

To: All NHS Foundation Trust Finance Directors

18 November 2013

Dear Colleague,

Consolidation of NHS charitable funds in 2013/14

NHS foundation trusts will be consolidating their NHS charities into their accounts for the first time in 2013/14 where the control tests in IAS 27 are met. A small number of NHS foundation trusts already prepare group accounts by virtue of them having subsidiary entities or other interests, but the great majority do not. I am writing to all NHS foundation trusts to ensure that your accounts planning processes have fully considered the impact of this change.

When International Financial Reporting Standards (IFRS) were adopted in the NHS, HM Treasury approved a dispensation whereby NHS bodies did not apply International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements* to their NHS charitable funds. This dispensation does not apply from 1 April 2013.

For many NHS foundation trust finance teams, the consolidation of charitable funds will be the first group consolidation that they have prepared. It is very important that as Finance Director you should assure yourself that, if relevant, your team has the skills and expertise required to perform this consolidation.

Where local consolidation is taking place, the extent of work required and the degree of risk to your accounts will depend on the materiality of the amounts concerned. You and your team should be aware of the following considerations:

- You should agree with your auditors at the earliest opportunity whether you will need to consolidate your charitable funds into your 2013/14 accounts.
- In December the Healthcare Finance Management Association (HFMA) will publish a guide to users on considerations associated with the consolidation of NHS charitable funds. We strongly recommend that your finance team avails itself of this publication.
- Also in December Monitor will release the month 9 Foundation Trust Consolidation (FTC) template. This will include sheets to enable the consolidation of charitable funds. NHS

foundation trusts should use this process to perform a dry-run of their consolidation. This also provides an important opportunity to prepare consolidated opening balances and prior year numbers in advance of the year end.

- Given the varying sizes and impact of NHS charitable funds across the sector, Monitor has not mandated a process of restatement and early auditor work as it did for the introduction of IFRS. However where the consolidation of charitable funds is material or otherwise significant to the accounts, NHS foundation trusts are strongly encouraged to engage early with their auditors to gain local assurance in advance of the year end.

The consolidation of charitable funds presents a risk to the preparation of Monitor's Consolidated NHS Foundation Trust Accounts for 2013/14. Alongside this letter Monitor is issuing a short data collection to seek to understand how material the likely consolidation of NHS charitable funds will be to the consolidated sector accounts. At the same time we are also collecting information on other entities within your group structure. Further details are provided by e-mail alongside this letter.

Please ensure that your finance team has adequately planned to enable your trust to submit accounts with an unqualified audit opinion in line with the accounts timetable for 2013/14. The accounts timetable is currently being finalised and I will write to you again as soon as this information is available.

Yours faithfully

A handwritten signature in black ink, appearing to be 'JD', written in a cursive style.

Jason Dorsett
Director of Finance, Reporting and Risk