

BOARD OF DIRECTORS' MEETING - CONFIDENTIAL
11 MARCH 2020

TITLE OF PAPER	Preparation of Financial Accounts 2019/2020 - Adoption of "Going Concern"
TO BE PRESENTED BY	Mr. P. Easthope, Executive Director of Finance
ACTION REQUIRED	<p>The Board is asked to endorse the conclusion that it is appropriate for the accounts of Sheffield Health & Social Care NHS FT to be prepared on the going concern basis.</p> <p>This matter is recommended for endorsement by the Audit & Risk Committee following their meeting on the 21 January 2020.</p>

OUTCOME	Endorsement by the Board on the recommendation of the Audit & Risk Committee.
TIMETABLE FOR DECISION	Board of Directors 11 March 2020
LINKS TO OTHER KEY REPORTS / DECISIONS	Annual Accounts Financial Plan and Integrated Business Plan Monthly Director of Finance Reports to Board of Directors
STRATEGIC AIM STRATEGIC OBJECTIVE BAF RISK NUMBER & DESCRIPTION	Strategic Aim 4: Value for Money No 1: Ensure the financial sustainability of our services BAF Risk Number: A401 BAF Risk Description: Inability to deliver a break-even position resulting in a failure to deliver financial sustainability
LINKS TO NHS CONSTITUTION & OTHER RELEVANT FRAMEWORKS, RISK, OUTCOMES ETC	Annual Accounts Financial Plan and Integrated Business Plan NHSi Quarterly Monitoring (Financial Risk Rating and Governance Rating)
IMPLICATIONS FOR SERVICE DELIVERY AND FINANCIAL IMPACT	Endorsement of the paper enables the Trust's Accounts to be prepared on the going concern basis.
CONSIDERATION OF LEGAL ISSUES	Auditors will need to satisfy themselves that there are no going concern issues as part of the annual Audit.

Author of Report	Lisa Collett
Designation	Principal Accountant
Date of Report	January 2020

SUMMARY REPORT

Report to: Board of Directors - Confidential
Date: 11 March 2020
Subject: Preparation of Financial Accounts 2019/2020 - Adoption of “Going Concern”
Author: Lisa Collett, Principal Accountant

1. Purpose

<i>For approval</i>	<i>For a collective decision</i>	<i>To report progress</i>	<i>To seek input from</i>	<i>For information</i>	<i>Other (Please state below)</i>
X					

1. Purpose

Following consideration of the attached paper, the Audit & Risk Committee approve the attached report and recommend it for endorsement by the Board of Directors. The paper presents the case that the Sheffield Health and Social Care NHS Foundation Trust (SHSC) prepares its accounts on a “going concern” basis.

This paper is intended to assist the Audit & Risk Committee in assessing the going concern position of the Trust. It is not intended to reproduce all the evidence that exists to support its conclusion, but identify what does exist and has previously been considered by the Board.

2. Summary

The accounting concept of Going Concern is a fundamental principle in preparing the Financial Statements. The organisation must consider whether it views itself as having the resources in place to remain viable and continue in business for the foreseeable future.

Historical and Current Financial Performance

The organisation and its predecessor organisation has a strong financial standing over the last 20 years and has recorded a break-even or surplus during that time; with only a few technical accounting reasons for a deficit during 2015/2016.

The Trust’s strategic financial objective remains to not only to breakeven, but to deliver the NHSi **surplus** Control Total for 2019/2020 (£1.202m). The current year plans indicate that this will be achieved.

The Trust has a sound cash position (£50.816m at month 9 2019/20) and is not expecting cash flow problems going forward.

Future Planned Financial Performance

In terms of future financial performance, the Trust prepares long term financial model’s (LTFM) and presents Financial Strategies to Board.

At present the M9 2019/20 draft LTFM forecasts a cash position of £44.172m for the Financial Year ending March 2021; this does however assume the realisation of the cash receipt associated with the sale of Fulwood HQ.

The Trust continues to review its Capital investment priorities to ensure that key strategic Estate, IMST and CQC priorities are affordable. It is considered that with a continued robust CIP programme, prioritised Capital investments and a strong cash position, that the current Capital Programme is at an affordable level and that additional borrowing is not required.

Strategic Partnerships

Robust contracting arrangements remain in place with commissioners; the main SCCG contract is underpinned by a two-year contract which ends 31st March 2021. Key contractual changes in relation to health services are being managed in partnership with commissioners and in close response to changing national and regional agenda's.

