

Trust Board Paper M

To:	Trust Board
From:	Director of Finance
Date:	27TH November 2014
CQC regulation:	

Title:	LHC Final Accounts and Annual Report 2013-14
Author/Responsible Director: Director of Finance	
Purpose of the Report: The report presents the audited annual accounts (Appendix 1), Trustee's Annual Report (Appendix 2) and letter of representation (Appendix 3) for the Leicester Hospitals Charity for the year ending 31 st March 2014.	
The Report is provided to the Board for:	
Decision	<input type="checkbox"/>
Discussion	<input type="checkbox"/>
Assurance	<input type="checkbox"/>
Endorsement	<input checked="" type="checkbox"/>
Summary / Key Points: The report details the summary financial performance of the Charity for the year ending 31 st March 2014. On receipt of the final Audit Opinion, the Final Accounts and Annual Return will be submitted to the Charity Commission. The deadline for submission is the 31 January 2015. Following audit by the Charity's auditors, KPMG, we made a number of presentational adjustments to the accounts. There were no significant issues raised.	
Recommendations: The Trust Board is invited to: <ul style="list-style-type: none"> • note the contents of the report and the Letter of Representation; • approve the Charitable Funds Annual Accounts and Annual Report for the year 2013-14, and • approve the signing of the relevant certificates by members of the Trust Board (as detailed in the report). 	
Previously considered at another corporate UHL Committee? Yes – reported to members of the Charitable Funds Committee on 17 th November 2014.	

Strategic Risk Register N/A	Performance KPIs year to date N/A
Resource Implications (eg Financial, HR) N/A	
Assurance Implications N/A	
Patient and Public Involvement (PPI) Implications N/A	
Equality Impact N/A	
Information exempt from Disclosure N/A	
Requirement for further review ? N/A	

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

DATE: 27TH NOVEMBER 2014

**REPORT FROM: PAUL TRAYNOR
DIRECTOR OF FINANCE**

**SUBJECT: FINAL ACCOUNTS AND ANNUAL REPORT 2013-14 FOR THE
LEICESTER HOSPITALS CHARITY**

1. INTRODUCTION

- 1.1 The report presents the audited annual accounts (Appendix 1), Trustee's annual report (Appendix 2) and letter of representation (Appendix 3) for the Leicester Hospitals Charity for the year ending 31st March 2014.
- 1.2 The accounts and annual report were submitted to members of the Charitable Funds Committee on the 17th November.
- 1.3 This paper will summarise the headline financial figures and outline the process for finalising and submitting the annual accounts.

2. SUMMARY FINANCIAL PERFORMANCE

Balance Sheet

- 2.1 The net assets of the Charity have increased by £419k to £5,590k during the 12 months ending 31 March 2014 (the Income and Expenditure section of this report gives further details).
- 2.2 The balance sheet shows an increase in net current assets of £616k due to an increase in debtors (£403k), an increase in creditors (£208k) and an increase in cash (£421k) held at year end. This means that the Charity now has net current assets of £854k.
- 2.3 The balance sheet shows a reduction in the value of fixed asset investments of £197k.

Income & Expenditure

- 2.4 The Charity generated a £419k surplus on the Statement of Financial Activities, with an excess of expenditure compared to income of £406k and an investment gain of £13k.

Income

- 2.5 Total incoming resources have increased from £2,120k in 2012/13 to £2,424k in 2013/14.
- Donated income has increased from £563k in 2012/13 to £830k in 2013/14.
 - Legacy income has increased from £385k in 2012/13 to £957k in 2013/14.
 - Income from fundraising initiatives has decreased from £978k in 2012/13 to £443k in 2013/14.
 - Investment income has stayed the same with £194k in 2012/13 and 2013/14.

Expenditure

- 2.6 Total Charity expenditure has decreased from £2,895k in 2012/13 to £2,018k in 2013-14.
- The cost of generating voluntary income increased from £316k in 2012/13 to £342k in 2013/14. These costs have increased partly due to investment in corporate signage across the Trust with large Dr Fox signs now located in prominent positions on each site.
 - Grant expenditure has decreased from £2,555k in 2012/13 to £1,650k in 2013/14. A large element of which is due to the increased spend in 2012-13 on the OurSpace scheme.

Table 1 – Summary of Grant Expenditure 2012/13 & 2013/14

Grant Category	2012/13 (£'000)	2013/14 (£'000)	Change (£'000)
Patient Benefits	678	665	(13)
Staff Benefits	225	298	73
Research	101	63	(38)
Capital Contributions	1,551	623	(928)
Total	2,555	1,650	(905)

3. FINAL ACCOUNTS PROCESS

- 3.1 Following audit by the Charity's auditors, KPMG, we made a number of minor presentational adjustments to the accounts. KPMG's ISA 260 audit report is included in Appendix 4 and the main findings are as follows:
- KPMG expect to issue an unqualified audit opinion on receipt of our signed certificates.
 - There are no unadjusted audit differences which need to be reported. All of the adjustments were presentational in nature and were corrected.
 - No high or medium level recommendations have been made in KPMG's ISA 260 report.
- 3.2 The management responses to KPMG's ISA 260 report are shown overleaf.

Recommendation	Risk level	Management response / responsible officer / due date
<p>1</p> <p>The Charity should ensure that minutes for each Committee meeting are taken accurately, and distributed to members for review and approval in a timely manner afterwards.</p> <p>Charitable fund expenditure requiring approval by the Committee should only be undertaken once written confirmation has been recorded of approval.</p>	<p>2</p>	<p>Management response</p> <p>The Charitable Funds Committee will agree an appropriate timescale for the production and dissemination of the minutes of each meeting and monitor performance.</p> <p>A summary of the status of the applications considered at each meeting will be distributed promptly after each meeting, in advance of the full minutes, to mitigate against any delay in charitable expenditure.</p> <p>Approval will only be confirmed once this documented evidence has been received within the Charity Finance Team.</p> <p>Responsible Officers Director of Corporate and Legal Affairs Financial Controller</p> <p>Due Date November 2014</p>
<p>2</p> <p>The Charity should 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>2</p>	<p>Management response</p> <p>Agreed – this is being taken forward through our current funds restructure and subsequent production of detailed expenditure and fundraising plans and policies.</p> <p>Responsible Officers Financial Controller Head of Fundraising</p> <p>Due Date March 2015</p>
<p>3</p> <p>The Charity should ensure that the Charitable Funds Committee adheres to its Terms of Reference, and where issues arise these should be reported to the Trust Board. If the current Terms of Reference are deemed inappropriate then they should be updated to reflect new arrangements, whilst the Trust should look to appoint additional NEDs as members to ensure meetings are able to be held quorate.</p>	<p>2</p>	<p>Management response</p> <p>The Trust is currently reviewing the terms of reference for each of the Board sub-groups including the Charitable Funds Committee.</p> <p>This review will also consider the membership of each of these groups to ensure that they remain quorate at all times.</p> <p>Responsible Officers Director of Corporate and Legal Affairs</p> <p>Due Date March 2015</p>

4. FINAL ACCOUNTS PROCESS

- 4.1 The Final Accounts are being presented to the Trust Board for adoption.
- 4.2 On receipt of the final audit opinion, the final accounts and annual return will be submitted to the Charity Commission. The deadline for submission is the 31 January 2015. As in previous financial years, there is an additional requirement to submit a summary information return to the Charity Commission outlining key aspects of the Charity. The information provided in this return reflects particular items within the annual accounts and annual report.

5. LETTER OF REPRESENTATION

- 5.1 Appendix 3 contains the proposed Letter of Representation from KPMG and they do not require any specific representations.
- 5.2 A letter headed copy of this letter and copies of required certificates will be circulated separately at the meeting.

6. RECOMMENDATION

- 6.1 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 Annual Report for the year 2013-14, and**
 - **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 Interim Director of Financial Strategy 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*).

