

Charity Accounts & Trustee's Annual Report 2016/17

Author: Financial Controller Sponsor: Chief Financial Officer Trust Board paper N

Executive Summary

Context

The report presents the draft Annual Accounts (Appendix 1); Trustee's Annual Report (Appendix 2); and Audit Highlights Memorandum and Management Letter (Appendix 3) for the year ending 31st March 2017. A draft copy of the Management Representation letter is included in Appendix 4.

Questions

1. Are the Accounts and Trustee's Annual Report complete?
2. Has the audit been completed?
3. Are there any other issues to report to the Board?

Conclusion

1. The Accounts and Trustee's Annual Report are complete. Some adjustments were required, although none of these adjustments affected the reported financial outturn.
2. The External Audit is complete and KPMG will issue an unqualified audit opinion following receipt of our Management Representations Letter and signed certificates.
3. There are no issues that are required to be reported to the Board.

Input Sought

The Trust Board is invited to:

- **note** the contents of the above report, and the Letter of Representation;
- **approve** the Charitable Funds Annual Accounts and Trustees' Annual Report for the year 2016/17;
- **approve** the signing (*in non-black ink*) of the relevant certificates by members of the Trust Board, as follows (*signatories are shown in brackets*):
 - Charitable Funds – Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements (Chairman, and the Chief Financial Officer acting on behalf of the corporate trustee);

- Balance Sheet (a member of the Trust Board acting on behalf of the corporate trustee), and
- Management Letter of Representation (Chairman).

For reference

Edit as appropriate:

1. The following **objectives** were considered when preparing this report:

| | |
|---|----------------|
| Safe, high quality, patient centred healthcare | Not applicable |
| Effective, integrated emergency care | Not applicable |
| Consistently meeting national access standards | Not applicable |
| Integrated care in partnership with others | Not applicable |
| Enhanced delivery in research, innovation & ed' | Not applicable |
| A caring, professional, engaged workforce | Not applicable |
| Clinically sustainable services with excellent facilities | Not applicable |
| Financially sustainable NHS organisation | Not applicable |
| Enabled by excellent IM&T | Not applicable |

2. This matter relates to the following **governance** initiatives:

| | |
|------------------------------|----------------|
| Organisational Risk Register | Not applicable |
| Board Assurance Framework | Not applicable |

3. Related **Patient and Public Involvement** actions taken, or to be taken: n/a

4. Results of any **Equality Impact Assessment**, relating to this matter: n/a

5. Scheduled date for the **next paper** on this topic: 2018

6. Executive Summaries should not exceed **2 pages**. My paper does comply

7. Papers should not exceed **7 pages**. My paper does comply

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

DATE: 4th JANUARY 2018

**REPORT FROM: NICK SONE
CHARITY FINANCE LEAD**

**SUBJECT: FINAL ACCOUNTS AND ANNUAL REPORT 2016-17 FOR THE
LEICESTER HOSPITALS CHARITY**

1. INTRODUCTION

- 1.1 The report presents the audited annual accounts (Appendix 1); Trustee's annual report (Appendix 2); External Audit ISA 260 report on the accounts (Appendix 3) for the Leicester Hospitals Charity for the year ending 31 March 2017. A draft copy of the Management Representation letter is included in Appendix 4.
- 1.2 The Accounts and Trustee's Annual Report have been circulated to the members of the Charitable Funds Committee for comment.
- 1.3 The purpose of this paper is to consider our management response to the recommendation made within that report.

2. SUMMARY FINANCIAL PERFORMANCE

Balance Sheet

- 2.1 The net assets of the Charity have increased by £410k to £5,341k during the 12 months ending 31 March 2017 (the Income and Expenditure section of this report gives further details).
- 2.2 The balance sheet shows an increase in net current assets of £412k due to an increase in debtors (£42k), an increase in creditors (£37k) and an increase in cash (£407k) held at year end. This means that the Charity now has net current assets of £637k.
- 2.3 The balance sheet shows a £2k decrease in value of fixed asset investments.

Income & Expenditure

- 2.4 The Charities activities in 2016/17 resulted in a £410k deficit on the Statement of Financial Activities, with an excess of expenditure compared to income of £141k and an investment gain of £551k.

Income

- 2.5 Total income has decreased from £2,191k in 2015/16 to £1,802k in 2016/17.

- Donated income and legacies have decreased from £1,757k in 2015/16 to £1,373k in 2016/17.
- Income from trading activities has increased from £239k in 2015/16 to £241k in 2016/17.
- Investment income has decreased from £195k in 2015/16 to £188k in 2016/17.

Expenditure

2.6 Total Charity expenditure has decreased from £2,500k in 2015/16 to £1,392k in 2016/17.

- The cost of raising funds has increased from £379k in 2015/16 to £519k in 2016/17. This increase has been due to additional fundraising project costs associated with the Childrens hospital campaign.
- Grant expenditure has decreased from £1,898k in 2015/16 to £1,424k in 2016/17.

Table 1 – Summary of Grant Expenditure 2015/16 & 2016/17

| Grant Category | 2015/16 (£'000) | 2016/17 (£'000) | Change (£'000) |
|-----------------------|--------------------|--------------------|-------------------|
| Patient Benefits | 1,047 | 784 | -263 |
| Staff Benefits | 295 | 271 | -24 |
| Research | 174 | 145 | -29 |
| Capital Contributions | 382 | 224 | -158 |
| Total | 1,898 | 1,424 | -474 |

3. MANAGEMENT RESPONSES TO EXTERNAL AUDIT RECOMMENDATIONS

- 3.1 Following audit by the Charity's auditors, KPMG, we made no adjustments to the accounts. There are no unadjusted audit differences which need to be reported.
- 3.2 KPMG will issue an unqualified audit opinion on receipt of our signed certificates, the ISA 260 management responses and our management representations letter.
- 3.3 The ISA 260 report is included in Appendix 3 and the management response to the one recommendation contained in the report is given below. This response was approved by the Audit Committee at its meeting on the 7th December.

| Recommendation | Risk level | Management response / responsible officer / due date |
|---|------------|---|
| The Charity should continue to develop a medium term policy for use of its funds to ensure that reserves are utilised | 2 | <p>Management response</p> <p>We are continuing to develop plans to utilize our reserves and the Charity has embarked on a major appeal for a Children's hospital which may utilize a proportion of the current reserves. In addition, we are restructuring the Charity's funds with a view to making the funds more manageable and also to widen the access</p> |

| Recommendation | Risk level | Management response / responsible officer / due date |
|--|------------|---|
| <p>appropriately for charitable fund expenditure in line with the charitable objectives rather than simply accumulate interest through investment.</p> | | <p>to funds across the Trust and encourage a greater level of spending.</p> <p>Updated management response Whilst we are still awaiting the final approval for the Childrens hospital scheme we have released the £1m endowment fund to fund the campaign.</p> <p>Given the size of the campaign target this will be the number one priority for the Charity over the medium term and this will have an impact other medium term aims. We have completed our work to restructure the Charity's funds and we are seeing an increase of expenditure over income in the year to date.</p> <p>Year to date spend as at 31/10/17 £1.71m Year to date income as at 31/140/17 £1.03m</p> <p>This demonstrates that our policy is not to accumulate interest through investment.</p> <p>Responsible Officers Financial Controller Head of Fundraising</p> <p>Due Date - March 2018</p> |

4. LETTER OF REPRESENTATION

- 4.1 Appendix 4 contains a proposed Letter of Representation from KPMG and they do not require any specific representations.
- 4.2 A letter headed copy of this letter and copies of required certificates will be circulated separately at the meeting.

5. RECOMMENDATION

- 5.1 The Trust Board is invited to:
- **note** the contents of the above report, and the Letter of Representation;
 - **approve** the Charitable Funds Annual Accounts and Trustees' Annual Report for the year 2016/17;
 - **approve** the signing (*in non-black ink*) of the relevant certificates by members of the Trust Board, as follows (*signatories are shown in brackets*):

- Charitable Funds – Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements (Chairman, and the Chief Financial Officer acting on behalf of the corporate trustee);
- Balance Sheet (a member of the Trust Board acting on behalf of the corporate trustee), and
- Management Letter of Representation (Chairman).

NICK SONE
CHARITY FINANCE LEAD

Leicester Hospitals Charity

Annual Accounts 2016-17

The Leicester Hospitals Charity is the Charity linked with the University Hospitals of Leicester NHS Trust and these accounts are for these funds held on trust.

STATUTORY BACKGROUND

The NHS Trust is the Corporate Trustee of the funds held on trust under paragraph 16c of Schedule 2 of the NHS and Community Care Act 1990.

The Leicester Hospitals Charity funds held on trust are registered with the Charity Commission. They include funds in respect of the three hospitals that make up the University Hospitals of Leicester NHS Trust namely, Leicester Royal Infirmary, Leicester General, and Glenfield Hospitals. The Charity was formerly known as University Hospitals of Leicester NHS Trust Charitable Funds, the name having been changed to Leicester Hospitals Charity on 1 March 2007.

MAIN PURPOSE OF THE FUNDS HELD ON TRUST

The main purpose of the charitable funds held on trust is to apply income for any charitable purpose relating to the National Health Service wholly or mainly for the services provided by the University Hospitals of Leicester NHS Trust to patients, their carers and the staff who look after them.

LEICESTER HOSPITALS CHARITY

Statement of the Trustee's Responsibilities in respect of the Trustee's Annual Report and the Financial Statements

Under the trust deed and rules of the Charity and Charity Law, the Corporate Trustee ("the Trustee") is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and regulations.

The financial statements are required by law to give a true and fair view of the state of affairs of the Charity and of the excess of expenditure over Income for the period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustee should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Charity will continue in business.

The Trustee is required to act in accordance with the trust deed and the rules of the Charity, within the framework of trust law. It is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Charity at that time, and to enable the Trustee to ensure that, where any statements of accounts are prepared by it under section 42(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under the provision. It has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the financial and other information included on the Charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Corporate Trustee

Signed

Chairman **4 January 2018**

Chief Financial Officer **4 January 2018**

Leicester Hospitals Charity

Audit opinion

Leicester Hospitals Charity
Statement of Financial Activities for the year ending 31 March 2017

| Note | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | Total Funds 16-17 £000 | Total Funds 15-16 Restated £000 |
|--|-------------------------------|-----------------------------|----------------------------|------------------------------|--|
| Income and Endowments from | | | | | |
| Donations and legacies | 1,261 | 112 | 0 | 1,373 | 1,757 |
| Other trading activities | 3 | 27 | 214 | 0 | 241 |
| Investments | 5.4 | 166 | 22 | 0 | 188 |
| Total Income and Endowments | 1,454 | 348 | 0 | 1,802 | 2,191 |
| Expenditure on | | | | | |
| Raising funds | 4.1 | 367 | 152 | 0 | 519 |
| Charitable activities | 4.2 | 1240 | 184 | 0 | 1,424 |
| (Gains)/losses on investment assets | 5.1 | (390) | (63) | (98) | (551) |
| Total resources expended | 1,217 | 273 | (98) | 1,392 | 2,500 |
| Net income/(expenditure) | 237 | 75 | 98 | 410 | (309) |
| Gross transfers between funds in year | 8.3 | 1,145 | 21 | (1,166) | 0 |
| Net incoming/(outgoing) resources | 1,382 | 96 | (1,068) | 410 | (309) |
| Reconciliation of funds | | | | | |
| Total funds brought forward | 3,169 | 694 | 1,068 | 4,931 | 5,240 |
| Total funds carried forward | 4,551 | 790 | 0 | 5,341 | 4,931 |

All activities are on-going and that there are no discontinued or acquired operations in the year.

