

# Leicester Hospitals Charity - Accounts & Annual Report (2015/16)

Author: Financial Controller

Sponsor: Chief Financial Officer

Trust Board paper T

## Executive Summary

### Context

The report presents the draft Annual Accounts (Appendix 1), Trustee's Annual Report (Appendix 2), KPMG's report (Appendix 3) and Letter of Representation (Appendix 4) for the Leicester Hospitals Charity for the year ending 31st March 2016.

### Questions

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

### Conclusion

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

### Input Sought

The Trust Board is invited to:

- **Note** the contents of the above report and the Letter of Representation
- **Approve** the Charitable Funds Annual Accounts and Trustees' Annual Report for the year 2015-16
- **Approve** the signing (*in non-black ink*) of the relevant certificates by members of the Trust Board, as follows (*signatories are shown in brackets*):
  - Charitable Funds – Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements (Chairman and the Chief Financial Officer acting on behalf of the corporate trustee)

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

## For reference

Edit as appropriate:

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

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

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

Organisational Risk Register	Not applicable
Board Assurance Framework	Not applicable

3. Related **Patient and Public Involvement** actions taken, or to be taken: Not applicable

4. Results of any **Equality Impact Assessment**, relating to this matter: Not applicable

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

6. Executive Summaries should not exceed **1 page**. My paper does comply

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

## **UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**

**REPORT TO: TRUST BOARD**

**DATE: 5<sup>TH</sup> JANUARY 2017**

**REPORT FROM: PAUL TRAYNOR - CHIEF FINANCIAL OFFICER**

**SUBJECT: LEICESTER HOSPITALS CHARITY - ACCOUNTS AND ANNUAL REPORT (2015/16)**

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### **1. INTRODUCTION**

1.1 The report presents the audited annual accounts (Appendix 1), Trustee's annual report (Appendix 2), KPMG's report (Appendix 3) and letter of representation (Appendix 4) for the Leicester Hospitals Charity for the year ending 31<sup>st</sup> March 2016.

### **2. SUMMARY FINANCIAL PERFORMANCE**

#### **Balance Sheet**

2.1 The net assets of the Charity have decreased by £309k to £4,931k during the 12 months ending 31<sup>st</sup> March 2016 (the Income and Expenditure section of this report gives further details).

2.2 The balance sheet shows a decrease in net current assets of £91k due to a decrease in debtors (£76k), a decrease in creditors (£145k) and a decrease in cash (£160k) held at year end.

2.3 The balance sheet shows a £218k decrease in fixed asset investments.

#### **Income and Expenditure**

2.4 The Charity's activities in 2015/16 resulted in a £309k deficit on the Statement of Financial Activities, with an excess of expenditure compared to income of £309k which includes investment losses of £223k.

#### **Income**

2.5 Total incoming resources have increased from £1,823k in 2014/15 to £2,191k in 2015/16.

- Donations and legacy income has increased from £1,293k to £1,600k
- Income from charitable activities has increased from £335k to £396k
- Investment income has remained the same at £195k.

## Expenditure

2.6 Total Charity expenditure has increased from £2,173k in 2014/15 to £2,500k in 2015/16.

- The cost of raising funds has increased from £373k to £379k
- The cost of charitable activities has decreased from £1,994k to £1,898k

**Table 1 – Summary of Charitable Activities 2014/15 & 2015/16**

<b>Grant Category</b>	<b>2014/15 (£'000)</b>	<b>2015/16 (£'000)</b>	<b>Change (£'000)</b>
Patient Benefits	1,013	1,047	34
Staff Benefits	317	295	(22)
Research	72	174	102
Capital Contributions	592	382	(210)
<b>Total</b>	<b>1,994</b>	<b>1,898</b>	<b>(96)</b>

### **3. AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER**

3.1 KPMG's Audit Highlights Memorandum and Management Letter is included in Appendix 3 and we have provided responses to the recommendations raised.

3.2 There are no unadjusted audit differences to report and KPMG will issue an unqualified audit opinion.

### **4. LETTER OF REPRESENTATION**

4.1 Appendix 4 contains a proposed Letter of Representation from KPMG and they do not require any specific representations.

4.2 A letter headed copy of this letter and copies of required certificates will be circulated separately at the meeting.

### **5. RECOMMENDATION**

5.1 The Trust Board is invited to:

- **Note** the contents of the above report and the Letter of Representation
- **Approve** the Charitable Funds Annual Accounts and Trustees' Annual Report for the year 2015/16
- **Approve** the signing (*in non-black ink*) of the relevant certificates by members of the Trust Board, as follows (*signatories are shown in brackets*):

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

**Paul Traynor**  
**Chief Financial Officer**

**5<sup>th</sup> January 2017**

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# **Leicester Hospitals Charity**

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## **Annual Accounts 2015-16**

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

### **STATUTORY BACKGROUND**

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

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

### **MAIN PURPOSE OF THE FUNDS HELD ON TRUST**

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

# Leicester Hospitals Charity

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Statement of Trustees Responsibilities

# Leicester Hospitals Charity

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Audit opinion



**Leicester Hospitals Charity**  
**Statement of Financial Activities for the year ending 31 March 2016**

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 15-16 £000	Total Funds 14-15 £000
<b>Income and Endowments from</b>					
Donations and legacies	1,302	298	0	1,600	1,293
Charitable activities	156	240	0	396	335
Other trading activities	0	0	0	0	0
Investments	5.4	176	19	0	195
Other	0	0	0	0	0
<b>Total Income and Endowments</b>	<b>1,634</b>	<b>557</b>	<b>0</b>	<b>2,191</b>	<b>1,823</b>
<b>Expenditure on</b>					
Raising funds	4.1	243	136	0	379
Charitable activities	4.2	1785	113	0	1,994
Other	0	0	0	0	0
(Gains)/losses on investment assets	5.1	174	19	30	223
<b>Total resources expended</b>	<b>2,202</b>	<b>268</b>	<b>30</b>	<b>2,500</b>	<b>2,173</b>
Net income/(expenditure)	(568)	289	(30)	(309)	(350)
Gross transfers between funds in year	8.3	26	(26)	0	0
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>	<b>(542)</b>	<b>263</b>	<b>(30)</b>	<b>(309)</b>	<b>(350)</b>
Gains/(losses) on revaluation of fixed assets	0	0	0	0	0
Actuarial gains/(losses) on defined pension benefit schemes	0	0	0	0	0
<b>Net movement in funds</b>	<b>(542)</b>	<b>263</b>	<b>(30)</b>	<b>(309)</b>	<b>(350)</b>
<b>Reconciliation of funds</b>					
Total funds bought forward	3,711	431	1,098	5,240	5,590
<b>Total funds carried forward</b>	<b>3,169</b>	<b>694</b>	<b>1,068</b>	<b>4,931</b>	<b>5,240</b>

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

**Leicester Hospitals Charity**  
**Balance Sheet as at 31 March 2016**

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 15-16 £000	Total Funds 14-15 £000
<b>Fixed assets</b>						
Intangible assets		0	0	0	0	0
Tangible assets		0	0	0	0	0
Heritage assets		0	0	0	0	0
Investments	5	3,295	343	1,068	4,706	4,924
<b>Total fixed assets</b>		<b>3,295</b>	<b>343</b>	<b>1,068</b>	<b>4,706</b>	<b>4,924</b>
<b>Current assets</b>						
Stocks		0	0	0	0	0
Debtors	6	79	350		429	505
Investments		0	0	0	0	0
Cash at bank and in hand		121	16	0	137	297
<b>Total current assets</b>		<b>200</b>	<b>366</b>	<b>0</b>	<b>566</b>	<b>802</b>
<b>Liabilities</b>						
Creditors: amounts falling due within one year	7	(326)	(15)	0	(341)	(486)
<b>Net current assets</b>		<b>(126)</b>	<b>351</b>	<b>0</b>	<b>225</b>	<b>316</b>
<b>Total assets less current liabilities</b>		<b>3,169</b>	<b>694</b>	<b>1,068</b>	<b>4,931</b>	<b>5,240</b>
Creditors: Amounts falling due after more than one year		0	0	0	0	0
Provisions for liabilities		0	0	0	0	0
<b>Net asset or liabilities excluding pension asset or liability</b>		<b>3,169</b>	<b>694</b>	<b>1,068</b>	<b>4,931</b>	<b>5,240</b>
Defined benefit scheme asset or liability		0	0	0	0	0
<b>Total net assets or liabilities</b>		<b>3,169</b>	<b>694</b>	<b>1,068</b>	<b>4,931</b>	<b>5,240</b>
<b>Funds of the Charity</b>						
Endowment funds	8.1	0	0	1,068	1,068	1,098
Restricted funds	8.3	0	694	0	694	431
Unrestricted funds	8.3	3,169	0	0	3,169	3,711
Revaluation reserve		0	0	0	0	0
Pension reserve		0	0	0	0	0
<b>Total funds of the Charity</b>		<b>3,169</b>	<b>694</b>	<b>1,068</b>	<b>4,931</b>	<b>5,240</b>

Chairman .....

