

**Trust Board Paper DD**

<b>To:</b>	<b>Trust Board</b>
<b>From:</b>	<b>Interim Director of Financial Strategy</b>
<b>Date:</b>	<b>30 January 2014</b>
<b>CQC regulation:</b>	<b>All applicable</b>

**Title:** LHC Final Accounts and Annual Report 2012-13

**Author/Responsible Director:** Interim Director of Financial Strategy

**Purpose of the Report:**  
 The report presents the audited annual accounts (Appendix 1), Trustee’s Annual Report (Appendix 2) and letter of representation (Appendix 3) for the Leicester Hospitals Charity for the year ending 31<sup>st</sup> March 2013.

**The Report is provided to the Board for:**

Decision	<input type="checkbox"/>	Discussion	<input type="checkbox"/>
Assurance	<input type="checkbox"/>	Endorsement	<input checked="" type="checkbox"/>

**Summary / Key Points:**  
 The report details the summary financial performance of the Charity for the year ending 31<sup>st</sup> March 2013.

On receipt of the final Audit Opinion, the Final Accounts and Annual Return will be submitted to the Charity Commission. The deadline for submission is the 31 January 2014.

Following audit by the Charity’s auditors, KPMG, we made a number of presentational adjustments to the accounts. There were no significant issues raised.

**Recommendations:**

The Trust Board is invited to:

- note the contents of the report and the Letter of Representation;
- approve the Charitable Funds Annual Accounts and Annual Report for the year 2012-13, and
- approve the signing of the relevant certificates by members of the Trust Board (as detailed in the report).

<b>Previously considered at another corporate UHL Committee ?</b> Yes – reported to members of the Charitable Funds Committee on 22 <sup>nd</sup> January 2014.	
<b>Strategic Risk Register</b> N/A	<b>Performance KPIs year to date</b> N/A
<b>Resource Implications (eg Financial, HR)</b> N/A	
<b>Assurance Implications</b> N/A	
<b>Patient and Public Involvement (PPI) Implications</b> N/A	
<b>Equality Impact</b> N/A	
<b>Information exempt from Disclosure</b> N/A	
<b>Requirement for further review ?</b> N/A	

## UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**REPORT TO: TRUST BOARD**

**DATE: 30<sup>th</sup> JANUARY 2014**

**REPORT FROM: PETER HOLLINSHEAD  
INTERIM DIRECTOR OF FINANCIAL STRATEGY**

**SUBJECT: FINAL ACCOUNTS AND ANNUAL REPORT 2012-13 FOR THE  
LEICESTER HOSPITALS CHARITY**

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### **1. INTRODUCTION**

- 1.1 The report presents the audited annual accounts (Appendix 1), Trustee's annual report (Appendix 2) and letter of representation (Appendix 3) for the Leicester Hospitals Charity for the year ending 31<sup>st</sup> March 2013.
- 1.2 The accounts and annual report were submitted to members of the Charitable Funds Committee on the 21<sup>st</sup> January.
- 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 £342k to £5,171k during the 12 months ending 31 March 2013 (the Income and Expenditure section of this report gives further details).
- 2.2 The balance sheet shows a movement in net current assets of (£47k) due to a decrease in debtors (£2k), a decrease in creditors £109k and a decrease in cash (£154k) held at year end. This means that the Charity now has net current assets of £238k.
- 2.3 The balance sheet shows a reduction in the value of fixed asset investments of £295k.

#### **Income & Expenditure**

- 2.4 The Charity has a deficit of £342k on the Statement of Financial Activities. This reflects investment gains of £432k and a net outflow of (£774k) of expenditure compared to income.

## Income

2.5 Total incoming resources have decreased from £2,126k in 2011-12 to £2,120k in 2012-13:

- Donated income has decreased from £647k to £563k.
- Legacy income has decreased from £705k to £385k.
- Income from fundraising initiatives has increased from £606k to £978k.

## Expenditure

2.6 Total Charity expenditure has increased from £2,395k in 2011-12 to £2,895k in 2012-13:

- Grant expenditure has increased from £2,050k to £2,555k as shown in the following table.

