Trust Board Meeting in Public: Wednesday 13 January 2016
TB2016.18

<table>
<thead>
<tr>
<th>Title</th>
<th>Draft Accounts for Six Months Ended 30 September 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>For information</td>
</tr>
<tr>
<td>History</td>
<td>This report allows the Trust Board to receive a progress update on the draft accounts for the six months ended 30 September 2015.</td>
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<tr>
<td></td>
<td>The draft statutory annual accounts for the six months ended 30 September 2015 were submitted to Ernst &amp; Young LLP, the Trust’s external auditors, on 23 November 2015.</td>
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<table>
<thead>
<tr>
<th>Board Lead</th>
<th>Mr Mark Mansfield, Executive Director of Finance and Procurement</th>
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<tbody>
<tr>
<td>Key purpose</td>
<td>Strategy</td>
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## Executive Summary

1. NHS Bodies are obliged by statute to comply with the determination and directions given by the Secretary of State for Health in preparation of their annual accounts.

2. Oxford University Hospitals NHS Trust’s draft accounts to 30 September 2015 have been prepared and submitted for audit showing financial performance in line with the Month 6 management accounts reported to the Trust Board at its meeting on 11 November (Section 3).

3. There has been an increase in the value of the Trust’s Estate of £36m as at 30 September 2015 which does not affect the “break-even duty” performance (Section 3.4).

4. The draft NHS accounts covering the period 1 April to 30 September will be submitted as final alongside the Foundation Trust part year accounts covering the period 1 October to 31 March 2016 by 22 April. The deadline for both sets of audited “final accounts” to be submitted is 27 May 2016 (Section 2.2).

5. **Recommendation**

   The Trust Board is asked to:

   **Note** that draft accounts have been prepared for audit for the six months ended 30 September 2015 in accordance with determination and directions given by the Secretary of State for Health.

1. Purpose

1.1. To present to the Trust Board a summary of the draft accounts for the six months ended 30 September 2015 for Oxford University Hospitals NHS Trust.

2. Background

2.1. The Trust was authorised as a Foundation Trust from 1 October 2015. The NHS organisation has to draw up its statutory accounts up to 30 September 2015 covering the part of the 2015/16 financial year that it operated as an NHS Trust.

2.2. The Trust is required to prepare a second set of statutory accounts for Oxford University Hospitals NHS Foundation Trust for the six month period from 1 October 2015 to 31 March 2016, covering the remainder of the 2015/16 financial year as a Foundation Trust. This set of accounts will be produced to Monitor’s national timetable for Foundation Trusts with final draft accounts to be submitted on 22 April 2016 and the final audited set to be submitted on 27 May 2016.


3.1. The draft statutory annual accounts for the six months ended 30 September 2015 were submitted to Ernst & Young LLP, the Trust’s external auditors, on 23 November 2015.

3.2. The Trust’s Income and Expenditure shows the following position up to 30 September 2015:
3.3. The Break Even Deficit has not changed since the Month 6 management accounts were prepared and reported to the Board on Wednesday 11 November.

3.4. As these are a statutory set of accounts, a revaluation of the Trust’s position was required and the results have been included in the draft statutory position as follows:-

- Increase in Trust’s Estate valuation of £36m due to price movements
- £10m is shown as a benefit to the I&E
- £26m is shown as an increase in reserves

3.5. The revaluation increase is net of a £1m reduction in value of the Welcome Centre which has been brought onto the Trust’s Balance Sheet.

3.6. The £10m benefit to the I&E is shown as a “reverse impairment”. A reverse impairment occurs when an asset that had previously been impaired due to a price reduction increases in value as a result of price rises, thus reversing the
past impairment. Any increase in value exceeding previous impairments is taken to the revaluation reserve.

3.7. This results in a higher retained surplus than was reported in the Month 6 management accounts. However because the result of the revaluation is not something which is under the Trust’s direct control and is regarded as “technical” in nature the results are neutralised so as to arrive at the same Break Even Deficit figure.