Date.....

## Leicester Hospitals Charity Statement of Cash Flow at 31 March 2016

<b>Table 1: Statement of Cash Flow</b>	<b>15-16 Total Funds £000's</b>	<b>14-15 Total Funds £000's</b>
<b>Cash flows from operating activities:</b>		
<b>Net cash provided by (used in) operating activities</b>	(355)	(409)
<b>Cash flows from investing activities:</b>		
Dividends, interest and rents from investments	195	195
Proceeds from the sale of property, plant and equipment	0	0
Purchase of property, plant and equipment	0	0
Proceeds from sale of investments	0	0
Purchase of investments	0	0
<b>Net cash provided by (used in) investing activities</b>	<b>195</b>	<b>195</b>
<b>Cash flows from financing activities:</b>		
Repayments of borrowing	0	0
Cash inflows from new borrowing	0	0
Receipt of endowment	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>0</b>	<b>0</b>
Change in cash and cash equivalents in the reporting period	(160)	(214)
Cash and cash equivalents at the beginning of the reporting period	297	511
Change in cash and cash equivalents due to exchange rate movements		
Cash and cash equivalents at the end of the reporting period	(137)	297

<b>Table 2: Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>	<b>15-16 Total Funds £000's</b>	<b>14-15 Total Funds £000's</b>
<b>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</b>	(309)	(350)
<b>Adjustments for:</b>		
Depreciation charges	0	0
(Gains)/losses on investments	218	(188)
Dividends, interest and rents from investments	(195)	(195)
Loss/(profit) on the sale of fixed assets	0	0
(Increase)/decrease in stocks	0	0
(Increase)/decrease in debtors	76	222
Increase/(decrease) in creditors	(145)	102
<b>Net cash provided by (used in) operating activities</b>	<b>(355)</b>	<b>(409)</b>

<b>Table 3: Analysis of cash and cash equivalents</b>	<b>£000's</b>	<b>£000's</b>
Cash in Hand	137	297
Notice deposits (less than 3 months)	0	0
Overdraft facility repayable on demand	0	0
<b>Total cash and cash equivalents</b>	<b>137</b>	<b>297</b>

# Leicester Hospitals Charity

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## Notes to the Accounts

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### Note 1 - Accounting Policies

#### a) Basis of preparation

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

#### Reconciliation with previous generally accepted accounting practice

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

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

#### b) Incoming resources

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

#### c) Incoming resources from legacies

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

Receipt is probable when:

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

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

#### d) Incoming resources from endowments

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

#### e) Gifts in kind

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

#### f) Funds structure

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

#### g) Resources expended

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

#### h) Grants payable

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

#### i) Costs of generating funds

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

#### j) Support and overhead costs

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

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

#### k) Pensions

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

# Leicester Hospitals Charity

## Notes to the Accounts

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### Note 1 - Accounting policies continued

#### l) Pensions continued

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

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

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

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

#### m) Charitable activities

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

#### n) Fixed asset investments

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

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

#### o) Debtors

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

#### p) Cash and Cash equivalents

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

#### q) Creditors

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

#### r) Realised gains and losses

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

#### (s) VAT

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

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### 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

**£866 million** in 2015-16 (£834 million in 2014-15)

#### Surplus/(deficit) of connected organisation

**£34 million** deficit in 2015-16 (£40.6 million deficit in 2014-15)

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 **£1.90m (£1.97m in 2014-15)** 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 **£134k** 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.

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### 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.

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# 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 £209k (£204k in 2014-15). In 2015-16, total prize money of £109k was paid out of this income.

#### Note 3.1 - Income

	Income £000k	Subtotal £000k	Total £000k
<b>Legacies</b>			
Specific legacy - Renal Unit	119		
Specific legacy - general use	40		
Other legacies	73		
		232	
<b>Donations</b>			
Royal Voluntary Service	438		
Thomas Cook	300		
Brown Dog	30		
Personal donation	21		
Other donations, fundraising and lottery	975		
		1,764	1,996
Investment Income	195		195
<b>TOTAL INCOME</b>	1,911		<b>2,191</b>

### Note 4 - Resources expended

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

#### Note 4.1 - Expenditure on raising funds

	Unrestricted Funds £000s	Restricted funds £000s	Endowments £000s	Total 2015-16 £'000	Total 2014-15 £'000
Fundraising team salaries	197	22	0	219	187
Staff lottery prizes	0	109	0	109	109
Appeals and events expenditure	2	2	0	4	4
Printing, stationery & marketing	3	0	0	3	4
Other miscellaneous costs	36	2	0	38	65
Investment Managers Fees	5	1	0	6	4
<b>Total expenditure on raising funds</b>	<b>243</b>	<b>136</b>	<b>0</b>	<b>379</b>	<b>373</b>

#### Note 4.2 - Expenditure on charitable activities

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

	Grant Funded Activity £'000	Support Costs £'000	Total 2015-16 £'000	Total 2014-15 £'000
Patient welfare and amenities	973	74	1,047	1,013
Staff welfare and amenities	274	21	295	317
Research	162	12	174	72
Capital contributions	355	27	382	592
<b>Total expenditure on charitable activities</b>	<b>1,764</b>	<b>134</b>	<b>1,898</b>	<b>1,994</b>

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

	Unrestricted Funds £000s	Restricted funds £000s	Endowments £000s	Total 2015-16 £000	Total 2014-15 £'000
Patient welfare	962	11	0	973	945
Staff welfare	198	76	0	274	296
Research	150	12	0	162	67
Capital	355	0	0	355	552
<b>Total grants</b>	<b>1,665</b>	<b>99</b>	<b>0</b>	<b>1,764</b>	<b>1,860</b>

# Leicester Hospitals Charity

## Notes to the Accounts

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### Note 4.3 - Analysis of staff costs

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

	2015-16 £'000	2014-15 £'000
Fundraising & appeals team	218	187
Finance accounting & administration team	92	90
<b>Total staff costs</b>	<b>310</b>	<b>277</b>

*This can be further analysed as follows:*

	2015-16 £'000	2014-15 £'000
Salaries	272	243
Pensions	23	18
National insurance contributions	15	16
<b>Total staff costs</b>	<b>310</b>	<b>277</b>

The average number of full time equivalent employees during the year was 9 (6 in 2014-15). No employee had emoluments in excess of £60,000 (0 in 2014-15).

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### Note 4.4 - Auditors remuneration

The External Auditor's remuneration of £5,778 (£7,704 in 2014-15) related solely to the audit of the Charity's accounts, with no additional work undertaken.

