - | 444 | 1,085 |
| Reclassifications | - | - | 431 | - | 264 | 695 |
| Disposals / derecognition | (52) | - | (331) | (54) | - | (437) |
| **Valuation / gross cost at 31 March 2017** | 543 | - | 6,819 | 16 | 708 | 8,086 |
| **Amortisation at 1 April 2016 - as previously stated** | 572 | - | 2,566 | 58 | - | 3,196 |
| Prior period adjustments | - | - | - | - | - | - |
| **Amortisation at 1 April 2016 - restated** | 572 | - | 2,566 | 58 | - | 3,196 |
| Transfers by absorption | - | - | - | - | - | - |
| Provided during the year | 23 | - | 524 | 2 | - | 549 |
| Reclassifications | - | - | 25 | - | - | 25 |
| Disposals / derecognition | (52) | - | (331) | (54) | - | (437) |
| **Amortisation at 31 March 2017** | 543 | - | 2,784 | 6 | - | 3,333 |
| **Net book value at 31 March 2017** | - | - | 4,035 | 10 | 708 | 4,753 |
| **Net book value at 1 April 2016** | 23 | - | 3,512 | 12 | - | 3,547 |

**Note 14.1 Property, plant and equipment - 2017/18**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation/gross cost at 1 April 2017 - brought forward** | 3,727 | 67,046 | 159 | 1,194 | 22,520 | 96 | 4,505 | 964 | 100,211 |
| Additions | - | 881 | - | 2,930 | 1,482 | 18 | 670 | 25 | 6,006 |
| Impairments | (10) | (1,354) | - | - | - | - | - | - | (1,364) |
| Reversals of impairments | 1,470 | 2,522 | - | - | - | - | - | - | 3,992 |
| Revaluations | - | (2,326) | 42 | - | - | - | - | - | (2,284) |
| Reclassifications | - | 1,723 | - | (3,172) | 1,406 | - | 20 | - | (23) |
| Disposals / derecognition | (17) | - | (59) | - | (757) | - | (371) | - | (1,204) |
| **Valuation/gross cost at 31 March 2018** | 5,170 | 68,492 | 142 | 952 | 24,651 | 114 | 4,824 | 989 | 105,334 |
| **Accumulated depreciation at 1 April 2017 - brought forward** | - | 3 | - | - | 14,032 | 68 | 2,262 | 524 | 16,889 |
| Provided during the year | - | 2,326 | 9 | - | 1,536 | 5 | 551 | 82 | 4,509 |
| Revaluations | - | (2,326) | (5) | - | - | - | - | - | (2,331) |
| Disposals / derecognition | - | - | (4) | - | (672) | - | (371) | - | (1,047) |
| **Accumulated depreciation at 31 March 2018** | - | 3 | - | - | 14,896 | 73 | 2,442 | 606 | 18,020 |
| **Net book value at 31 March 2018** | 5,170 | 68,489 | 142 | 952 | 9,755 | 41 | 2,382 | 383 | 87,314 |
| **Net book value at 1 April 2017** | 3,727 | 67,043 | 159 | 1,194 | 8,488 | 28 | 2,243 | 440 | 83,322 |

There was no Assets Under Construction (AUC) permited within Intangible Assets and as a result, all AUCs were within the Tangible column of the PPE.
The £23k difference within the Reclassification line relates to a software asset which was commisioned and then reclassified from tangible to intangible assets. Please see note 13.