PAUL TRAYNOR
DIRECTOR OF FINANCE

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 market value. The financial statements have been prepared in accordance with *Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005)* issued in March 2005 and applicable UK Accounting Standards and the Charities Act 2011.

b) Apportionment charges

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 fundraising, charitable activities and governance costs.

c) Incoming resources

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

d) Incoming resources from legacies

Legacies are accounted for as incoming resources either upon receipt or where the receipt of the legacy is virtually certain. This will be once confirmation has been received from the representatives of the estate(s) that payment of the legacy will be made or property transferred and once all conditions attached to the legacy have been fulfilled and the amount of the incoming resources can be measured with sufficient reliability.

e) Incoming resources from endowments

Investment income received on the Capital In Perpetuity (CIP) general purpose endowment fund is receipted into the fund as unrestricted income.

f) 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.

g) 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

h) 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.

i) 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

j) 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.

k) 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.

l) 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.

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) Governance costs

Governance costs comprise all costs incurred in the governance of the Charity. These include costs related to statutory external audit and internal audit together with a proportion of finance management time associated with governance activities.

o) Fixed asset investments

Investments are stated at 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.

p) 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).

(q) 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	£770 million in 2013-14 (£759 million in 2012-13)
Surplus/deficit of connected organisation	£39.7 million deficit in 2013-14 (£91k surplus in 2012-13)

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 £1.65m (£2.56m in 2012-13) 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 £100k 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 trading activities

The Charity runs the staff lottery which is classed as a trading activity by the Charity Commission. Income from the staff lottery was £193k (£186k in 2012-13). In 2013-14, total prize money of £114k was paid out of this income.

Note 4 - Resources expended

The Statement of Financial Activities summarises expenditure between Charitable Activities, the costs of generating funds and costs of governance.

Note 4.1 - Costs of generating funds

	2013-14 £'000	2012-13 £'000
Fundraising team salaries	156	149
Staff lottery prizes	114	115
Appeals and events expenditure	13	22
Printing, stationery & marketing	6	6
Other miscellaneous costs	53	24
Total cost of generating funds	342	316

Note 4.2 - Analysis of 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 13-14 £'000	Total 12-13 £'000
Patient welfare and amenities	624	41	665	678
Staff welfare and amenities	280	18	298	225
Research	59	4	63	101
Capital contributions	585	38	623	1,551
Total grants	1,548	102	1,650	2,555

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.

Leicester Hospitals Charity

Notes to the Accounts

Note 4.3 - Analysis of support and overhead costs

The Charity apportions all its support and overhead costs to individual funds on a pro rata basis based on average quarterly fund balances. Specific amounts related to audit fees and salaries are allocated to governance and the residual amount is apportioned between the costs of generating voluntary income and charitable activities (grantmaking). Finance management salaries have been allocated based on the estimated time worked in each area. This is illustrated in the Table below:

	Allocated to Governance £'000	Residual Amount £'000	Basis of Apportionment
Audit fees	8	-	Governance
Insurance	6	-	Governance
Finance administration salaries	-	45	Proportionate to grants
Finance accounting & reporting system	-	-	Proportionate to grants
Finance management salaries (25%)	8	-	Governance
Finance management salaries (75%)	-	27	Proportionate to grants
Charity accommodation costs	-	18	Proportionate to grants
Finance - other	-	15	Proportionate to grants
Total support and overhead costs	22	105	

Note 4.4 - 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:

	2013-14 £'000	2012-13 £'000
Fundraising & appeals team	155	149
Finance accounting & administration team	82	70
Total staff costs	237	219

This can be further analysed as follows:

	2013-14 £'000	2012-13 £'000
Salaries	208	191
Pensions	16	12
National insurance contributions	13	16
Total staff costs	237	219

The average number of full time equivalent employees during the year was 5 (5 in 2012-13). No employee had emoluments in excess of £60,000 (0 in 2012-13).

Note 4.5 - Auditors remuneration

The External Auditor's remuneration of £7,704 (£7,704 in 2013-14) related solely to the audit of the Charity's accounts, with no additional work undertaken.

Note 4.6 - Grant returned to third parties

There were no grants returned to third parties in 2013-14 (£0 in 2012-13)

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.

Note 5.1 - Movement in fixed asset investments

	2013-14 £'000	2012-13 £'000
Market value at 1st April 2013	4,933	5,227
Add: additions to investment at cost	0	886
Less: disposals at carrying value	(209)	(1,613)
Add: net gain (loss) on revaluation	12	433
Market value as at 31st March 2014	4,736	4,933

Leicester Hospitals Charity

Notes to the Accounts

Note 5.2 - Analysis of investment portfolio

	Held in UK £'000	Held outside UK £'000	2013-14 Total £'000	2012-13 Total £'000
Investments listed in unit trusts	3,369	1,266	4,635	4,915
Cash held as part of investment portfolio	101	0	101	18
Market Value as at 31st March 2014	3,470	1,266	4,736	4,933

Note 5.3 - Investments

	Value £'000	% of portfolio
Equities		
<i>UK equities</i>		
Cazenove Equity Inc Trust for Charities	1,455	31%
Cazenove The Growth Trust for Charities Income Units	638	13%
<i>International equities</i>		
BNY Mellon FD Mngr Newton Asian INC INST INC	382	8%
M&G Investment Man Global Dividend I INC	460	10%
Total equities	2,935	62%
Bonds		
<i>UK Bonds</i>		
Schroder UK Corporate Bond Fund C Inc	457	10%
Cazenove The Income Trust for Charities Income Units	235	5%
<i>International Bonds</i>		
Schroder ISF Strategic Credit C Class GBP Inc	424	9%
Total Bonds	1,116	24%
<i>Portfolio Funds</i>		
Capita Finl Mngrs Trojan FD S Inc Nav	402	8%
<i>Property</i>		
Mayfair Capital In Prop Inc Trust for Charities	182	4%
<i>Cash</i>		
Total cash	101	2%
Total investments	4,736	100%

Note 5.4 - Analysis of gross income from investments

	Held in UK £'000	Held outside UK £'000	2013-14 Total £'000	2012-13 Total £'000
Income from investment managers portfolio	140	51	191	192
Other investments	3	0	3	2
Total investment income	143	51	194	194

Note 6 - Analysis of debtors

	2013-14 Total £'000	2012-13 Total £'000
<i>Amounts falling due within one year:</i>		
Accrued income	589	245
Debtors - recharges due from UHL NHS Trust	88	47
Other debtors	50	32
Total debtors falling due within one year	727	324
Total debtors falling due after more than one year	0	0
Total debtors	727	324

Leicester Hospitals Charity

Notes to the Accounts

Note 7 - Analysis of creditors

	2013-14 Total £'000	2012-13 Total £'000
<i>Amounts falling due within one year:</i>		
Accruals	-	1
Creditors - recharges due to UHL NHS Trust	159	133
Other creditors	225	42
Total creditors falling due within one year	384	176
Amounts falling due after more than one year	0	0
Total creditors	384	176

Note 8.1 Endowment funds

	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains and losses £'000	Balance at 31 March 2014 £'000	Balance at 1st April 2013 £'000
CIP general purpose	0	0	0	0	1,047	1,047
Endowment fund unrealised gains	0	0	0	1	50	48
Total endowment funds	0	0	0	1	1,097	1,095

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

	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains and losses £'000	Balance at 31 March 2014 £'000	Balance at 1st April 2013 £'000
<i>Restricted Funds</i>						
Pathology - Blood Bank	4	(7)			111	114
Medicine - Diabetes Research	9	(13)			71	75
Wellbeing At Work		(71)	48		48	71
Lord Mayor's Forget Me Not Appeal	2	(19)			52	69
UHL Staff Lottery	199	(124)	(48)		90	63
Cardio-Respiratory Patient Benefit	2	(49)			0	47
Foxtrot Walk	2	(6)			43	47
Diabetes Care - Roy Bates	2	(3)	(1)		43	45
Leicester Post Grad Medical Centre	1	(18)			25	42
Others (10 funds)	50	(26)	(22)	2	104	100
Total restricted funds	271	(336)	(23)	2	587	673
<i>Unrestricted Funds</i>						
General Purposes of Leicester Hospitals	598	(271)	(58)	2	878	607
Cardio Respiratory - Patient Benefit	128	(132)	(9)		191	204
Nursing - W.R.V.S	97	(89)			187	179
Haematology Dept - Patient Benefit	34	(55)			131	152
Oncology Dept - Patient Benefit	185	(125)	(11)		180	131
Oncology Dept - Research & Development	5	(39)			95	129
Renal - Research	5	(8)			126	129
Cancer Dept - Patient Benefit	7	(39)	(1)		93	126
Others (131 funds)	1,094	(924)	102	7	2,025	1,746
Total unrestricted funds	2,153	(1,682)	23	9	3,906	3,403

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

Name of fund	Description, nature and purpose of fund
Pathology - blood bank	To purchase equipment for the benefit of Pathology
Medicine Diabetes Research	To fund diabetes research.
UHL staff lottery	To provide additional resources for staff
Lord Mayors Forget Me Not Appeal	To fund expenditure related to the Charity's Dementia Appeal

Note 9 - Contingencies

The Charity does not have any contingencies to be included in the accounts for the financial year 2013-14 (2012-13 - Nil).