<table>
<thead>
<tr>
<th></th>
<th>Month 6 Management Accounts</th>
<th>Month 6 Statutory Accounts</th>
<th>Variance</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained surplus/(deficit)</td>
<td>(£7.0m)</td>
<td>£3.0m</td>
<td>£10.0m</td>
<td>£10m benefit to I&amp;E due to revaluation - see para 3.4</td>
</tr>
<tr>
<td>Break Even surplus/(deficit)</td>
<td>(£5.6m)</td>
<td>(£5.6m)</td>
<td>Nil</td>
<td>Revaluation adjustments are excluded – see para 3.8</td>
</tr>
</tbody>
</table>

3.8. The Trust’s Balance Sheet shows the following position as at 30 September 2015:
3.9. Property, plant and equipment shows an overall increase in the six months of £29m which is net of the revaluation increase of £36m, plus additions from the capital programme so far in the year less depreciation.

3.10. Intangible assets show a decrease in the six months of £1.7m which is because the amortisation of existing assets was higher than the additions to date figure. This is often the position mid-year as capital expenditure tends to be skewed towards the end of the financial year.

3.11. The level of inventories has shown very little movement since year end. A full stock count was undertaken during September in anticipation of having to produce part year statutory accounts and the results of the stock count are included in the draft part year accounts.
3.12. Trade and other receivables show an increase in the six months of £4.4m. This is also a normal position for the Trust in mid-year as the settlement of NHS positions usually results in lower receivables balances at the end of the financial year.

3.13. Cash shows an increase in the six months of £4.4m which is typical for the Trust. As members are aware, cash management arrangements differ under the Foundation Trust regime.

3.14. Trade and other payables have increased in the six months by £13.1m which is also regarded as normal at the mid-year point. At the end of the financial year a substantial amount of effort across the Trust takes place to ensure settlements.

3.15. Borrowings have reduced reflecting principally the usual repayment of the Trust’s PFI liabilities.

4. Audit Process

4.1. The accounts will be audited by Ernst & Young LLP (EY), the Trust’s external auditors. The majority of the work will take place during December and January.

4.2. The auditors will present a progress report including any findings as appropriate to the Audit Committee on 17 February.

4.3. The accounts cannot be finalised prior to the normal ‘financial year end’ reporting timetable due to the Department of Health (DH) ‘group accounting’ requirements.

4.4. The part year accounts for Oxford University Hospitals NHS Trust and final year end accounts for Oxford University Hospitals NHS Foundation Trust will be presented in May for formal approval by the Board.

4.5. The Trust has been advised that part year accounts will need to be signed by the Executive Director of Finance and Procurement as the Deputy Chief Executive because the Chief Executive over the relevant period has since left the Trust.

4.6. Summary of the timescales for completion of the accounts is shown below:

<table>
<thead>
<tr>
<th>When</th>
<th>What</th>
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<tbody>
<tr>
<td>December and January</td>
<td>Audit of draft part year accounts covering period from 1 April to 30 September 2015</td>
</tr>
<tr>
<td>17 February 2016</td>
<td>External audit progress report including part year accounts update</td>
</tr>
<tr>
<td>22 April 2016</td>
<td>Submission of draft statutory accounts to auditors covering period from 1 October 2015 to 31 March 2016</td>
</tr>
<tr>
<td>22 April 2016</td>
<td>Submission to DH of consolidation schedules for both accounting periods</td>
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<td></td>
<td>- Six months to 30 September 2015</td>
</tr>
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<td>- Six months to 31 March 2016</td>
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5. Conclusion

5.1. The draft accounts to 30 September 2015 have been prepared and are in the process of being audited.

5.2. The accounts will be signed off at the same time as the final year end statutory accounts in May following publication of all DH Group Accounting requirements.

6. Recommendation

6.1 The Trust Board is asked to:

Note that draft accounts have been prepared for audit for the six months ended 30 September 2015 in accordance with determination and directions given by the Secretary of State for Health.

Mr Mark Mansfield
Executive Director of Finance and Procurement
January 2016

Report prepared by:
Ms Lisa Simmonds, Head of Technical Accounting
Ms Maria Moore, Director of Operational Finance