The Trust continues to work with its ICS partners in developing system interoperability.

KPI's

At quarter 3 2019/2020 the Trust has an NHSi Use of Resources Risk Rating (UoR) of 1 (1 being the highest). The Trust declared at quarter 3 that the Board anticipates that the Trust will continue to maintain a UoR Rating of at least 2 for the next 12 months; and that the Board is satisfied that plans in place are sufficient to ensure:

- on-going compliance with all existing targets as set out in the new single oversight framework (previously risk assessment framework) and
- a commitment to comply with all known targets going forward.

3. Next Steps

The paper was considered by the Audit & Risk Committee at their meeting on 21 January 2020. A number of additions were suggested to enhance the paper which have been incorporated, together with the inclusion of the Audit & Risk Committee minute on this item for clarity and ease of reference.

On the recommendation of the Audit & Risk Committee, the Board of Directors' is requested to endorse the presumption of going concern status for the Trust.

4. Required Actions

On the recommendation of the Audit & Risk Committee the Board is asked to endorse that it is appropriate for the accounts of Sheffield Health & Social Care NHS Foundation Trust to be prepared on the going concern basis and for the Trust to make the appropriate declaration in the Annual Report.

5. Monitoring Arrangements

Through the Chairs of the Trust's Governance Board Sub-Committees and ratified by the Board of Directors.

6. Contact Details

For further information, please contact:

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REPORT TO THE BOARD OF DIRECTORS
11 March 2020

Meeting: 21st January 2020 Audit & Risk Committee
Title: Preparation of Financial Accounts 2019/2020 – Adoption of “Going Concern”
Author: Lisa Collett, Principal Accountant

1. Introduction

This paper aims to consider the basis on which the accounts should be prepared and present evidence for the conclusion reached on the going concern issue. It is important to note that the going concern consideration applies to the Foundation Trust as an entity and not to individual service components.

A detailed introduction of the Going Concern concept is attached in Annex 1 for information.

2. Accounting Convention

To comply with IAS1 of IFRS, the Directors must decide each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis, taking into account best estimates of future activity and cash flows.

In making this assessment, management should consider all information about the future that is available at the time at which the judgement is made. As a minimum, this assessment should cover at least a twelve-month period from the end of the reporting period, although this period will need to be extended where management is aware of events and related business risks further in the future that may cast doubt on the going concern assumption. The degree of consideration will depend on the facts in each case. IAS 1 states:

“When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.”

Where there is fundamental uncertainty over the going concern basis (for instance, continuing operational stability depends on finance or income that has not yet been approved), or where the going concern basis is not appropriate, the Directors will need to disclose the relevant circumstances.

3. NHS Foundation Trust Annual Reporting Manual Compliance

There is no presumption of going concern status for NHS foundation trusts. Directors must decide each year whether or not it is appropriate for the NHS foundation trust to prepare its accounts on the going concern basis, taking into account best estimates of future activity and cash flows.

In order to comply with the NHS Foundation Trust Annual Reporting Manual, the Trust is required to include a statement within the annual report on whether or not the financial statements have been prepared on a going concern basis and the reasons for this decision, with supporting assumptions or qualifications as necessary (as referred to also in the NHS Foundation Trust Code of Governance C.1.2 which was last updated).

Where there is certainty over the going concern basis a typical disclosure statement reads:

“After making enquiries, the directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.”

This statement should be amended if the going concern basis is only adopted based on the interpretation in the Government Financial Reporting Manual (FRM) which focuses on the continued provision of services.

The NHS Foundation Trust Annual Reporting Manual (ARM) section 2.13 refers to Table 6.2 of the FRM which states that:

“The anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern.”

The Trust’s going concern assessment is not on this interpretation.

4. Areas for Consideration at Sheffield Health & Social Care NHS FT

Sector Wide Performance - Financial Context

- Overall for 2019/20, the NHS has made significant changes to the financial regime including resetting control totals for all organisations and simplifying contracting arrangements. As part of the NHS Long Term Plan, more realistic expectations for growth in activity have been set and therefore it is considered that the plans for the NHS as a whole and for the provider sector in particular present a lower level of risk than in previous years.
- To put SHSC’s position in context; at quarter 2 2019/20 the Provider sector is reporting a forecast deficit position of £320m which is £38m adversely adrift of plan; this forecast position is significantly better than 2018/19 when a deficit of £571.2m was realised, which was £177.2m adversely adrift of plan (45%). However, the quarter 3 2019/20 position is expected to have worsened based on the latest intel.
- The primary issues affecting the sector, which are largely a continuation from last year are:
 - The on-going high-level use of bank and agency staff to manage workload because of increased demand, high levels of existing vacancies, sickness/absence cover and managing continued staff turnover,
 - General demand management,
 - Delayed transfers of care,
 - Underperformance against re-current CIPS which is being compensated by over-performance on non-recurrent CIPS.