**Note 14.2 Property, plant and equipment - 2016/17**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation / gross cost at 1 April 2016 - as previously stated** | 12,000 | 84,968 | 200 | 575 | 21,332 | 96 | 5,529 | 969 | 125,669 |
| Prior period adjustments | - | - | - | - | - | - | - | - | - |
| **Valuation / gross cost at 1 April 2016 - restated** | 12,000 | 84,968 | 200 | 575 | 21,332 | 96 | 5,529 | 969 | 125,669 |
| Transfers by absorption | - | - | - | - | - | - | - | - | - |
| Additions | - | 1,210 | - | 1,264 | 1,272 | - | 609 | 11 | 4,366 |
| Impairments | (2,847) | (19,601) | (36) | - | - | - | - | - | (22,484) |
| Revaluations | (5,426) | 469 | (5) | - | - | - | - | - | (4,962) |
| Reclassifications | - | - | - | (645) | 645 | - | (695) | - | (695) |
| Disposals / derecognition | - | - | - | - | (729) | - | (938) | (16) | (1,683) |
| **Valuation/gross cost at 31 March 2017** | 3,727 | 67,046 | 159 | 1,194 | 22,520 | 96 | 4,505 | 964 | 100,211 |
| **Accumulated depreciation at 1 April 2016 - as previously stated** | - | 6 | - | - | 13,266 | 64 | 2,584 | 454 | 16,374 |
| Prior period adjustments | - | - | - | - | - | - | - | - | - |
| **Accumulated depreciation at 1 April 2016 - restated** | - | 6 | - | - | 13,266 | 64 | 2,584 | 454 | 16,374 |
| Transfers by absorption | - | - | - | - | - | - | - | - | - |
| Provided during the year | - | 2,237 | 9 | - | 1,495 | 4 | 641 | 86 | 4,472 |
| Impairments | 5,441 | - | - | - | - | - | - | - | 5,441 |
| Reversals of impairments | - | - | - | - | - | - | - | - | - |
| Revaluations | (5,441) | (2,240) | (9) | - | - | - | - | - | (7,690) |
| Reclassifications | - | - | - | - | - | - | (25) | - | (25) |
| Disposals/ derecognition | - | - | - | - | (729) | - | (938) | (16) | (1,683) |
| **Accumulated depreciation at 31 March 2017** | - | 3 | - | - | 14,032 | 68 | 2,262 | 524 | 16,889 |
| **Net book value at 31 March 2017** | 3,727 | 67,043 | 159 | 1,194 | 8,488 | 28 | 2,243 | 440 | 83,322 |
| **Net book value at 1 April 2016** | 12,000 | 84,962 | 200 | 575 | 8,066 | 32 | 2,945 | 515 | 109,295 |

Note 14.3 Property, plant and equipment financing - 2017/18

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net book value at 31 March 2018** | | | | | | | | | |
| Owned - purchased | 5,170 | 66,188 | 142 | 952 | 7,943 | 41 | 2,382 | 343 | 83,161 |
| Finance leased | - | - | - | - | 380 | - | - | 30 | 410 |
| Owned - donated | - | 2,301 | - | - | 1,432 | - | - | 10 | 3,743 |
| **NBV total at 31 March 2018** | **5,170** | **68,489** | **142** | **952** | **9,755** | **41** | **2,382** | **383** | **87,314** |

Note 14.4 Property, plant and equipment financing - 2016/17

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net book value at 31 March 2017** | | | | | | | | | |
| Owned - purchased | 3,727 | 65,398 | 159 | 601 | 7,496 | 28 | 2,243 | 386 | 80,038 |
| Finance leased | - | - | - | - | 506 | - | - | 41 | 547 |
| Owned - donated | - | 1,645 | - | 593 | 486 | - | - | 13 | 2,737 |
| **NBV total at 31 March 2017** | **3,727** | **67,043** | **159** | **1,194** | **8,488** | **28** | **2,243** | **440** | **83,322** |

**Note 15 Donations of property, plant and equipment**

During the year ended 31 March 2018 assets were donated to the Trust as follows: Bedford Hospital Charity (independent external charity) assets to the value of £1,004,000; The Friends of Bedford Hospital (independent external charity) assets to the value of £38,000 and 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 £17,000.

**Note 16 Revaluations of property, plant and equipment**

The Trust employed the services of Gerald Eve LLP. to undertake a Modern Equivalent Asset (MEA) valuation of the land and buildings for Bedford Hospital as at 31 March 2018. 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.

The valuation of each property was on the basis of market value, subject to the assumption that the property is sold as part of the continuing enterprise in occupation (i.e. Existing Use Value - EUV).

Where there was no market-based evidence of fair value, because of the specialised nature of the property and the item is rarely sold, fair value was estimated using a depreciated replacement approach to the assumption of continuing use.

The independent valuation resulted in an overall increase in the values of Land, Buildings and Dwelling by a gross amount of £2,674,000 (a net increase of £4,038,000 and a reduction of £1,364,000). These changes were primarily attributed to an overall increase in the Land and Building values due to changes in market conditions. A reversal of impairment to the Statement of Comprehensive Income of (£1,470,000) is recognised due to an increased in the value of Land which was orgianlly impaired downwards in the 2016/17 accounts.
43 Ombersley Road Dwellings was valued at £142,000 (2016-17 £100,000), an increase of £42,000.
Land is not depreciated.