Note 10 - Commitments, liabilities and provisions

The Charity has the following commitments as at the 31st March 2014:

	2013-14 £'000	2012-13 £'000
Charitable projects	1,226	761
Total	1,226	761

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.

		2013-14 £'000
Movement within year	Opening value	761
	Arising in year	1,868
	Utilised in year	(1,308)
	Unused / reversed	(95)
Closing value		1,226

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 2013-14 (2012-13 - 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.

Leicester Hospitals Charity Annual Report 2014

Foreword from Richard Kilner, Acting Chairman, University Hospitals of Leicester NHS Trust.

Coming into hospital can be a daunting experience; whether you are a patient or a visitor, the sheer size and scale of our three hospitals can be a bit overwhelming. And your stay – short or long, planned or resulting from an emergency can often feel like an ordeal. One group of patients coming into hospital faces a particularly difficult time. Every year we deliver around 11,000 babies at two of our hospitals; of those 11,000 babies born, a small number – around 200 each year – are stillborn. For the mothers this is the worst possible outcome from carrying a pregnancy to full term, and is without doubt a stressful and traumatic time.

In 2013, as a result of a heartfelt letter from a husband whose wife had lost a child, two of our midwives came to the realisation that we could do more to help mothers in this desperate situation. They wanted to make their stay in hospital better, and more peaceful. In partnership with the Leicester Hospitals Charity team, they came up with a plan, and a fundraising appeal was launched in December – the Leicester Baby Loss Appeal. Within weeks, they had raised enough money to create a brand new suite of rooms at Leicester General Hospital, for the sole use of mothers going through the tragedy of giving birth to a stillborn baby. The Garden Room was officially opened in June, and has been in use ever since. The appeal has been so successful (and there are a lot of people to thank – more of that later in this report) that two other ante-natal rooms were refurbished, and we have plans to renovate the equivalent rooms at the Leicester Royal Infirmary in the summer and autumn of 2014.

What struck me about this project was that we clearly have outstanding midwives, and staff who care deeply about the care they give to patients. But without the support of Leicester Hospitals Charity playing a key part in turning their plans into reality, we would struggle to achieve some of the things we do. It is the Charity's role in harnessing the huge generosity of the people of Leicester, Leicestershire and Rutland, that enables them to have an impact far beyond their size. Every time we are able to refurbish a room, buy a new piece of equipment, or send staff on additional training courses, it is our patients and visitors who ultimately benefit. This report looks at some of the work of the Charity over the past year. We examine just what impact it has had and how that has benefitted our patients, visitors and staff.

As Acting Chairman of the University Hospitals of Leicester NHS Trust, I have gained a unique insight into the dedication and commitment of all our staff in caring for our patients, and as a regular attendee at Leicester Hospitals Charity events, I am always struck by the generosity of patients, and their families and friends in supporting the work of the Charity, which in turn supports the patients we care for. On behalf of the Trust, it is my pleasure to thank everyone who has supported

Leicester Hospitals Charity over the past year. UHL acts as Corporate Trustee for the charity, and I am delighted, as Chairman, to present the Charitable Funds Annual Report for the year ended 31st March 2014.

These annual reports and accounts have been prepared by the Corporate Trustee in accordance with the Charities Act 2011. The Charity's report and accounts include all the separately established funds which benefit staff, patients and their carers; and the communities served by Leicester Hospitals Charity.

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 objectives 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 2014

During 2013-14 the Charity continued to support a wide range of charitable and health-related activities for the benefit of patients, their carers, and staff.

The Charity's funds were used to purchase goods and services that provide additional benefits to patients and staff over and above that provided by the Trust itself.

In 2013-14 the Charity received the following income:

- £830k of donations (2012-13: £563k);
- £957k of legacies (2012-13: £385k);
- £442k of fundraising income (2012-13: £978k); and
- £194k of investment income (2012-13: £194k).

We contributed £1,649k to the Trust for the benefit of its patients, visitors and staff (2012-13: £2,556k).

Leicester Baby Loss Appeal

In 2013, the Charity launched the Leicester Baby Loss Appeal, to provide a bespoke suite of rooms at the Leicester General Hospital's maternity unit for mothers experiencing pregnancy loss at full term. Thanks to support from Next plc. a significant gift from an anonymous donor, and a grant from the Department of Health's Improving Maternity care settings grant programme, we were able to refurbish two ante and post-natal rooms in addition to the new unit. We also have a refurbishment plan for the bereavement rooms at the LRI, which will be completed in the autumn of 2014, thanks to the generosity of all who supported, and continue to support, the appeal.

Making a difference to the public

Charitable Funds have been used to fund equipment and refurbishments which will have a significant impact on the patients we treat. For example:

- An ultrasound machine to support respiratory patients at the Glenfield
- Scalp cooling treatment for cancer patients was provided by a deed of gift
- Televisions for the benefit of patients using the haemodialysis unit at the Leicester General Hospital
- Parent accommodation next to the Children's Intensive Care unit at the Leicester Royal Infirmary

As well as one-off purchases of equipment, and refurbishment projects, the Charity funds a number of initiatives to benefit staff and patients. The following posts continue to be funded by the Charity:

- A Time for a Treat Co-ordinator;
- A meaningful activities Co-ordinator, working with patients with dementia; and
- A Volunteer Services Placement and Project Officer

The following activities were funded by the Charity in 2013-14:

- The 2013 festive meal;
- The Caring At Its Best staff Awards ceremony
- The on-going funding of retirement gifts

The Charity has also funded training and research projects during the year.

How we have raised the funds

Thanks to tremendous support from many donors, the Charity has had a significant impact on patient environment. Several key areas across the Trust have been given a "facelift" with the use of colour, design and bespoke furniture. We have formed a good working relationship with Grosvenor Interiors who have created quality branding and themes we are proud of.

These include a brand new **day room for Haematology patients** on ward 41 in the Osborne Building LRI which was mainly funded by the Solanki family in memory of their late son Alpeesh who was treated for sickle cell disease all of his life in Leicester. The Osborne Day Ward is now much brighter and more welcoming with new wall art, blinds and chairs for regular day patients and in-patients funded by many kind benefactors who use the service. **Three parent waiting rooms**, which double up for overnight stays have been completely re-designed near the **Children's Intensive Care Unit** in Balmoral with the help of a £30,000 donation from the charity **Heartlink**. They are making a huge difference to parents at such a worrying time. The additional £4,000 that was needed to make them complete was contributed by several families with poorly children.

Members of Scraftoft Golf Club and Hinckley Golf Club excelled themselves by raising over £17,000 towards **patient environments in wards 39 and 40** in the Osborne Building. This work is on-going.

Several cherished donors have been working with us to improve the **Chemotherapy Suite**, providing new electronic therapy chairs for patients who need to stay seated for long periods of time during their treatment. Fundraisers include Sally & Pater Anderson of GEMS Charity, Cancer patient Paula Harrison, Widow Jayne Smith and patient Philip Read. We are very grateful for all their hard work and generosity.

We held the biennial **Foxtrot walk** for orthopaedic patients at Ratcliffe College on Sunday 16th June to raise funds for an **Instron Machine** to aid research into hip and knee replacements. We raised over £23,000 after costs, thanks to the hundreds of people who sent gifts and/or took part in the walk.

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. Thanks to one substantial legacy received in 2013, we were able to provide the Breast Care Centre at the Glenfield General Hospital with a new ultrasound scanner.

Ongoing appeals

We continue to work with the renal team in managing the Kidney Care Appeal and the orthopaedic team in managing the Foxtrot sponsored walk. The Our Space Appeal, although it has achieved its target, continues to benefit children and young people with cancer. Donations enable the staff at Ward 27 to fund activities for the young people during their often lengthy stays in hospital.

