

To:	Trust Board
From:	Andrew Seddon - Director of Finance and Procurement
Date:	5 January 2012
CQC regulation:	As applicable

Title:	Final Accounts and Annual Report 2010/11 for Leicester Hospitals Charity										
Author/Responsible Director:	Andrew Seddon – Director of Finance and Procurement										
Purpose of the report:	The report presents the audited annual accounts (Appendix 1), trustee’s annual report (Appendix 2) and letter of representation (Appendix 3) for Leicester Hospitals Charity for the year ending 31 March 2011.										
The report is provided to the Board for:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Decision</td> <td style="width: 5%;"></td> <td style="width: 50%; text-align: center;">Discussion</td> <td style="width: 5%;"></td> </tr> <tr> <td style="text-align: center;">Assurance</td> <td></td> <td style="text-align: center;">Endorsement</td> <td style="text-align: center;">✓</td> </tr> </table>			Decision		Discussion		Assurance		Endorsement	✓
Decision		Discussion									
Assurance		Endorsement	✓								
Summary/Key points:	<p>The report details the summary financial performance of the Charity for the year ending 31 March 2011:</p> <ul style="list-style-type: none"> • The net assets of the Charity have decreased by £295K to £5,862K during the 12 months ending 31 March 2011. • The Charity has a deficit of £295K on the statement of financial activities reflecting investment gains of £146K and a net outflow of £441K of expenditure compared to income. • Total incoming resources have increased from £1,564K in 2009/10 to £1,651K in 2010/11. • Total Charity expenditure has increased from £1,687K in 2009/10 to £2,092K in 2010/11. <p>On receipt of the final audit opinion, the final accounts and annual return will be submitted to the Charity Commission. The deadline for submission is 31 January 2012.</p> <p>Following audit by the Charity’s auditors, KPMG, we made a number of presentational adjustments to the accounts. We have not yet received the auditors’ ISA 260 audit memorandum and have not yet been made aware of any material issues or recommendations. We are expecting to receive the audit memorandum prior to the Trust Board meeting and will inform the Board of any significant issues raised.</p>										

Trust Board paper M

Recommendations: Trust Board is invited to: <ul style="list-style-type: none">• Note the contents of the report and the letter of representation• Approve the Charitable Funds annual accounts and annual report for the year 2010/11• Approve the signing of the relevant certificates by members of the Trust Board (as detailed in the report)	
Previously considered at another corporate UHL Committee? No – circulated to Charitable Funds Committee members on 16 December 2011	
Strategic Risk Register: N/A	Performance KPIs year to date: N/A
Resource implications (e.g. Financial, HR): N/A	
Assurance implications: N/A	
Patient and Public Involvement (PPI) implications: N/A	
Equality impact: N/A	
Information exempt from disclosure? N/A	
Requirement for further review? N/A	

Andrew Seddon
Director of Finance and Procurement

23 December 2011

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

DATE: 5 JANUARY 2012

REPORT FROM: ANDREW SEDDON - DIRECTOR OF FINANCE AND PROCUREMENT

SUBJECT: FINAL ACCOUNTS AND ANNUAL REPORT 2010/11 FOR LEICESTER HOSPITALS CHARITY

1. INTRODUCTION

- 1.1 The report presents the audited annual accounts (Appendix 1), trustee's annual report (Appendix 2) and letter of representation (Appendix 3) for Leicester Hospitals Charity for the year ending 31 March 2011.
- 1.2 The accounts and annual report were circulated to members of the Charitable Funds Committee on 16 December 2011. Due to the timing of the Trust Board and Charitable Funds Committee (the Committee) in January 2012, it has not been possible to present these to a Committee meeting prior to presentation to the Board.
- 1.3 This paper will summarise the headline financial figures and outline the process for finalising and submitting the annual accounts.

2. SUMMARY FINANCIAL PERFORMANCE

Balance Sheet

- 2.1 The net assets of the Charity have decreased by £295K to £5,862K during the 12 months ending 31 March 2011 (the income and expenditure section of this report provides further details).
- 2.2 The balance sheet shows a decrease in net current assets of £220K due to a reduction in debtors (£152K), an increase in creditors (£311K) and an increase in cash (£243K) held at year end. This means that the Charity now has net current assets of £148K.
- 2.3 The balance sheet shows a reduction in the value of fixed asset investments of £75K.

Income and Expenditure

- 2.4 The Charity has a deficit of £295K on the statement of financial activities. This reflects investment gains of £146K and a net outflow of £441K of expenditure compared to income.

Income

2.5 Total incoming resources have increased from £1,564K in 2009/10 to £1,651K in 2010/11.

- Donated income has decreased from £656K in 2009/10 to £605K in 2010/11. Donations were down by £7K compared to a plan of £612K and this was generally due to the economic climate.
- Legacy income has increased from £458K in 2009/10 to £492K in 2010/11, against a plan of £500K. This is an area of income that we have little influence over.
- Income from fundraising initiatives has increased from £311K in 2009/10 to £379K in 2010/11.
- Investment income has increased from £139K in 2009/10 to £175K in 2010/11 against a target of £150K. This was due to the lower dividends issued by companies during the economic downturn.

Expenditure

2.6 Total Charity expenditure has increased from £1,687K in 2009/10 to £2,092K in 2010/11.

- The cost of generating voluntary income increased from £304K in 2009/10 to £321K in 2010/11. These costs have increased over the prior year partly due to the increase in the cost of prizes awarded in the staff lottery which included a new car. Governance and administration costs are also in line with plan.
- Grant expenditure has increased from £1,340K in 2009/10 to £1,741K in 2010/11. This is analysed in the following table:

Table 1 – Summary of grant expenditure 2009/10 & 2010/11

Grant Category	2010/11 (£'000)	2009/10 (£'000)	Change (£'000)
Patient benefits	701	693	8
Staff benefits	409	412	(3)
Research	113	36	77
Capital contributions	518	199	319
Total	1,741	1,340	401

3. FINAL ACCOUNTS PROCESS

3.1 The final accounts are being presented to the Trust Board for adoption.

3.2 On receipt of the final audit opinion, the final accounts and annual return will be submitted to the Charity Commission. The deadline for submission is 31 January 2012. As in previous financial years, there will be an additional requirement to submit a summary information return to the Charity Commission outlining key aspects of the Charity. The information provided in this return reflects particular items within the annual accounts and annual report.