Leicester Hospitals Charity
Balance Sheet as at 31 March 2017

| | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | Total Funds 16-17 £000 | Total Funds 15-16 £000 |
|--|-------------------------------|-----------------------------|----------------------------|------------------------------|------------------------------|
| Fixed assets | | | | | |
| Investments | 5 | 4,122 | 582 | 0 | 4,704 |
| Total fixed assets | | 4,122 | 582 | 0 | 4,704 |
| Current assets | | | | | |
| Debtors | 6 | 283 | 188 | 0 | 471 |
| Cash at bank and in hand | | 464 | 80 | 0 | 544 |
| Total current assets | | 747 | 268 | 0 | 1,015 |
| Liabilities | | | | | |
| Creditors: amounts falling due within one year | 7 | (318) | (60) | 0 | (378) |
| Net current assets | | 429 | 208 | 0 | 637 |
| Total net assets or liabilities | | 4,551 | 790 | 0 | 5,341 |
| Funds of the Charity | | | | | |
| Endowment funds | 8.1 | 0 | 0 | 0 | 1,068 |
| Restricted funds | 8.3 | 0 | 790 | 0 | 694 |
| Unrestricted funds | 8.3 | 4,551 | 0 | 0 | 3,169 |
| Revaluation reserve | | 0 | 0 | 0 | 0 |
| Pension reserve | | 0 | 0 | 0 | 0 |
| Total funds of the Charity | | 4,551 | 790 | 0 | 4,931 |

Leicester Hospitals Charity Statement of Cash Flow at 31 March 2017

| Table 1: Statement of Cash Flow | 16-17 Total Funds £000's | 15-16 Total Funds £000's |
|--|---|---|
| Cash flows from operating activities: | | |
| Net cash provided by (used in) operating activities | 219 | (355) |
| Cash flows from investing activities: | | |
| Dividends, interest and rents from investments | 188 | 195 |
| Proceeds from the sale of property, plant and equipment | 0 | 0 |
| Purchase of property, plant and equipment | 0 | 0 |
| Proceeds from sale of investments | 0 | 0 |
| Purchase of investments | 0 | 0 |
| Net cash provided by (used in) investing activities | 188 | 195 |
| Cash flows from financing activities: | | |
| Repayments of borrowing | 0 | 0 |
| Cash inflows from new borrowing | 0 | 0 |
| Receipt of endowment | 0 | 0 |
| Net cash provided by (used in) financing activities | 0 | 0 |
| Change in cash and cash equivalents in the reporting period | 407 | (160) |
| Cash and cash equivalents at the beginning of the reporting period | 137 | 297 |
| Change in cash and cash equivalents due to exchange rate movements | | |
| Cash and cash equivalents at the end of the reporting period | 544 | (137) |

| Table 2: Reconciliation of net income/(expenditure) to net cash flow from operating activities | 16-17 Total Funds £000's | 15-16 Total Funds £000's |
|---|---|---|
| Net income/(expenditure) for the reporting period (as per the statement of financial activities) | 410 | (309) |
| Adjustments for: | | |
| Depreciation charges | 0 | 0 |
| (Gains)/losses on investments | 2 | 218 |
| Dividends, interest and rents from investments | (188) | (195) |
| Loss/(profit) on the sale of fixed assets | 0 | 0 |
| (Increase)/decrease in stocks | 0 | 0 |
| (Increase)/decrease in debtors | (42) | 76 |
| Increase/(decrease) in creditors | 37 | (145) |
| Net cash provided by (used in) operating activities | 219 | (355) |

Table 3: Analysis of cash and cash equivalents

| | £000's | £000's |
|--|---------------|---------------|
| Cash in Hand | 544 | 137 |
| Notice deposits (less than 3 months) | 0 | 0 |
| Overdraft facility repayable on demand | 0 | 0 |
| Total cash and cash equivalents | 544 | 137 |

Leicester Hospitals Charity

Notes to the Accounts

Note 1 - Accounting Policies

a) Basis of preparation

The financial statements have been prepared on an accruals basis. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at fair value. The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

Reconciliation with previous generally accepted accounting practice

The Charity has prepared its accounts under FRS 102 and has provided a Statement of Cashflow. The other main changes from the previous generally accepted accounting practice are as follows:

- Inclusion of (Gains)/losses on investment assets within Total Resources Expended on the SOFA
- Changes to the disclosures for Raising Funds and Charitable Activities
- Inclusion of new Fixed Asset Categories on the Balance Sheet

b) Incoming resources

All incoming resources are recognised once the Charity has entitlement to the resources, it is probable that the resource will be received and the monetary value of incoming resources can be measured with sufficient reliability.

c) Incoming resources from legacies

Legacies are accounted for as incoming resources either upon receipt or where the receipt of the legacy is probable.

Receipt is probable when:

- Confirmation has been received from the representatives from the estate(s) that the probate has been granted.
- The executors have established that there are sufficient assets in the estate to pay the legacy.
- All conditions attached to the legacy have been fulfilled or are in the Charities control.

If there is uncertainty as to the amount of the legacy and it cannot be reliably estimated then the legacy is shown as a contingent asset until all of the conditions for income recognition are met.

d) Incoming resources from endowments

Investment income received on the Capital In Perpetuity (CIP) general purpose endowment fund is received into the fund as unrestricted income. During the year the endowment fund was released following approval by the Charity Commission. There were no endowments held on 31st March 2017.

e) Gifts in kind

Gifts in kind are recorded in the statement of financial activities as incoming resources if they are given and held as stock for distribution by the Charity, and an equivalent amount will be disclosed as resources expended to reflect their distribution. Assets given for use by the Charity are included within incoming resources and also recognised as a fixed asset when receivable. Where a gift has been made in kind and on Trust for future conversion into cash for use by the Charity, then the incoming resources will be recognised if material and when receivable, with an adjustment being made to the valuation upon realisation of the gift.

f) Funds structure

Where there is a legal restriction on the purpose to which a fund may be put, the fund is classified in the accounts as a restricted fund. Funds where capital is held to generate income for charitable purposes cannot itself be spent and are accounted for as endowment funds. Unrestricted funds are those which the Trustee is free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds which are funds the Trustees have chosen to earmark for set purposes, although there is no legal restriction as to

g) Resources expended

The funds held on trust accounts are prepared in accordance with the accruals concept. Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party.

h) Grants payable

Grants payable are payments, made to third parties (including NHS bodies) in the furtherance of the charitable objectives. They are accounted for on an accruals basis and are recognised in the accounts where the conditions for their payment have been met or where a third party has reasonable expectation that they will receive a grant. This includes grants paid to NHS bodies.

i) Costs of generating funds

The cost of generating funds are the costs associated with generating income for the funds held on trust. This will include the costs associated with the salaries of the fundraising department and investment management fees.

j) Support and overhead costs

Support and overhead costs are accounted for on an accruals basis and mainly relate to recharges of the appropriate proportion of costs incurred for the administration and management support supplied by the University Hospitals of Leicester NHS Trust.

The costs of fundraising, overhead and support costs have either been directly allocated or apportioned to funds on an appropriate basis. Where costs require apportionments, these have been charged to funds on a quarterly basis using average quarterly fund balances as the basis of apportionment. For purposes of the Statement of Financial Activities, overhead costs have been split between expenditure on raising funds and charitable activities.

k) Pensions

The Charity is a grant making Charity and has no employees. Staff recharged to the Charity are employed by the University Hospitals of Leicester NHS Trust under NHS terms and conditions and form part of its pension arrangements. Recharges to the Charity are inclusive of pension costs.

Leicester Hospitals Charity

Notes to the Accounts

Note 1 - Accounting policies continued

l) Pensions continued

Past and present employees of the NHS Trust are covered by the provisions of the NHS pension scheme. The scheme is unfunded from a defined benefits scheme that covers NHS employers, general practitioners and other bodies, allowed under the direction of the Secretary of State in England and Wales. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme liabilities. Therefore the scheme is accounted for as a defined contribution scheme under FRS 70 in these accounts.

The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable participating bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the Charity of participating in the Scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to the maximum permitted under HMRC rules. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in consumer prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the members pension is normally payable to the surviving spouse.

The scheme is subject to a full actuarial valuation every four years, and an IAS 19 accounting valuation every year. At the conclusion from the 2012 full valuation the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

m) Charitable activities

Cost of charitable activities comprise all costs incurred in the pursuit of charitable objects of the Charity. These costs comprise direct costs incurred as a result of the awarding of grants and an apportionment of overhead and support costs.

n) Fixed asset investments

Investments are a form of basic financial instrument. Fixed asset investments are initially recognised at the transaction value and are subsequently measured at their fair value (market value) as at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year. Quoted stocks and shares are included in Balance Sheet at the current market value quoted by the investment analyst, excluding dividend. Other investments are included at the trustees' best estimate of market value.

The main form of financial risk faced by the charity is that of volatility in equity and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub-sectors. Further information on the charities investments can be found in note 5.

o) Debtors

Debtors are amounts owed to the Charity. They are measured on the basis of their recoverable amount.

p) Cash and Cash equivalents

Cash at bank and in hand is held to meet the day to day running costs of the Charity as they fall due. Cash equivalents are short term, highly liquid investments, in an interest bearing savings account.

q) Creditors

Creditors are amounts owed by the charity. They are measured at the amount that the Charity expects to have to pay to settle the debt.

r) Realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (or purchase date if later). Unrealised gains and losses are calculated as the difference between market value at the year end and opening market value (or purchase date if later).

(s) VAT

The Charity currently utilises benefits from the use of VAT exemption certificates for relevant purchases for donations to the NHS Trust. The Charity also reclaims VAT on relevant contracted out services that are supplied to the NHS Trust as part of the awarding of grants. Any irrecoverable VAT is charged back against the category of resources expended for which it was incurred.