**Table 1 – Summary of Grant Expenditure 2011-12 and 2012-13**

<b>Grant Category</b>	<b>2011-12 (£'000)</b>	<b>2012-13 (£'000)</b>	<b>Change (£'000)</b>
Patient Benefits	1,005	678	(327)
Staff Benefits	262	225	(37)
Research	68	101	32
Capital Contributions	715	1,551	837
<b>Total</b>	<b>2,050</b>	<b>2,555</b>	<b>505</b>

## 3. AUDIT OUTCOME

3.1 Following audit by the Charity's auditors, KPMG, we made a number of minor presentational adjustments to the accounts. KPMG's ISA 260 audit report is included in Appendix 4.

- KPMG expect to issue an unqualified audit opinion on receipt of our signed certificates.
- There are no unadjusted audit differences which need to be reported. All of the adjustments were presentational in nature and were corrected.
- No high or medium level recommendations have been made in KPMG's ISA 260 report.

#### **4. FINAL ACCOUNTS PROCESS**

- 4.1 The Final Accounts are being presented to the Trust Board for adoption.
- 4.2 On receipt of the final audit opinion, the final accounts and annual return will be submitted to the Charity Commission. The deadline for submission is the 31 January 2014. As in previous financial years, there is an additional requirement to submit a summary information return to the Charity Commission outlining key aspects of the Charity. The information provided in this return reflects particular items within the annual accounts and annual report.

#### **5. LETTER OF REPRESENTATION**

- 5.1 Appendix 3 contains the proposed Letter of Representation from KPMG and they do not require any specific representations.
- 5.2 Copies of the Certificates will be circulated separately.

#### **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 2012-13, and**
- **approve the signing (*in non-black ink*) of the relevant certificates by members of the Trust Board, as follows (*signatories are shown in brackets*):**
  - **Charitable Funds – Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements** (*Chairman, and the Interim Director of Financial Strategy acting on behalf of the corporate trustee*);
  - **Balance Sheet** (*a member of the Trust Board acting on behalf of the corporate trustee*), and
  - **Management Letter of Representation** (*Chairman*).

**PETER HOLLINSHEAD**  
**INTERIM DIRECTOR OF FINANCIAL STRATEGY**

# Leicester Hospitals Charity

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Statement of Trustees Responsibilities



**LEICESTER HOSPITALS CHARITY**

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**TRUSTEE'S ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2013**



## **Chairman's Foreword**

Every year, the University Hospitals of Leicester NHS Trust holds its Caring at Its Best Awards, to recognise the excellent work carried out by individuals, teams and volunteers working for us. The event is funded by Leicester Hospitals Charity, and sponsored by some of our key corporate partners. It is a recognition in part of how much we achieve through collaboration between staff, business partners, our own charity and other voluntary organisations committed to caring at its best.

It is clear when travelling around our hospitals as I have done for the past six years, what added value we derive from Leicester Hospitals Charity and the other charitable organisations and volunteers who support us in many different ways.

During the past year we saw the successful opening of the new children and young people's cancer unit at the Leicester Royal Infirmary. It cost £1.4 million to build, and was a successful collaboration between the Teenage Cancer Trust, the Robbie Anderson Cancer Trust, Leicester Hospitals Charity and many others, including the Kay Kendall Leukaemia Fund, the Garfield Weston Foundation, Leicestershire and Rutland Community Foundation, and many hundreds of families, community groups and individuals who all made such an ambitious project a reality. The new unit has surpassed all expectations; the young people being treated there treat the unit as their own space, and the feedback from the staff is very positive.

We also were fortunate to receive many other gifts, which enabled us to make other smaller but equally important improvements to our hospitals. We provided £400 to fund clocks which show the day, time and date and for brain injury unit. Brain injured patients can "lose" gaps of time, and clocks like these make it much easier to keep track.

We continued to fund additional training for staff [example?] Better trained staff are in a position to enrich the service and care they offer to patients, which benefits everyone.

Finally, after nearly seven years as Chairman of both the Trust and Leicester Hospitals Charity, it is time to say farewell as I move on to another role. I have been constantly impressed with the commitment and passion shown by staff, and the unceasing generosity I have witnessed at first hand of people who have given so much to us through Leicester Hospitals Charity. I wish the Charity and the staff at our hospitals every success in the future.

The Charity's annual report and accounts for the year ended 31 March 2012 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**

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 Advisers, who are authorised to spend charitable funds.

The funds of the Charity comprise 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 are not covered or are 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 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.

The 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 2013**

Throughout 2012-13 the Charity has continued to support a wide range of charitable and health related activities for the benefit of patients, their carers, and staff.