Whilst these issues exist for SHSC, in the context of the wider NHS financial performance the Trust remains in a strong position and can manage its finances and resources effectively.

Key Performance Indicators

- Management need to consider the Trust’s performance against NHSi’s single oversight framework. This is assumed to reflect a view that intervention by NHSi would take place where there were major issues that could ultimately question the viability of the foundation trust. The Trust’s Use of Resources rating (UoR) is 1, with 1 now being the highest rating, and 4 being the worst. The position can be appreciated in Table 1.

Table 1: Use of Resources Risk Rating Month 8 2019/20

Key Ratios				
	YTD Plan	YTD Actual	FOT Plan	FOT Actual
Capital Service Cover	1	1	1	1
Liquidity	1	1	1	1
I&E Margin	2	2	2	2
Variance From Control Total Rating		1		1
Agency	1	2	1	2
Plan Risk Rating		1		1

- The Board of Directors' declaration at quarter 3 was that the Trust will continue to maintain a UoR rating of at least 2 for the next 12 months. The quarter 4 declaration is expected to be the same when considering the expected out-turn; forecast cash flows and the 2020/2021 Annual Plan.

Financial Risk

- The past performance and current financial position of the organisation determines a strong Financial standing; evidenced with a record of financial break-even or better over the past 20 years. As a result of continued effective financial management, the Trust is expecting to achieve a surplus in line with its control total of £1.202m for 2019/2020.
- The Control Total has not been revised in year as in previous years due to the change in funding regime; previous years have seen in year bonuses awarded for overperformance which has not been the case this year. The Trust will continue to monitor wider regime changes and adapt internal financial principles accordingly.
- The forecast to date tentatively indicates that the current year position may improve further but this is due to the anticipation of additional funding which is not within the control of the Trust rather than expenditure slippage. Further detailed information on the current year position can be found in the routine Finance reports.
- The refreshed Financial Plan for 2020/2021 is due for approval at the March Board meeting; the Trust's Financial Strategy and objectives over the next two years is underpinned by a number of broad principles which will be outlined in the Financial Plan. Unless directed by NHSi, further changes to our plan are not expected and this is predominantly a continuation of the plans put in place for 2019/2020.
- Our Financial Plan submitted for 2020/21 will be on a basis of achieving a breakeven position. As we move into 2020/21 there are a number of factors contributing to the challenge of a breakeven position when compared to the previous year's plan and the current 2019/2020 in year performance. These have been detailed in table 2.

Table 2: Forward view – Financial Risk

This table is not intended to be an exhaustive list and cover off all risks. Risk continue to be reported and monitored as part of the primary finance report and wider departmental, Corporate and Board Assurance Framework.

Risk Detail	SHSC Response
<i>Demand</i>	<p><i>The demand risk impacts on SHSC on varying fronts.</i></p> <ul style="list-style-type: none"> • <i>Bed Numbers.</i> • <i>Bed Occupancy.</i> • <i>Waiting Lists.</i> • <i>Community caseloads.</i> • <i>Out of town demand.</i> • <i>Delayed discharges.</i> <p><i>The Trusts main commissioner contract is a block contract but with a cost and volume adjustment linked to it so over and underperformance charges do apply. The level to which these are at full, marginal or no cost depends on the thresholds reached. These are often taken into CFO level discussions around year end settlements and linked to CQUIN performance or the overall financial position etc.</i></p> <p><i>Whilst the Trust has a risk share agreement, any overspend or CIP shortfalls are fed into the wider risk share with the CCG and Local authority. As a result, the financial risk re demand often sits with the commissioner and not solely the Trust.</i></p>
Failure to meet a potential ICS aggregate Control total	We await guidance; as we move away from control totals there may be an obligation to meet an aggregate ICS Control total.
Failure of CQUIN targets	The CQUIN Scheme was significantly reduced and simplified in 2019/20; in response the Trust reduced its risk reserve by 50%. However; significant failure remains in the system albeit being offset by the Trust's risk share agreement.
Re-current revenue implications of investments	<p>The level of new investment is limited to where the proposal meets strategic objectives and is supported by Commissioner funding and/or contains a return on investment within a year. The main pre-commitments relate to Estates, IMST strategies (ACM/ Leaving Fulwood/ Insight II etc) and CQC recommendations.</p> <p>The Trust has no more uncommitted reserves to support an increase in operating expenditure; further investment should have a clear external funding source via a commissioning or charitable route.</p>
Cost Improvement Programme (CIP) gap & non- achievement of targets	<p>Tariff efficiency has been confirmed at 1.1%; the level to which this will be increased to fund internal investments is to be considered as part of financial planning.</p> <p>CIP planning for 2020/21 is underway. The objective to is to have robust plans so as not to have underperformance met from the contingency reserve.</p>
Disinvestment gap & non-achievement	<p>There are no known disinvestments for 2020/21 at this time. However, areas under contractual discussion with potential uncertainty around future provision by SHSC include:</p> <ul style="list-style-type: none"> • Buckwood • Case Register • ISS • Woodland View & Birch Avenue linked to Dementia Strategy.