Note 2 - Related party transactions

| | |
|--|---|
| Name of connected organisation | University Hospitals of Leicester NHS Trust (the Trust). The Trust, which is the corporate trustee, provides accommodation and managerial support to the Charity. Members of the Trust Board sit on the Charitable Funds Committee which oversees the workings of the Charity. |
| Turnover of connected organisation | £924 million in 2016-17 (£866 million in 2015-16) |
| Surplus/(deficit) of connected organisation | £27 million deficit in 2015-16 (£34 million deficit in 2015-16) |

The Trust is the sole beneficiary of the Charity. Following the approval of grant applications received from the Trust, the Charity incurs expenditure which benefits the Trust's patients, their carers and the staff who look after them. The funding amounted to **£1.4m (£1.90m in 2015-16)** and is reflected under charitable activities within the Statement of Financial Activities. During the year no members of the Trust Board or senior Trust staff or parties related to them were beneficiaries of the Charity.

The Charity has paid charges amounting to **£161k** to the Trust in the year for accommodation charges, finance staff and senior management costs. The Charity's fundraising staff are paid directly by the Trust and recharged to the Charity.

Note 3 - Incoming resources

The income received by the Charity has been categorised on the face of the Statement of Financial Activities. This mainly comprises of donations, legacies, fundraising and investment income.

Leicester Hospitals Charity

Notes to the Accounts

Note 3 - Income from other trading activities

The Charity runs a staff lottery and hospital charity shop which are now classed as trading activities by the Charity Commission. The figures for 2015/16 have been restated to reflect this presentational change to bring it in line with the Statement of Recommended Practice.

| | Total 2016-17 £'000 | Total 2015-16 £'000 |
|---|---------------------------|---------------------------|
| | | Restated |
| Staff Lottery Income | 214 | 209 |
| Hospital Support Shop Income | 27 | 30 |
| Total Income from trading activities | 241 | 239 |

Note 3.2 - Donations and Legacies

| | Income £'000k | Total £'000k |
|--|------------------|-----------------|
| Legacies | | |
| Specific legacy - general use | 120 | |
| Specific legacy - Cancer | 36 | |
| Specific legacy - Haematology | 35 | |
| Specific legacy - general use | 34 | |
| Other legacies | 154 | |
| | | 380 |
| Donations | | |
| LCFC LTD | 37 | |
| Brown Dog | 28 | |
| SCS Head Office | 20 | |
| Birstall BAGS (Breast Cancer Awareness) | 8 | |
| Other donations, fundraising and lottery | 900 | |
| | | 993 |
| Total Donations and Legacies | | 1,373 |

Note 4 - Resources expended

The Statement of Financial Activities summarises expenditure between charitable activities and the expenditure on raising funds.

Note 4.1 - Expenditure on raising funds

| | Unrestricted Funds £'000 | Restricted funds £'000 | Endowment funds £'000 | Total 2016-17 £'000 | Total 2015-16 £'000 |
|---|--------------------------------|------------------------------|-----------------------------|---------------------------|---------------------------|
| Fundraising team salaries | 206 | 28 | 0 | 234 | 219 |
| Major appeal project costs | 76 | 0 | 0 | 76 | 0 |
| Staff lottery prizes | 0 | 116 | 0 | 116 | 109 |
| Appeals and events expenditure | 8 | 0 | 0 | 8 | 4 |
| Printing, stationery & marketing | 8 | 1 | 0 | 9 | 3 |
| System costs | 23 | 2 | 0 | 25 | 2 |
| Other miscellaneous costs | 39 | 4 | 0 | 43 | 36 |
| Investment Managers Fees | 7 | 1 | 0 | 8 | 6 |
| Total expenditure on raising funds | 367 | 152 | 0 | 519 | 379 |

Note 4.2 - Expenditure on charitable activities

The only charitable activity that the Charity undertakes in is the awarding of grants. The Charity does not make grants to individuals and the actual disbursement received by the beneficiaries for each category is disclosed below. These figures include an apportionment of support costs.

| | Grant Funded Activity £'000 | Support Costs £'000 | Total 2016-17 £'000 | Total 2015-16 £'000 |
|---|-----------------------------------|---------------------------|---------------------------|---------------------------|
| Patient welfare and amenities | 695 | 89 | 784 | 1,047 |
| Staff welfare and amenities | 240 | 31 | 271 | 295 |
| Research | 129 | 16 | 145 | 174 |
| Capital contributions | 199 | 25 | 224 | 382 |
| Total expenditure on charitable activities | 1,263 | 161 | 1,424 | 1,898 |

All grants are made to the Trust. The Trustee operates a Scheme of Delegation through which all grant funded activity is managed by fund managers, responsible for the day to day disbursements on their projects. This activity is undertaken in accordance with the directions set out by the Trustee in its Standing Orders and Standing Financial Instructions which have been adopted by the Charity.

| | Unrestricted Funds £000s | Restricted funds £000s | Endowments £000s | Total 2016-17 £000 | Total 2015-16 £'000 |
|---------------------|--------------------------------|------------------------------|---------------------|--------------------------|---------------------------|
| Patient welfare | 652 | 43 | 0 | 695 | 973 |
| Staff welfare | 150 | 90 | 0 | 240 | 274 |
| Research | 124 | 5 | 0 | 129 | 162 |
| Capital | 171 | 28 | 0 | 199 | 355 |
| Total grants | 1,097 | 166 | 0 | 1,263 | 1,764 |

Leicester Hospitals Charity

Notes to the Accounts

Note 4.3 - Analysis of staff costs

The Charity does not employ any direct staff but is recharged with the costs of staff from the NHS Trust. These staff provide administration, accounting, fundraising and management support to the Charity and their costs are summarised in the Table below:

| | 2016-17 £'000 | 2015-16 £'000 |
|--|------------------|------------------|
| Fundraising & appeals team | 234 | 218 |
| Finance accounting & administration team | 126 | 92 |
| Total staff costs | 360 | 310 |

This can be further analysed as follows:

| | 2016-17 £'000 | 2015-16 £'000 |
|----------------------------------|------------------|------------------|
| Salaries | 318 | 272 |
| Pensions | 22 | 23 |
| National insurance contributions | 20 | 15 |
| Total staff costs | 360 | 310 |

The average number of full time equivalent employees during the year was 9 (9 in 2015-16). No employee had emoluments in excess of £60,000 (0 in 2015-16).

Note 4.4 - Auditors remuneration

The External Auditor's remuneration of £5,778 inclusive of VAT (£5,778 in 2015-16 inclusive of VAT) related solely to the audit of the Charity's accounts, with no additional work undertaken.

Note 4.5 - Grant returned to third parties

There were no grants returned to third parties in 2016-17 (£0 in 2015-16).

Note 5 - Fixed asset investments

The Charity does not hold any tangible or heritage assets. The only fixed assets that the Charity holds relate to an investment portfolio managed by the Trust's investment managers instructed to maximise the level in growth in funds that is consistent with a broadly low risk strategy.

| | 2016-17 £'000 | 2015-16 £'000 |
|---|------------------|------------------|
| Market value at 1st April 2016 | 4,706 | 4,924 |
| <i>Add:</i> additions to investment at cost | 40 | 1,174 |
| <i>Less:</i> disposals at carrying value | (593) | (1,169) |
| <i>Add:</i> net gain (loss) on revaluation | 551 | (223) |
| Market value as at 31st March 2017 | 4,704 | 4,706 |

Leicester Hospitals Charity

Notes to the Accounts

Note 5.2 - Analysis of investment portfolio

| | Held in UK £'000 | Held outside UK £'000 | 2016-17 Total £'000 | 2015-16 Total £'000 |
|---|------------------------|-----------------------------|---------------------------|---------------------------|
| Investments listed in unit trusts | 3,424 | 1,234 | 4,658 | 4,601 |
| Cash held as part of investment portfolio | 46 | 0 | 46 | 105 |
| Market Value as at 31st March 2017 | 3,470 | 1,234 | 4,704 | 4,706 |

Note 5.3 - Investments

| | Value £'000 | % portfolio |
|--|----------------|----------------|
| Equities | | |
| <i>UK equities</i> | | |
| Cazenove Equity Inc Trust for Charities | 1,136 | 24% |
| Trojan Income Fund | 320 | 7% |
| MejedieAsset UK Income Fund | 296 | 6% |
| <i>International equities</i> | | |
| M&G Investment Man Global Dividend I INC | 489 | 10% |
| Schroder European Alpha Income fund | 176 | 4% |
| Findlay Park American Fund | 267 | 6% |
| Schroder Asian Income Fund | 302 | 6% |
| Total equities | 2,986 | 63% |
| Bonds | | |
| <i>UK Bonds</i> | | |
| Schroder UK Corporate Bond Fund C Inc | 314 | 7% |
| Cazenove The Income Trust for Charities Income Units | 133 | 3% |
| Schroder Strategic Credit Fund | 364 | 8% |
| Total Bonds | 811 | 17% |
| Multi-Asset Fund | | |
| Trojan Investment fund | 504 | 11% |
| Property | | |
| Charities Property Fund | 106 | 2% |
| Property Inc Trust for Charities | 210 | 4% |
| Total Property | 316 | 7% |
| Other | | |
| International Public Partnerships | 41 | 1% |
| Cash | | |
| Total cash | 46 | 1% |
| Total investments | 4,704 | 100% |

Note 5.4 - Analysis of gross income from investments

| | Unrestricted funds £'000 | Restricted funds £'000 | Endowment funds £'000 | 2016-17 Total £'000 | 2015-16 Total £'000 |
|---|--------------------------------|------------------------------|-----------------------------|---------------------------|---------------------------|
| Income from investment managers portfolio | 165 | 22 | 0 | 187 | 193 |
| Other investments | 1 | 0 | 0 | 1 | 2 |
| Total investment income | 166 | 22 | 0 | 188 | 195 |

Note 6 - Analysis of debtors

| | 2016-17 Total £'000 | 2015-16 Total £'000 |
|---|------------------------|------------------------|
| <i>Amounts falling due within one year:</i> | | |
| Accrued income | 236 | 294 |
| Debtors - recharges due from UHL NHS Trust | 190 | 113 |
| Other debtors | 45 | 22 |
| Total debtors | 471 | 429 |

Leicester Hospitals Charity

Notes to the Accounts

Note 7 - Analysis of creditors

| | 2016-17 Total £'000 | 2015-16 Total £'000 |
|---|------------------------|------------------------|
| <i>Amounts falling due within one year:</i> | | |
| Creditors - recharges due to UHL NHS Trust | 328 | 243 |
| Other creditors | 50 | 98 |
| Total creditors | 378 | 341 |

Note 8.1 Endowment funds

| | Incoming Resources £'000 | Resources Expended £'000 | Transfers £'000 | Gains and losses £'000 | Balance at 31 March 17 £'000 | Balance at 1st April 16 £'000 |
|--|--------------------------------|--------------------------------|--------------------|------------------------------|------------------------------------|-------------------------------------|
| CIP general purpose | 0 | 0 | (1,047) | 0 | 0 | 1,047 |
| Endowment fund unrealised gains/(losses) | 0 | 0 | (119) | 98 | 0 | 21 |
| Total endowment funds | 0 | 0 | (1,166) | 98 | 0 | 1,068 |

The unrealised gains are unapportioned gains which relate to endowment funds in their entirety. The Charity does not apportion unrealised gains across funds.