**Note 17.1 Disclosure of interests in other entities**

The Trust has no interests in other entities.

**Note 18 Inventories**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| Drugs | 919 | 890 |
| Consumables | 1,660 | 1,355 |
| Energy | 15 | 14 |
| Other | 71 | 73 |
| **Total inventories** | **2,665** | **2,332** |
| **of which:** | | |
| Held at fair value less costs to sell | - | - |

Inventories recognised in expenses for the year were £17,229k (2016/17: £29,431k). Write-down of inventories recognised as expenses for the year were £123k (2016/17: £63k).

**Note 19.1 Trade receivables and other receivables**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 8,020 | 9,399 |
| Accrued income | 8,560 | 7,900 |
| Provision for impaired receivables | (759) | (657) |
| Prepayments (non-PFI) | 1,804 | 1,803 |
| PDC dividend receivable | 19 | - |
| VAT receivable | 219 | 260 |
| Other receivables | 128 | 117 |
| **Total current trade and other receivables** | **17,991** | **18,822** |
| | | |
| **Non-current** | | |
| Accrued income | 689 | 413 |
| **Total non-current trade and other receivables** | **689** | **413** |
| | | |
| **Of which receivables from NHS and DHSC group bodies:** | | |
| Current | 13,348 | 13,329 |
| Non-current | - | - |

**Note 19.2 Provision for impairment of receivables**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| **At 1 April as previously stated** | 657 | 643 |
| Prior period adjustments | - | - |
| **At 1 April - restated** | 657 | 643 |
| Increase in provision | 261 | 175 |
| Amounts utilised | (159) | (161) |
| Unused amounts reversed | - | - |
| **At 31 March** | 759 | 657 |

**Note 19.3 Credit quality of financial assets**

| | 31 March 2018 | | 31 March 2017 | |
|---|---|---|---|---|
| | Trade and other receivables | Investments & Other financial assets | Trade and other receivables | Investments & Other financial assets |
| **Ageing of impaired financial assets** | £000 | £000 | £000 | £000 |
| 0 - 30 days | - | - | - | - |
| 30-60 Days | - | - | - | - |
| 60-90 days | - | - | - | - |
| 90- 180 days | - | - | - | - |
| Over 180 days | 759 | - | 657 | - |
| **Total** | 759 | - | 657 | - |
| | | | | |
| **Ageing of non-impaired financial assets past their due date** | | | | |
| 0 - 30 days | 4,826 | - | 5,320 | - |
| 30-60 Days | 572 | - | 1,734 | - |
| 60-90 days | 286 | - | 555 | - |
| 90- 180 days | 634 | - | 770 | - |
| Over 180 days | 890 | - | 884 | - |
| Total | 7,208 | - | 9,263 | - |

## Note 20 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| **At 1 April** | **4,392** | **1,179** |
| Prior period adjustments | - | - |
| **At 1 April (restated)** | **4,392** | **1,179** |
| Transfers by absorption | - | - |
| Net change in year | (1,987) | 3,213 |
| **At 31 March** | **2,405** | **4,392** |
| **Broken down into:** | | |
| Cash at commercial banks and in hand | 5 | 5 |
| Cash with the Government Banking Service | 2,400 | 4,387 |
| **Total cash and cash equivalents as in SoFP** | **2,405** | **4,392** |
| **Total cash and cash equivalents as in SoCF** | **2,405** | **4,392** |

## Note 20.1 Third party assets held by the trust

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

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| | £000 | £000 |
| Bank balances | 1 | 1 |
| **Total third party assets** | **1** | **1** |

**Note 21.1 Trade and other payables**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Trade payables | 4,208 | 4,538 |
| Capital payables | 2,323 | 904 |
| Accruals | 3,965 | 6,416 |
| Social security costs | 60 | 1,279 |
| Other taxes payable | 60 | 1,170 |
| PDC dividend payable | - | 17 |
| Accrued interest on loans | 159 | 127 |
| Other payables | 235 | 112 |
| **Total current trade and other payables** | **11,010** | **14,563** |
| **Non-current** | | |
| **Total non-current trade and other payables** | **-** | **-** |
| **Of which payables from NHS and DHSC group bodies:** | | |
| Current | 3,341 | 2,388 |