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### Note 4.5 - Grant returned to third parties

There were no grants returned to third parties in 2015-16 (£0 in 2014-15)

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### Note 5 - Fixed asset investments

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

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#### Note 5.1 - Movement in fixed asset investments

	2015-16 £'000	2014-15 £'000
Market value at 1st April 2014	4,924	4,736
<i>Add:</i> additions to investment at cost	1,174	95
<i>Less:</i> disposals at carrying value	(1,169)	(101)
<i>Add:</i> net gain (loss) on revaluation	(223)	194
<b>Market value as at 31st March 2015</b>	<b>4,706</b>	<b>4,924</b>

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# Leicester Hospitals Charity

## Notes to the Accounts

### Note 5.2 - Analysis of investment portfolio

	Held in UK £'000	Held outside UK £'000	2015-16 Total £'000	2014-15 Total £'000
Investments listed in unit trusts	3,572	1,029	4,601	4,897
Cash held as part of investment portfolio	105		105	27
<b>Market Value as at 31st March 2014</b>	<b>3,677</b>	<b>1,029</b>	<b>4,706</b>	<b>4,924</b>

### Note 5.3 - Investments

	Value £'000	% portfolio
<b>Equities</b>		
<i>UK equities</i>		
Cazenove Equity Inc Trust for Charities	1,126	24%
Trojan Income Fund	295	6%
MejedieAsset UK Income Fund	280	6%
<i>International equities</i>		
BNY Mellon FD Mngr Newton Asian INC INST INC		0%
M&G Investment Man Global Dividend I INC	449	10%
Schroder European Alpha Income fund	139	3%
Findlay Park American Fund	206	4%
Schroder Asian Income Fund	235	5%
<b>Total equities</b>	<b>2,730</b>	<b>58%</b>
<b>Bonds</b>		
<i>UK Bonds</i>		
Schroder UK Corporate Bond Fund C Inc	438	9%
Cazenove The Income Trust for Charities Income Units	252	5%
Schroder Strategic Credit Fund	408	9%
<b>Total Bonds</b>	<b>1,098</b>	<b>23%</b>
<i>Portfolio Funds</i>		
Capita Finl Mngrs Trojan FD S Inc Nav	459	10%
<i>Property</i>		
Charities Property Fund	104	2%
Property Inc Trust for Charities	210	4%
<i>Cash</i>		
Total cash	105	2%
<b>Total investments</b>	<b>4,706</b>	<b>100%</b>

### Note 5.4 - Analysis of gross income from investments

	Unrestricted funds £'000	Restricted funds £'000	2015-16 Total £'000	2014-15 Total £'000
Income from investment managers portfolio	174	19	193	193
Other investments	2		2	2
<b>Total investment income</b>	<b>176</b>	<b>19</b>	<b>195</b>	<b>195</b>

### Note 6 - Analysis of debtors

	2015-16 Total £'000	2014-15 Total £'000
<i>Amounts falling due within one year:</i>		
Accrued income	294	309
Debtors - recharges due from UHL NHS Trust	113	141
Other debtors	22	55
<b>Total debtors falling due within one year</b>	<b>429</b>	<b>505</b>
<b>Total debtors falling due after more than one year</b>	<b>0</b>	<b>0</b>
<b>Total debtors</b>	<b>429</b>	<b>505</b>



# Leicester Hospitals Charity

## Notes to the Accounts

### Note 7 - Analysis of creditors

	2015-16 Total £'000	2014-15 Total £'000
<i>Amounts falling due within one year:</i>		
Accruals	-	-
Creditors - recharges due to UHL NHS Trust	243	231
Other creditors	98	255
<b>Total creditors falling due within one year</b>	<b>341</b>	<b>486</b>
Amounts falling due after more than one year	0	0
<b>Total creditors</b>	<b>341</b>	<b>486</b>

### Note 8.1 Endowment funds

	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains and losses £'000	Balance at 31 March 2016 £'000	Balance at 1st April 2015 £'000
CIP general purpose	0	0	0	0	1,047	1,047
Endowment fund unrealised gains/(losses)	0	0	0	(30)	21	51
<b>Total endowment funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30)</b>	<b>1,068</b>	<b>1,098</b>

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

### Note 8.2 - Details of endowment funds

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

### Note 8.3 - Analysis of material restricted & unrestricted funds

	Balance at 31 March 2015 £'000	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains and losses £'000	Balance at 31 March 2016 £'000
<i>Restricted Funds</i>						
Childrens ED	0	280	0	0	0	280
UHL Staff Lottery	100	216	(123)	(63)	(2)	128
Pathology - Blood Bank	86	3	(7)		(1)	81
Well-being at Work	62	2	(74)	63		53
Diabetes Care - Roy Bates	41	2	(9)		(1)	33
Medical Equipment Appeal	24	1	(2)			23
Others (15 funds)	118	53	(34)	(26)	(15)	96
<b>Total restricted funds</b>	<b>431</b>	<b>557</b>	<b>(249)</b>	<b>(26)</b>	<b>(19)</b>	<b>694</b>
<i>Unrestricted Funds</i>						
Nursing - RVS	195	460	(119)		(8)	528
General Purposes of Leicester Hospitals	730	162	(456)	(1)	(22)	413
Surgery - Breast Care Services	325	29	(80)		(4)	270
Lincoln Renal Unit - Patients & Staff	9	126	(7)		(1)	127
Pancreatic & Hepatobiliary Research	57	54	(8)		(2)	101
Cardio Respiratory - Patient Benefit	189	92	(151)	(31)	(2)	97
OUR SPACE Cancer Appeal	65	31	(10)		(1)	85
Oncology Dept - Research & Development	73	13	(8)		(1)	77
Renal Unit - Patients Benefit	103	24	(52)		(1)	74
Renal Research	186	6	(128)		(1)	63
Nursing - GHSS	79	33	(42)		(1)	69
Haematology Dept - Patient Benefit	93	32	(80)	19	(1)	63
Kidney Care Appeal	72	25	(34)			63
Unrealised Gains Unrestricted	173	0	0		(113)	60
Others (140 funds)	1,362	547	(853)	39	(16)	1,079
<b>Total unrestricted funds</b>	<b>3,711</b>	<b>1,634</b>	<b>(2,028)</b>	<b>26</b>	<b>(174)</b>	<b>3,169</b>
Endowment Funds	1098	0	0		(30)	1,068
<b>Total Funds inc endowment</b>	<b>5,240</b>	<b>2,191</b>	<b>(2,277)</b>	<b>0</b>	<b>(223)</b>	<b>4,931</b>

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

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

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

# Leicester Hospitals Charity

## Notes to the Accounts

### Note 8.4 - Details of material restricted funds as in 8.3

Name of fund	Description, nature and purpose of fund
UHL Staff Lottery	Provision of a lottery with the surplus used for the benefit of staff
Well-being at Work	Funded by the Staff Lottery to benefit the health and wellbeing of staff
Pathology - Blood Bank	To purchase equipment for the benefit of the Pathology department
Diabetes Care - Roy Bates	For any benefit relating to diabetes care
Medical Equipment Appeal	To provide additional medical equipment

### Note 9 - Contingencies

The Charity does not have any contingencies to be included in the accounts for the financial year 2015-16 (2014-15 -Nil).

### Note 10 - Commitments, liabilities and provisions

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

	2015-16 £'000	2014-15 £'000
Charitable projects	926	1,098
<b>Total</b>	<b>926</b>	<b>1,098</b>

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.

		2015-16 £'000	2014-15 £'000
<b>Movement within year</b>	Opening value	1,098	1,226
	Arising in year	1,846	1,872
	Utilised in year	(1,677)	(1,786)
	Unused / reversed	(341)	(214)
<b>Closing value</b>		<b>926</b>	<b>1,098</b>

### 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 2015-16 (2014-15 - Nil).

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

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

### Note 13 - Volunteers

There are no volunteers attached to the Charity. UHL volunteer staff occasionally help in various projects.

Other volunteers may be available at various events.

These occasional volunteers enable the charity to more effectively raise funds.

**LEICESTER HOSPITALS CHARITY**

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**TRUSTEE'S ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

# **The Difference you make**

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

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A donation to our charity is often the first contact we have with a donor. But for the donor, this can be the end of the story, rather than the beginning. As Chairman of the University Hospitals of Leicester NHS Trust (UHL) I regularly hear stories of how patients in our three hospitals are treated. One particular story made a lasting impression on me. Staff on ward 27 at the Leicester General had been caring for a man who was terminally ill. Due to the nature of his care needs he chose to spend his last days in hospital, with the agreement of his wife and family. He was concerned that caring for him round the clock would be too much of a strain on his wife and their two children, whereas the ward staff were used to dealing with people in his situation, and as he got to know them, he knew they would care for him with sensitivity and compassion, but would make contact with his wife immediately if required.

The staff did their job, but more than that they offered support not just to him, but to his family. They encouraged his children to look after their dad by keeping his bed area tidy, and as much as they could, giving them space to be together as a family in his last days.

After he died, the family sent a gift to Leicester Hospitals Charity, to say thank you to the doctors and nurses on Ward 27, but also to help fund the refurbishment of a dining area on the ward, which was in need of renovation. They had struggled sometimes to find space to be together as a family, often ending up in the restaurant, and they wanted to do something that would help other families in similar circumstances in the future.

