

## Treasury announces NHS charities' accounts consolidation

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**CATEGORY:**  
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HM Treasury yesterday announced that International Accounting Standard 27, Consolidated and Separate Financial Statements ('IAS 27') will apply to all NHS bodies from 1 April 2013. This will affect any NHS charity which is under the 'control' of an NHS body (e.g. an NHS Trust or NHS Foundation Trust acting as corporate trustee). Relevant NHS charities will still have to produce their own charity- SORP compliant accounts, but those accounts will then need also to be consolidated with those of the NHS body. NHS charities with separate trustees will be unaffected (unless their auditor finds evidence of control by their related NHS body).

To see HM Treasury's press statement, [click here](#)

### Background

IAS 27 requires the preparation of consolidated accounts for a group of entities under the "control" of a parent. Control is defined as "the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities".

The application of IAS 27 to NHS bodies has been deferred since 2009 when the Government adopted International Financial Reporting Standards.

In reaching this decision the Government considered the Financial Reporting Advisory Board's advice, Department of Health and Audit Commission comments, and the findings of a 'Review of NHS linked Charities in the context of the government accounting framework' (the 'Review'); to access the papers considered by FRAB, [click here](#)

### Concerns

There has been considerable criticism of the proposal to apply IAS 27 to NHS charities; in particular:

- the nature of the control exercisable by charity trustees is fundamentally different from that which underpins the IAS 27 requirement for consolidation;
- NHS bodies and NHS charities will incur additional cost complying with this requirement; plus there are practical issues, given the differences in due filing dates;
- there is a risk of loss of donor confidence if an NHS charity is seen as part of the NHS; and
- this characterisation of charitable funds may, in the current economic climate in particular, encourage the NHS body to regard the funds as merely another 'budget' under its control.

These concerns are set out in more detail in the dissenting report of the Review group, whose signatories included representatives of the Charity Commission and Association of NHS Charities; to access this, [click here](#)

### Implications

#### **NHS bodies**

Even if content to report your charity funds in this way, you will need to ensure that, by the expiry of the deferral period, you can produce charity accounts for consolidation and audit with your own accounts before Monitor's June filing deadline.

Alternatively, you may regard this as an opportunity to re-assess the way in which your charity funds are held. In particular you might seek to transfer the charity funds to independent trustees (either individuals or a corporate body). At present this will need Department of Health involvement. This may well be an option, if your charity funds are reasonably substantial (but consolidation alone should not be the driver).

#### **Separate trustees of NHS Charities**

You should review the governance of your NHS charity – to avoid the risk that its auditor will find evidence of 'control' by the related NHS body.

#### **Trustees of all NHS Charities**

You need to be aware that today's announcement is just one change in the regulatory regime affecting NHS Charities. There are bigger issues to be understood and addressed in the forthcoming months.

The Department of Health is reviewing the current NHS charity regime as a whole. The likely purpose of this review is to relieve the Department of residual responsibility for aspects of NHS Charities (such as appointment of trustees and transfer of funds) and to assess what are the appropriate governance arrangements for such charities in the future.

The Office of National Statistics is understood recently to have re-classified all NHS charity funds to within the central government boundary. If this is correct, the Department of Health and Whole of Government Accounts will consolidate those charity funds for 2011 – 12; Whole of Government Accounts provide data for Parliamentary fiscal planning; the Department will include charity funds in its voted budgets and estimates. This classification has potentially greater impact on the independence (perceived and actual) of NHS Charities than yesterday's announcement.

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