**Note 21.2 Early retirements in NHS payables above**

The payables note above includes amounts in relation to early retirements as set out below:

| | 31 March 2018 £000 | 31 March 2018 Number | 31 March 2017 £000 | 31 March 2017 Number |
|---|---|---|---|---|
| - outstanding pension contributions | - | | 1,427 | |

## Note 22 Other liabilities

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Deferred income | 186 | 304 |
| **Total other current liabilities** | **186** | **304** |
| | | |
| **Non-current** | | |
| Deferred income | 885 | 1,045 |
| **Total other non-current liabilities** | **885** | **1,045** |

## Note 23 Borrowings

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Loans from the Department of Health and Scoial Care | 15,871 | 120 |
| Obligations under finance leases | 369 | 517 |
| **Total current borrowings** | **16,240** | **637** |
| | | |
| **Non-current** | | |
| Loans from the Department of Health and Scoial Care | 32,901 | 40,373 |
| Obligations under finance leases | 5,538 | 5,796 |
| **Total non-current borrowings** | **38,439** | **46,169** |

## Note 24 Finance leases

### Note 24.1 Bedford Hospital NHS Trust as a lessor

Future lease receipts due under finance lease agreements where Bedford Hospital NHS Trust is the lessor:

The Trust rented Weller Wing, a mental health facility, to South Essex Partnership University 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 gave notice to terminate its lease with effect from 31 March 2017. Part of the premises now known as the Caudwell Centre, has been let to two tenants. Neither tenant has exclusive use of the premises and have not been issued with leases.

### Note 24.2 Bedford Hospital NHS Trust as a lessee

Obligations under finance leases where Bedford Hospital NHS Trust is the lessee.

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Gross lease liabilities** | **14,860** | **15,831** |
| of which liabilities are due: | | |
| - not later than one year; | 940 | 922 |
| - later than one year and not later than five years; | 3,545 | 3,670 |
| - later than five years. | 10,375 | 11,239 |
| Finance charges allocated to future periods | (8,953) | (9,518) |
| **Net lease liabilities** | **5,907** | **6,313** |
| of which payable: | | |
| - not later than one year; | 369 | 517 |
| - later than one year and not later than five years; | 1,311 | 1,747 |
| - later than five years. | 4,227 | 4,049 |
| **Total of future minimum sublease payments to be received at the reporting date** | - | - |

**Note 25.1 Provisions for liabilities and charges analysis**

| | Pensions - early departure costs | Legal claims | Re-structuring | Continuing care | Equal Pay (including Agenda for Change) | Redundancy | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **At 1 April 2017** | 1,011 | 26 | - | - | - | - | - | 1,037 |
| Arising during the year | 47 | 14 | - | - | - | - | - | 61 |
| Utilised during the year | (132) | (18) | - | - | - | - | - | (150) |
| Reversed unused | (13) | - | - | - | - | - | - | (13) |
| Unwinding of discount | 14 | - | - | - | - | - | - | 14 |
| **At 31 March 2018** | 927 | 22 | - | - | - | - | - | 949 |
| **Expected timing of cash flows:** | | | | | | | | |
| - not later than one year; | 105 | 15 | - | - | - | - | - | 120 |
| - later than one year and not later than five years; | 420 | - | - | - | - | - | - | 420 |
| - later than five years. | 402 | 7 | - | - | - | - | - | 409 |
| **Total** | 927 | 22 | - | - | - | - | - | 949 |

**Note 25.2 Clinical negligence liabilities**

At 31 March 2018, £118,629k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Bedford Hospital NHS Trust (31 March 2017: £105,147k).

**Note 26 Contingent assets and liabilities**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Value of contingent liabilities** | | |
| NHS Resolution legal claims | (20) | (21) |
| Other | (125) | - |
| **Gross value of contingent liabilities** | **(145)** | **(21)** |
| Amounts recoverable against liabilities | - | - |
| **Net value of contingent liabilities** | **(145)** | **(21)** |
| **Net value of contingent assets** | - | - |

"Other" relates to an entity with which the trust has an ongoing dispute. The circumstances surrounding the dispute have been to mediation and the other party has not accepted the findings at mediation. The trust recognises that it has a liability that will become payable if, and when the other party accepts the findings at mediation.