The Lord Mayor's Stroke Appeal concluded in May 2013. This exceeded its target, raising £98,353 in total (£35,544 in 2013/14). The funds were used to invest in equipment and training at all stages of treatment, diagnosis and rehabilitation. One particular piece of equipment was the stroboscope. This allows clinicians to assess a patient's ability to swallow – often compromised following a stroke. This helps assess what type of nutrition the patient can handle, and enables the staff to provide a better tailored treatment regime in the early stages of recovery from stroke.

Staff Lottery & wellbeing at work

We continue to manage the UHL staff lottery, including marketing and promotion to new and existing staff. The lottery's turnover has increased over the past few years and now stands at £193k (£186k in 2012-13). The lottery funds the Wellbeing at Work programme, which offers discounted and free activities and therapies to members of staff to help them achieve a healthier lifestyle.

The Charity's Five Year plan

In 2013 we launched the Charity's five year fundraising plan – to increase the overall funds available to support UHL in delivering its five year plan. One of the first activities we tackled was developing a fundraising plan around promoting and securing legacies. We will maintain a soft promotion around legacies through including it in as many communications channels as possible (for example on email footers; in fundraising leaflets; on the website). We have also begun surveys of donors and hospital supporters to establish what interest there is in supporting the Charity through legacy bequests in the future.

In order to increase income to the Charity over time, we embarked on recruitment of external support to assist with funding bids to companies and grant-making trusts. In 2014, we move to new offices, and will be recruiting new members of staff to the fundraising and finance teams, to enable us to handle the increased workload that will come with supporting more appeals and projects at any one time.

The Fundraising strategy will remain focused on three key elements:

- Use of existing funds (leverage)
- Building and maintaining relationships with funding partners
- Creating and managing our own fundraising appeals; using those appeals to strengthen, develop and increase the size and scope of the fundraising team and the number of donors we can engage with.

Consideration will be given to developing new income streams from new activities, or activities carried out in a different way, to allow more people to become involved.

Marketing and Communications

During 2013-14, the Charity renewed all its signage across the three sites. We are undergoing a review of all published material – leaflets, posters etc. to ensure a thematic consistency in the updated material.

We have also noticed an increase in the use of social media by our supporters. We are developing our response to this to ensure we make use of social media channels to encourage fundraisers and promote the work of the Charity.

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:

Name	Title
R Kilner	Non-Executive Director / Acting Chairman (from October 2013)
M Hindle	Chairman (until September 2013)
J Adler	Chief Executive
A Seddon	Director of Finance and Procurement
R Mitchell	Chief Operating Officer (from July 2013)
S Hinchliffe	Chief Operating Officer / Director of Nursing (until June 2013)
R Overfield	Chief Nurse (from Sept 2013)
K Harris	Acting Medical Director
K Bradley	Director of Human Resources
Professor D Wynford-Thomas	Non-Executive Director
I Reid	Non-Executive Director
D Tracy	Non-Executive Director
J E Wilson	Non-Executive Director
K Jenkins	Non-Executive Director
P Panchal	Non-Executive Director

The above members of the Trust Board have complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Commission.

Maintaining a healthy balance sheet

The assets and liabilities of the Charity as at 31 March 2013 are stated below, compared with the position at 31 March 2012.

	Total Funds 2013-14 £000	Total Funds 2012-13 £000
Fixed Asset Investments	4,736	4,933
Net Current Assets	854	238
Total Net Assets	5,590	5,171
Funds of the Charity		
Endowment Funds	1,097	1,095
Restricted Funds	587	673
Unrestricted Funds	3,906	3,403
Total Funds of the Charity	5,590	5,171

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

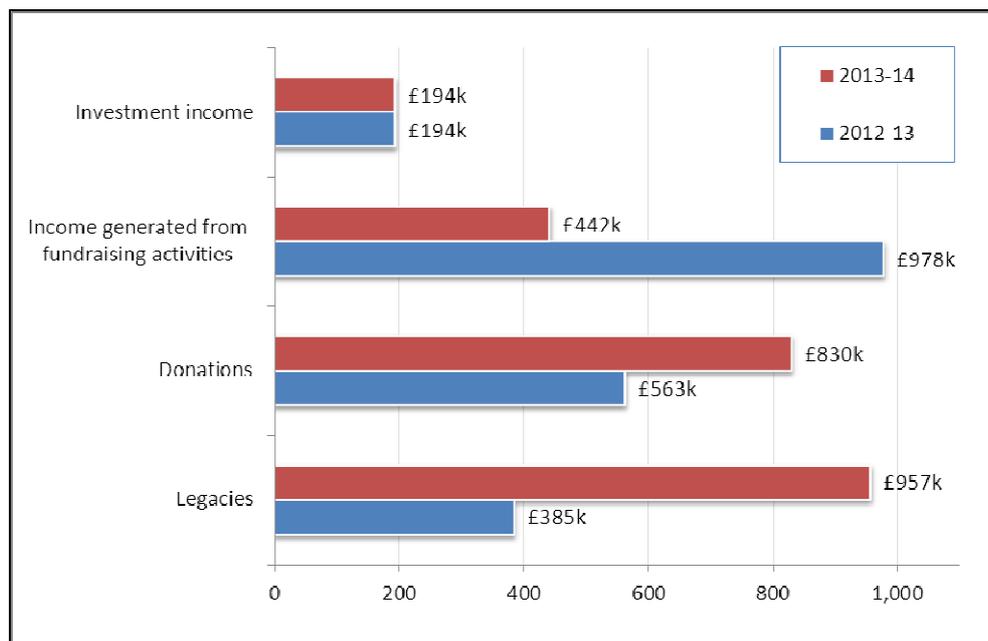
Incoming resources increased from £2,120k in 2012-13 to £2,423k in 2013-14 to. Fundraising income decreased by £536k primarily due to the large OurSpace appeal during 2012-13 for which there has not been a scheme of similar scale in 2013-14. Legacy income has increased by £572k mainly due to the notification of several large legacies around the year end.

Total resources expended have decreased from £2,896k in 2012-13 to £2,017k in 2013-14 mainly due to a decrease in charitable activities of £906k, a large element of which is due to the increased spend in 2012-13 on the OurSpace scheme.

The Charity generated a £419k surplus on the Statement of Financial Activities, with an excess of expenditure compared to income of £406k and an investment gain of £13k.

Although the Charity understands the importance of maintaining a healthy balance sheet and an adequate level of funds it does not plan to generate a surplus each year. The Charity's view is that where there is an excess of available funds over the minimum required level then these funds should be utilised. In some years it is appropriate for spending to exceed income, particularly where a large scheme is being funded following a fundraising campaign.

Income was received from the following sources:

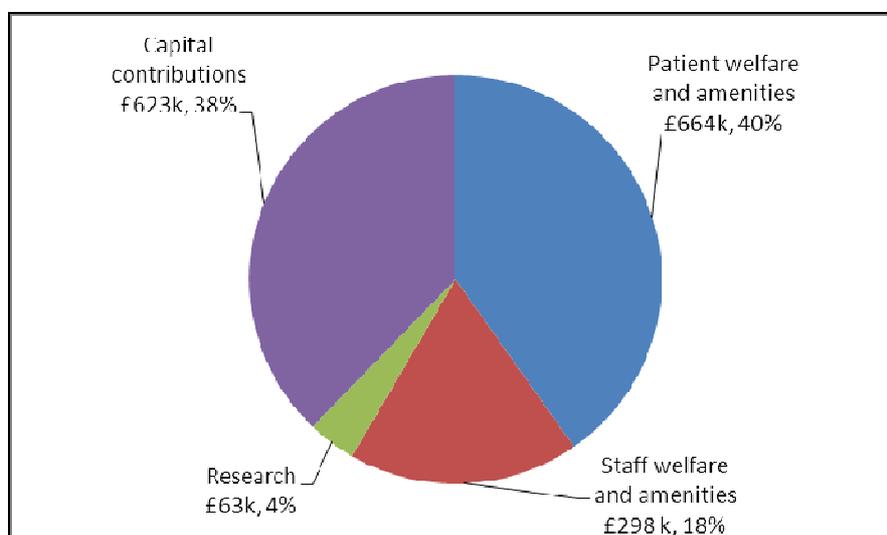


Voluntary income most notably included legacies of £173k and £110k; and a further nine legacies between £50k and £100k. Donations from the WRVS totalled £88k in the year. A further £47k was raised through the gift aid scheme. A total of £194k was raised through fundraising schemes.