We don't always know the reason that people give gifts, large and small, to Leicester Hospitals Charity, although many donors do tell us. But what these gifts have in common is the ability to make a difference to the patients, the staff and the visitors in our three hospitals.

Our staff work incredibly hard to care for the thousands of patients we treat every year, often in very busy and stressful environments. The gifts that you give to Leicester Hospitals Charity can make a real and lasting difference, and for that you have my deepest gratitude.

Karamjit Singh

Chairman, University Hospitals of Leicester NHS Trust, and Leicester Hospitals Charity

## **Report of the trustees for the year ended 31<sup>st</sup> March 2016**

The trustees present their annual report and financial statements of the charity for the year ended 31<sup>st</sup> March 2016. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's Declaration of Trust (originally 19/06/96, amended 28/03/02 and 10/03/07 for change of name), the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and UK Generally Accepted Practice as it applies from 1 January 2015.

### **Our Mission Statement**

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

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

### **Our objective for achieving public benefit**

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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 2015-16**

In 2015-16, we gave out £1,764k grants to benefit patients and staff across our hospitals. Too numerous to list them all, the following are three examples of how your gifts made a difference to our patients:

### **My Pancreas App**

In 2015 Consultant Surgeon Giuseppe Garcia and HPB Nurse Specialist Cris Pollard took part in De Montfort University's annual Hackathon. Their plan was to see if it was possible to create an information app that could help patients diagnosed with cancer of the pancreas. After an encouraging start, they managed to secure funding from Leicester Hospitals Charity, Pancreatic Cancer UK and Leicester County Council. One year on, and "My Pancreas" app is very close to launch.

The app – a collaboration between UHL's Garcia, Pollard, Professor Dennison and designer Andrew Foxwell of AGF Studios - is designed to guide a patient through their journey of suspected pancreatic cancer from referral to treatment. Giuseppe Garcia says, "The app is more than an electronic booklet – it empowers patients by giving them knowledge." Cris Pollard explains, "The app is divided into sections – these explain what the pancreas is (and what it does), what tests you may have during diagnosis and what treatments patients might have to undergo." It also includes sections on where to find help and support, some pre-written questions and answers, as well as space for patients to make their own notes and questions they may want to ask.

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"The response from patients and clinicians who have been testing the app has been really positive" says Cris Pollard. In feedback, one patient said: "the information in the app was

very useful, non-patronising and specific enough to give a patient or carers confidence in its relevance and usefulness”.

### **Makeover for main theatre arrivals at the General**

We had a very generous donation from local charity Birstall BAGS. They have supported us many times - this time £12,000 to makeover the Main Theatre Arrivals at the Leicester General Hospital as well as a complete renovation of the dayroom for Urology patients in Wards 28 &29 on the same site.

### **Wild Lands End Challenge funds ultrasound scope**

Brown Dog Cancer Charity has supported us over 10 years with gifts totalling over £150,000. In 2015 they offered to fund more medical equipment this year. This money was raised at the 2015 ‘Wild Lands End’ Challenge where their supporters walked 40 miles in 23 hours along the rugged and picturesque Cornish coastal path. They managed to raise an amazing £30,000 enabling us to purchase an additional Endoscopic Ultrasound Scope for the treatment of patients with pancreatic cancer.

Mark Storer, Founder of Brown Dogs says "We are always keen to ensure that every penny we raise is used to purchase essential equipment that will directly help people fighting cancer today. [It's good] to be able to go back to the people who kindly supported us to show them exactly how their good money was used to make a real difference."

Brown Dog is continuing to support us now and into the future and we are hugely grateful to all involved.

## **Making a difference to our patients and their carers**

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### **How we have raised the funds**

#### **Foxtrot**

The biennial Foxtrot walk raises money for orthopaedic research at UHL and has been a regular fixture in supporters’ diaries for over 20 years. In 2015 the walk took place on 14th June at Ratcliffe College. Over 100 people took part and we raised over £19,000. The participants are usually patients who have been treated by the orthopaedic department and they often take part as a way of saying thank you to the team. As usual the day included a 1 mile walk, a number of information stands, light refreshments, tombola and a raffle, all run by UHL orthopaedic staff who gave up their free time to support the day.

## **Walk for Wards**

In 2015 we introduced Walk for Wards into our regular events diary. Walk for Wards is an event adopted by a number of NHS charities to raise money for their hospitals. This event allows staff, patients, friends and family to join in a sponsored walk and raise money for the ward and hospital of their choice. The first Leicester Hospitals Charity Walk for Wards took place on Sunday 27th September 2015 at Leicester General Hospital (LGH) and just over 20 people took part on the day. The walkers were predominantly staff from older people's wards and the Neurological Rehab Unit raising money for the areas they worked in. The participants walked 5km around Evington Park and village and finished back at LGH. The walk raised over £1,400. We plan to develop the event and increase the amount raised in future.

## **Donations & legacies**

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

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

## **Staff Lottery & wellbeing at work**

The Staff Lotto had an income of £209,000, of which - £109,000 of this was distributed as prizes leaving the balance to benefit staff across all three sites. In total since January 2015, approximately 2,550 staff have benefited from Wellbeing at Work events and activities. A total of 15 different events/activities took place and 68 staff bids have been approved to improve working lives for UHL staff.

## **The Charity's Five Year plan**

In 2015 we devoted time to asking patients, and staff about their views of the charity. We conducted online surveys with trust members and staff, and focus sessions with a cross section of staff, and members of the Trust Board through the Listening into Action programme. This gave us a valuable insight into how people view Leicester Hospitals



Charity. As a result we are creating a clearer policy framework, showing how we raise funds, and how we allocate grants to staff. We are introducing a practice of evaluating grants awarded by the Charity to assess how effective they have been in providing benefit to patients, staff and visitors. We are also working with the Clinical Management Groups to reduce the overall number of funds we manage, thus releasing dormant funds to be re-invested.

## **Governance and Finance**

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### **Trustees**

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

Mr K Singh	CBE Trust Chairman
Col (Ret'd) I Crowe	Non-Executive Director
Mr M Traynor OBE	Non-Executive Director
Dr S Dauncey	Non-Executive Director
Prof A Goodall	Non-Executive Director (from 1.7.2015)
Mr A Johnson	Non-Executive Director (from 1.11.2015)
Mr R Moore	Non-Executive Director
Mrs J Wilson	Non-Executive Director (until 31.12.2015)
Mr J Adler	Chief Executive
Mr R Mitchell	Chief Operating Officer
Mr A Furlong	Medical Director
Ms C Ribbins	Acting Chief Nurse (Until 31.7. 2015)
Ms J Smith	Chief Nurse (from 1.8.2015)
Mr P Traynor	Director of Finance and Business Services

## Maintaining a healthy balance sheet

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The assets and liabilities of the Charity as at 31 March 2016 are stated below, compared with the position at 31 March 2015.

	Total Funds 2015-16 £000	Total Funds 2014-15 £000
Fixed Asset Investments	4,706	4,924
Net Current Assets	225	316
<b>Total Net Assets</b>	<b>4,931</b>	<b>5,240</b>
<b>Funds of the Charity</b>		
Endowment Funds	1,068	1,098
Restricted Funds	694	431
Unrestricted Funds	3,169	3,711
<b>Total Funds of the Charity</b>	<b>4,931</b>	<b>5,240</b>

### 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

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Incoming resources increased to £2,191k in 2015-16 from £1,823k in 2014-15. Voluntary income increased by £307k.