**Note 27 Contractual capital commitments**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| Property, plant and equipment | 1,262 | 1,519 |
| Intangible assets | 30 | 93 |
| **Total** | **1,292** | **1,612** |

## Note 28 Financial instruments

### Note 28.1 Financial risk management

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 (NHSI). Interest rates are confirmed by the Department of Health and Social Care (DH), the lender at the point that borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

Because the majority of theTrust'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.

**Note 28.2 Carrying values of financial assets**

| | Loans and receivables | Assets at fair value through the I&E | Held to maturity at | Available-for-sale | Total book value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Assets as per SoFP as at 31 March 2018** | | | | | |
| Trade and other receivables excluding non financial assets | 16,727 | - | - | - | 16,727 |
| Cash and cash equivalents at bank and in hand | 2,405 | - | - | - | 2,405 |
| **Total at 31 March 2018** | 19,132 | - | - | - | 19,132 |

| | Loans and receivables | Assets at fair value through the I&E | Held to maturity | Available-for-sale | Total book value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Assets as per SoFP as at 31 March 2017** | | | | | |
| Trade and other receivables excluding non financial assets | 19,235 | - | - | - | 19,235 |
| Cash and cash equivalents at bank and in hand | 4,392 | - | - | - | 4,392 |
| **Total at 31 March 2017** | 23,627 | - | - | - | 23,627 |

**Note 28.3 Carrying value of financial liabilities**

| | Other financial liabilities | Liabilities at fair value through the I&E | Total book value |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Liabilities as per SoFP as at 31 March 2018** | | | |
| Borrowings excluding finance lease and PFI liabilities | 48,772 | - | 48,772 |
| Obligations under finance leases | 5,907 | - | 5,907 |
| Trade and other payables excluding non financial liabilities | 10,890 | - | 10,890 |
| **Total at 31 March 2018** | 65,569 | - | 65,569 |

| | Other financial liabilities | Liabilities at fair value through the I&E | Total book value |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Liabilities as per SoFP as at 31 March 2017** | | | |
| Borrowings excluding finance lease and PFI liabilities | 40,493 | - | 40,493 |
| Obligations under finance leases | 6,313 | - | 6,313 |
| Trade and other payables excluding non financial liabilities | 15,912 | - | 15,912 |
| **Total at 31 March 2017** | 62,718 | - | 62,718 |

**Note 28.4 Fair values of financial assets and liabilities**

**Note 28.5 Maturity of financial liabilities**

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| | £000 | £000 |
| In one year or less | 65,569 | 62,718 |
| **Total** | 65,569 | 62,718 |

## Note 29 Losses and special payments

| | 2017/18 | | 2016/17 | |
|---|---|---|---|---|
| | Total number of cases | Total value of cases | Total number of cases | Total value of cases |
| | Number | £000 | Number | £000 |
| **Losses** | | | | |
| Cash losses | - | - | 1 | 1 |
| Fruitless payments | - | - | 1 | 0 |
| Bad debts and claims abandoned | 63 | 107 | 69 | 159 |
| Stores losses and damage to property | 6 | 123 | 6 | 64 |
| **Total losses** | **69** | **230** | **77** | **224** |
| **Special payments** | | | | |
| Compensation under court order or legally binding arbitration award | 3 | 1 | - | - |
| Ex-gratia payments | 14 | 2 | 16 | 3 |
| **Total special payments** | **17** | **3** | **16** | **3** |
| **Total losses and special payments** | **86** | **233** | **93** | **227** |
| Compensation payments received | | - | | - |

## Note 30 Gifts

| | 2017/18 | | 2016/17 | |
|---|---|---|---|---|
| | Total number of cases | Total value of cases | Total number of cases | Total value of cases |
| | Number | £000 | Number | £000 |
| **Total gifts** | - | - | - | - |