During the year, the total return, including dividends and interest, was £194k (2012-13: £194k). The Charity also benefited from investment gains of £13k (gain of £432k in 2012-13) 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 2013-14 financial year, the Charity expended £1,648k in grants as shown below:



Grants to provide benefits to patients

The Charity spent £623k (2012-13: £636k) on grants to benefit patients, including:

- Purchases of Equipment to Supplement Wards and Departments £199k
- Furnishings of Patient Areas £261k

Grants to provide benefits to staff

The Charity spent £279k (2012-13: £217k) on grants with a purpose to provide benefits to the Trust's staff, including:

- UK and Overseas Course Fees, Study Leave and Travel £44k
- Social Activities £32k
- Furnishing Improvements to Staff Areas £52k
- Prize giving £23k
- Wellbeing at work (including other miscellaneous expenditure) £69k

Capital projects for donation to the NHS Trust

The Charity spent £585k on grants with a purpose to provide benefits to the Trust's patients and staff through capital expenditure, including:

- Construction works £245k
- Medical and dental equipment £320k
- Computer and other equipment £19k

Grants awarded for research projects

The Charity has a number of research funds and during the year £59k was spent on research related activities. The majority of this expense (£26k) related to the purchase of equipment for use in research activities.

Risk management

The Charity has identified no new material risks during 2013-14, 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. New investment managers have been appointed in the year and they act in accordance with the Charity's investment strategy.

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 dependant 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 £25,000 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. A report is presented to the next meeting of the Committee which details these approvals.

Applications involving proposed expenditure of £25,000 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 1st April 2014 is as follows:

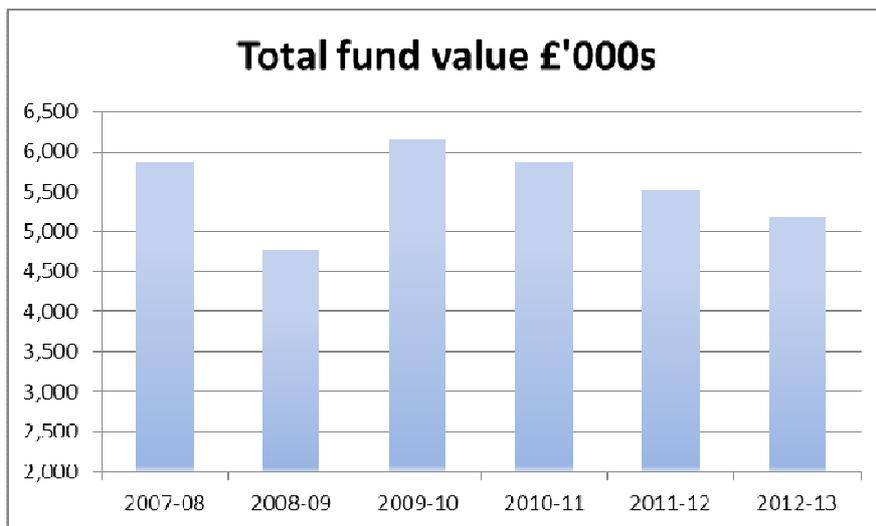
Breakdown of reserves	£'000
Total funds	5,291
less restricted funds	(509)
less endowments	(1,107)
less committed funds	(1,257)
Freely available reserves	2,418

The Charity's income and expenditure from 2008-09 to 2012-13 is shown in the table below.

Year	Income	Expenditure	Net Movement in funds	Movement as a % of total funds
	£'000	£'000	£'000	%
2012-13	2,120	2,895	-775	-15%
2011-12	2,126	2,395	-269	-5%
2010-11	1,651	2,092	-441	-8%
2009-10	1,564	1,687	-123	-2%
2008-09	2,144	1,953	191	4%

The largest movement in funds (as a percentage of total fund balances) occurred in 2012-13 and this was primarily due to the successful OurSpace appeal. 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 (£283k) 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 six years.



Fund balances dipped in 2008-09 due to losses on investments. Since the recovery in value of these investments in 2009-10 the total value of funds has been steadily decreasing, although the total fund value for 2013-14 has increased to £5,590k.

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 (%)	Proportion as at 31/03/14 (%)	Proportion as at 31/03/13 (%)
Equities (UK/Overseas)	30 to 60	62.1	61.8
Fixed interest	15 to 35	23.5	25.3
Absolute return	0 to 10	8.4	8.7
Property	0 to 20	3.9	3.8
Cash	Balance	2.1	0.4

The slight increase of UK equities above the permissible range is due to fluctuations in the market value of these and other investments which can impact on the proportion of total investments represented by equities.

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.

The Charity does not wish to invest in companies whose principal activities are tobacco related. The Charity accepts that the investment in common investment funds (and similar products) may give the Charity 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
Charity Address	Trust Headquarters Level 3, Balmoral Building Leicester Royal Infirmary Infirmary Square, LE1 5WW
Registered Number	1056804
Charity Staff	Tim Diggle (Head of Fundraising) Debbie Adlerstein (Community and Events Fundraising Manager) Marie Hough (Fundraising Administrator) Maxine Walmsley (Fundraising Events Assistant) Nick Sone (Charity Finance Lead) Julie Woolley (Charity Finance Manager) Mandy Tuddenham (Charitable Funds Assistant)
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 Trust Headquarters 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.



cutting through complexity

Leicester Hospitals Charity **(Discussion Draft)**

Audit highlights memorandum and management letter for the year
ended 31 March 2014

October 2014

The contacts at KPMG in connection with this report are:

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This report is addressed to University Hospitals of Leicester NHS Trust as the Corporate Trustee of Leicester Hospitals Charity, and has been prepared for the use of the Trustee only. We accept no responsibility towards any member of staff acting on their own, or to any third parties.

External auditors do not act as a substitute for the Trustee own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that charitable money is safeguarded and properly accounted for, and used in line with the intentions of the donors.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jonathan Brown who is the engagement partner to the Charity, telephone 0117 905 4362 or email jonathan.brown@kpmg.co.uk who will try to resolve your complaint.

Please note that that this report is confidential between the Trustees and this firm. Any disclosure of this report beyond what is permitted above will prejudice this firm's commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If the Trustees receive a request for disclosure of this report under the Freedom of Information Act 2000, having regard to these actionable disclosure restrictions you must let us know and you must not make a disclosure in response to any such request without our prior written consent.

Background

The overall objective of the fund is “achieve benefit for the public in all of its activities.”

During the year the funds continued to support a wide range of charitable and health related activities benefiting both patients and staff. In general these funds are used to purchase additional goods and or services that the NHS is unable to provide.

The net assets of the Charity as at 31 March 2014 were £5.590 million (an overall increase of £419k on the prior year). The key factor in this rise is an increase of £869k in the level of donations and legacies upon which the Charity is dependent. Of the total resources expended of £2.017 million (2012/13: £2.896 million) charitable expenditure on direct charitable activity for the public benefit, excluding governance costs, was £1.995 million.

Audit conclusions

- | | |
|---|---|
| ✓ | <ul style="list-style-type: none"> ■ An unqualified audit opinion is proposed on the financial statements. |
|---|---|

Accounting matters

- | | |
|---|---|
| ✓ | <ul style="list-style-type: none"> ■ We have identified a number of audit differences, which are explained in more detail in Appendix 1. ■ We identified a small number of presentational issues during our audit and management have adjusted for all of these matters. ■ Accounting policies appropriate for the annual report and the financial statements are in accordance with disclosure requirements of relevant charities legislation, UK GAAP and the Statement of Recommended Practice. |
|---|---|

Auditing matters

- | | |
|---|---|
| ✓ | <ul style="list-style-type: none"> ■ We have completed the audit subject to receipt of the signed management representations letter. ■ No significant audit issues arose during the course of our audit of the Charity. ■ We have raised three medium recommendations to improve the control environment of Leicester Hospitals Charity. These relate to recording of Committee approval for expenditure, the setting of a medium term strategy for use of accumulated fund balances, and adherence to the Terms of reference of the Charitable Fund Committee in respect of meeting dates and attendance. |
|---|---|

Regulatory and tax matters

- | | |
|---|--|
| ✓ | <ul style="list-style-type: none"> ■ No significant regulatory or tax matters came to our attention during the course of our normal audit work. |
|---|--|

The purpose of this document is to set out certain matters which came to our attention during the course of our audit of the accounts of Leicester Hospitals Charity (the Charity) for the year ended 31 March 2014.