Over-establishments of warded areas.	<p>This is an area of concern again in 2019/20 and is currently under review for actions in 2020/21; the current position is being mitigated by staff turnover savings. The cost pressure cited for 2020/21 based on current activity is £815k.</p> <p>The review is expected to conclude in March; an increased contingency reserve may be required to manage this position in the short-term whilst contract negotiations take place. This will be ratified as part of the annual planning process.</p>
Loss making services	<p>The Trust has previously held loss making services within its collection, however through working with our services and commissioners we are now achieving full economic cost recovery on the majority of our services. This is with the exception of; Clover (PCS partnership) for which the current arrangement will continue for one more year; and more ad hoc non-core services such as recovery education and workplace wellbeing.</p>
Insufficient contingency reserves	<p>A contingency reserve for unplanned financial cost pressures is factored into the Trust-wide financial plan and in part, along with investments, this drives the CIP target requirements.</p> <p>In previous financial years this has underwritten the in-year performance in order to mitigate the gap against CIP targets until robust plans were identified; however, 2019/20 saw the reserve utilised in the first half of the year on unplanned investments which was in addition to a significant CIP gap giving the Trust no flexibility. This will be reviewed as part of the financial planning process.</p>

- The Financial Plan includes reserve allocations at an appropriate level to mitigate the risks detailed in table 2. Please refer to the routine Finance report and Financial Plan for consideration of the full spectrum of financial risks and the mitigation plans.
- The Trust is aware of the challenges it faces over the next two years and is taking necessary actions to ensure a sustainable financial balance. Regular financial reports, including forecasts are provided to the Board and considered in some detail at the Trust's Finance & Performance Committee. In addition, the robust process of Directorate Service Reviews enables the Trust to manage risks and to identify and implement mitigating actions in a timely manner. The Trust continues to strengthen the reporting and monitoring of CIPs via one to one engagement with Directorates.
- The Transformation Operational Group continues to oversee operational developments and approves developments and or business cases for progression to BPG and further governance routes.

Governance Risk

- As a Foundation Trust we plan to achieve a minimum of a level 2 UoR risk rating during 2019/20. At quarter 3 2019/20 the Trust is achieving a level 1 UoR risk rating. No significant issues are noted that would raise concerns on the on-going viability of the Trust and hence it's sustained going concern basis.
- The Trust's governance structures are embedded and the Trust has good performance management processes in place to ensure that any difficulties are quickly identified and addressed as such that adverse risks can be mitigated. The Quality Assurance Committee ensures that quality and service provision take a prime focus for the Trust ensuring we achieve the quality standards expected by the monitoring bodies and the public we serve.

- The Trust's main challenges relate to the on-going delivery of all national core healthcare targets and the specific performance targets for Mental Health Foundation Trusts detailed in the quarterly monitoring returns and the Trust's Annual Plan; this is reviewed by the Board of Directors prior to declaration.
- As part of the quarterly assessment the Board confirmed it is satisfied that plans are in place and are sufficient to ensure:
 - on-going compliance with all existing targets as set out in the single oversight framework (previous compliance framework and risk assessment framework)
 - a commitment to comply with all known targets going forwards.
- The Trust continues to respond to the CQC inspection recommendations via its action plan and will continue to address concerns raised via the inspection process.