4. **AUDIT OUTCOME**

4.1 Following audit by the Charity's auditors, KPMG, we made a number of presentational adjustments to the accounts. We have not yet received the auditors' ISA 260 audit memorandum and have not yet been made aware of any material issues or recommendations.

4.2 We are expecting to receive the audit memorandum prior to the Trust Board meeting and will inform the Board of any significant issues raised.

5. **LETTER OF REPRESENTATION**

5.1 Appendix 3 contains the proposed letter of representation from External Audit requiring signature by the Trust Board.

6. **RECOMMENDATION**

6.1 The Trust Board is invited to:

- **Note** the contents of the above report and the letter of representation
- **Approve** the Charitable Funds annual accounts and annual report for the year 2010/11
- **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 Director of Finance and Procurement 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*)

Andrew Seddon
Director of Finance and Procurement

23 December 2011

Leicester Hospitals Charity

Annual Accounts 2010-11

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

STATUTORY BACKGROUND

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

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

MAIN PURPOSE OF THE FUNDS HELD ON TRUST

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

Leicester Hospitals Charity

Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements

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

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

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

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

The Trustee is required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. It is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustee to ensure that, where any statements of accounts are prepared by it under section 42(1) of the Charities Act 1993, those statements of accounts comply with the requirements of regulations under that provision. It has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

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

The Trustee confirms that it has met the responsibilities set out above and complied with the requirements for preparing the accounts. The financial statements set out on pages xx to xx attached have been compiled from and are in accordance with the financial records maintained by the trustee.

By order of the Corporate Trustee
Signed

Chairman.....

Date.....2011

Director of Finance
and Procurement

Date.....2011

Leicester Hospitals Charity
Statement of Financial Activities for the year ending 31 March 2011

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 10-11 £000	Total Funds 09-10 £000
Incoming resources					
Donations	494	111	0	605	656
Legacies	492	0	0	492	458
Total voluntary income	986	111	0	1,097	1,114
Income generated from fundraising activities	182	197	0	379	311
Investment income	5.4 152	23	0	175	139
Total incoming resources	1,320	331	0	1,651	1,564
Resources expended					
Charitable activities	4.2 1,477	264	0	1,741	1,340
Costs of generating funds	4.1 168	153	0	321	304
Investment management fees	2	0	1	3	14
Governance costs	4.3 23	4	0	27	29
Total resources expended	1,670	421	1	2,092	1,687
Net incoming/(outgoing) resources before transfers and other recognised gains and losses	(350)	(90)	(1)	(441)	(123)
Gross transfers between funds in year	8.3 29	(29)	0	-	-
Net incoming/(outgoing) resources before other recognised gains and losses	(321)	(119)	(1)	(441)	(123)
Gains/(losses) on investment assets	218	25	(97)	146	1,512
Net movement in funds	(103)	(94)	(98)	(295)	1,389
Reconciliation of funds					
Total funds brought forward	4,250	790	1,117	6,157	4,768
Total funds carried forward	4,147	696	1,019	5,862	6,157

Leicester Hospitals Charity
Balance Sheet as at 31 March 2011

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 10-11 £000	Total Funds 09-10 £000
Fixed assets					
Investments	5	4,065	630	1,019	5,714
Total fixed assets		4,065	630	1,019	5,714
Current assets					
Debtors	6	96	30	0	126
Cash at bank and in hand		314	53	0	367
Total current assets		410	83	0	493
Creditors: amounts falling due within one year	7	(328)	(17)	0	(345)
Net current assets		82	66	0	148
Total assets less current liabilities		4,147	696	1,019	5,862
Net assets		4,147	696	1,019	5,862
Funds of the Charity					
Endowment funds	8.1	0	0	1,019	1,019
Unrestricted funds	8.3	4,147	0	0	4,147
Restricted funds	8.3	0	696	0	696
Total funds of the Charity		4,147	696	1,019	5,862

The notes on pages 24 to 31 form an integral part of these accounts.

Leicester Hospitals Charity

Notes to the Accounts

Note 1 - Accounting Policies

a) Basis of preparation

The financial statements have been prepared on an accruals basis. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value. The financial statements have been prepared in accordance with *Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005)* issued in March 2005 and applicable UK Accounting Standards and the Charities Act 1993.

b) Apportionment charges

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

c) Incoming resources

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

d) Incoming resources from legacies

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

e) Incoming resources from endowments

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

f) Gifts in kind

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

g) Funds structure

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

h) Resources expended

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

i) Grants payable

Grants payable are payments, made to third parties (including NHS bodies) in the furtherance of the charitable objectives. They are accounted for on an accruals basis and are recognised in the accounts where the conditions for their payment have been met or where a third party has

j) Costs of generating funds

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

k) Support and overhead costs

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

l) Pensions

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

Leicester Hospitals Charity

Notes to the Accounts

Note 1 - Accounting policies continued

l) Pensions continued

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

m) Charitable activities

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

n) Governance costs

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

o) Fixed asset investments

Investments are stated at market value as at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

p) Realised gains and losses

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

(q) VAT

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

Note 2 - Related party transactions

Name of connected organisation	University Hospitals of Leicester NHS Trust (the Trust). The Trust, which is the corporate trustee, provides accommodation and managerial support to the Charity. Members of the Trust Board sit on the Charitable Funds Committee which oversees the workings of the Charity.
Turnover of connected organisation	£696 million in 2010-11 (£698 million in 2009-10)
Surplus/deficit of connected organisation	£2.5m deficit (£4 million deficit in 2009-10).