Note 8.2 - Details of endowment funds

| Name of Fund | Description, Nature and Purpose of Fund |
|---------------------|--|
| CIP general purpose | Income to be used for any general purpose. |

Note 8.3 - Analysis of material restricted & unrestricted funds

| | Balance at 31 March 2016 £'000 | Incoming Resources £'000 | Resources Expended £'000 | Transfers £'000 | Gains and losses £'000 | Balance at 31 March 2017 £'000 |
|---|--------------------------------------|--------------------------------|--------------------------------|--------------------|------------------------------|--------------------------------------|
| <i>Restricted Funds</i> | | | | | | |
| Childrens ED | 280 | 3 | (8) | 20 | 18 | 313 |
| UHL Staff Lottery | 128 | 222 | (135) | (74) | 11 | 152 |
| Pathology - Blood Bank | 81 | 3 | (8) | 0 | 5 | 81 |
| Well-being at Work | 52 | 2 | (87) | 74 | 0 | 41 |
| Diabetes Care - Roy Bates | 33 | 1 | (3) | 0 | 2 | 33 |
| Unrealised Gains - Restricted | 13 | 0 | 0 | 0 | 13 | 26 |
| Others (15 funds) | 107 | 117 | (95) | 1 | 14 | 144 |
| Total restricted funds | 694 | 348 | (336) | 21 | 63 | 790 |
| <i>Unrestricted Funds</i> | | | | | | |
| Childrens appeal | 42 | 76 | (156) | 1,008 | 60 | 1,030 |
| Nursing - RVS | 528 | 115 | (139) | 0 | 54 | 558 |
| General Purposes of Leicester Hospitals | 413 | 307 | (277) | 0 | 38 | 481 |
| Surgery - Breast Care Services | 270 | 38 | (66) | 0 | 26 | 268 |
| Lincoln Renal Unit - Patients & Staff | 127 | 32 | (18) | 0 | 14 | 155 |
| Pancreatic & Hepatobiliary Research | 101 | 53 | (21) | 0 | 16 | 149 |
| Cardio Respiratory - Patient Benefit | 98 | 123 | (125) | 0 | 12 | 108 |
| OUR SPACE Cancer Appeal | 84 | 51 | (29) | 0 | 11 | 117 |
| Childrens Services - Patient Benefit | 38 | 50 | (36) | 0 | 5 | 57 |
| Renal Unit - Patients Benefit | 74 | 26 | (26) | 0 | 8 | 82 |
| Renal Research | 63 | 2 | (18) | 0 | 5 | 52 |
| Nursing - GHSS | 69 | 31 | (14) | 0 | 9 | 95 |
| Kidney Care Appeal | 62 | 35 | (35) | 0 | 0 | 62 |
| Unrealised Gains - Unrestricted | 60 | 0 | 0 | 138 | 26 | 224 |
| Others (140 funds) | 1,140 | 515 | (647) | (1) | 106 | 1,113 |
| Total unrestricted funds | 3,169 | 1,454 | (1,607) | 1,145 | 390 | 4,551 |
| Endowment Funds | 1068 | 0 | 0 | (1,166) | 98 | 0 |
| Total Funds inc endowment | 4,931 | 1,802 | (1,943) | 0 | 551 | 5,341 |

All transfers between funds have been appropriately approved in accordance with the Charity's policy. Where transfers have been made between restricted and unrestricted funds the purpose of both the restricted and unrestricted funds involved in the transfer were the same.

Unrealised gains represent the changes in the market value of our investments which have not been realised through the sale of those investment.

All unrestricted funds are designated funds apart from the General purposes fund. The Charity designates funds by department and as either staff benefit, patient benefit, equipment or research. The Charity permits transfers between designated funds.

Leicester Hospitals Charity

Notes to the Accounts

Note 8.4 - Details of material restricted funds as in 8.3

| Name of fund | Description, nature and purpose of fund |
|---------------------------|--|
| Childrens ED | To enhance the new Childrens emergency department |
| UHL Staff Lottery | Provision of a lottery with the surplus used for the benefit of staff |
| Pathology - Blood Bank | To purchase equipment for the benefit of the Pathology department |
| Well-being at Work | Funded by the Staff Lottery to benefit the health and wellbeing of staff |
| Diabetes Care - Roy Bates | For any benefit relating to diabetes care |

Note 9 - Contingencies

The Charity does not have any contingencies to be included in the accounts for the financial year 2016-17 (2015-16 -Nil).

Note 10 - Commitments, liabilities and provisions

The Charity has the following commitments as at the 31st March 2016:

| | 2016-17 £'000 | 2015-16 £'000 |
|---------------------|------------------|------------------|
| Charitable projects | 1,493 | 926 |
| Total | 1,493 | 926 |

The Charity recognises liabilities in the accounts once there is a legal or constructive obligation to expend funds. The commitments in this note reflect the Charity's intentions to spend, and as such are not classed as liabilities in the accounts. They are all due within one year.

| | | 2016-17 £'000 | 2015-16 £'000 |
|-----------------------------|-------------------|------------------|------------------|
| Movement within year | Opening value | 926 | 1,098 |
| | Arising in year | 1,943 | 1,846 |
| | Utilised in year | (1,179) | (1,677) |
| | Unused / reversed | (197) | (341) |
| Closing value | | 1,493 | 926 |

Note 11 - Trustee expenses and remuneration

The Charity did not make any reimbursements for expenses or remuneration to the Corporate Trustee or any of its agents during the financial year 2016-17 (2015-16 - Nil).

Note 12 - Details of transactions with the Trustee or connected parties

The Charity did not have any connected person, other than the connected organisation noted in Note 2.

Note 13 - Volunteers

There are no volunteers attached to the Charity. UHL volunteer staff occasionally help in various projects. Other volunteers may be available at various events. These occasional volunteers enable the charity to more effectively raise funds.

LEICESTER HOSPITALS CHARITY

**TRUSTEE'S ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

The Greatest Gift

Foreword from Karamjit Singh Chairman, University Hospitals of Leicester NHS Trust

In the early summer 2016 Leicester was in a state of high excitement. Leicester City Football Club had done what many thought would be impossible, and ended the season at the top of the Premier league. At their victory parade, the players drove through the city in a series of open topped buses. Tens of thousands of fans turned out to cheer them on, as they made their way to Victoria Park for a celebration party.

For Leicester Hospitals Charity the excitement was even greater; on the night of the Players' Awards dinner, we received a call that the Chairman of the Club, Vichai Srivaddhanaprabha, announced he wanted to give a gift to the Charity of £2 million, the biggest gift ever offered to the Charity in its history. As Chairman of the Trust I wrote to Vichai immediately to thank him for his generosity. Since then we have been in discussion with the Club as to how we might make best use of this transformational gift. And during the year, we have had regular contact with the players and the Club. At Christmas a group of the players visited some of our sickest children whilst they were staying with us. The players bought presents, and spent time talking to children and their families – a Christmas gift that those children will never forget!

Earlier this year, the players made a return visit, this time to the newly refurbished children's outpatients department at the Leicester Royal Infirmary. This had been possible because of a gift from the Foxes Foundation. Many of the players have families of their own – they know what being a parent and caring for your children is all about, so they quickly understood the importance of treating our young patients in an environment that is bright and colourful and welcoming.

In this year's annual report, whilst we focus on the relationship we have developed with Leicester City Football Club, we do not forget the many thousands of gifts the Charity has received in the past year. All of them have the power to transform the work we do, and make the experience for patients, their families and visitors that bit better. The greatest gift the Charity has is the support that comes from you, prompted by care that you or a relative has received, or sometimes in recognition that the service could be better, if only we had the funds to make the changes.

As Chairman of the University Hospitals of Leicester NHS Trust, it is with great pleasure and privilege that I present our annual report for 2017 to you, and thank you all for your tremendous support, which allows us to do so much that would otherwise not be possible.

Karamjit Singh

Chairman, University Hospitals of Leicester NHS Trust

Report of the trustees for the year ended 31st March 2017

The trustees present their annual report and financial statements of the charity for the year ended 31st March 2017. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's Declaration of Trust (originally 19/06/96, amended 28/03/02 and 10/03/07 for change of name), the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and UK Generally Accepted Practice as it applies from 1 January 2015.

Our Mission Statement

Leicester Hospitals Charity (the Charity) exists to support patients, their carers; and the NHS staff who look after them in Leicester, Leicestershire, Rutland and beyond.

It does this through targeted fundraising campaigns and effective management of donations, to provide additional resources, assets and skills which link closely with the strategic aims of UHL and the broader strategic aims of NHS healthcare in the East Midlands.

Our objective for achieving public benefit

The Charity aims to achieve benefit for the public in all of its activities.

UHL's Trust Board reviews the Charity Commission's general guidance on public benefit when setting the terms of reference for the Charitable Funds Committee. The Charitable Funds Committee takes account of the Charity Commission's guidance on public benefit in planning the budget for each year, and in setting or reviewing the guidelines for Fund Advisors, who allocate charitable spending.

The funds of the Charity are comprised primarily of donations and legacies from members of the public and private organisations. The Charity's overall objective is to use these funds to benefit the public.

The Charity achieves this by ensuring that its funds are used for the following purposes:

- To purchase medical, surgical and other equipment and services;
- To purchase or construct assets for donation to the Trust; and
- To fund research projects

These activities benefit the public. They are not covered, or not fully supported by core NHS funds. The Charity defines "the public" as patients, their carers and the NHS staff who look after them in Leicester, Leicestershire, Rutland, and beyond.

All grant applications from the Trust for charitable expenditure are subject to review and challenge before they are approved. All applications are reported to the Charitable Funds Committee. This includes confirmation that the expenditure is for public benefit and cannot be met through core NHS funds.

Leicester Hospitals Charity is at its most effective when it combines the expertise and commitment of highly skilled NHS staff, with the generous support of the Leicester, Leicestershire and Rutland communities to bring about better quality care and support for patients.

UHL, as Corporate Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities and setting the grant-making policy for the year.

Our achievements in 2016-17

In 2016-17, we gave out a total of £1,263,000 in grants to benefit patients and staff across our hospitals. Too numerous to list them all, the following are a couple of examples of how your gifts made a difference to our patients:

Inman Charitable Trust – Grant received of £5,000 for research.

Leicester Hospitals Charity is extremely grateful to the Trustees of the Inman Charity for agreeing to a grant of £5,000. This means a great deal to us, Jeremy Prydal, Consultant Ophthalmologist and all those involved in the medical research project "High Resolution Autofluorescence Spectroscopy: A Novel Non-Invasive Diagnostic Technique".