Other Risks

- As far as management are aware the Trust has complied with its statutory requirements.
- The Trust currently has an Interim Chief Executive Officer (CEO) in post from within the organisation; a robust recruitment process will see the Trust with a new CEO with effect from March 2020. The Trust has managed the vacancies to date with robust recruitment internally meaning that at no point has there been a gap in key management positions. There are currently no vacancies within the Executive Director structure and management is confident that there is sufficient capacity at this level to enable the Trust to deal effectively with its key priorities going forward.
- During 2019/2020 there has been no change in the Chair position but there has been turnover in the Non-Executive roles. Where turnover existed, successful recruitment process took place and appropriate handovers and inductions have taken place and new personnel are now in post.
- Potential changes in legislative or Government policy do constitute a risk due to on-going developments within the NHS; the Trust has discussed these with commissioners and within the Trust systems have been implemented to effectively monitor and develop its ability to operate in this changing environment. The Trust continues to negotiate with service commissioners regarding better strategic alignment and positioning for the future in respect of service developments and new business opportunities.
- The Trust continues to work with its main commissioning CCG on national policies in relation to the Mental Health Investment Standard (MHIS); and to ensure that we achieve net growth in order to facilitate the Trust to delivering on the Mental Health Long Term Plan objectives.

Conclusion

- Given the evidence available to the Board as summarised within this report the analysis supports the conclusion that the Foundation Trust is a going concern and has taken steps to ensure this remains the case for the next 12 months.
- The guidance from NHSi is that there is no presumption of going concern status for NHS Foundation Trusts. **However, the guidance in the Foundation Trust Annual Reporting Manual 2.13 is that the financial statements should be prepared on a going concern basis unless management either intends to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or has no realistic alternative but to do so.** This is not considered to be the case for the Trust.

- At present no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Trust to continue as a going concern have been identified by the directors.

Detailed discussion at Audit & Risk Committee (extract from unconfirmed notes)

The committee received the draft Going Concern Report which will require ultimate approval by the Board of Directors as part of the Annual Accounts process.

Discussion took place regarding the internal management of the potential financial risk for the Trust, particularly in relation to the over-contracted activity demand on services as well as the balance between investment in inpatient and community services. It was noted that within table 2 “Forward View – Financial Risk” there was no mention of greater demand, although it was confirmed that this was primarily because the Trust does not bear this risk - this lies with the Commissioner.

It was reaffirmed that the purpose of this statement is to confirm externally that there is nothing of significance within the finances of the Trust that would compromise SHSC being a going concern.

Ms. Keene asked whether recent headlines regarding clinical negligence costs within the NHS would have an adverse impact on SHSC. In response, Mr. Sabin provided an overview of the Trust’s arrangements in respect of NHS Resolution who manage these cases on behalf of the NHS and confirmed that this did not presently pose any risk to the Trust.

Audit representatives advised that within the NHS unless a Trust is within special measures, they are generally regarded as a going concern.

It was agreed to recommend that the Board approve the preparation of the Annual Accounts on a going concern basis, although it was suggested that consideration be given to rewording elements of the statement to provide clarity regarding an overarching statement regarding the management of demand; risk share arrangements and future liability.

This final comment has led to table two being amended. Marked in italics for reference.

Recommendation

The Board are asked to endorse the conclusions reached and recommend when considering the Annual Accounts prepared in 2019/2020, that it is appropriate for the Accounts for Sheffield Health & Social Care NHS Foundation Trust to be prepared on the going concern basis.

The Board are asked to approve in principle the statement below to be included in the Annual Report with regard to the preparation of the 2019/2020 Accounts for Sheffield Health and Social Care NHS Foundation Trust on a going concern basis:

“After making enquiries, the directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.”

Lisa Collett
Principal Accountant

10 January 2020 (draft)
April 2020 (final)

Annex 1

Detailed introduction to the going concern concept

1. The accounting concept of going concern refers to the basis of measurement of an organisation's assets and liabilities in its accounts (that is, the basis on which those assets and liabilities are recorded and included in the accounts). The concept of Going Concern is a fundamental principle in preparing the Financial Statements. Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future and therefore it accounts for its assets and liabilities on the basis that it will be able to realise and discharge them in the normal course of business.

All private sector organisations and many public sector bodies assess their ability to continue as a going concern at regular intervals. It is normal practice to do this at the reporting date looking at the financial prospects of the organisation for at least the following 12 months. There is no presumption of going concern status for NHS foundation trusts and as such the Trust's external auditors will consider what the directors have done to satisfy themselves that it is reasonable for them to conclude that it is appropriate to prepare financial statements on a going concern basis.