The Trust achieved a retained surplus before impairment of £1.0 million and the £2.5 million deficit stated above was after a £3.5 million impairment. There is no risk to the Charity in relation to the financial performance of the Trust.

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 £1.75m (£1.34m in 2009-10) 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 £19k to the Trust in the year for accommodation charges. Staff salaries are also paid directly by the Trust and recharged to the Charity.

Note 3 - Incoming resources

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

Leicester Hospitals Charity

Notes to the Accounts

Note 3 - Income from trading activities

The Charity runs the staff lottery which is classed as a trading activity by the Charity Commission. Income from the staff lottery was £167k (£166k in 2009-10). In 2010-11, total prize money of £114k was paid out of this income.

Note 4 - Resources expended

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

Note 4.1 - Costs of generating funds

	2010-11 £'000	2009-10 £'000
Fundraising team salaries	165	158
Staff lottery prizes	114	104
Appeals events expenditure	19	30
Printing, stationery & marketing	6	4
Other miscellaneous costs	17	8
Total cost of generating funds	321	304

Note 4.2 - Analysis of charitable activities

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

	Grant Funded Activity £'000	Support Costs £'000	Total 10-11 £'000	Total 09-10 £'000
Patient welfare and amenities	657	44	701	693
Staff welfare and amenities	384	25	409	412
Research	106	7	113	36
Capital contributions	486	32	518	199
Total grants	1,633	108	1,741	1,340

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

Leicester Hospitals Charity

Notes to the Accounts

Note 4.3 - Analysis of support and overhead costs

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

	Allocated to Governance £'000	Residual Amount £'000	Basis of Apportionment
Audit fees (Internal and External Audit)	17	-	Governance
Insurance	6	-	Governance
Finance administration salaries	-	60	Proportionate to grants
Finance accounting & reporting system	-	6	Proportionate to grants
Finance management salaries (25%)	4	-	Governance
Finance management salaries (75%)	-	14	Proportionate to grants
Charity accommodation costs	-	19	Proportionate to grants
Finance - other	-	10	Proportionate to grants
Total support and overhead costs	27	109	

Note 4.4 - Analysis of staff costs

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

	2010-11 £'000	2009-10 £'000
Fundraising & appeals team	165	157
Finance accounting & administration team	78	90
Total staff costs	243	247

This can be further analysed as follows:

	2010-11 £'000	2009-10 £'000
Salaries	207	204
Pensions	19	29
National insurance contributions	17	14
Total staff costs	243	247

The average number of full time equivalent employees during the year was 6 (7 in 2009-10). No employee had emoluments in excess of £60,000 (0 in 2009-10).

Note 4.5 - Auditors remuneration

The External Auditor's remuneration of £12,600 (£12,220 in 2009-10) related solely to the audit of the Charity's accounts with no additional work undertaken. Internal Audit fees of £4,110 (£4,050 in 2009-10) relate solely to the audit of the Charity's financial systems.

Note 4.6 - Grant returned to third parties

There were no grants returned to third parties in 2010-11 (£0 in 2009-10)

Note 5 - Fixed asset investments

The Charity does not hold any tangible or heritage assets. The only fixed assets that the Charity holds relate to an investment portfolio managed by the Trust's investment managers.

Note 5.1 - Movement in fixed asset investments

	2010-11 £'000	2009-10 £'000
Market value at 1st April 2010	5,789	4,288
Add: additions to investment at cost	150	4,203
Less: disposals at carrying value	(858)	(3,406)
Add: net gain (loss) on revaluation	633	704
Market value as at 31st March 2011	5,714	5,789

Leicester Hospitals Charity

Notes to the Accounts

Note 5.2 - Analysis of investment portfolio

	Held in UK £'000	Held outside UK £'000	2010-11 Total £'000	2009-10 Total £'000
Investments listed in unit trusts	5,117	0	5,117	5,746
Cash held as part of investment portfolio	597	0	597	43
Market Value as at 31st March 2010	5,714	0	5,714	5,789

Note 5.3 - Investments exceeding 5 % of portfolio

	Value £'000	% of portfolio
Equities		
Cazenove Inv FD MT Equity Inc Trust for Charities	744	13%
Cazenove Inv FD MT Growth Trust for Charities	1,170	20%
Schroder UK Alpha Plus	954	17%
Total equities	2,868	50%
UK Bonds		
Cazenove Inv FD MT Income Trust for Charities	416	7%
Cazenove Intl FD Strategic Dbt FD GBP CLS'A'	430	8%
Cazenove inv FD MT UK Corp BD A Dis Retail NAV	436	8%
Total UK Bonds	1,282	23%
Hedge funds		
Cazenove Inv FD MT ABS Ret Tst for Charity Dis	538	9%
Property		
Cazenove Investmen Multi Strategy Property TST	429	8%
Cash		
Total cash	597	10%
Total investments	5,714	100%

Note 5.4 - Analysis of gross income from investments

	Held in UK £'000	Held outside UK £'000	2010-11 Total £'000	2009-10 Total £'000
Income from investment managers portfolio	174	0	174	137
Other investments	1	0	1	2
Total investment income	175	0	175	139

Note 6 - Analysis of debtors

	2010-11 Total £'000	2009-10 Total £'000
<i>Amounts falling due within one year:</i>		
Accrued income	51	243
Debtors - recharges due from UHL NHS Trust	59	28
Other debtors	16	7
Total debtors falling due within one year	126	278
Total debtors falling due after more than one year	0	0
Total debtors	126	278

The Charity has also been informed of a legacy of approximately £30k which could be received during the 2011-12 financial year but is dependent upon the sale of land. This has not been included in the above figures because at year end there was insufficient certainty over this sale.