Children's clinical research unit – In 2016-17 Leicester Hospitals Charity's "Reaching out for Kids Research Appeal" raised £30,000 for the new Children's Research Space to provide state-of-the-art facilities for children, not only from Leicestershire and Rutland, but also from further afield, who take part in research within Leicester's Hospitals. Features of the new Children's Research Space include a sensory playroom, 3-D interactive screen; an interactive floor projection in the waiting area; and three clinical rooms complete with bright, child-friendly graphics.

With the new Children's Research Space, Leicester's Hospitals will be able to offer even more opportunities for the children of Leicestershire, Rutland and beyond to participate in, and benefit from, some of the most cutting edge clinical research. Not only can this have a positive impact on the way their conditions are diagnosed, managed and treated, but also gives hope for future generations to come. We are very grateful to the following donors:

HSBC who donated £12,000 and provided volunteer time, the Maud Elkington Charitable Trust who donated £1,000, the Edith Murphy Foundation who donated £5,000, Waitrose Lutterworth and Oadby who each donated £500, and Bill Richmond who made a kind personal donation.

Making a difference to our patients and their carers

How we have raised the funds

Brown Dog's Greatest Gift – going the extra mile

We have been very fortunate to have the support of Brown Dog, a local charity committed to providing equipment to treat patients with cancer. Their support is a clear example of how we are able to make a difference to patients. In January last year Brown Dog announced their main fundraising challenge event for 2016, which led to the launch of The Women's Scanner Appeal in April by Leicester Hospitals Charity to collectively raise money to buy equipment to help diagnose women's cancers for patients using Leicester's Hospitals.

In June The Exmoor Coastal Moonwalk took place, where over 50 Brown Dog supporters and members of the Leicester Hospitals NHS Trust Gynaecological Department walked 43 miles along a gruelling Exmoor coastline, which took 24 hours to complete and involved walking all through the night. This epic walk, along with other local activities raised an amazing £40,000 for the Appeal.

Brown Dog Founder Mark Storer said "once again we have been amazed at the kindness and generosity of people. I know from the feedback that people give us that they are attracted to the fact that Brown Dog has no overheads which means that every pound donated is used to buy this vital equipment, no donation money is wasted. They also like the fact that we can show people exactly where their good money was used and the value that it brings. We are extremely grateful for the support received and delighted with the new equipment we have been able to purchase that will make a considerable difference to people fighting cancer in Leicestershire".

UHL and Brown Dog working together smashed the fundraising target to buy a state of the art ultrasound scanning machine for patients who require further investigations. The new scanner and associated probes cost nearly £28,000. This ensures that patients will be seen more quickly after a referral from their GP, but also, being an all in one diagnostic system,

will avoid anxious delays in diagnosis for patients with complex symptoms, giving more accurate results.

The surplus funds raised meant we could also provide hysteroscopes to use in outpatients clinics for women with the suspicion of endometrial (womb lining) cancer. And with help from another local charity, Birstall BAGS, who donated a further £8,500 to the Appeal, brought the total number of scopes purchased to 5!

Miss Olivia Barney consultant gynaecologist said "I run one of the many postmenopausal bleeding clinics at LRI that are one-stop clinics in which approximately one in 10 women referred have womb cancer. The tiny hysteroscope cameras we were using were very old and often completely inadequate. So sometimes we had to repeat procedures. These new cameras help us to reassure women more quickly and for those that do have cancer help us to start treatment faster too."

Brown Dog and Birstall BAGS are just two of the many groups who regularly support us, bringing much needed funds to support key areas of our work.

Donations & legacies

Many of our gifts and donations are given directly to wards to thank staff for the care they have given to patients. These gifts are used for charitable activities that benefit staff and patients. Charitable funds also allow all grades of staff to attend training courses not funded by the NHS, which helps keep them abreast of new ideas and techniques around patient care and treatment.

The Charity also received a number of legacies in the year. Legacies can often have a transformational impact, enabling us to provide new equipment, or fund important improvements to ward or clinic areas, for which NHS funds are not available. One legacy in particular, allowed the Breast Care Centre at the Glenfield to have an automated tissue processor, to examine breast tissue samples more accurately and quickly than was possible before. The legacy also funded an extension to the Ultrasound room at the Glenfield, to provide better space for patients with limited mobility, and to allow the staff to use the new ultrasound equipment to its full capacity.

Staff Lottery & wellbeing at work

The Staff Lotto had an income of £214,000. Out of this £116,000 is for prizes leaving the rest to benefit staff across all three sites. Staff have been able to participate in a range of activities and events organised as part of the Wellbeing@Work programme as well as apply for grants for items to improve the working lives for UHL staff.

The Charity's Five Year plan

In 2016-17 we revised our five year plan, to reflect the changing plans of the University Hospitals of Leicester NHS Trust. Our new plans reflect the need to diversify and develop new income streams to support the work of the Charity, and to increase our income. UHL has ambitious plans to reconfigure its services, and the Charity has a key role to play in that. As a result we are developing our ability to identify and secure major gifts, promoting legacies as a key form of support, and preparing to open a new charity shop at the General site. This will increase income to the Charity, as well as giving us a platform to promote our newly created public lottery. As stated in last year's annual report, we have begun to evaluate all grants over £10,000. This will help us understand what impact our funding is having – both on the number of patients who benefit, and what quality that benefit gives.

Governance and Finance

Trustees

The Charity has a Corporate Trustee, the University Hospitals of Leicester NHS Trust. The members of the NHS Trust's Board who served during the financial year, were as follows:

| | |
|---------------------|--|
| Mr K Singh CBE | Trust Chairman |
| Prof P Baker | Non-Executive Director (from 1.7.16) |
| Dr S Crawshaw | Non-Executive Director (from 3.1.17) |
| Col (Ret'd) I Crowe | Non-Executive Director |
| Dr S Dauncey | Non-Executive Director (until 14.7.16) |
| Prof A Goodall | Non-Executive Director (until 30.6.16) |
| Mr A Johnson | Non-Executive Director |
| Mr R Moore | Non-Executive Director |
| Mr B Patel | Non-Executive Director (from 1.8.16) |
| Mr M Traynor OBE | Non-Executive Director |
| Mr J Adler | Chief Executive |
| Mr R Mitchell | Chief Operating Officer |
| Mr A Furlong | Medical Director |
| Ms J Smith | Chief Nurse |
| Mr P Traynor | Chief Financial Officer |

Maintaining a healthy balance sheet

The assets and liabilities of the Charity as at 31 March 2017 are stated below, compared with the position at 31 March 2016.

| | Total Funds 2016-17 £000 | Total Funds 2015-16 £000 |
|-----------------------------------|--------------------------------|--------------------------------|
| Fixed Asset Investments | 4,704 | 4,706 |
| Net Current Assets | 637 | 225 |
| Total Net Assets | 5,341 | 4,931 |
| Funds of the Charity | | |
| Endowment Funds | 0 | 1,068 |
| Restricted Funds | 790 | 694 |
| Unrestricted Funds | 4,551 | 3,169 |
| Total Funds of the Charity | 5,341 | 4,931 |

Useful definitions:

Fixed Asset Investments are investments in quoted stocks and shares.

Net Current Assets represent cash held on deposit plus debtors less the value of outstanding liabilities.

Endowment Funds represents endowments which are held in perpetuity so that only the income is available for distribution.

Restricted Funds represents money which is held by the Trustees which can only legally be used for specified purposes.

Unrestricted Funds are funds available to be spent within the objects of the Charity which can legally be spent wholly in accordance with the discretion of the Trustees.

Sources of funds

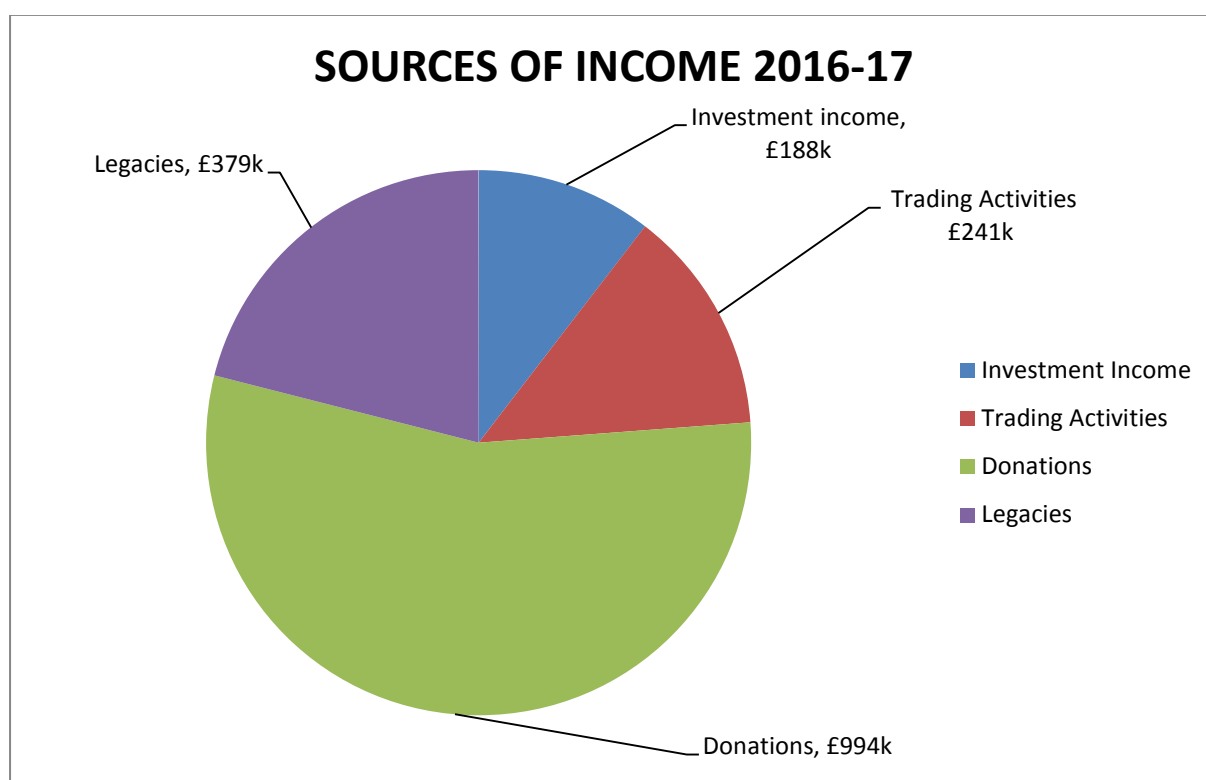
Total Income decreased from £2,191k in 2015-16 to £1,802k in 2016-17. Voluntary income decreased by £384k primarily due to a reduction in donations (£236k) and legacies (£148k).

There were no major fundraising appeals in 2016-17. Over the past year we have spent a great deal of time in planning and preparation for a major fundraising appeal, to create a children's hospital at the Leicester Royal Infirmary. As part of our plans we are in negotiation with Leicester City FC to use their Chairman's £2 million pledge towards this appeal. The Trust Board also took the decision to release an historic endowment of £1 million to support the appeal. This was supported by the Charity Commission.