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

In 2012-13 we received the following income:

- £563k of donations;
- £385k of legacies;
- £978k of fundraising income; and
- £194k of investment income.

We contributed £2,556k to the Trust for the benefit of its patients and staff.

### **OurSpace Appeal**

The Charity has undertaken a number of fundraising initiatives in the year, including of the most ambitious campaign in the Charity's history, the OurSpace appeal, which successfully raised £1.2 million in just under two years.

Together with Teenage Cancer Trust (which contributed £500k) and with support from the Robbie Anderson Cancer Trust, we embarked on a project to transform our children and young people's cancer unit on ward 27 at Leicester Royal Infirmary.

In February 2013, the unit was opened and has totally transformed the environment in which children, teenagers and young adults are treated. The careful use of design, lighting and colour has turned an ordinary hospital ward into a space that children and young people will find stimulating, whatever their age.

Features of the new unit include:

- Dedicated medical and play facilities for children, including games and televisions.

- A Teenage Cancer Trust unit that provides separate medical and recreational facilities for teenagers and young people aged 13 to 24, including games, televisions and internet access.
- A Teenage Cancer Trust youth support coordinator to ensure that teenagers and young adults receive the emotional, social and practical support that they need.
- Dedicated outpatient and day case treatment areas within the children and young people's cancer unit.
- An integrated team of specialist nurses, doctors and healthcare professionals from adult and children's medicine.
- Specially trained staff to assist with social and educational activities; and to provide emotional support.
- Support for families with a child or young person on the unit.

Dr Fiona Miall, one of our consultant haematologists said:

"The hospital environment can be an intimidating and confusing place for anyone, but especially for children and young adults. The new unit will be a place for children just to be themselves - for younger children that could mean playing games or reading. For teenagers the space will allow them to socialise or study, listen to music or surf the internet. We want to improve the quality of the accommodation and the services we offer to young cancer patients and their families to make a positive impact on their experience with us."

Tim Diggle, our head of fundraising at Leicester Hospitals Charity, said:

"Raising the funds needed in the current economic climate is going to be a challenge, but anyone who has had experience of a young child with cancer knows how important this new unit is. We really hope that families and communities across Leicester, Leicestershire and Rutland can support this campaign and help provide the best possible facilities for all children and young people living with cancer."

### **Making a difference to the public**

Charitable funds have also been used to purchase a number of vital items of equipment for use within the Trust, including:

- a Thulium laser, used in prostate surgery;
- a Fibroscan machine, used in the treatment of liver disease; and
- a Liquichip workstation used in the delivery of laboratory services to prospective renal patients.

In addition to contributing to the Trust's building works and equipment purchases, the Charity funds a number of initiatives to benefit staff and patients. The following posts have been funded by the Charity:

- a Time for a Treat Co-ordinator;
- a Meaningful Activities Co-ordinator; and

- a Volunteer Services Placement & Project Officer.

The following activities were funded by the Charity in 2012-13:

- the 2012 festive meal;
- the staff awards ceremony; and
- the ongoing funding of retirement gifts.

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

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

As well as the vast number of individual donations into the appeal, we raised £19k at the OurSpace Celebration Ball in November 2012. This was held at the Kingpower Football Stadium and included live music; a fashion show featuring John Lewis; a charity draw and auction; and a disco.

We had great support from Leicester City Football Club for the OurSpace Appeal which was chosen as one of the charities for the Foxes Foundation and Alan Birchenall's 'One in a Million Campaign'. Radio Leicester's Ian Stringer joined a number of UHL fundraisers in running the London Marathon and the Charity was presented with £18k on the pitch in August 2012. – thanks to the Blue Army!.

Brown Dog cancer charity supported us again this year by raising £30k from their 2012 Peaks Challenge in which several doctors and nurses from UHL took part. The money, raised for the OurSpace Appeal, was used for one of the side rooms on ward 27. We are extremely grateful to all the members of Brown Dog for their continued support for cancer patients at UHL.

We had vast numbers of fundraisers who contributed to the OurSpace Appeal. A particularly noteworthy contribution was in connection with young cancer patient who asked her doctor at UHL, Professor Martin Dyer, if there was any problem with her having a tattoo. To raise money for OurSpace, Professor Dyer decided to join her in having the same image of a toucan tattooed on his bottom!. He raised an amazing £8k for the OurSpace Appeal by undertaking this one off venture through sponsorship from family, friends, patients and colleagues.