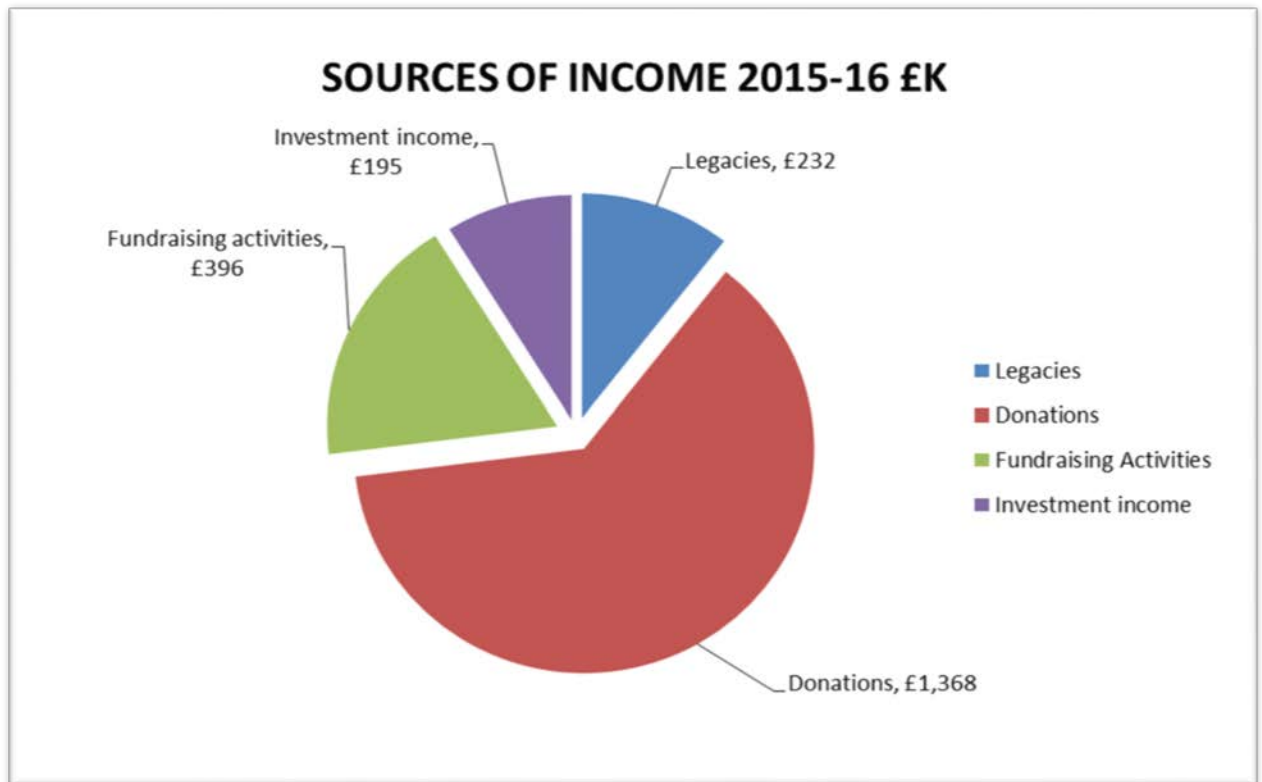
Total resources expended increased from £2,173k in 2014-15 to £2,500k in 2015-16.

The Charity generated a £309k deficit on the Statement of Financial Activities which included investment losses of £223k.

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 included 15 legacies totalling £232k, one of which is £119k relating to the Renal Unit and the others being less than £40k each. A further £41k was raised through the gift aid scheme. A total of £187k was raised through fundraising schemes and £209k from the staff lottery.

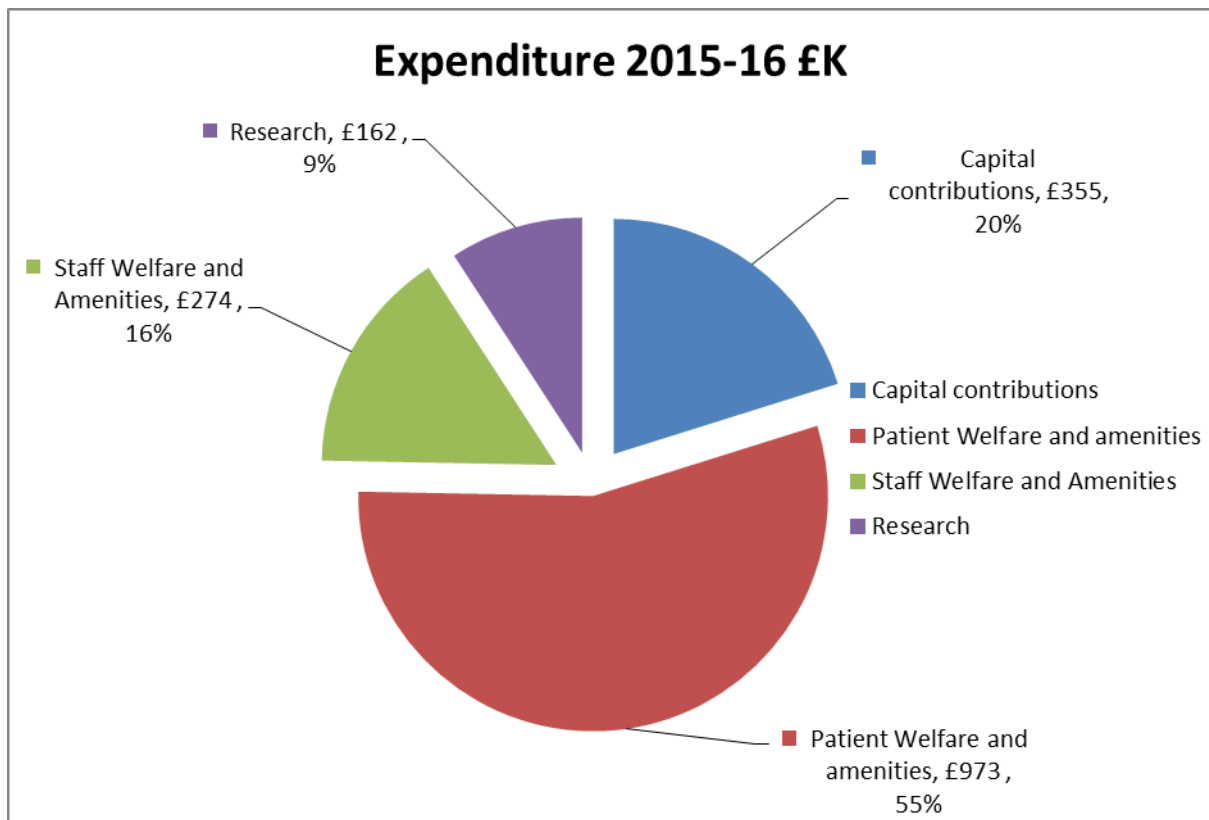
During the year, the total investment return, including dividends and interest, was £195k, (2014-15: £194k). The Charity suffered from investment losses of £223k (gain of £194k in 2014-15) reflecting the poor performance of the stock market over the last twelve months.

We received a grant of £300,000 from Thomas Cook Childrens Charity to support enhancements to our new childrens emergency department, due to open in March 2017. We will have more to report in our next annual report.

## Where we spent the money

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The awarding of grants represents the main activity for the Charity. During the 2015-16 financial year the Charity expended £1,764k in grants as shown below:



#### Grants to provide benefits to patients

The Charity spent £973k (2014-15: £945k) on grants to benefit patients, including:

- |   |       |
|---|-------|
| • Purchases of medical and dental equipment | £184k |
| • Furnishings of Patient Areas              | £399k |
| • Purchases of other equipment              | £88k  |

#### Grants to provide benefits to staff

The Charity spent £274k (2014-15: £296k) on grants with a purpose to provide benefits to the Trust's staff, including:

- |   |      |
|---|------|
| • UK and Overseas Course Fees, Study Leave and Travel | £51k |
| • Social Activities                                   | £31k |
| • Furnishing Improvements to Staff Areas              | £35k |
| • Prize giving  | £20k |

#### Capital projects for donation to the NHS Trust

The Charity spent £355k (2014-15: £552k) on grants with a purpose to provide benefits to the Trust's patients and staff through capital expenditure, including:

- |                                |       |
|--------------------------------|-------|
| • Construction works           | £163k |
| • Medical and dental equipment | £153k |
| • Computer and other equipment | £39k  |

### **Grants awarded for research projects**

The Charity has a number of research funds and during the year and £162k (2014-15: £67k) was spent on research related activities. The majority of this expense (£109k) related to Medical Staff costs involved in research.

## **Risk management**

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The Charity has identified no new material risks during 2015-16, with the main risk being the potential loss from a fall in the market value of investments which has affected the funds in the current year.