Total resources expended decreased from £2,500k in 2015-16 to £1,392k in 2016-17 mainly due to a decrease in charitable activities of £474k relating to grants awarded for patient welfare and amenities. An improvement in the investment markets resulted in Investment losses of £223k in 2015-16 turning into gains of £551k in 2016-17.

Due to investment gains of £551k the Charity generated an overall surplus of £410k on the Statement of Financial Activities.

Income was received from the following sources:

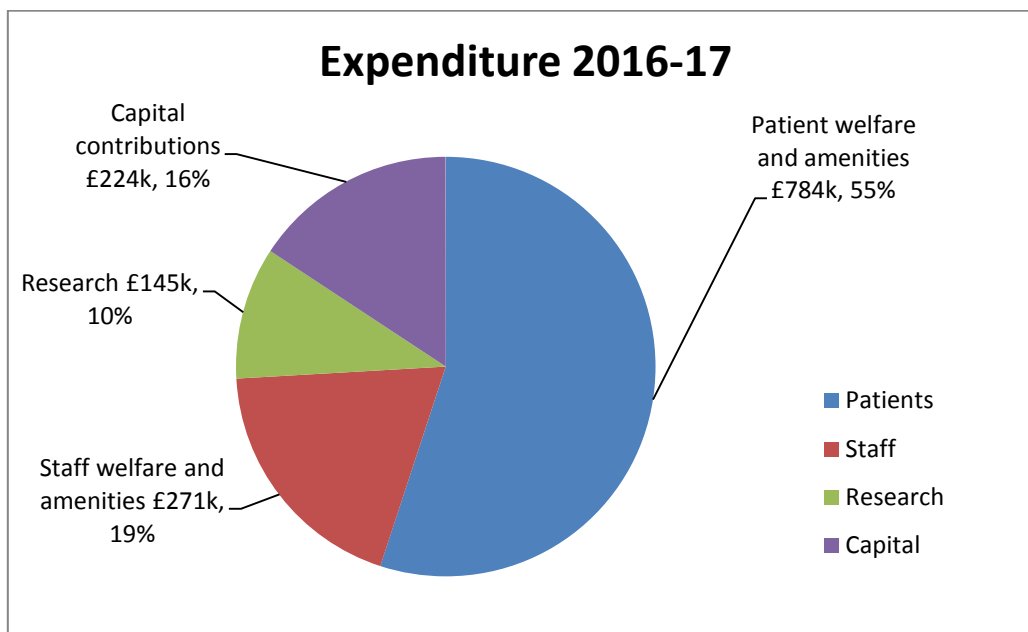


Voluntary income included legacies of £379k; 8 legacies were over £10k. A further £40k was raised through the gift aid scheme. A total of £241k was raised through trading income including £214k from the staff lottery.

During the year, the total investment return, including dividends and interest, was £188k (2015-16: £195k). The Charity also benefited from investment gains of £551k (loss of £223k in 2015-16) reflecting the performance of the stock market over the last twelve months.

Where we spent the money

The awarding of grants represents the main activity for the Charity. During the 2016-17 financial year the Charity expended £1,424k in grants as shown below:



Grants to provide benefits to patients

The Charity spent £784k (2015-16: £1,047k) on grants to provide benefits to patients, including:

- Furnishings of Patient Areas £378k
- Purchases of medical and dental equipment £90k
- Purchases of other equipment £38k

Grants to provide benefits to staff

The Charity spent £271k (2015-16: £295k) on grants to provide benefits to the Trust of investing in staff, including:

- Educational and Training Support £58k
- Social Activities £33k
- Furnishing Improvements to Staff Areas £28k

Capital projects for donation to the NHS Trust

The Charity spent £224k (2015-16: £382k) on grants to provide benefits to patients and staff through capital expenditure, including:

- Construction works £42k
- Medical and dental equipment £126k
- Computer and other equipment £31k

Grants awarded for research projects

The Charity spent £145k (2015-16: £174k) on grants to support research related activities, including:

- Environmental improvements £42k
- Medical and dental equipment £31k
- Funding of research posts £43k

Risk management

The Charity has identified no new material risks during 2016-17, with the main risk being the potential loss from a fall in the market value of investments.

The Charity has established an investment strategy to mitigate this risk, which requires an investment portfolio which balances risk and return, and includes investments which can be converted to meet short term cash requirements.

Financial reports are presented to the Charitable Funds Committee and any significant trends and risks are highlighted in the commentaries supporting the reports. Other low priority operational risks relate to the grant application process and the financial system risks around the receiving of donations, ordering of goods and services and payment of invoices.

Appropriate controls and systems have been established to mitigate these risks, including the Charity adopting UHL's standing orders and standing financial instructions. Assurances are obtained from internal audit that these controls are operating effectively.

The Trust's Audit Committee routinely receives updates on the Charity's performance and is responsible for the controls over the financial probity and management of the Charity and for overseeing the work of the auditors.

Grant-making policy

The use of our funds is restricted by the governing document which established the Charity to purposes connected with the NHS. When approving grant expenditure consideration is first given to the public benefit that will be generated from the expenditure, as this is a core value in our activities.

The main activity for the Charity is the awarding of grants to UHL. Grants are awarded through the scheme of delegation, and authorisation is dependent on the fund's purpose and the value of the application. The grant application process ensures that individual funds are not able to commit expenditure in the absence of available funds.

Grant applications are subject to robust review and challenge before they are approved, including a review as to whether the expenditure is for the public benefit and cannot be met through core NHS funds.

Where expenditure relates to the purchase of medical equipment there is an expectation that the NHS Trust Medical Equipment Panel approves these before any application is submitted for consideration. This ensures that there remains consistency between the capital expenditure plans of the NHS Trust and the Charity in terms of capital planning, and compatibility with existing resources.

The Committee approves grants up to £50,000 in relation to the use of the Charity's funds. The Charity Finance Manager is empowered by the Committee to consider and approve all grant applications of up to £10,000 from restricted or designated funds within the criteria set by the Committee.

Applications involving proposed expenditure of £50,000 or more are referred to the NHS Trust Board, as Corporate Trustee, with the Committee's recommendation as to whether or not they should be approved or rejected.

Reserves

The Charity has an overall plan to provide long term support to the Trust. The Corporate Trustee has held the view that income donated to the Charity should be expended in a timely way in accordance with the wishes of the donors. This does not prevent any individual fund balances from being built up in order to purchase larger items in the future.

The Corporate Trustee's intent is that general funds are spent within a reasonable period of receipt and therefore foresee a need to only maintain reserves at a sufficient level to provide certainty of funding for the ongoing running costs of the Charity. This is in line with the following legal requirement:

"...reserves must be justified and by law, the Charity must spend income it receives within a reasonable period of time unless there's a good reason not to".

The Charity must be clear about the reasons for keeping reserves and is required to have a reserves policy. This helps explain to others why we are setting money aside rather than spending it on the charity's aims. The Charity Commission defines reserves as the part of the Charity's funds which are "freely available" and excludes endowment, restricted and committed funds. The level of reserves available for general use as at 31st March 2017 is as follows:

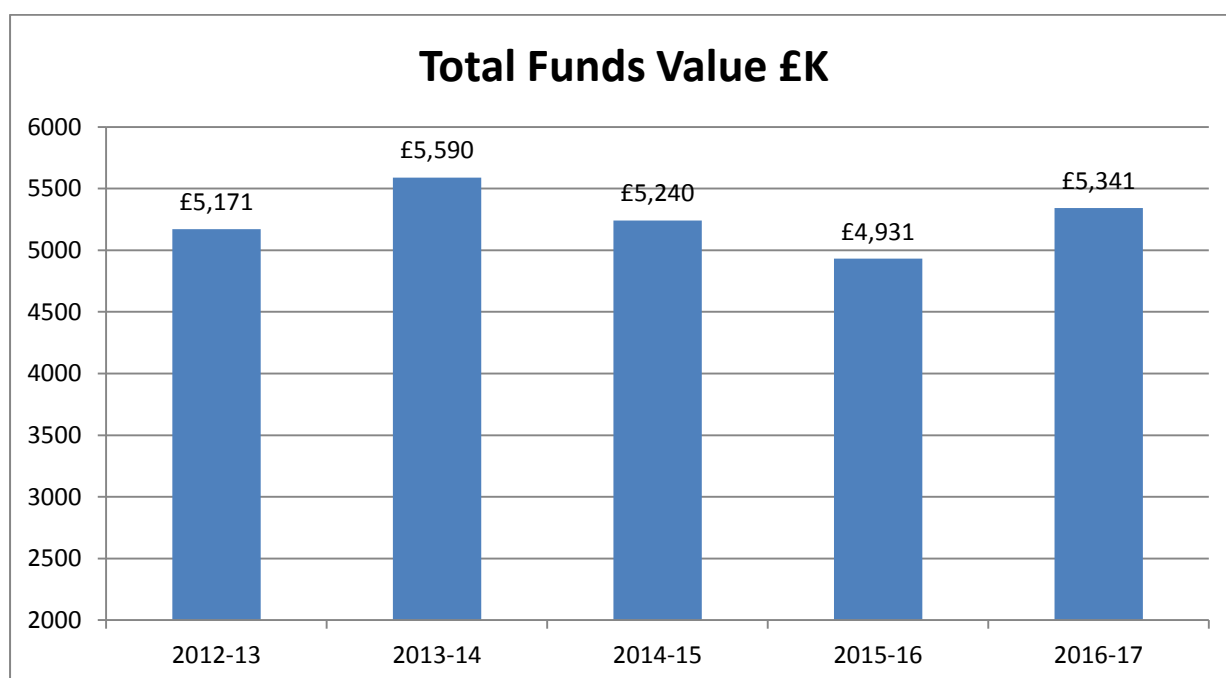
| Breakdown of reserves | £'000 |
|---------------------------|---------|
| Total funds | 5,341 |
| less restricted funds | (790) |
| less committed funds | (1,493) |
| Freely available reserves | 3,058 |

The Charity's income and expenditure, inclusive of investment gains and losses from 2012-13 to 2016-17 is shown in the table below.

| Year | Income £'000 | Expenditure £'000 | Net movement in funds £'000 | Total fund balances as at 31st March £'000 | Movement as a % of total funds % |
|---------|-----------------|----------------------|--------------------------------------|--|---|
| 2016-17 | 1,802 | 1,392 | 410 | 5,341 | 7.7% |
| 2015-16 | 2,191 | 2,500 | -309 | 4,931 | -6.3% |
| 2014-15 | 1,823 | 2,173 | -350 | 5,240 | -6.7% |
| 2013-14 | 2,424 | 2,005 | 419 | 5,590 | 7.5% |
| 2012-13 | 2,120 | 2,463 | -343 | 5,171 | -6.6% |

The net movement in funds is usually not material when compared to the total level of fund balances. On average the annual net movement in funds has been a deficit of (£35k) over the 5 year period.