The purpose of our audit

The main purpose of our audit, carried out in accordance with the Clarified International Auditing Standards issued by the Auditing Practices Board, is to issue a report to the Trustee of Leicester Hospitals Charity. This expresses in our opinion, whether the Charity financial statements:

- **give a true and fair view**, in accordance with UK Generally Accepted Accounting Practice, of the state of the Charity's affairs as at 31 March 2014 and of its incoming resources and application of resources for the year then ended; and
- **have been properly prepared** in accordance with the SORP 2005.

Our audit objectives

Our audit objectives go beyond the delivery of the statutory requirements of audit (the provision of an opinion) and reflect our desire to meet and exceed the Charity's expectations. Our audit objectives are to:

- deliver a high quality, efficient audit, focusing on key issues and risks, with an appreciation of operational sensitivities and of the overall environment in which the Charity operates;
- provide added value commentary on current issues, control recommendations and accounting and regulatory developments in our management reporting; and
- report effectively within agreed timescales.

In delivering these objectives, we worked closely with finance staff to ensure that our work was undertaken with the minimum of disruption to the Trust.

Acknowledgements

- We would like to take this opportunity to thank the Charitable Funds accountant and finance team for their co-operation and assistance with our audit.

We set out below details of the required communications to the Trustee:

Disagreement with management	There have been no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the financial statements.
Consultation with other accountants	To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement 1.213 of the Institute of Chartered Accountants in England and Wales Guide of Professional Ethics.
Difficulties encountered in performing the audit	We encountered no difficulties in dealing with management in performing the audit.
Material written communications	In accordance with the communication requirements of Clarified International Standard on Auditing (UK and Ireland) 260, we provide the following material written communications to the Trustee: <ul style="list-style-type: none"> ■ Report to the Charitable Fund Committee – this is the main body of this report; and ■ KPMG Independence communication (appendix 6).

Audit status and observations

There were no material unadjusted misstatements identified as part of our audit work.

Management Representations	In accordance with Clarified ISA 580 <i>Written representations</i> , we will request written representations from those charged with governance.
Audit misstatements	Under the requirements of Clarified ISA 260 <i>Communication of audit matters with those charged with governance</i> , we are required to report any adjusted audit misstatements and any unadjusted misstatements above our posting threshold which have arisen from our work. There are no material unadjusted misstatements.

Management Report

Our objective is to use our knowledge of the Charity gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form the above audit opinions on the annual financial statements of Leicester Hospitals Charity and should not be relied upon to disclose errors or irregularities which are not material in relation to those financial statements.

Trust Charities

Our audit work on the financial statements is now substantially complete and we plan to issue an unqualified audit opinion for the year ended 31 March 2014 (based on our position at the date of this report), following our receipt of the management representations letter.

There were no significant issues identified during our audit as reported in this document in appendix 2.

Summary of audit differences

We are required by ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to the Charitable Fund Committee. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to the Charitable Fund Committee to assist it in fulfilling its governance responsibilities.

This appendix sets out the audit differences that we identified following the completion of our audit for the year ended 31 March 2014.

Unadjusted audit differences

We are pleased to report that there were no unadjusted audit differences.

Adjusted audit differences

Detailed below are the material audit differences which have been identified during the course of our work which have been corrected by management in the financial statements.

Issue	Balance Sheet (£'000)		Statement of Financial Activities (£'000)	
	Dr	Cr	Dr	Cr
Unrestricted funds which have been transferred from restricted to unrestricted in the year relate to 2014/15	23	23	-	-

Presentational Issues

We identified a number of minor presentational issues during our audit and these have all been amended by the Charity.

Other Matters

There are no additional matters to report.

This appendix summarises the recommendations that we have identified from our work. We have given each of our recommendations a risk rating (as explained below) and agreed with management what action you will need to take.

Priority rating for recommendations		
<p>1 <i>Priority one:</i> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 <i>Priority two:</i> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 <i>Priority three:</i> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

#	Risk	Recommendation	Management Response/Responsible Officer/Due Date
1	2	<p>Approval of use of funds</p> <p>As part of our sample testing of expenditure, we identified a case of funds seemingly being expended without proper approval by the Charitable Fund Committee.</p> <p>In testing for approval of this expenditure, minutes of the relevant the Charitable Fund Committee noted this had not been approved, however further investigation confirmed this had been approved by the Committee and the minutes recorded incorrectly.</p> <p>Based on their presence in the meeting, the Head of Fundraising had made the purchase as a result of the verbal approval, but prior to minutes being circulated to confirm this approval in writing.</p> <p>We were able to confirm that for the remaining approvals for the year, all funds had been approved prior to use.</p> <p>Recommendation</p> <p>The Charity should ensure that minutes for each Committee meeting are taken accurately, and distributed to members for review and approval in a timely manner afterwards. Charitable fund expenditure requiring approval by the Committee should only be undertaken once written confirmation has been recorded of approval.</p>	

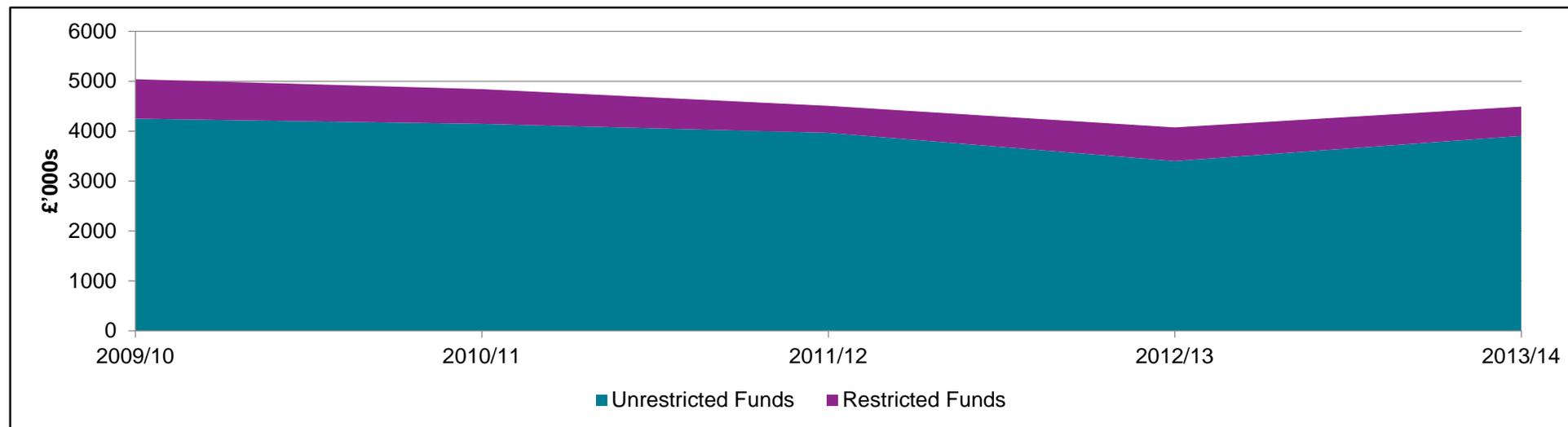
#	Risk	Recommendation	Management Response/Responsible Officer/Due Date
2	2	<p>Medium Term Strategy</p> <p>Leicester Hospitals Charity has held an average of £4.6 million in funds for the last five years (see appendix 3). Currently there is no medium term strategy to utilise these reserves, and generally 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.</p> <p>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</p> <p>The Charity should 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>	
3	2	<p>Charitable Fund Committee Terms of Reference</p> <p>Per the terms of reference for the Charitable Fund Committee, meetings should be held bi-monthly and a quorum for the transaction of business meetings of the Committee shall be three voting members, one of which is required to be a Non-Executive Director (NED).</p> <p>In the 2013/14 financial year, there were three committees held (17 May 2013, 13 September 2013 and 3 February 2014), and therefore the Committee did not adhere to its terms of reference.</p> <p>Whilst these meetings were quorate (with one NED was present at each meeting as well as the Director of Corporate and Legal Affairs, the Financial Accountant and Deputy Director of Finance/Financial Controller) it is understood the cancelled meetings were due to the unavailability of NEDS.</p> <p>Recommendation</p> <p>The Charity should ensure that the Charitable Fund Committee adheres to its Terms of Reference, and where issues arise these should be reported to the Trust Board. If the current Terms of Reference are deemed inappropriate then they should be updated to reflect new arrangements, whilst the Trust should look to appoint additional NEDs as members to ensure meetings are able to be held quorate.</p>	

Fund movements over the past five years

This table shows the total funds for the Charitable Fund for the past five years (at year end), which is in a graph on the next slide.