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

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

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

Acting on behalf of the Trust Board as Corporate Trustee, the UHL Audit Committee receives and reviews at each of its meetings the minutes of Charitable Funds Committee meetings; and also receives and reviews the draft Charity Annual Report and Accounts - and External Audit opinion - ahead of consideration and approval by the Trust Board (as Corporate Trustee).

## **Grant-making policy**

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

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

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

The Committee approves grants up to £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**

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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 2016 is as follows:

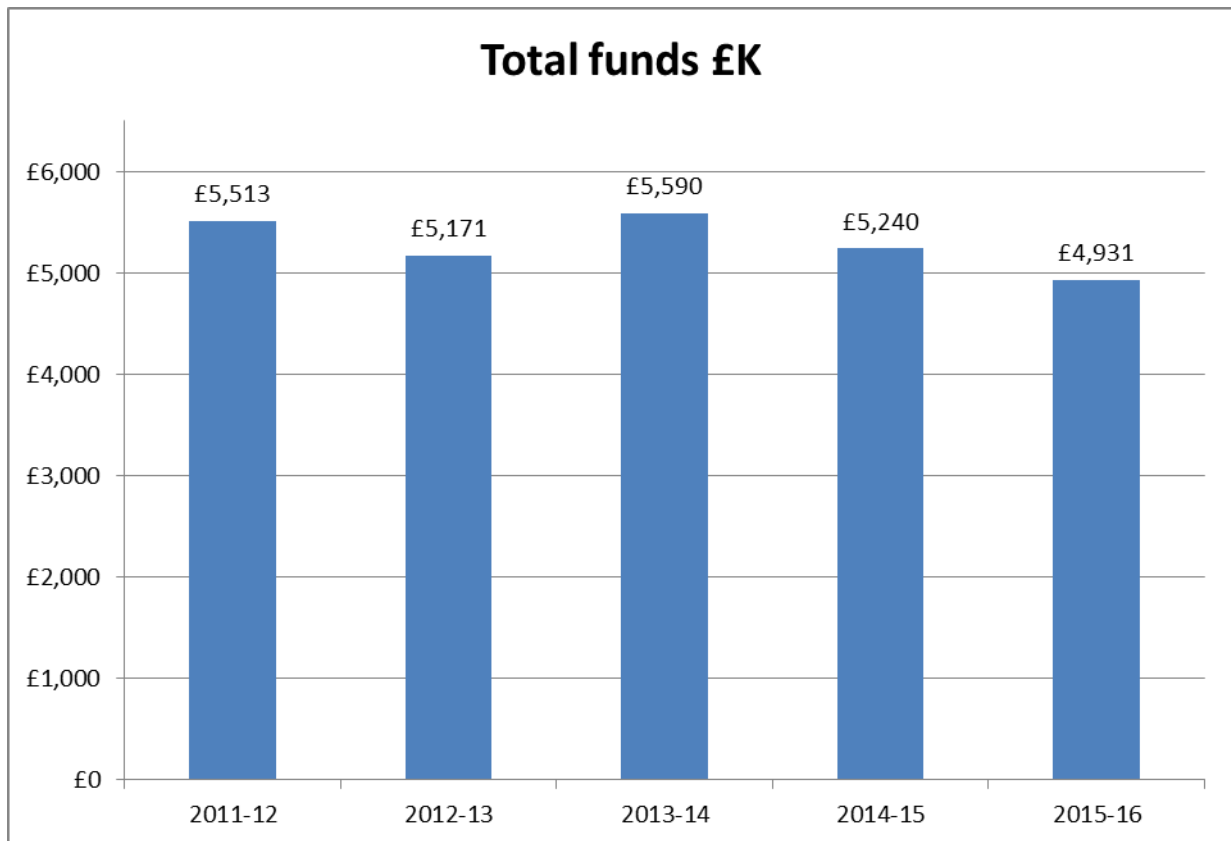
Breakdown of reserves	£'000
Total funds	4,931
less restricted funds	(694)
less endowments	(1,068)
less committed funds	(927)
Freely available reserves	2,242

The Charity's income and expenditure, inclusive of investment gains and losses, from 2011-12 to 2015-16 is shown in the table below.

Year	Income	Expenditure	Net movement in funds	Total fund balances as at 31 <sup>st</sup> March	Movement as a % of total funds
	£k	£k	£k	£k	%
2015-16	2,191	2,500	(309)	4,931	(6.3)
2014-15	1,823	2,173	(350)	5,240	(6.7)
2013-14	2,424	2,005	419	5,590	7.5
2012-13	2,120	2,463	(343)	5,171	(6.6)
2011-12	2,126	2,475	(349)	5,513	(6.3)

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 (£186k) over the 5 year period.

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



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

Taking into account the level of income and expenditure over the last five years it would be prudent to maintain freely available reserves at no less than £500k to ensure that the Charity has sufficient funds to cover its immediate commitments, plus sufficient funds to cover any likely annual deficit.

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

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

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



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

## Our investments

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

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

Investment Class	Permissible Range (%)	Market Value £K 31-03-2016	Proportion as at 31/03/16 (%)	Proportion as at 31/03/15 (%)
Equities (UK/Overseas)	30 to 60	2,729	58.00%	61.60%
Fixed interest	15 to 35	1,098	23.30%	23.10%
Absolute return	0 to 10	459	9.70%	8.80%
Property	0 to 20	315	7.00%	6.00%
Cash	Balance	105	2.20%	0.50%
	Total	4,706		

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.

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## Reference and administration details

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Charity Name                      Leicester Hospitals Charity

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

Registered Number              1056804

### Charity Staff

Tim Diggle                         (Head of Fundraising)

Debbie Adlerstein                (Head of Business Development)

Kamlesh Mistry                  (Community and Events Fundraising Manager)

Maxine Newcombe                (Fundraising Events Assistant)

Sue Stevenson                    (Trust & Foundations Fundraising Officer)

Marie Hough                      (Legacy Manager& Fundraising Administrator)

Rebecca Porteous                (Fundraising Administration Assistant)

Naeema Lorgat                    (Fundraising Administration Apprentice, until November 2015)

Louise Pritchard                 (Fundraising Events Apprentice, from August 2015)

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 And Registered Charity Address	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, 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](mailto:fundraising@uhl-tr.nhs.uk).

# Leicester Hospitals Charity

Audit highlights  
memorandum and  
management letter  
for the year ended 31  
March 2016

November 2016



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This report is made solely to the Trustees of Leicester Hospitals Charity ('the Charity'), in accordance with the terms of our engagement. It has been released to the Trustees on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the Trustees' own internal purposes) or in part, without our prior written consent. Matters coming to our attention during our audit work have been considered so that we might state to the Trustees those matters we are required to state to the Trustees in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and its Trustees, for our work referable to this report, for this report, or for the opinions we have formed.

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.



# Executive summary

The purpose of this memorandum is to set out the significant issues that came to our attention during the course of the audit of Leicester Hospitals Charity for the year ended 31 March 2016. 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 opinions on the Charity's financial statements and it should not be relied upon to disclose all irregularities that may exist, nor to disclose errors that are not material to the financial statements and contributions.

## Audit conclusions

- ✓ — We are anticipating issuing an unqualified audit opinion on the financial statements.

## Accounting matters

- ✓ — No significant accounting issues arose during the course of our audit.
- ✓ — Accounting policies appropriate for the Annual Report and the financial statements are in accordance with disclosure requirements of relevant charities legislation, new UK GAAP and the Statement of Recommended Practice after some suggested amendments are made to the policies.
- ✓ — This is the first year that FRS102 and the FRS102 SORP are applicable. We have reviewed the impact of these changes and found no issues of concern.

## Auditing matters

- ✓ — We have successfully completed those procedures as set out in the audit strategy paper presented to the Audit Committee on 7 January 2016.
- ✓ — Draft financial statements were presented to us for audit on 27 September 2016. Since then issues arose with the financial statements and Annual Report, which resulted in the statements going through a number of iterations. The final draft that was delivered on 15 November 2016. In addition various supporting working papers were revised from the original working papers. As a result of these issues we had to re-do work on a number of areas of the audit.

## Auditing matters

- ✓ — At the date of writing this report, we are completing our work in respect of a small number of areas, including reviewing the accounting treatment relating to two donations received during the year. Once we have received the final set of accounts from the Charity, as well as the Annual Report and Trustees Report we will then be in a position to complete our work.