Overall fund balances have remained constant and there is a regular core level of income. The graph below shows the total fund balances over the last five years.



The Charity has calculated that it requires approximately £100k to meet its ongoing running costs and fund the spending that would be required to wind the Charity down should the need ever arise.

Taking into account the level of income and expenditure over the last five years it would be prudent to maintain freely available reserves at no less than £500k to ensure that the

Charity has sufficient funds to cover its immediate commitments, plus sufficient funds to cover any likely annual deficit.

Linking the level of reserves to an annual level of spend is consistent with the Trust's own going concern assessment.

Each year, as part of the accounting process, the Trust assesses whether it will be operating as a going concern for the next financial year. The going concern assumption is less of a risk to the Charity as it is to the Trust as the majority of the Charity's expenditure is discretionary.

The Charity will be refining its approach to annual and long term planning, and will be linking spending plans to fundraising requirements. The going concern of the Charity would therefore not be put at risk if a large item of expenditure was identified as this would be supported by a fundraising scheme to meet any shortfall in available funds. There is therefore minimal risk to the Charity by reducing its reserves from the current level as expenditure is not approved unless funds, or fundraising plans, are in place.

The Charity currently has a level of freely available reserves which is significantly higher than the required level and the Charity's planning process will take this into account and aim to stabilise the reserves at the required level.

Our investments

The investments of the Charity are managed by Cazenove Capital Management (Cazenove) with the emphasis on maintaining a high level of liquidity and a low to moderate investment risk.

As part of the investment policy, Cazenove has the delegated authority to invest funds into equity, property and bond markets as well as maintain cash holdings. The investment firm are expected to work within the agreed portfolio mix shown below.

| Investment Class | Permissible Range (%) | Market Value £K 31-03-2017 | Proportion as at 31/03/17 (%) | Proportion as at 31/03/16 (%) |
|------------------------|-----------------------|-------------------------------|--|--|
| Equities (UK/Overseas) | 45 to 65 | 2,986 | 63.5% | 58.00% |
| Bonds | 10 to 30 | 811 | 17.2% | 23.30% |
| Multi-Asset Funds | 0 to 20 | 504 | 10.7% | 9.70% |
| Property & other | 0 to 10 | 357 | 7.6% | 7.00% |
| Cash | Balance | 46 | 1.0% | 2.20% |
| | Total | 4,704 | | |

The following restrictions also apply to the Charity's investment portfolio:

- investments that are not readily realisable must not exceed 10% of the total portfolio;
- investment in any one issuer's securities should not exceed 10%; and
- payment must be made on demand to the Charity in line with agreed procedures and approved signatories.

The Charity's governing document imposes two further restrictions on the Charity's power to invest funds:

- the Charity must not make any speculative or hazardous investment (and for the avoidance of doubt, this power to invest does not extend to the laying out of money on the acquisition of futures or traded options); and
- the Charity must not engage in trading ventures.

In 2016 – 17 the Charity did not invest in companies whose principal activities are tobacco related. From 2017 the Charity has placed an additional restriction which is that it does not want to have any direct or indirect exposure to tobacco related investments.

The Charitable Funds Committee reviews investment management performance at each meeting. The investment managers provide the Charity with monthly performance reports highlighting performance against key indices such as the FTSE All Share Index. The investment managers also provide the Charity with a commentary in relation to the portfolio and market outlook. The Charity receives regular advice from its investment managers and reviews opportunities to amend the Investment Strategy.

The Charity does not apportion unrealised investment gains or losses across funds unless they are in excess of £250k.

Reference and administration details

Charity Name Leicester Hospitals Charity

Fundraising Team Belgrave House
 Gwendolen Road
 Leicester General Hospital
 LE5 4PW

Registered Number 1056804

Charity Staff

Tim Diggle (Head of Charity)

Debbie Adlerstein (Head of Business Development)

| | |
|---------------------|---|
| Kamlesh Mistry | (Community and Events Fundraising Manager) |
| Maxine Newcombe | (Fundraising Events Officer) |
| Sue Stevenson | (Trust & Foundations Fundraising Officer) |
| Marie Hough | (Legacy Manager& Fundraising Administrator) |
| Rebecca Porteous | (Fundraising Administration Assistant) |
| Louise Pritchard | (Fundraising Events Apprentice, until August 2016) |
| Jayesh Mistry | (Fundraising Admin Apprentice – from May 2016) |
| Nick Sone | (Charity Finance Lead) |
| Julie Woolley | (Charity Finance Manager) |
| Mandy Tuddenham | (Charitable Funds Administrator) |
| Internal Auditors | PricewaterhouseCoopers LLP Cornwall Court, 19 Cornwall Street Birmingham B3 2DT |
| External Auditors | KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH |
| Solicitors | Eversheds 1 Royal Standard Place Nottingham NG1 6FZ |
| Bankers | The Royal Bank of Scotland St Johns House East Street Leicester LE1 9NB |
| Investment Managers | Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA |

Corporate Trustee University Hospitals of Leicester NHS Trust
And Registered Trust Headquarters
Charity Address Level 3, Balmoral Building
 Leicester Royal Infirmary
 Infirmary Square, LE1 5WW

Thank you

On behalf of all the patients who continue to benefit from improved services due to donations and legacies, Leicester Hospitals Charity would like to thank all patients, relatives, staff and partners for their support.

If you want to know more about how to become involved in the work of the Trust, or take part in fundraising activities, or simply make a donation, contact the Leicester Hospitals Charity Fundraising team on 0116 258 8709, or email fundraising@uhl-tr.nhs.uk.



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jonathan.brown@kpmg.co.uk

Private & confidential

The Board of Trustees
University Hospitals of Leicester NHS Trust
Leicester Royal Infirmary
Infirmary Square
Leicester
LE1 5WW

Our ref JB/SG/LHC/1617

Contact Sundeep Gill
07798 572337

XX November 2017

Dear Trustees

ISA 260 report – Leicester Hospitals Charity 2016/17 and Independence confirmation from external audit

The purpose of this letter is to communicate all significant facts and matters that bear on KPMG LLP's independence and the objectivity and to inform you of the requirements of ISA 260 (UK and Ireland) *Communication of Audit Matters to Those Charged with Governance*.

Status of the audit

This letter is written for the Trustees meeting XX January 2018. Our audit work is complete, subject to receiving the completed management inquiries form, subject to any matters arising from the KPMG Partner's final review and the normal checks carried out as part of the audit closure procedures. We will update the Board if there are any significant additional issues which we need to communicate.

Integrity, objectivity and independence

APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Audit Engagement Lead and the audit team.

We have considered the fees paid to us by the Charity for professional services provided by us during the reporting period. The fee for 2016/17 was £4,815 (excluding VAT). There have been no other fees charged during this period.

We have communicated and agreed the fee with those people charged with your governance through our engagement letter. We are satisfied that these procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability
- Risk management; and
- Independent reviews.

Please inform me if you would like to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement bear on our independence which need to be disclosed to the Board of Trustees.

Confirmation of audit independence

We confirm that as of 31 March 2017, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Engagement Lead and audit staff is not impaired.

Audit matters

We are required to comply with ISA 260 (UK and Ireland) *Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts. ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the Firm's independence and the integrity and objectivity of the audit engagement partner and audit staff;

- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements;
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Charity's financial statements;
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- Audit adjustments, whether or not amended by the entity that have, or could have, a material effect on the Charity's financial statements;
- Material uncertainties related to events and conditions that may cast significant doubt on the Charity's ability to continue as a going concern;
- Disagreements with management about matters that, individually or in aggregate, could be significant to the Charity's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter;
- Expected modifications to the auditor's report;
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management; and
- Any other matters agreed upon in the terms of the audit engagement.

We discharge these responsibilities through our attendance at Audit Committees and commentary and, in the case of uncorrected misstatements, through our request for management representations. Our formal request for management representation is attached at Appendix 2.

Findings

Audit Findings

Under the requirements of Clarified ISA 260 *Communication of audit matters with those charged with governance*, we are required to report any adjusted material audit misstatements and any significant or material unadjusted misstatements. There are no such adjusted or unadjusted misstatements arising from our audit that we need to bring to your attention.

There were some minor presentational changes which were required and are to be amended in the final set of accounts. These mainly related to matters of disclosure and compliance with the Charities SORP (FRS 102).

Observations on control deficiencies

We did not identify any control deficiencies in the course of our audit that we need to bring to Trustee's attention in this letter.

Follow up of prior year recommendations

As part of our audit we have specifically followed up the Charity's progress in addressing the recommendations in last year's ISA 260 report.

The Charity has fully implemented one out of two recommendations from our ISA 260 Report 2015/16 as set out below. We re-iterate the importance of the outstanding recommendation and recommend that this is implemented by the Charity.

Each observation has associated a grading, which are also set out below.

| Grade | Description |
|-------|--|
| 1 | These are particularly significant matters for the organisation, such as those relating to factors critical to the successful running of the scheme and regulatory environment. |
| 2 | These include observations on non-critical control systems, one-off items subsequently corrected, improvements to the efficiency of effectiveness of controls and matters that could be significant in the future. |
| 3 | These are less significant than those graded 1 and 2 but we nevertheless consider that they merit attention by Management. |

| Recommendation 1 | |
|----------------------------------|--|
| Grade | 2 |
| Observation | Quality control review |
| Issue, Impact and Recommendation | <p>Observation</p> <p>The draft financial statements and Annual Report presented to us for audit on 27 September 2016 were compiled by a contractor. Since then issues arose with the statements and Annual Report, which resulted in the financial statements going through a number of iterations. The Annual Report is also in the process of being revised.</p> |

| | |
|------------------------------|--|
| | <p>In addition various supporting working papers were revised from the original working papers, which were provided for audit.</p> <p>Recommendation The financial statements and Annual Report together with supporting working papers should be quality checked before being presented for audit.</p> |
| <p>Current Status</p> | <p>Management original response</p> <p>Agreed. The nature of the errors identified would not necessarily have been picked up through a quality control review alone. Only someone with detailed understanding and experience of the Charity’s finance system and the supporting accounts schedules would have identified all of the issues. We have a small Charity finance team with only one officer who has this level of understanding. Whilst we consider that the use of a contractor was a one-off, unavoidable action we do accept that there is a risk in relation to the responsibility for the Charity accounting being held with one individual. We will explore options for widening the knowledge base for the Charity accounts, particularly as we are planning to strengthen the financial accounting team with the establishment of a subsidiary company.</p> <p>Responsible Officer: Financial Controller</p> <p>Due Date: 31st March 2017</p> <p>KPMG assessment: Recommendation implemented</p> |

| | |
|--|---|
| <p>Recommendation 2</p> | |
| <p>Grade</p> | <p>3</p> |
| <p>Observation</p> | <p>Medium Term Strategy</p> |
| <p>Issue, Impact and Recommendation</p> | <p>Observation Leicester Hospitals Charity has held an average of £4.6million in funds for the last five years. Currently there is no medium term strategy to utilise these reserves, and generally income received in the financial year is expended to an equal amount. Unused funds accumulate interest but this is not part of a longer term strategy of fundraising for specific projects. The Charity calculates that as a safety net it would need just £80k to operate, and therefore this is effectively the de-minimis level of reserves required.</p> |

| | |
|------------------------------|--|
| | <p>Recommendation The Charity should continue to develop a medium term policy for use of its funds to ensure that reserves are utilised appropriately for charitable fund expenditure in line with the charitable objectives rather than simply accumulate interest through investment.</p> |
| <p>Current Status</p> | <p>Management original response Agreed. We are continuing to develop plans to utilise our reserves and the Charity has embarked on a major appeal for a Children’s Hospital which may utilise a proportion of the current reserves. In addition, we are restructuring the Charity’s funds with a view to making the funds more manageable and also to widen the access to funds across the Trust and encourage a greater level of spending.</p> <p>Responsible Officer: Financial Controller</p> <p>Due Date: 31st March 2017</p> <p>KPMG assessment: Recommendation partially implemented</p> <p>Management response:</p> <p>XXXX</p> |

Audit Process

We received a draft set of accounts before the start of the on-site audit. These were accompanied by good quality working papers.