Leicester Hospitals Charity

Notes to the Accounts

Note 7 - Analysis of creditors

	2010-11 Total £'000	2009-10 Total £'000
<i>Amounts falling due within one year:</i>		
Accruals	13	28
Creditors - recharges due to UHL NHS Trust	285	5
Other creditors	47	1
Total creditors falling due within one year	345	34
Amounts falling due after more than one year	0	0
Total creditors	345	34

Note 8.1 Endowment funds

	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains and losses £'000	Balance at 31 March 2011 £'000	Balance at 1st April 2010 £'000
CIP general purpose	0	(1)	0	0	971	972
Endowment fund unrealised gains	0	0	0	(97)	48	145
Total endowment funds	0	(1)	0	(97)	1,019	1,117

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
CIP diabetes care	Income to be used for equipment for special needs diabetic patients at Leicester General Hospital

Note 8.3 - Analysis of material restricted & unrestricted funds

	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains and losses £'000	Balance at 31 March 2011 £'000	Balance at 1st April 2010 £'000
<i>Restricted Funds</i>						
Lord Mayor's Forget-Me-Not appeal	135	(17)	10	5	133	0
Pathology - blood bank	5	(66)	0	16	121	166
UHL staff lottery	172	(254)	(20)	17	88	173
Bereavement service improvements	3	(17)	0	11	104	107
Others (17 funds)	18	(68)	(19)	(25)	250	344
Total restricted funds	333	(422)	(29)	24	696	790
<i>Unrestricted Funds</i>						
Medicine - research and development metabolic	4	(9)	(3)	15	128	121
Oncology department - research & development	34	(21)	0	17	174	144
Oncology department - medical equipment	4	(35)	(25)	16	108	148
Renal unit - patients benefits	19	(22)	0	27	175	151
Nursing - W.R.V.S	95	(91)	0	26	252	222
Cardio respiratory - medical equipment	35	(207)	0	35	111	248
General purposes of Leicester Hospitals	408	(116)	(1)	158	735	286
Cardio respiratory - patient benefit	115	(53)	(2)	43	443	340
Unrealised gains	0	0	0	(367)	(212)	155
Others (168 funds)	605	(1,116)	60	249	2,233	2,435
Total unrestricted funds	1,319	(1,670)	29	219	4,147	4,250

The net £29k of transfers from unrestricted funds into restricted funds represents monies classified as unrestricted when received, and subsequently reclassified as restricted in order to cover expenditure. In all cases the purpose of both the restricted and unrestricted funds involved in the transfer were the same.

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

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

Leicester Hospitals Charity

Notes to the Accounts

Note 8.4 - Details of material restricted funds

Name of Fund	Description, Nature and Purpose of Fund
Pathology - blood bank	To purchase equipment for the benefit of Pathology
Lord Mayors Forget-Me-Not appeal	Expenditure related to the dementia appeal
Bereavement services improvements	To fund the bereavement services improvements at the LRI
UHL staff lottery	To provide additional resources for staff

Note 9 - Contingencies

The Charity does not have any contingencies to be included in the accounts for the financial year 2010-11 (2009-10 - Nil).

Note 10 - Commitments, liabilities and provisions

The Charity has the following commitments as at the 31st March 2011:

	2010-11 £'000	2009-10 £'000
Charitable projects	1,121	801
Total	1,121	801

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.

	2010-11 £'000
Movement within year	
Opening value	801
Arising in year	1,996
Utilised in year	(1,705)
Unused / reversed	29
Closing value	1,121

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 2010-11 (2009-10 - Nil).

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

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

Leicester Hospitals Charity

Notes to the Accounts

Note 13 - Insurance policies

		2010-11 £'000	2009-10 £'000
Type of cover	Summary of cover		
Directors' & officers' liability	Liability against claims brought or made against the Trustee or staff (indemnity limit of £1m)	4	5
Charitable trustee's fidelity cover	Insurance against losses sustained by way of dishonesty and/or fraud (indemnity limit of £1m)	2	3
Personal accident insurance	Insurance against personal accident	9	12
Total insurance policies		15	20

LEICESTER HOSPITALS CHARITY

**TRUSTEE'S ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

Foreword from the Chairman

The University Hospitals of Leicester NHS Trust is one of the largest NHS teaching hospitals in the country. It would be all too easy, therefore, to overlook Leicester Hospitals Charity, because of its small size in comparison to the Trust. But I would argue it has an impact far bigger than its size suggests, because of the targeted way it invests its funds. The many thousands of gifts we receive each year from people and organisations in Leicester, Leicestershire and Rutland mean we can focus on what really matters to patients, staff and visitors to our 3 hospitals – the Glenfield, the General and Leicester Royal Infirmary.

To give an example, one in ten babies born in Leicestershire and Rutland will need to be admitted to the neonatal service. That means around a thousand families will be affected. Thanks to Leicester hospitals Charity, we now provide accommodation for parents whose baby needs to stay with us for life-saving treatment.

Last year Leicester Hospitals Charity was chosen as the Lord Mayor of Leicester's charity of the year. The Forget-Me-Not Appeal raised over £170,000 to help care for patients with dementia in our hospitals, making it one of the most successful Lord Mayor's appeals in recent years. This money is providing enhanced training for staff and volunteers, dealing with patients who have dementia. The funds are also being used to improve the surroundings on ward areas. They will also provide outdoor gardens for patients who want to be outside in the fresh air.

Given the increase in the number of our patients who have dementia, this work will have an enormous impact on our ability to care for patients with dementia, now and into the future. Matron Julia Carter will explain more about this in our report.

There are many stories we want to share with you about the work of the charity and the staff they support at UHL. But we are always conscious that the only reason we can have the impact we do, is through the generosity of everyone who has given over the past year in support of our work, I hope you will be pleased with what you have helped us to achieve.

Leicester Hospitals Charity provides benefits to the patients, their relatives and carers and the staff of Leicester Royal Infirmary, Leicester General Hospital and Glenfield General Hospital, together known as the University Hospitals of Leicester NHS Trust. And it is from those same communities that we receive such generous support through gifts, donations, legacies and time devoted by volunteer fundraisers who work so hard on our behalf.

