

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

<b>Title</b>	<b>Draft Accounts for Six Months Ended 30 September 2015</b>
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<b>Status</b>	For information
<b>History</b>	<p>This report allows the Trust Board to receive a progress update on the draft accounts for the six months ended 30 September 2015.</p> <p>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.</p>

<b>Board Lead</b>	<b>Mr Mark Mansfield, Executive Director of Finance and Procurement</b>			
<b>Key purpose</b>	Strategy	<b>Assurance</b>	Policy	Performance

**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).
<b>5. Recommendation</b>  The Trust Board is asked to:  <b>Note</b> 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.

**Draft Accounts for Six Months Ended 30 September 2015.****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. Draft Accounts for Six Months Ended 30 September 2015**

- 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:

	Oxford University Hospitals		2015/16		
	Annual	Six Months Ended 30 September 2015			
	Plan	Plan	Actual	Variance	
	£000	£000	£000	£000	
<b>Income</b>					
Commissioning Income	774,249	386,166	388,052	1,886	
PP & Overseas Income	13,480	6,736	5,690	(1,046)	
Other Income	147,838	73,741	75,487	1,746	
<b>Total Income</b>	<b>935,567</b>	<b>466,643</b>	<b>469,229</b>	<b>2,586</b>	
<b>Expenditure</b>					
Pay	(519,358)	(260,513)	(267,591)	(7,078)	
Non-Pay	(356,295)	(181,167)	(156,736)	24,431	
<b>Total Expenditure</b>	<b>(875,653)</b>	<b>(441,680)</b>	<b>(424,327)</b>	<b>17,353</b>	
<b>EBITDA</b>	<b>59,914</b>	<b>24,963</b>	<b>44,902</b>	<b>19,939</b>	
Depreciation	(35,900)	(17,950)	(17,984)	(34)	
Impairments			(9,937)	(9,937)	
Investment Revenue	238	118	136	18	
Other Gains & Losses	(200)	(100)	(28)	72	
Finance Costs	(20,494)	(10,242)	(10,064)	178	
PDC Dividend Payable	(7,134)	(3,564)	(4,059)	(495)	
<b>Retained Surplus/(Deficit)</b>	<b>(3,576)</b>	<b>(6,775)</b>	<b>2,966</b>	<b>9,741</b>	
IFRIC 12 Technical Deficit (PFI)	437	210	218	8	
Impairments			(9,937)	(9,937)	
Donated Asset Additions	(269)	(135)	(277)	(142)	
Donated Asset Depreciation	3,408	1,704	1,417	(287)	
<b>Break Even Surplus/(Deficit)</b>	<b>0</b>	<b>(4,996)</b>	<b>(5,613)</b>	<b>(617)</b>	

- 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.

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

- 3.8. The Trust's Balance Sheet shows the following position as at 30 September 2015:

	Opening Balance 01-Apr-15	Closing Balance 30-Sep-15	Movement	Mvmt. In Month
<b>NON-CURRENT ASSETS</b>				
Property, Plant & Equipment	652,888	682,065	29,177	38,412
Intangible Assets	11,212	9,539	(1,673)	(286)
Trade & Other Receivables	5,091	5,562	471	233
<b>NON-CURRENT ASSETS</b>	<b>669,191</b>	<b>697,166</b>	<b>27,975</b>	<b>38,359</b>
<b>CURRENT ASSETS</b>				
Inventories	14,715	15,182	467	45
Trade & Other Receivables	42,212	46,603	4,391	(2,399)
Cash & Cash Equivalents	79,383	83,815	4,432	3,805
<b>CURRENT ASSETS</b>	<b>136,310</b>	<b>145,600</b>	<b>9,290</b>	<b>1,451</b>
<b>CURRENT LIABILITIES</b>				
Trade & Other Payables	(129,882)	(142,978)	(13,096)	(4,236)
Borrowings	(10,874)	(9,962)	912	132
Current Provisions	(2,476)	(1,971)	505	(1,241)
<b>CURRENT LIABILITIES</b>	<b>(143,232)</b>	<b>(154,911)</b>	<b>(11,679)</b>	<b>(5,345)</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>(6,922)</b>	<b>(9,311)</b>	<b>(2,389)</b>	<b>(3,894)</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	(263,185)	(258,684)	4,501	1,345
Trade & Other Payables	(16,359)	(16,562)	(203)	(203)
Non-Current Provisions	(2,559)	(2,680)	(121)	52
<b>NON-CURRENT LIABILITIES</b>	<b>(282,103)</b>	<b>(277,926)</b>	<b>4,177</b>	<b>1,194</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>380,166</b>	<b>409,929</b>	<b>29,763</b>	<b>35,659</b>
<b>FINANCED BY TAXPAYERS EQUITY</b>				
Public Dividend Capital	208,115	208,758	643	
Retained Earnings	25,076	28,051	2,975	9,508
Revaluation Reserve	145,232	171,377	26,145	26,151
Other Reserve	1,743	1,743		
<b>TOTAL TAXPAYERS EQUITY</b>	<b>380,166</b>	<b>409,929</b>	<b>29,763</b>	<b>35,659</b>

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:-

When	What
December and January	Audit of draft part year accounts covering period from 1 April to 30 September 2015
17 February 2016	External audit progress report including part year accounts update
22 April 2016	Submission of draft statutory accounts to auditors covering period from 1 October 2015 to 31 March 2016
22 April 2016	Submission to DH of consolidation schedules for both accounting periods <ul style="list-style-type: none"> <li>• Six months to 30 September 2015</li> <li>• Six months to 31 March 2016</li> </ul>

April and May	Audit of draft accounts from 1 October 2015 to 31 March 2016 Conclusion of audit of draft part year accounts to 30 September 2015
May 2016 (date tbc)	Audit Committee to consider both sets of audited accounts and receive audit results report covering both accounting periods
May 2016 (date tbc)	Trust Board to formally approve both sets of accounts on advice from the Audit Committee
May 2016 (date tbc)	Accounts and certificates to be signed following consideration by the Trust Board
27 May 2016	Submissions of both sets of audited accounts and consolidation schedules

## 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:  
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