This paper aims to consider the basis on which the accounts should be prepared and present evidence for the conclusion reached on the going concern issue. It is important to note that the going concern consideration applies to the Foundation Trust as an entity and not to individual service components.

2. NHS Foundation Trusts are required to prepare their accounts in accordance with the relevant accounting rules as directed by the regulator, NHSi, with the approval of HM Treasury. Guidance is provided on an annual basis through the NHS Foundation Trust Annual Reporting Manual and the Government Accounting Manual (GAM).
3. With effect from 1st April 2009, the Trust was required to adopt a new financial reporting framework, which resulted in the annual accounts being prepared in accordance with International Financial Reporting Standards ("IFRS").

IFRS operates under the International Accounting Standards Board's ("IASB") Framework for the Preparation and Presentation of Financial Statements ("the Framework"). The Framework introduced the accruals basis of accounting and going concern as the 'underlying assumptions' in the preparation of accounts. The Framework states that financial statements are prepared on a basis that assumes an "...entity is a going concern and will continue in operation for the foreseeable future".

The Framework also states that there are four qualitative characteristics that need to be taken into account in the preparation and presentation of financial statements. These are:

- Understandability
- Relevance (which considers the concept of materiality)
- Reliability
- Comparability

The Framework does not deal directly with 'true and fair' view or 'fair presentation' of accounts. However, it does note that where the qualitative characteristics above are applied along with the appropriate accounting standards (ie IFRS) then fair presentation will normally be the result.

The Framework is not an accounting standard. It does not define or specify any particular recognition, measurement or disclosure rules. However, it does set out the principles that

the IASB believes should underlie the preparation and presentation of financial statements for users and as such it is considered relevant by NHSi (per the 2019/20 Annual Reporting Manual).

4. The going concern concept is further covered in IAS 1 – ‘Presentation of Financial Statements’. IAS 1 requires management to assess, as part of the accounts preparation process, the Trust’s ability to continue as a going concern. In the Foundation Trust Annual Reporting Manual, NHSi require that the financial statements should be prepared on a going concern basis unless management intends to apply to the Secretary of State for the dissolution of the Trust without the transfer of the services to another entity, or has no realistic alternative but to do so.

There is no presumption of going concern status for NHS foundation trusts. Foundation Trusts therefore need to pay particular attention to going concern issues. In the event that a Foundation Trust is viewed as an Unsustainable Provider and put into “Special administration” under the Health and Social Care (Community Health and Standards) Act 2012 section 128 to 133. This involves the appointment of a trust special administrator, who must be an insolvency practitioner. The administrator’s proposals might involve complete dissolution of the trust concerned and the transfer of its assets and services to other organisations. Such a transfer may not be immediate, potentially resulting in the short-term discontinuation of services and default on liabilities. Furthermore, assets may be re-valued downwards on transfer where the view is taken that particular services or activities are to be discontinued. The Board therefore needs to consider any future events that could adversely impact its activities, including its ability to achieve and maintain a level of performance to meet the risk criteria established by NHSi.

5. To comply with IAS 1, the Directors must decide each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis, taking into account best estimates of future activity and cash flows.

In making this assessment, management should take into account all information about the future that is available at the time at which the judgement is made. As a minimum, this assessment should cover at least a twelve month period from the end of the reporting period, although this period will need to be extended where management is aware of events and related business risks further in the future that may cast doubt on the going concern assumption. The degree of consideration will depend on the facts in each case. IAS 1 states:

“When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.”

Where there is fundamental uncertainty over the going concern basis (for instance, continuing operational stability depends on finance or income that has not yet been approved), or where the going concern basis is not appropriate, the directors will need to disclose the relevant circumstances.

6. In order to comply with NHSi’s Annual Reporting Manual, the Trust is required to include a statement within the Annual Report on whether or not the financial statements have been prepared on a going concern basis and the reasons for this decision, with supporting assumptions or qualifications as necessary (as referred to also in the NHS Foundation Trust Code of Governance C.1.2).

Where there is certainty over the going concern basis a typical disclosure statement reads: *“After making enquiries, the directors have a reasonable expectation that the NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.”*

7. The going concern concept is also relevant to the ‘Statement of Accounting Officer’s Responsibilities’, as the Chief Executive has to certify that the financial statements have been prepared on a going concern basis.