



Draft Update Bulletin 2 Accounting and Reporting by Charities: Statement of Recommended Practice

Consultation response

Who are we

The Healthcare Financial Management Association (HFMA) is the representative body for finance staff in healthcare. For the past 60 years, it has provided independent and objective advice to its members and the wider healthcare community. We are a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through our local and national networks. We also analyse and respond to national policy and aim to exert influence in shaping the wider healthcare agenda. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are ‘fit for purpose’ and effective.

Question 1 Do you agree with how the amendments to FRS 102 have been reflected in the proposed amendments to the Charities SORP (FRS 102) in draft Update Bulletin 2?

If not, which of the proposed changes do you not agree with, and why?

We have reviewed the proposed changes to the SORP and have concluded the ones which are likely to affect NHS charities are:

- the requirement to include comparative information for all funds
- the change to accounting for investment property which is rented to another organisation in the same group – this could be applicable where NHS charities rent property to an NHS body which is a corporate trustee
- the new requirement to prepare a reconciliation of net debt as a note to the cash flow statement.

As all of the changes stem from the updates already made to FRS 102, we have restricted our comments to how these particular changes have been explained/ incorporated in the SORP.

On that basis, we have the following comments:

- we support the use of an update bulletin to implement the changes rather than a wholesale update of the SORP
- the clarification of the requirement to disclose comparative information for all parts of the financial statements and the notes has already been published so we accept that it makes sense to include it in this update to the SORP. However, we are concerned that this means that the accounts become very cumbersome and cluttered which does not sit well with the current initiatives to simplify and streamline the accounts and focus the reader's attention on what is important. Perhaps some mention of materiality would avoid the inclusion of immaterial comparatives/ disclosures. We would welcome guidance from the SORP setting bodies on best practice in relation to this disclosure requirement
- paragraph 10.48B would be clearer if it reiterated that the how the non-rented part of the investment property should be valued.

Question 2 Are there any other amendments to the Charities SORP (FRS 102) that you consider to be necessary based on the recent amendments to FRS 102?

If so, please state the amendment to FRS 102 and the relevant SORP paragraph(s).

We do not think that any other amendments are necessary.

Contact

If you would like to discuss any of our comments in more detail please contact Debbie Paterson, policy and technical manager: debbie.paterson@hfma.org.uk.