Year	Unrestricted Funds			Restricted Funds			Combined
	Incoming Resources* (£'000s)	Resources Expended* (£'000s)	Balance at Y/E (£'000s)	Incoming Resources* (£'000s)	Resources Expended* (£'000s)	Balance at Y/E (£'000s)	Balance at Y/E (£'000s)
2009/10	2,456	(1,421)	4,251	466	(282)	790	5,041
2010/11	1,517	(1,670)	4,147	357	(451)	696	4,843
2011/12	1,841	(2,020)	3,968	296	(451)	540	4,508
2012/13	2,115	(2,681)	3,403	393	(258)	673	4,076
2013/14	2,186	(1,681)	3,906	272	(361)	587	4,493

*The Transfers and Gains and Losses have been included in the relevant Incoming Resources and Resources Expended column to accurately show the year on year movements.



New UK GAAP

In March 2013, the Financial Reporting Council (FRC) issued FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. This is the main part of the new UK GAAP regime and follows the issue in November 2012 of FRS 100 (overview of the framework) and FRS 101 (reduced disclosure framework that is not applicable to charities).

Charities will apply FRS 102, or, if eligible the FRSSSE. They are not allowed to apply EU-IFRS or FRS 101. FRS 102 is based on the IFRS for Small and Medium Sized Enterprises (IFRS for SMEs) although amendments were made specifically for the UK market. There is a reduced disclosure framework under FRS 102 which, if certain criteria are met, exempts a charity's subsidiaries from preparing a cash flow statement, and certain other disclosures. The current draft of the Charity SORP Exposure Draft does not allow charitable subsidiaries to adopt this reduced disclosure framework.

New UK GAAP is applicable for accounting periods beginning on or after 1 January 2015. This will require a transition balance sheet for Leicester Hospitals Charity to be prepared as at 1 April 2014. Early adoption is permitted for periods ending on or after 31 December 2012 once the Charities SORP has been issued.

Accounting regime	Applicable to:	Example:
FRS 102	<ul style="list-style-type: none"> Large and medium sized entities 	<ul style="list-style-type: none"> Large and medium private companies Larger charities
FRS 102 with reduced disclosures	<ul style="list-style-type: none"> Individual accounts of qualifying parent and subsidiary entities* 	<ul style="list-style-type: none"> Parent company and subsidiaries in a group Company subsidiaries in a charitable group
FRSSE	<ul style="list-style-type: none"> Eligible small entities 	<ul style="list-style-type: none"> Small** private companies Small** charities

* A qualifying parent or subsidiary is a member of a group that prepares publicly available financial statements intended to give a true and fair view, in which it is consolidated. Fewer exemptions are available for financial institutions.

** As defined by company law

FRS 102 GAAP differences

Differences between FRS 102 and current UK GAAP that may impact charities include:

Selected GAAP differences			
	Current UK GAAP	FRS 102	EU-IFRS*
Defined benefit pension plans	<ul style="list-style-type: none"> Multi-employer plans (including group) off balance sheet in individual accounts Expected return on assets reflects returns expected on assets held 	<ul style="list-style-type: none"> Group plans must be on at least one balance sheet. For non-group multi-employer plans, provision is made for agreed deficit funding One net interest charge/credit based on net balance sheet asset/liability i.e., return on asset element calculated using liability discount rate 	<ul style="list-style-type: none"> Group plans must be on at least one balance sheet. For non-group multi-employer plans, provision is made for agreed deficit funding One net interest charge/credit based on net balance sheet asset/liability i.e., return on asset element calculated using liability discount rate (for periods commencing 1 January 2013)
Goodwill	<ul style="list-style-type: none"> Rebuttable presumption that amortised over maximum life of 20 years Intangibles generally subsumed within goodwill 	<ul style="list-style-type: none"> Amortised over a presumed life of five years unless has longer life Intangibles recognised separately 	<ul style="list-style-type: none"> No amortisation, but reviewed annually for impairment Intangibles recognised separately
Derivatives	<ul style="list-style-type: none"> Generally off balance sheet (non-FRS 26) 	<ul style="list-style-type: none"> On balance sheet 	<ul style="list-style-type: none"> On balance sheet
Intercompany payables and receivables	<ul style="list-style-type: none"> Recognised at face value (non-FRS 26) 	<ul style="list-style-type: none"> Recognised at fair value If the loan is for a fixed term and not at a commercial rate then fair value will not equal face value. 	<ul style="list-style-type: none"> Recognised at fair value If the loan is for a fixed term and not at a commercial rate then fair value will not equal face value.
Borrowing / Development costs	<ul style="list-style-type: none"> May capitalise when criteria met 	<ul style="list-style-type: none"> May capitalise when criteria met 	<ul style="list-style-type: none"> Must capitalise when criteria met

* Under company and charity law a charity cannot apply EU-IFRS. The accounting treatment is given here for completeness.

FRS 102 Public benefit entity requirements

Under FRS 102 charities are public benefit entities (PBEs) and therefore follow the PBE requirements given for:

- Property held for the provision of social benefits
- Funding commitments
- Concessionary loans – loans between a PBE and a third party at below market rate that are not repayable on demand
- Incoming resources from non-exchange transactions – donated goods & services
- Public benefit entity combinations – combinations that are in substance a gift, or are a merger

Statement Of Recommended Practice (SORP)

In July 2014, the SORP Committee issued the new Charity SORPs to reflect the new UK accounting framework and to provide guidance on the application of FRS 102. The new SORPs provide a comprehensive framework for charity accounting that all charities that prepare accrual accounts must follow. The new SORPs apply to financial years beginning on or after 1 January 2015. The new SORPs were needed due to changes in UK accounting following the new Financial Reporting Standard (FRS102) that was issued by the Financial Reporting Council in March 2013. In their joint role as the SORP-making body for UK charities, the regulators have been working closely with the sector-based SORP committee to write the new SORPs, which included a public consultation held from July to November 2013.

Responding to sector feedback the new framework provides a SORP to support each of the accounting standards from which charities can choose, depending on their size. Broadly speaking, in order to use the FRSSE, charities must meet two out of three of the following criteria: an annual income of less than £6.5million; total assets of less than £3.26million; or fewer than 50 employees. FRS 102 may be followed by any charity. Charities following FRS 102 are often required to provide more information in the notes to the accounts and must provide a Statement of Cash-flows irrespective of their level of income.

It is essential for a charity to make the correct choice before [downloading](#), [customising](#) or [selecting](#) SORP modules. Although the two SORPs have the same structure and order of modules, the requirements differ significantly due to underlying differences in terminology, accounting policies and disclosures required by the FRSSE and FRS 102. The FRSSE SORP and FRS 102 SORP share the same requirements for the form and contents of the trustees' annual report, fund accounting and common formats for the balance sheet, however there are many areas of difference including a different treatment for realised and unrealised gains and losses on investments in the statement of financial activities.

The new SORPs can be viewed on the SORP microsite <http://www.charitycorp.org/> along with a help sheet <http://www.charitycorp.org/about-the-sorp/helpsheets/> to assist charities in making their decision about which accounting framework to follow.