We expect to receive the signed management representation letter following approval of the Account's by the Charitable Fund Committee.

## Systems and controls

- ✓ — We identified one control weakness. We have made one recommendations in Appendix 3 to strengthen the control environment going forwards.

## Regulatory and tax matters

- ✓ — No significant regulatory or tax matters came to our attention during the course of our normal audit work.



# Audit approach and findings

We highlight significant findings in respect of the risks and other areas of focus for our audit identified in our discussion with you at the audit planning and strategy stage. We have dealt with them as set out in the right hand column.

Significant risks		Audit area	Our findings from the audit
Significant risk area required by ISA's	Fraud Risk from Revenue Recognition	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>Other incentives that should be considered focus on the desire to avoid regulatory attention or to mask financial errors or irregularities which could be seen to apply in a public sector context.</p>	<p>In line with our audit methodology we have carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the component's normal course of business, or are otherwise unusual.</p> <p>We have tested journal entries throughout the year. We did not identify any issues, and also did not identify any significant transactions that were outside normal course of business or were otherwise unusual.</p> <p>We have reviewed the terms of legacies and corresponding treatment to ensure the completeness and restriction of the revenue.</p> <p>We considered the restricted or unrestricted nature of funding as well as the period of recognition in line with recognition criteria in line with SORP FRS 102.</p> <p>At the time of this report we are reviewing the accounting treatment relating to two donations received during the year.</p>
Significant risk area required by ISA's	Fraud risk from management override of controls	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant. This is because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our audit team have carried out appropriate controls testing and substantive procedures to address this risk which included testing of income balances back to supporting documentation. No instances of fraud were identified.</p>



# Audit approach and findings (cont.)

	Other area of audit focus	Why	Our findings from the audit
Significant risk	Restatement of 2014/15 accounts for FRS 102	2015/16 will be the first set of accounts under the new framework and will require comparatives to be prepared in accordance with FRS 102 and the comparatives will need to start from an opening position, also prepared on the new basis. All comparative information, monetary amounts as well as narrative and descriptive information, will need to be re-stated.	<p>Several minor adjustments were required to the accounting policies to ensure they are FRS 102 compliant, and these will be addressed by management.</p> <p>We have undertaken appropriate testing on the restated opening balances to ensure these have been restated in accordance with the new requirements. No issues were identified.</p> <p>At the time of this report we are awaiting the revised Annual Report. The Charity Finance Manager is in the process of revising this report due issues identified with the original report as compiled by a contractor. We will review the revised Annual Report and check that it complies with the new requirements of the SORP as there have been a number of disclosure requirement changes which the Charity has embraced.</p>



# Appendices

1. Mandatory communications
2. Summary of audit differences
3. Control observations raised in current year
4. Control observations followed up
5. Accounting Developments
6. KPMG Fraud Barometer
7. Auditor independence

# Mandatory communications

We set out below details of the required communications to the Trustees.

<b>Other information in documents containing audited financial statements</b>	Our responsibility for other information in the Leicester Hospitals Charity Annual Report and Financial Statements does not extend beyond the financial information identified in our auditors' report. We have no obligation to perform any procedures to corroborate other information contained in those documents. We are awaiting the Trustee's Report. Once received we will read the other information included in the Trustees' Report, and confirm whether that the information given, and the manner of its presentation, is materially consistent with the consolidated financial statements.
<b>Disagreement with management</b>	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 auditor's report on the Leicester Hospitals Charity financial statements.
<b>Consultation with other accountants</b>	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.
<b>Difficulties encountered in performing the audit</b>	We encountered no difficulties in performing the audit.
<b>Material written communications</b>	<p>In accordance with the communication requirements of Clarified International Standard on Auditing (UK and Ireland) 260, we provide the following written communications to the Trustees for their meeting on the 1 December 2016.</p> <ul style="list-style-type: none"> <li>— Report to the Audit Committee – This is the main body of this report; and</li> <li>— KPMG Independence communication – Appendix 7 to this report.</li> </ul>
<b>Management Representations</b>	<p>In accordance with Clarified ISA 580 <i>Written representations</i>, we request written representations from those charged with governance. Written representations are necessary information we require in connection with the audit of Leicester Hospitals Charity.</p> <p>The draft written representations will be provided.</p>
<b>Audit misstatements</b>	<p>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 arising from our work. These have been reported in Appendix 2 and have been adjusted for in the accounts.</p> <p>We did not identify any unadjusted audit misstatements.</p>

## 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 to the Audit Committee all uncorrected misstatements, other than those that we believe are clearly trivial. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to assist the Audit Committee in fulfilling its governance responsibilities.

Based on our work so far we have not identify any audit differences but identified a number of presentational issues which the Charity have addressed.



# Control observations raised in current year

We set out below our observations and recommendations arising from this years audit of the financial statements. Each observation has associated a grading, which are also set out below. All issues raised in the report have been discussed with management and we have included their responses where appropriate.

<b>1</b>	Grade A – These are particularly significant matters for the organisation, such as those relating to factors critical to the successful running of the scheme and regulatory environment. We have identified no grade A observations in the current year.
<b>2</b>	Grade B – These include observations on non-critical control systems, one-off items subsequently corrected, improvements to the efficiency of effectiveness of controls and matters that could be significant in the future. We have identified one grade B observations in the current year.
<b>3</b>	Grade C – These are less significant than those graded A and B but we nevertheless consider that they merit attention by Management. We have identified no grade C observations in the current year.

Grade	Observation	Risk	Observation & Recommendation	Management's response
<b>2</b>	Quality control review	There is a risk that financial statements and the Annual Report contain errors and are not FRS 102 SORP compliant.	<p><b>Observation</b></p> <p>The draft financial statements and Annual Report presented to us for audit on 27 September 2016 were compiled by a contractor. Since then issues arose with the statements and Annual Report, which resulted in the financial statements going through a number of iterations. The Annual Report is also in the process of being revised. In addition various supporting working papers were revised from the original working papers, which were provided for audit.</p> <p><b>Recommendation</b></p> <p>The financial statements and Annual Report together with supporting working papers should be quality checked before being presented for audit.</p>	<p><b>Management Response:</b> Agreed. The nature of the errors identified would not necessarily have been picked up through a quality control review alone. Only someone with detailed understanding and experience of the Charity's finance system and the supporting accounts schedules would have identified all of the issues. We have a small Charity finance team with only one officer who has this level of understanding. Whilst we consider that the use of a contractor was a one-off, unavoidable action we do accept that there is a risk in relation to the responsibility for the Charity accounting being held with one individual. We will explore options for widening the knowledge base for the Charity accounts, particularly as we are planning to strengthen the financial accounting team with the establishment of a subsidiary company.</p> <p><b>Responsible Officer:</b> Financial Controller</p> <p><b>Due Date:</b> 31<sup>st</sup> March 2017</p>

# Recommendations followed up

We have also followed up the recommendations raised by us in the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding
1	0	1

#	Risk	Issue, Impact and Recommendation	Current Status
1	3	<p><b>Medium Term Strategy (re-iterated from prior year and is in progress)</b></p> <p>Leicester Hospitals Charity has held an average of £4.6 million in funds for the last five years. Currently there is no medium term strategy to utilise these reserves, and generally income received in the financial year is expended to an equal amount. Unused funds accumulate interest but this is not part of a longer term strategy of fundraising for specific projects.</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><b>Recommendation</b></p> <p>The Charity should continue to develop a medium term policy for use of its funds to ensure that reserves are utilised appropriately for charitable fund expenditure in line with the charitable objectives rather than simply accumulate interest through investment.</p>	<p><b>Management Response:</b> Agreed. We are continuing to develop plans to utilise our reserves and the Charity has embarked on a major appeal for a Children's Hospital which may utilise a proportion of the current reserves. In addition, we are restructuring the Charity's funds with a view to making the funds more manageable and also to widen the access to funds across the Trust and encourage a greater level of spending.</p> <p><b>Responsible Officer:</b> Financial Controller <b>Due Date:</b> 31<sup>st</sup> March 2017</p>

# Accounting developments

The following are our procedures over the transition from the old 2005 SORP to the new FRS 102 SORP (2015). Our findings in relation to the Charities' 2016 accounts are as follows:

Summary of key differences		
	FRS 102 SORP requirements	Our findings
<b>SoFA</b>	<ul style="list-style-type: none"> <li>— 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. Governance costs is no longer a separate heading but are included in support costs.</li> <li>— 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, i.e. will now be 'above the line'.</li> </ul>	<ul style="list-style-type: none"> <li>— Correct headings have been used within the SoFA. The separate heading within the SoFA and corresponding note for governance costs have been removed and the costs included within support costs.</li> <li>— Investment gains and losses have been recognised within the 'Income and Expenditure' part of the SoFA.</li> </ul>
<b>Trustee and management remuneration</b>	<ul style="list-style-type: none"> <li>— The total remuneration paid to key management personnel must be disclosed. The Charity may disclose the employee benefits received by its CEO or highest paid staff member, or all key management personnel on an individual basis.</li> <li>— Disclose in the Trustees' report the arrangements for setting the pay and remuneration of the charity's key management personnel and any benchmarks, parameters or criteria used in setting their pay.</li> <li>— Any benefits or expenses paid to Trustees are disclosed on an individual basis, including expenses waived by trustees.</li> <li>— Donations made by trustees to the Charity must be disclosed in total where no conditions apply to those donations.</li> </ul>	<ul style="list-style-type: none"> <li>— Total remuneration paid to key management personnel has been disclosed including the employment benefits.</li> <li>— Disclosure that Trustees are not remunerated has been included.</li> <li>— There were no donations made by Trustees.</li> </ul>
<b>Income Recognition</b>	<ul style="list-style-type: none"> <li>— The income recognition criteria have revised under FRS102 SORP, and requires income to be recognised when it is 'Probable' rather than 'Virtually Certain'.</li> <li>— Additional guidance has been provided in the SORP in relation to accounting for legacies, providing a 3 point test to determine whether it should be recognised.</li> </ul>	<ul style="list-style-type: none"> <li>— We reviewed each of the charity's income streams, and did not identify any recognition policies which are not compliant with the SORP.</li> </ul>
<b>Other areas</b>	<ul style="list-style-type: none"> <li>— There are no material uncertainties about the Charity's ability to continue, i.e. the Charity is a going concern. The SORP requires this to be stated.</li> <li>— Disclose judgements and estimates that have the most significant effect on the amounts recognised in the accounts.</li> <li>— The reserves policy of the Charity should be stated in the financial review.</li> <li>— FRS 102 requires the Charity states it meets the definition of a public benefit entity.</li> </ul>	<ul style="list-style-type: none"> <li>— We will review the revised Annual Report and confirm that the relevant disclosures have been included.</li> </ul>
<b>Financial institution</b>	<ul style="list-style-type: none"> <li>— FRS 102 requires additional financial instrument disclosures for entities which fall under the definition of a financial institution.</li> </ul>	<ul style="list-style-type: none"> <li>— The Charity does not meet the definition of a financial institution as its primary purpose is charitable and not to generate wealth from financial instruments, and therefore no additional disclosures are necessary.</li> </ul>

# KPMG Fraud Barometer

The KPMG Fraud Barometer provides an analysis of the latest fraud trends and patterns affecting the UK economy which helps us remain alert to new threats and respond to fraud risks in an appropriate and proactive manner.

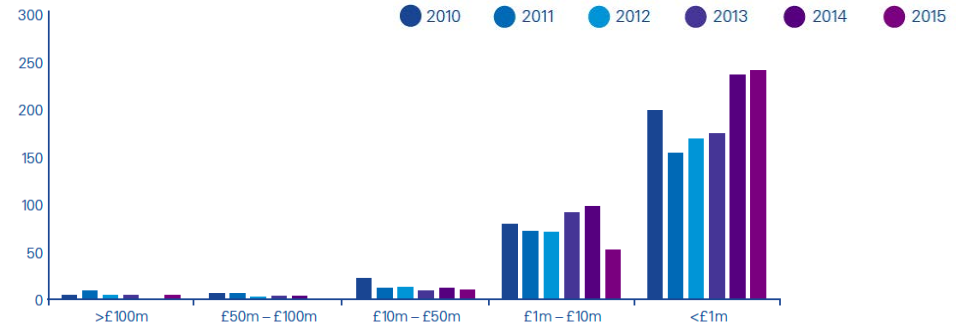
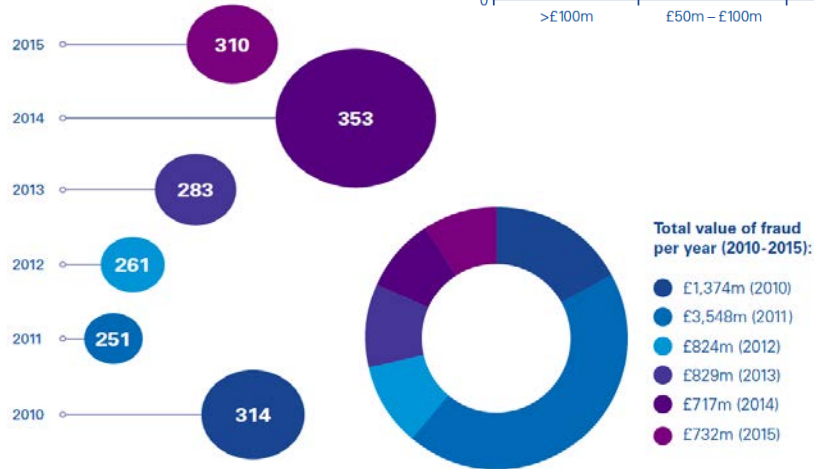
KPMG's Fraud Barometer is the longest running survey of its kind in the UK with data spanning 30 years. It considers major fraud cases being heard in the UK's Crown Courts, where charges are in excess of £100,000.

We encourage you to contact us if you have any thoughts or questions about the trends identified.

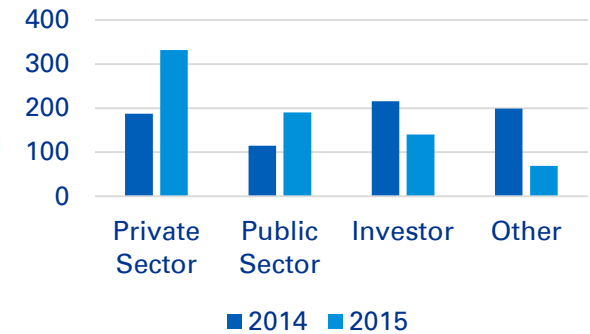
For the full report, please see <https://home.kpmg.com/content/dam/kpmg/pdf/2016/01/fraud-barometer-report-2015.pdf>

## Headlines

Total volume of fraud per year (2010-2015):



Comparison of year-on-year fraud by victim class



## A look at Charity Frauds

We have seen an increase in charity frauds over the last 5 years, with the second most number of frauds happening in a year in 2015.

In 2015, the average cost per fraud increased by 50% from 2014. There has been a significant increase in frauds committed by Employees, while Management frauds have decreased.

	2011	2012	2013	2014	2015
Total Fraud Losses	1,509,420	3,761,792	4,338,441	2,057,838	3,707,235
Number of Cases Prosecuted	4	9	13	10	12
Average Case Value	377,355	417,976	333,726	205,784	308,936

Value of Frauds by Type	2011	2012	2013	2014	2015
Employee	-	823,617	1,812,303	816,038	2,345,508
Management	1,009,420	2,608,175	1,526,137	820,800	373,727
Other	-	330,000	1,000,000	421,000	988,000
Professional Criminals	500,000	-	-	-	-



# Auditor independence

**We confirm the independence of KPMG.**

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

During the year, we have provided the following additional non-audit services:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services;
- Independence and objectivity considerations relating to other matters.

## **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are 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; and
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

## **Independence and objectivity considerations relating to other matters**

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board of Trustee's.

## **Confirmation of our audit independence**

We confirm that as at the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of Jonathan Brown and the audit team is not impaired.

This report is intended solely for the information of the Audit Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP





**The contacts at KPMG in connection with this report are:**

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

5<sup>th</sup> January 2017

Dear Sirs

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

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

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

The Trust Board approves the financial statements.

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

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

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

3. The Board is not aware of any known actual or possible non-compliance with laws and regulations that could have a material effect on the ability of the Charity to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2016.

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 5<sup>th</sup> January 2017.

Yours truly,

Chairman

## **Definitions**

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