## Note 31 Related parties

The table below shows all the related party organisations with which the Trust has had material transactions in the year to 31 March 2018 i.e. Transactions over £250,000 in any of the four categories analysed below:

| | Revenue £000s | Expenditure £000s | Receivables from Related Party £000s | Payables to Related Party £000s |
|---|---|---|---|---|
| **CCGs** | | | | |
| Bedfordshire CCG | 143,048 | 36 | 3,471 | 36 |
| Cambridgeshire And Peterborough CCG | 1,074 | 0 | 234 | 0 |
| East And North Hertfordshire CCG | 368 | 0 | 84 | 0 |
| Luton CCG | 1,115 | 0 | 45 | 0 |
| Milton Keynes CCG | 2,364 | 0 | 15 | 280 |
| Nene CCG | 1,539 | 0 | 82 | 0 |
| CCG transactions are in respect of healthcare service provision by the Trust. | | | | |
| **NHS Foundation Trusts** | | | | |
| Cambridge Univ Hosp NHS Foundation Trust | 330 | 406 | 172 | 0 |
| Luton And Dunstable University Hospital NHS Foundation Trust | 680 | 1,081 | 429 | 313 |
| Moorfields Eye Hospital NHS Foundation Trust | 4,868 | 8,679 | 810 | 1,430 |
| Norfolk And Norwich University Hospitals NHS Foundation Trust | 308 | 56 | 43 | 0 |
| Essex Partnership University NHS Foundation Trust | 869 | 237 | 267 | 121 |
| East London NHS Foundation Trust | 445 | 57 | 130 | 48 |
| Cambridge Community Services NHS Trust | 1,547 | 132 | 280 | 65 |
| East And North Hertfordshire NHS Trust | 168 | 213 | 252 | 287 |
| ophthalmology at the Trust. | | | | |
| clinical services. | | | | |
| **Special Health Authorities** | | | | |
| Health Education England | 6,362 | 3 | 279 | 0 |
| NHS Litigation Authority | 0 | 7,573 | 0 | 0 |
| **NHS England** | | | | |
| NHS England Core | 8,019 | 0 | 4,023 | 0 |
| Central Midlands Local Office | 6,618 | 0 | 0 | 274 |
| East Local Office | 753 | 0 | 769 | 0 |
| East Midlands Specialised Commissioning Hub | 710 | 0 | 47 | 0 |
| East of England Specialised Commissioning Hub | 14,548 | 0 | 684 | 0 |
| the Trust. | | | | |
| **Local Authorities** | | | | |
| Bedford Unitary Authority | 167 | 0 | 14 | 0 |
| Central Bedfordshire Unitary Authority | 120 | 0 | 2 | 0 |
| Healthcare service provision by the Trust | | | | |
| **Government Departments** | | | | |
| HM Revenue and Customs Trust Statement | 0 | 10,253 | 219 | 120 |
| National Health Service Pension Scheme | 0 | 10,881 | 0 | 1,561 |
| **Charitable Funds** | | | | |
| Bedford Hospital Trust Charitable Funds | 0 | 0 | 788 | 869 |

## Prior year Comparators

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:

| | Revenue £000s | Expenditure £000s | Related Party £000s | to Related £000s |
|---|---|---|---|---|
| **CCGs** | | | | |
| Aylesbury Vale CCG | 277 | 0 | 196 | 0 |
| Bedfordshire CCG | 135,554 | 0 | 3,941 | 0 |
| Cambridgeshire And Peterborough CCG | 954 | 0 | 251 | 0 |
| East And North Hertfordshire CCG | 344 | 0 | 11 | 0 |
| Luton CCG | 1,044 | 0 | 4 | 0 |
| Milton Keynes CCG | 2,972 | 0 | 172 | 0 |
| Nene CCG | 1,463 | 0 | 51 | 0 |
| CCG transactions are in respect of healthcare service provision by the Trust. | | | | |
| **NHS Foundation Trusts** | | | | |
| Cambridge Univ Hosp NHS Foundation Trust | 213 | 607 | 68 | 135 |
| Luton And Dunstable University Hospital NHS Foundation Trust | 539 | 1,153 | 159 | 184 |
| Moorfields Eye Hospital NHS Foundation Trust | 4,288 | 8,949 | 623 | 1,388 |
| Norfolk And Norwich University Hospitals NHS Foundation Trust | 342 | 64 | 0 | 63 |
| South Essex Partnership NHS Foundation Trust | 910 | 266 | 136 | 66 |
| East London NHS Foundation Trust | 998 | 26 | 794 | 38 |
| ophthalmology at the Trust. | | | | |
| clinical services. | | | | |
| **Special Health Authorities** | | | | |
| Health Education England | 5,003 | 0 | 72 | 0 |
| NHS Litigation Authority | 0 | 5,466 | 0 | 6 |
| **NHS England** | | | | |
| NHS England Core | 7,239 | 70 | 3,155 | 70 |
| Central Midlands Local Office | 6,341 | 0 | 58 | 0 |
| East Local Office | 741 | 70 | 368 | 70 |
| Midlands Commissioning Hub) | 1,837 | 15 | 124 | 15 |
| Commissioning Hub) | 12,707 | 0 | 1,830 | 0 |
| the Trust. | | | | |
| **Local Authorities** | | | | |
| Bedford Unitary Authority | 757 | 0 | 11 | 0 |
| In respect of Healthcare service provision by the Trust to LA's. | | | | |
| **Government Departments** | | | | |
| HM Revenue and Customs Trust Statement | 259 | 8,130 | 259 | 2,449 |
| National Health Service Pension Scheme | 0 | 9,793 | 0 | 1,428 |
| **Charitable Funds** | | | | |
| Bedford Hospital Trust Charitable Funds | 0 | 0 | 719 | 733 |