UHL acts as Corporate Trustee for the charity, and as Chairman I am delighted to present the Charitable Funds Annual Report together with the audited financial statements for the year ended 31 March 2011.

The Charity's annual report and accounts for the year ended 31 March 2011 have been prepared by the Corporate Trustee in accordance with Part VI of the Charities Act 1993 and the Charities (Accounts & Reports) Regulations 2008. The Charity's report and accounts include all the separately established funds which benefit the staff, patients, their carers and the communities served by the Leicester Hospitals Charity.

I finish this foreword with a huge thank you to all those who have supported Leicester Hospitals Charity over the past year, and who continue to support us. We are deeply grateful for all that you help us to achieve.

Our Mission Statement

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

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

Our objectives for achieving the public benefit

UHL's 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 Advisers, who are authorised to spend charitable funds.

The funds of the Charity comprise in the most part 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:

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

which are not covered or are not fully supported by core NHS funds and which benefit the public. 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 and this includes confirmation that the expenditure is for the 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.

Our Achievements in 2011

In 2010/11 we received £605k of donations, £495k of legacies, £379k of fundraising income and £175k of investment income. We contributed £1,739k to the Trust for the benefit of its patients and staff.

Making a difference to the public

Throughout 2010/11, and in line with its objectives, the Charity has continued to support a wide range of charitable and health related activities benefiting patients, their carers, and staff.

In general the funds are used to purchase goods and services that provide additional benefits to patients and staff over and above that provided by the Trust itself. For example - the Charity has contributed to the new neonatal unit where we have funded the creation of parent accommodation in close proximity to the new unit.

Important construction works have included:

- Neonatal unit building works - £243k
- Refurbishment of the Pathology blood transfusion laboratory - £60k
- Conversion of laboratory space in Children's Services - £7k

Charitable funds have also been used to purchase a number of vital items of equipment, including the following:

- Specimen radiography system within Breast Care Services - £62k.
- Ultrasound system for Cardio Respiratory - £58k.
- Molemax system within Medical and A&E - £31k.
- Patient warming / cooling system within Cardio-Respiratory - £16k.
- Fundus camera in Surgery - £12k.

In addition to contributing to building and equipment works, the Charity continues to contribute to a number of initiatives to benefit staff and patients:

- Festive meal 2010 - £48k
- Staff awards ceremony - £40k
- Funding of retirement gifts - £10k

As well as these specific items the Charity has also funded training projects of £61k and research projects of £106k during the year.

Wellbeing at work initiative

The Charity continues to support the well-being at work initiative which offers discounted and free activities and therapies to members of staff to help them achieve a healthier lifestyle.

During 2010/11 the number of activities offered through the wellbeing at work initiative has increased further and now include over 30 different activities and treatments.

The wellbeing initiative has also funded social events during the year including a football tournament; darts tournament; and quiz night.

How we have raised the funds

Successful appeals and fundraising events during 2010/11 have included the following:

- **UHL's got talent** – was held in November 2010 at the Athena and raised £12k for the Lord Mayor's Forget-Me-Not appeal. Over 650 people watched the acts battle it out for the prize of up to £10k for staff benefit from the staff Lotto fund. The competition was won for the second year running by the Bhangra dancers, competing for the Leicester Children's Hospital Staff.
- **Kidney care appeal** – over 160 supporters and their families took part in the sponsored walk at Ratcliffe College in June 2010 for the second time and raised £22k for the appeal. Other events have included a music concert at De Montfort Hall raising just under £1k and a barn dance raising the same. We also produced charity Christmas cards which made over £3k and in total over £36k has been raised for this appeal in the year.
- **Lord Mayor's Forget-Me-Not-appeal** – this appeal raised nearly £160k during Councillor Colin Hall's Mayoral year, including a £100k donation from the WRVS. This money is to be spent on training staff to deal with the needs of dementia patients; enhancing dementia wards with sensory rooms and equipment; and providing a purpose built sensory garden at the General Hospital.
- **Skin cancer appeal** – this appeal involved a partnership between Brown Dog Charity and Leicester Hospitals Charity where we completed the Wordsworth Challenge in the Lake District in June 2010 and raised £60k for the appeal. We bought a state of the art Molemax scanner for patients with malignant melanomas. With the help of the East Midlands Cancer Network we also purchased MOHs surgery equipment to improve the treatment of patients who have been diagnosed with many types of skin cancer.
- **Cupcake appeal** – this appeal was launched in October 2010 with a target of £120k to build a dedicated unit for patients undergoing breast reconstruction. Crazy Hats Charity have recently offered us £100k towards this appeal subject to certain conditions, and together with the £12K already raised should enable our target to be achieved.
- **Lottery relaunch** – this was promoted via redesigned posters and flyers throughout the Trust as well as super draws to attract new players. A first prize of £2k was given in December 2010 and a brand new Ford KA was given in March this year, followed by a luxury holiday in June. As a result of these super draws we have attracted an extra 350 players, increasing the income by nearly £2k per month.
- **Neonatal unit** – this unit reopened following the success of the Newborn Baby Appeal, which raised over £81k in 2010/11 - a total of £115K since its launch. The money was raised through many generous personal donations and pledges including £24k from Next plc; £12k from Ullesthorpe Golf Club; £4k from a Charity Golf Day at the Leicestershire Golf Club; and nearly £10k from a charity bike ride. We have managed to purchase several additional pieces of medical equipment to benefit premature babies in the unit as well as providing vital parent accommodation in the Kensington Building.

Donations and legacies

Wards continue to receive donations specifically given to thank the staff who care for the patients, and these are used for charitable activities that benefit staff. The charitable funds also enable consultants and other medical staff to attend courses, not funded by the NHS, which will update them on the new ideas and modern techniques in their specialities.

The Charity has also received a number of large legacies in the year. Further information in respect of donations and legacies is given on page 10.

The Charity's Future Plans

The Charity has ambitious aims over the medium term, and these reflect its commitment to benefiting patients and staff. We currently have a variety of expenditure plans in place to benefit the patients of the Trust, and the total identified planned spend is currently £1.5m for 2011/12. It is also anticipated that an additional £0.5m of ad-hoc applications will be received in the year.