Throughout the audit process officers were helpful in dealing with audit queries meaning responses were timely and have a good standard resulting in fewer follow-up queries.

Consolidated accounts

The Department of Health arranged exemption on the application of IAS 27 in relation to NHS Charities which means that NHS bodies were not required to consolidate NHS charitable fund accounts into their financial statements in 2010/11, 2011/12 and 2012/13. However, NHS bodies are were required by IAS 27 to consolidate charitable funds into their financial statements, unless the fund accounts are clearly immaterial to the accounts of the NHS body. The Trust’s management has previously prepared a paper for the Charitable Funds Committee and Audit Committee setting out its rationale for not consolidating the charitable fund accounts on the basis that they were not



material to the Trust's accounts. The Committees' decision to not consolidate has been reaffirmed for 2016/17.

Audit opinion

We plan, subject to clearing any matters arising from the final KPMG Partner review and the normal checks carried out as part of the audit closure procedures, to issue an unqualified audit opinion and we have included a draft at Appendix 1. We will issue this once we have received your signed statement of accounts, management representation letter and signed Statement of Trustees' Responsibilities.

Yours sincerely

Jonathan Brown
Partner

APPENDIX 1 - proposed audit opinion

Independent auditor's report to the Trustees of Leicester Hospitals Charity 2016/17

We have audited the financial statements of Leicester Hospitals Charity for the year ended 31 March 2017. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the charity's trustees as a body, in accordance with section 145 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Jonathan Brown for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

XX January 2017

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

APPENDIX 2 - Request for management representation

(Letterhead of Trust)

Jonathan Brown
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

XX January 2018

Dear Mr Brown

This representation letter is provided in connection with your audit of the financial statements of Leicester Hospitals Charity (“the Charity”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Charity’s affairs as at year end 31st March 2017 and of its surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- iii. whether the financial statements have been prepared in accordance with the Charities Act 2011.

These financial statements comprise the Balance Sheet, the Statement of Financial Activities, Cash Flow statement and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Trustees confirm that the representations they make in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Trustees confirm that, to the best of their knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing themselves:

Financial statements

- 1 The Trustees have fulfilled their responsibilities, as set out in the terms of the audit engagement, for the preparation of the financial statements that:
 - i. give a true and fair view of the state of the Charity's affairs as at the end of its financial year and of its surplus or deficit for that financial year;
 - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"); and
 - iii. have been prepared in accordance with the Charities Act 2011.

The financial statements have been prepared on a going concern basis.

- 2 Measurement methods and significant assumptions used by the Trustees in making accounting estimates, including those measured at fair value, are reasonable.
- 3 All events subsequent to the date of the financial statements and for which FRS 21 *Events after the balance sheet date* requires adjustment or disclosure, have been adjusted or disclosed.
- 4 The effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

- 4 The Trustees have provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Trustees for the purpose of the audit; and
 - unrestricted access to persons within the Charity from whom you determined it necessary to obtain audit evidence.
- 5 All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 6 The Trustees acknowledge their responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Trustees

acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Trustees have disclosed to you the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 7 The Trustees have disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Charity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Charity's financial statements communicated by employees, former employees, analysts, regulators or others.
- 8 The Trustees have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- 9 The Trustees have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 12 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- 10 The Trustees have disclosed to you the identity of the Charity's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 8 *Related Party Disclosures*.
- 11 The Trustees confirm that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the charity's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Charity to continue as a going concern.

This letter was tabled and agreed at the meeting of the Trustees on *[date]*.



KPMG LLP
*ISA 260 report – Leicester Hospitals Charity 2016/17 and
Independence confirmation from external audit
XX November 2017*

Yours faithfully

[Chair of Trustees]

Appendix to the Management Representation Letter of Leicester Hospitals Charity Definitions

Appendix to the Trustees' Representation Letter of Leicester Hospitals Charity: Definitions

Financial Statements

A complete set of financial statements comprises:

- a Balance Sheet as at the end of the period;
- a Statement of Financial Activities for the period;
- a Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material. The ASB's Statement of Principles for Financial Reporting states that:

“An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

FOR the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 8 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. Both entities are joint ventures of the same third party;
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- v. The entity is a retirement benefit scheme for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a scheme, the sponsoring employers are also related to the reporting entity;
- vi. The entity is controlled or jointly controlled by a person identified in (a); or
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

5th January 2018

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Leicester Hospitals Charity (“the Charity”), for the purpose of expressing an opinion as to whether these financial statements give a true and fair view of the financial position of Leicester Hospitals Charity and of its financial performance in accordance with UK Generally Accepted Accounting Practice. These financial statements comprise the balance sheet as at 31 March 2016, and the statement of financial activities for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We acknowledge as Corporate Trustee (“the Trustee”) our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view of the Charity.

We also acknowledge as Trustee our responsibilities under the Charities Act 2011, for making accurate representations to you and for ensuring that there is no relevant audit information that you are unaware of.

The Trust Board approves the financial statements.

The Board understands that auditing standards require you to obtain representations from the Trustee on matters that are material to your opinion. The Board understands that omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size and nature of the item, or a combination of both, could be the determining factor.

The Board has made appropriate inquiries of the Trustee and officers of the Charity with the relevant knowledge and experience. Accordingly, the Board confirms, to the best of its knowledge and belief, the following representations:

1. The financial statements referred to above, which have been prepared on a going concern basis, give a true and fair view in accordance with UK Generally Accepted Accounting Practice.
2. All the accounting records have been made available to you for the purpose of your audit and the full effect of all the transactions undertaken by the Charity have been adequately reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all management, committee Board and Trustee’s meetings and, where applicable, summaries of actions of meetings held after period end for which minutes have not yet been prepared, have been made available to you.

3. The Board is not aware of any known actual or possible non-compliance with laws and regulations that could have a material effect on the ability of the Charity to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2017.

4. The Board:

(a) understands that the term “fraud” includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity’s assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

(b) acknowledges responsibility for the design and implementation of internal control to prevent and detect fraud and error.

(c) has disclosed to you our knowledge of fraud or suspected fraud affecting the Charity involving:

- management and those charged with governance;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

(d) has disclosed to you its knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

(e) has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

6. The Board confirms the completeness of the information provided to you regarding the identification of related parties and regarding transactions with such parties that are material to the financial statements. The identity of, and balances and transactions with, related parties have been properly recorded and when appropriate, adequately disclosed in the notes to the financial statements. The Board is not aware of any other such matters required to be disclosed in the financial statements, whether under FRS 8 *Related Party Disclosures* or other requirements. Included in Appendix A to this letter are the definitions of both a related party and a related party transaction as the Trustee understands them and as defined in FRS 8.

7. Presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with UK Generally Accepted Accounting Practice. The amounts disclosed represent the Trustee’s best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and they appropriately reflect the Trustee’s intent and ability to carry out specific courses of action on behalf of the Charity where relevant to the fair value measurements or disclosures.

8. The Board has recorded or disclosed, as appropriate in the financial statements, all liabilities, both actual and contingent, including all guarantees that they have given to third parties.

9. The estimated financial effect of pending or threatened litigation and claims against the Charity has been properly recorded and/or disclosed in the financial statements. Except as disclosed in the notes to the financial statements, the Board is not aware of any additional claims that have been or are expected to be received.

10. Except as disclosed in the financial statements or notes thereto, there are no:

(a) other gain or loss contingencies or other liabilities that are required to be recognised or disclosed in the financial statements, including liabilities or contingencies arising from environmental matters resulting from illegal or possibly illegal acts, or possible violations of human rights legislation; or

(b) other environmental matters that may have a material impact on the financial statements.

This letter was agreed at the meeting of the Trust Board on 4th January 2018.

Yours truly,

Chairman

Definitions

- A. Two or more parties are related when at any time during the financial period:
- i. one party has direct or indirect control over the other party; or
 - ii. the parties are subject to common control from the same source; or
 - iii. one party has influence over the financial and operating policies of the other party to the extent that that other party might be inhibited from pursuing at all times its own separate interests; or
 - iv. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest
- B. For the avoidance of doubt, the following are related parties of the reporting entity:
- i. its ultimate and intermediate parent undertakings, subsidiary undertakings and fellow subsidiary undertakings;
 - ii. its associates and joint ventures;
 - iii. the investors or venturers in respect of which the reporting entity is an associate or joint venture;
 - iv. Trustees of the reporting entity and the Trustee of its ultimate and intermediate parent undertakings; and
 - v. pension funds for the benefit of employees of the reporting entity or of any entity that is a related party of the reporting entity.
- C. The following are presumed to be related parties of the reporting entity unless it can be demonstrated that neither party has influenced the financial and operating policies of the other in such a way as to inhibit the pursuit of separate interests:
- i. the key management of the reporting entity and key management of its parent undertaking(s);
 - ii. a person owning or able to exercise control over 20% or more of the voting rights of the reporting entity, whether directly or through nominees;
 - iii. each person acting 'in concert' in such a way as to be able to exercise control or influence over the reporting entity; and
 - iv. an entity managing or managed by the reporting entity under a management contract.
- D. Additionally, because of their relationship with certain parties that are, or not, presumed to be, related parties of the reporting entity, the following are presumed to be related parties of the reporting entity:
- i. members of the close family of any individual falling under the parties mentioned in points i to iii of para C above; and
 - ii. partnerships, companies, trusts or other entities in which any individual or member of the close family in points i to iii of para C above has a controlling interest.