**Note 32 Events after the reporting date**
There are no significant events after the end of the reporting year.

**Note 33 Better Payment Practice code**

| | 2017/18 Number | 2017/18 £000 | 2016/17 Number | 2016/17 £000 |
|---|---|---|---|---|
| **Non-NHS Payables** | | | | |
| Total non-NHS trade invoices paid in the year | 63,706 | 133,215 | 65,062 | 108,669 |
| Total non-NHS trade invoices paid within target | 52,579 | 125,495 | 41,230 | 86,823 |
| target | 82.53% | 94.20% | 63.37% | 79.90% |
| **NHS Payables** | | | | |
| Total NHS trade invoices paid in the year | 1141 | 14265 | 1407 | 15052 |
| Total NHS trade invoices paid within target | 791 | 12428 | 594 | 4542 |
| Percentage of NHS trade invoices paid within target | 69.33% | 87.12% | 42.22% | 30.18% |

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

**Note 34 External financing**

The trust is given an external financing limit against which it is permitted to underspend:

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| Cash flow financing | 10826 | 18495 |
| Finance leases taken out in year | **0** | **0** |
| Other capital receipts | **0** | **0** |
| External financing requirement | **10,826** | **18,495** |
| External financing limit (EFL) | 12444 | 22036 |
| Under / (over) spend against EFL | 1,618 | 3,541 |

**Note 35 Capital Resource Limit**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| Gross capital expenditure | 6,938 | 5,451 |
| Less: Disposals | (157) | - |
| Less: Donated and granted capital additions | (1,059) | (599) |
| Plus: Loss on disposal of donated/granted assets | - | - |
| **Charge against Capital Resource Limit** | 5,722 | 4,852 |
| Capital Resource Limit | 6,155 | 5,302 |
| **Under / (over) spend against CRL** | 433 | 450 |

**Note 36 Breakeven duty financial performance**

| | 2017/18 £000 |
|---|---|
| Adjusted financial performance surplus / (deficit) (control total basis) | (6,442) |
| Remove impairments scoring to Departmental Expenditure Limit | - |
| Add back income for impact of 2016/17 post-accounts STF reallocation | - |
| Add back non-cash element of On-SoFP pension scheme charges | - |
| IFRIC 12 breakeven adjustment | - |
| Breakeven duty financial performance surplus / (deficit) | (6,442) |

**Note 37 Breakeven duty rolling assessment**

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Breakeven duty in-year financial performance | | 612 | 274 | 197 | 1,224 | (8,703) | (19,754) | (17,940) | (8,300) | (6,442) |
| Breakeven duty cumulative position | 7,865 | 8,477 | 8,751 | 8,948 | 10,172 | 1,469 | (18,285) | (36,225) | (44,525) | (50,967) |
| Operating income | | 134,959 | 143,694 | 212,893 | 223,009 | 158,810 | 164,094 | 174,407 | 192,502 | 205,028 |
| Cumulative breakeven position as a percentage of operating income | | 6.28% | 6.09% | 4.20% | 4.56% | 0.93% | -11.14% | -20.77% | -23.13% | -24.86% |