Over the next five years we anticipate investing over £6million in capital projects and equipment purchases. Although our annual income is substantial, there will be an ongoing need to identify additional philanthropic benefactors to help us realise our plans for better care for patients and support for staff in their work.

A major project for the Charity over the next two years is to raise funds to support UHL's aim of creating a world-class children and young people's cancer treatment unit at Leicester Royal Infirmary.

This will be achieved through a combination of external funding support from the Teenage Cancer Trust and others; the use of existing charitable funds held by Leicester Hospitals Charity; and a major public fundraising campaign.

The Charity will need to raise £1.4 million to enable this project to go ahead within the next two years. This campaign is requiring a step-change in fundraising for UHL and Leicester Hospitals Charity, and if successful it will be a catalyst for further high profile fundraising campaigns in the future.

We will also continue to fund smaller schemes across the whole of UHL for the purposes of patient and staff benefit.

Governance and Finance

Trustees

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

Name	Title
M Hindle	Chairman
M Lowe-Lauri	Chief Executive
A Seddon	Director of Finance and Procurement
S Hinchliffe	Chief Operating Officer / Director of Nursing
K Harris	Acting Medical Director
K Bradley	Director of Human Resources
Professor D Wynford-Thomas	Non Executive Director
I Reid	Non Executive Director
D Tracy	Non Executive Director
R Kilner	Non Executive Director
J E Wilson	Non Executive Director
K Jenkins	Non Executive Director
P Panchal	Non Executive Director

The above members of the Trust Board have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Commission.

Structure

The Leicester Hospitals Charity (the Charity) was formed in April 2000. This followed the merger of three separate NHS Trusts, the Leicester Royal Infirmary, Leicester General Hospital and Glenfield General Hospital Trusts, as the University Hospitals of Leicester NHS Trust (the NHS Trust). This resulted in the creation of one overall umbrella Charity, then known as the University Hospitals of Leicester NHS Trust Charitable Funds.

The Charity was renamed as the Leicester Hospitals Charity in 2007 to give it its own separate identity. The Charity's governing document is a Declaration of Trust dated 19th June 1996 and amended by supplemental deeds dated 28th March 2002 and 1st March 2007.

The Charity holds restricted, unrestricted and endowment funds. Separate funds are held for each of the Trust's operational areas.

Governance

The NHS Trust's Board (the Board) acts as Corporate Trustee and has overall responsibility for the management and activities of the Charity. Non-Executive members of the Board are appointed by the NHS Appointments Commission and Executive members are subject to recruitment by the Board. Members of the Board are not individual Trustees under Charity Law but act as agents on behalf of the Corporate Trustee.

The Corporate Trustee fulfils its legal duty by ensuring that funds are spent in accordance with the donor's wishes and the objects of each fund. By designating funds the Trustee respects the wishes of our generous donors to benefit patient care and advance the good health and welfare of patients, their carers and the staff who look after them.

New members of the Trust Board who sit on the Charitable Funds Committee are provided with an introduction to the Charity as part of their induction programmes within the NHS.

The Charitable Funds Committee (the Committee) acts for the Corporate Trustee and is responsible for the overall management of the funds, and for ensuring that Trustees are regularly apprised of changes in legislation and other important issues relating to Charities. The Committee meets every two months and its core membership includes Executive and Non-Executive Directors. The Chairman of the Committee is also the Chairman of the NHS Trust. Additional attendees are also invited, including senior Finance staff, the Trust Administrator and a representative from the Fundraising Team. Investment managers and other NHS staff are also invited to attend on an ad-hoc basis.

The Committee is responsible for:

- controlling, managing and monitoring the use of the Charity's resources for the public benefit, having regard for the guidance issued by the Charity Commission;
- providing support and guidance for its income raising activities whilst ensuring that the receipt of all income is effectively managed;
- ensuring that 'best practice' is followed in the conduct of all its affairs fulfilling all of its legal responsibilities;
- ensuring that the Investment Policy approved by the Trust Board as Corporate Trustee is adhered to and that performance is continually reviewed, whilst being aware of ethical considerations; and
- keeping the Trust Board fully informed on the Charity's activity, performance and risks.

Management

There is a designated Charitable Funds Finance Team within the NHS Trust's Finance directorate which comprises of three members of staff including the Charity Finance Manager. This team is primarily responsible for the maintenance of accounting records and administration of the funds. Their salaries are recharged back to the Charity along with associated accommodation costs. A service level agreement is in place between the Charity and the Trust covering the provision of the service.

The Charity also has a Fundraising Team which comprises of four members of staff, including the Head of Fundraising. This team is responsible for the coordination, management and reporting of appeals as well as providing support and advice to the Trust's wards and departments about their own specific income generation activities.

The Charity's Fundraising Team provides a point of contact for donors and fundraisers and coordinates the publicity aspects of fundraising events. The Fundraising Team also has an integral role to play in the wider promotion and marketing of the Charity in order to encourage additional voluntary income over and above that generated from specific appeals. All fundraising staff are employed by the Trust and the costs are recharged to the Charity.

Maintaining a healthy balance sheet

The assets and liabilities of the Charity as at 31 March 2011 are stated below, compared with the position at 31 March 2010.

	Total Funds 2010-11 £000	Total Funds 2009-10 £000
Fixed Asset Investments	5,714	5,789
Net Current Assets	151	368
Total Net Assets	5,865	6,157
Funds of the Charity		
Endowment Funds	1,019	1,117
Restricted Funds	696	790
Unrestricted Funds	4,150	4,250
Total Funds of the Charity	5,865	6,157

Useful definitions:

Fixed Asset Investments are investments in quoted stocks and shares.