SORP Exposure Draft – summary of key changes from current SORP (2005)

Summary of key differences	
	New SORP
Trustees' Report	<ul style="list-style-type: none"> ■ Risk management - expanded for larger charities to include an explanation of the principal risks and uncertainties faced by the charity and how these risks are managed. ■ Achievements and performance – the trustees must provide a balanced picture and should identify the effect or impact of results on beneficiaries and wider society. ■ Going concern – nature of any uncertainties must be explained. ■ Reserves policy – the trustees must disclose if there is no reserves policy and give reasons for this. ■ Pension liability – disclose the impact of any material pension liability. ■ Trustee names – the concession allowing only 50 trustee names to be given has been removed so that now all trustee names must be reported.
SoFA	<ul style="list-style-type: none"> ■ The number of headings within the SoFA has been reduced and a “plain English” style adopted to describe the nature of the income or expenditure included within each heading of the SoFA. ■ The treatment of investment gains and losses has changed to reflect FRS 102 requirements. These will be recognised within the “Income and Expenditure” part of the SoFA instead of the “STRGL” part where they currently sit.
Income recognition	<ul style="list-style-type: none"> ■ Income is recognised when it is probable (previously virtually certain). The SORP ED includes guidance as to when legacies are recognised (on probate). ■ Income from pledges is recognised when it is probable and can be measured. ■ Income from goods donated for sale or distribution is recognised at time of receipt at fair value where practicable. Otherwise it is recognised as income when the goods are sold or distributed.
Cash flow statement	<ul style="list-style-type: none"> ■ The statement of cash flows required by FRS 102 is different to the current format. The new SORP gives more guidance than the current SORP with examples of cash flows that fall within the mandatory headings.
Trustee and management remuneration	<ul style="list-style-type: none"> ■ More guidance is given for where a trustee has a dual role as a trustee and employee. ■ Must disclose the total amount paid to key management personnel and any benefits paid to trustees on an individual basis.

Strategic Report

The Charity Commission and the Office of the Scottish Charity Regulatory (OSCR), which together make up the joint SORP making body, have published guidance to help trustees of large & medium company charities comply with new reporting requirements.

The joint SORP making body recommends that these company charities restructure their Trustees' Annual Report to allow the information required in a Strategic Report to be presented as a separate section of the Trustees' Annual Report to meet both the SORP 2005 requirements and the new provisions of the Companies Act 2006 introduced by the (Strategic Report and Director's Report) Regulations 2013. This avoids the need to duplicate information in both reports.

The joint SORP making body suggests that the Trustees' Annual Report may be structured as follows (although the SORP does not require the information to be presented in a specified order):-

Reference and Administrative details of the Charity, its Trustees and Advisors**Structure, Governance and Management****Objectives and Activities****Strategic Report which includes:**

Achievements and Performance

Financial Review

Plans for Future Periods

Principal Risks and Uncertainties

Funds held as Custodian Trustees on Behalf of Others

In approving the Trustees' Annual Report, the trustees must include a clear statement that they are also approving the Strategic Report in their capacity as company directors.

Auto-enrolment

All charities must “auto-enrol” eligible jobholders into either:

- a) National Employment Savings Trust (“NEST”); or
- b) Their own qualifying workplace scheme

Requirements phased in between October 2012 and October 2017 for all eligible Jobholders, those between the age of 22 and the State Pension Age. When the scheme is fully in force employers will have to pay a minimum of 3% of qualifying earnings. Employees can only opt out after 1 month in the scheme, but, crucially, must be auto-enrolled again after 3 years. There may be opportunity to offset the additional cost to employers through salary sacrifice.

Employment Allowance

From April 2014 all UK employers (businesses and charities) will be eligible for a new £2,000 Employment Allowance. The effect of this allowance is that it will reduce the overall amount of Employer’s NIC payable to HMRC each year.

Each business will be able to employ one individual on an annual salary of £22,400, or four staff on the National Minimum Wage (£12,070 per annum), without having to pay any Employer’s NIC at all.

The scheme will be administered through payroll reporting and Real Time Information and employers will be required to opt in to confirm eligibility for the allowance. It is not yet known how the new Employment Allowance will operate in relation to companies with multiple payrolls, more than one PAYE scheme reference or Group structures.

We have set out below a summary of the key elements of the UK Chancellor's Budget which may impact the charity:

Corporation Tax

The following announcements made in the Budget will be applicable to non-charitable subsidiary companies:

Rate of corporation tax

The current main rate of corporation tax is 23 per cent, falling to 21 per cent from 1 April 2014 and 20 per cent from 1 April 2015.

The small companies' rate of corporation tax will remain at 20 per cent.

Capital allowances

There will be an increase in the Annual Investment Allowance limit from £250,000 to £500,000 for all qualifying investments in plant and machinery made between 1 April 2014 to 31 December 2015.

Stamp Duty Land Tax (SDLT)

Charity relief

As announced at Autumn Statement 2013, the Government will introduce legislation to extend the SDLT relief available to charities purchasing land jointly with a non-charity. The effect will be that where two or more purchasers acquire land as tenants-in-common, where at least one of them is a charity, and one is not, then the charity may claim relief on its share, subject to the land being held for qualifying charitable purposes.

The changes follow the Court of Appeal judgment in the case of *The Pollen Estate Trustee Company Limited & Kings College London v HMRC Comrs*. The Court held in that case that where a charity is buying land jointly with a non-charity then SDLT relief may be claimed by the charity on its share of the land interest.

The legislation will come into effect from the date of Royal Assent to the Finance Bill 2014 and will provide welcome clarification to the SDLT rules.

Extension of the 15 per cent rate of SDLT to property purchases over £500,000

The 15 per cent rate of SDLT has been extended to companies (and other corporate vehicles) buying residential property with a value over £500,000. This will apply to land transactions where the effective date is on or after 20 March 2014.

Employment Tax

Rates, thresholds and allowances

Rates of income tax will remain the same for 2014/15 at 20 per cent, 40 per cent and 45 per cent. As widely speculated in the run up to today's Budget, the Chancellor has announced an increase of the threshold at which the 40 per cent tax rate will apply from 6 April 2014 to £41,865, increasing to £42,285 from 6 April 2015. The 45 per cent rate will continue to apply on income above £150,000 per annum.

From April, most employers will be able to claim an Employment Allowance to reduce their employer's Class 1 National Insurance contributions (NIC) by up to £2,000 each year.

The previously announced NIC rates and thresholds for 2014/15 remain unchanged.

Employer's NICs for under-21 year olds paid up to the Upper Earnings Limit (£805 per week for 2014/15) will be abolished with effect from 6 April 2015.

Beneficial loans

As announced in last year's Budget, the statutory exemption threshold for employment-related loans will increase with effect from April 2014 from £5,000 to £10,000.

Childcare costs

Following a recent consultation on tax free childcare, yesterday HM Treasury released the Government's response to the consultation in which it was confirmed that a new scheme will be introduced from autumn 2015 to replace the current tax relief available via relief at source on employment income. From autumn 2015 when the new scheme is introduced, existing employer-supported childcare arrangements will be closed to new entrants.

To be eligible, both parents must work (or one parent in the case of single parent families), with each earning more than approximately £50 per week and less than £150,000 a year, and not already receiving support through tax credits (and Universal Credit).

There have been several key changes to the original proposals announced last year, including:

The original childcare costs limit of £6,000 has now been increased to £10,000, with the Government contributing 20 per cent up to this limit (i.e. maximum £2,000 Government contribution) for each eligible child (not per parent).

The age limit will increase over the first year the scheme is introduced to include all children up to age 12 by autumn 2016.

Accounts will be required to be opened with National Savings & Investments (NS&I) via online accounts with top-ups of up to £500 per child made each quarter. Parents can then arrange for payments to be made to formally registered or approved childcare provider(s) directly from their NS&I account.

Professional ethical standards require 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 judgment, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of Jonathan Brown and the audit team. This letter is intended to comply with this requirement. We have summarised below the fees paid to us by the charity for significant professional services provided by us during the reporting period.

We are satisfied that our general procedures support our 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, Directors 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 APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent review.

Please inform us 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 Charitable Fund Committee or the Trust Board.

We confirm that as at 23 October 2014, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Charitable Fund Committee of the Trust Board and should not be used for any other purposes.

Any additional services provided by KPMG to you are approved by management under delegated authority from the Corporate Trustee to ensure transparency. In addition to the audit of the financial statements, during 2013/14 KPMG has also undertaken no other work for the Corporate Trustee in respect of the Charity.



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KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

27th November 2014

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 2014, 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 2014.

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 27th November 2014.

Yours truly,

Chairman

Appendix A to the Management Representation Letter of Leicester Hospitals Charity

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.