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

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

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

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

Sources of funds

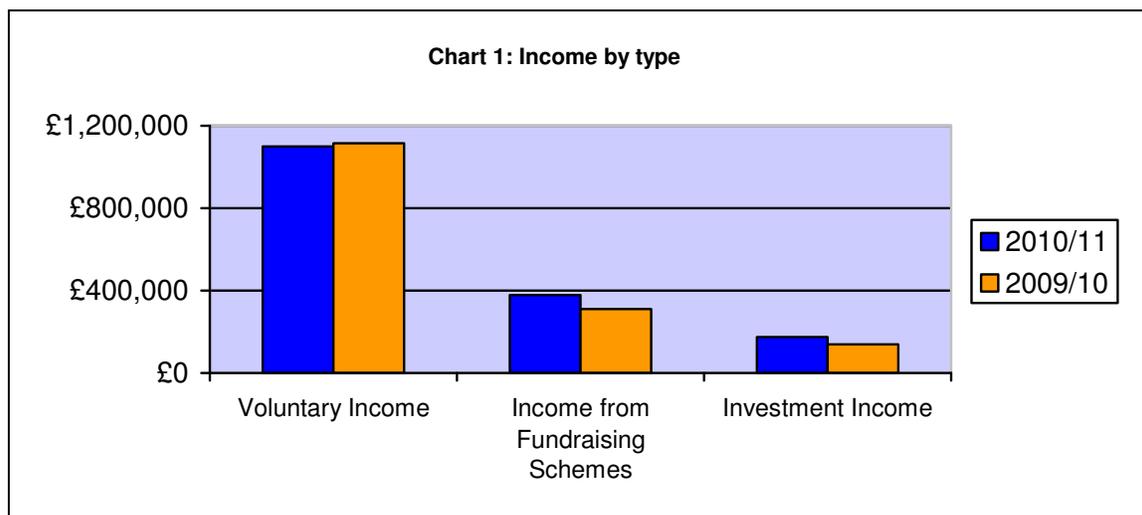
Incoming resources for the Charity increased from £1,564k in 2009/10 to £1,651k in 2010/11, mainly due to an increase in fundraising income of £68k. Total resources expended have increased from £1,687k in 2009/10 to £2,092k in 2010/11 mainly due to an increase in capital contributions of £319k.

The Charity generated a £292k deficit on the Statement of Financial Activities, with an excess of expenditure compared to income of (£438k) and an investment gain of £146k.

The planned level of income and expenditure for the year would have resulted in a deficit of £1,369k. The difference between this and the actual deficit of £292k was almost entirely due to the Charity spending £961k less than planned in the year.

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 as was planned in 2010-11.

Income performance was as follows:



- **Voluntary Income (Donations and Legacies)**

The level of income from donations and legacies reduced from £1,114k in 2009/10 to £1,110k in 2010/11. Voluntary income most notably included legacies of £309k from D E Richards; £75k from H Porter; £67k from E P Mayes and £50k from B G Ward. Donations from the WRVS totalled £188k in the year. A further £31k was raised through the gift aid scheme.

- **Income from Fundraising Activities**

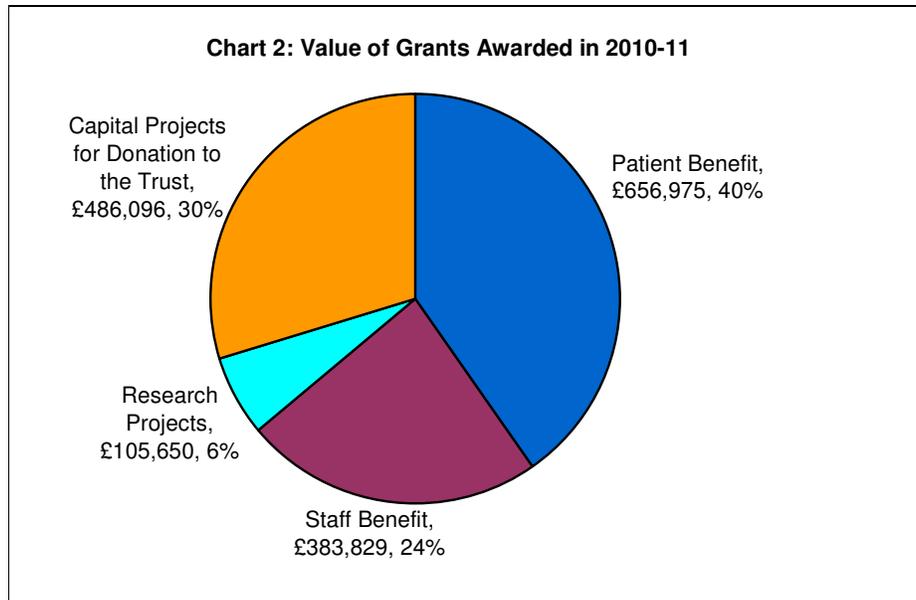
A total of £379k was raised through fundraising schemes, including the aforementioned UHL's got talent; kidney care appeal; Lord Mayor's forget-me-not appeal; skin cancer appeal; and cupcake appeal.

- **Investment Income**

During the year, the total return, including dividends and interest, was £175k. The Charity also benefited from investment gains of £146k (gain of £1.5m 2009/10) reflecting the performance of the stock market over the last twelve months.

Where we spent the money

The awarding of grants represents the main activity for the Charity. During the 2009/10 financial year, the Charity expended approximately £1,633k in grants as shown overleaf:



Grants to Provide Benefits to Patients

The Charity spent £657k on grants with a purpose to provide benefits to the Trust's patients, including:

- Purchases of Equipment to Supplement Wards and Departments £363k
- Furnishings of Patient Areas £181k
- Play Equipment and Toys for Children £6k
- Social Activities with Patients £5k
- Literature and similar materials for Patients £11k
- Other Miscellaneous £91k

Capital projects for donation to the NHS Trust

The Charity spent £486k on grants with a purpose to provide benefits to the Trust's patients and staff, including:

- Medical and dental equipment £232k
- Computer equipment £11k
- Capital expenditure on buildings £243k

Grants to Provide Benefits to Staff

The Charity spent £384k on grants with a purpose to provide benefits to the Trust's staff, including:

- UK and Overseas Course Fees, Study Leave and Travel £56k
- Purchases of Computer and Other Staff Equipment £10k
- Social Activities £16k
- Hospitality (including the staff Christmas meal) £52k
- Retirement Gifts and Awards £10k
- Furnishing Improvements to Staff Areas £153k
- Prize giving £47k
- Literature and Other similar materials for staff £5k
- Other Miscellaneous Expenditure £35k

Grants awarded for Research Projects

The Charity has a number of research funds and during the year £106k was spent on research related activities. The majority of this expense related to salaries for staff undertaking research activities.

Risk Management

The Charity has identified no new material risks during 2010/11 and the main risk remains as the potential loss from a fall in the market value of investments.

The Charity has established an investment strategy to mitigate this risk, which requires an investment portfolio which balances risk and return, and includes investments which can be converted to meet short term cash requirements. New investment managers have been appointed in the year and they act in accordance with the Charity's investment strategy.

Financial reports are presented to the Charitable Funds Committee and any significant trends and risks are highlighted in the commentaries supporting the reports.

Other low priority operational risks relate to the grant application process and the financial system risks around the receiving of donations, ordering of goods and services and payment of invoices.

Appropriate controls and systems have been established to mitigate these risks, including the Charity adopting UHL's standing orders and standing financial instructions. Assurances are obtained from internal audit that these controls are operating effectively and for 2009/10, Internal Audit gave the Charity significant assurance that there is a generally sound system of control designed to meet the system's objectives.

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

Grant Making Policy

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

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

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

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

The Committee approves grants up to £25,000 in relation to the use of the Charity's funds. The Charity Finance Manager is empowered by the Committee to consider and approve all grant applications of up to £10,000 from restricted or designated funds within the criteria set by the Committee. A report is presented to the next meeting of the Committee which details these approvals.

Applications involving proposed expenditure of £25,000 or more are referred to the NHS Trust Board, as Corporate Trustee, with the Committee's recommendation as to whether or not they should be approved or rejected.

Reserves

The Charity has a reserves policy as part of its overall plan to provide long term support to the NHS Trust. The Corporate Trustee has held the view that income donated to charitable funds should be expended in a timely way in accordance with the donor's wishes. This does not prevent any individual departments building up fund balances in order to purchase larger items in the future. Fund Managers submit annual plans to the Charitable Funds Committee which are regularly monitored to ensure that funds are spent in a timely manner and in accordance with donor's wishes.

The Corporate Trustee's intent is that designated funds are spent within a reasonable period of receipt and therefore foresee a need only to maintain reserves sufficient to provide certainty of funding for the ongoing costs of the Charity. The Charity has calculated that it needs to maintain total freely available reserves of at least £80k to meet its ongoing running costs and to meet expected future commitments. This level of funds represents the amount that would be required to wind the Charity down should the need ever arise.

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 unrestricted funds at the 31st March 2011 was £4,150k (£4,250k 2009/10). The level of reserves available for general use as at 1st April 2010 is as follows:

Breakdown of reserves	£'000
Total funds	5,865
<i>less</i> restricted funds	(696)
<i>less</i> endowments	(1,019)
<i>less</i> committed funds	(1,121)
Freely available reserves	3,029

The Charity has a sufficient level of freely available reserves, although these are significantly higher than the required level. The Corporate Trustee recognises the need to identify plans to utilise these reserves and continues to work with the Trust's divisions to coordinate the Charity's expenditure plans with broader divisional plans. As well as the £1,121k commitments shown above, divisions have also identified further expenditure plans of £305k. However, as these applications have not yet been received the amounts remain freely available. It is also anticipated that an additional £0.5m of ad-hoc applications will be received in the year.

As part of the plans for the high profile £1.4m Our Space appeal the Charity is considering the use of freely available reserves to part fund this initiative however it is not possible to quantify the value of this funding. The Charity continues to monitor the level of reserves on a regular basis.

This reflects the Charity's ongoing commitment to supporting the patients and staff of the NHS.

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 (%)	Range as at 31/03/11 (%)
UK Equities	35 to 55	50.2
Hedge funds	0 to 10	9.4
Property	0 to 10	7.5
Bonds	No restriction	22.4
Cash	No restriction	10.5

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

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

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

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

The Charity does not wish to invest in companies whose principal activities are tobacco related. The Charity accepts that the investment in common investment funds (and similar products) may give the Charity indirect exposure to tobacco related investments.

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

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

Reference & Administrative Details

Charity Name	Leicester Hospitals Charity
Charity Address	Trust Headquarters Level 3, Balmoral Building Leicester Royal Infirmary Infirmary Square, LE1 5WW
Registered Number	1056804
Charity Staff	Debbie Adlerstein (Community and Events Fundraising Manager) Tim Diggle (Head of Fundraising) Marie Hough (Fundraising Administrator) Robert Myers (Corporate Fundraising Manager) Nick Sone (Financial Accountant) Julie Woolley (Charity Finance Manager) Mandy Tuddenham (Charitable Funds Assistant)
Internal Auditors	East Midlands NHS Internal Audit Services Daisy Peake Building Towers Hospital Site Gipsy Lane Leicester LE5 0TD
External Auditors	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Solicitors	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ
Bankers	The Royal Bank of Scotland St Johns House East Street Leicester LE1 9NB
Investment Managers	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
Corporate Trustee	University Hospitals of Leicester NHS Trust Trust Headquarters Level 3, Balmoral Building Leicester Royal Infirmary Infirmary Square, LE1 5WW

Thank You

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

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

Appendix 3 – Letter of representation

(Letterhead of Charity)

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

5th January 2012

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 2011, 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 1993 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 1993, 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 2011.

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 5th January 2012.

Yours truly,

[Chairman]

[Secretary]

Appendix A to the Management Representation Letter of Leicester Hospitals Charity

Definitions

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