We held the biennial Kidney Care Appeal sponsored walk at Ratcliffe College on Sunday 17th June 2012. Donations sent in prior to the walk and on the day; and sponsorship money raised from the 111 walkers made just over £25k. We also held a Kidney Care Appeal spring raffle which was drawn on 21<sup>st</sup> March 2013 and raised a further £9k.

### **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 specialties.

The Charity has also received a number of large legacies in the year. Further information in respect of donations and legacies is given in the Governance and Finance section of this report.

### **Ongoing Appeals**

We continue to work with the renal team in managing the Kidney Care Appeal and the orthopaedic team in managing the Foxtrot sponsored walk.

The Lord Mayor's stroke appeal is due to reach its conclusion in 2013. We are confident of exceeding our target of £60k. We are working closely with the Stroke team to ensure the funds raised are invested as widely as possible across the stroke pathway.

### **Staff Lottery and wellbeing at work**

We continue to manage the UHL staff lottery, and assist in its marketing and promotion to new and existing staff. The staff lottery has a recurrent turnover of more than £185k per year. Consideration will be given to creating a separate public lottery to increase available funds. The Lottery funds the Wellbeing at Work programme which offers discounted and free activities and therapies to members of staff to help them achieve a healthier lifestyle.

### **Innovation Awards**

The two rounds of Innovation Awards run in the last four years have shown there are members of staff with really good ideas who just need support to develop them further. We continue to support the Innovation Awards, and will develop our approach to work more effectively in partnership with, among others, our key corporate supporter, Next PLC.

### **Parent accommodation**

We have worked with CICU to renovate the three parent accommodation rooms at the LRI, adjacent to the CICU. A number of parents gave support and made donations to fund this work. We are working with the Women and Children's Division to establish an interim solution for improved parent accommodation whilst plans for the Children's Hospital are worked through.

## **The Charity's Future Plans**

Over the next five years Leicester Hospitals Charity will support UHL's plans to become internationally recognised for placing quality, safety and innovation at the centre of its service provision. We will seek to enhance the funding available for specialised services, research, teaching, and high quality patient

care. We will support staff development and an improved patient experience. Our aim is to support UHL in providing “Caring at its best”.

Our fundraising targets will be based around the identified need of each project. Working closely with clinical colleagues and senior UHL management, we will identify priority capital projects.

We will support the production of compelling cases of need to maximise our success in securing the necessary funds for each project. Most of the projects are still in the feasibility stage, but the early indications are that the Charity will need to increase its average annual fundraising income from £1.5 million to more than £2.2 million. The growth in income will come primarily from capital appeals.

The success of the OurSpace appeal has given us the confidence to consider other, more ambitious fundraising campaigns. Other than the £500k received from the Teenage Cancer Trust, the largest single donation was £90k, and the top twelve donors provided 50% of the funds needed for the appeal. Five of the significant gifts came from grant-making trusts, two were legacies and two corporate gifts.

Experience from across the charity sector suggests that in order to succeed, capital appeals need to secure gifts at this level as a proportion of the total amount raised.

The success of the appeal has also raised awareness amongst staff of the potential to use external funds to support new projects and enhance existing services.

In order to achieve the step-change in income that the OurSpace appeal required, the fundraising team dedicated resources and time into identifying and cultivating donors who could give significant gifts to the appeal.

Three possible major capital campaigns are currently being considered in the Trust, including:

- **Hybrid Theatre - £1.5 million**  
As part of the business plan for the Acute Division, a need has arisen for a hybrid theatre to be created at the Glenfield General Hospital. The Fundraising team are currently working with the clinicians to develop the business case and case of need.
- **Renal transplant and research project - £18 million**  
The University of Leicester have identified a potential major gift to support renal transplant and research. The fundraising team are looking at whether there is scope to collaborate and create a joint fundraising campaign to enable this project to go ahead.
- **Children’s Hospital – cost to be determined**  
The concept of a children’s hospital has long been a desire for the Women’s and Children’s Division. Under the new strategic direction, all paediatric services are to be managed by the Women’s and Children’s

Division. The Fundraising team will work with the Division to establish whether there is a viable project for a capital appeal.

We are also looking at fundraising for a series of improvements to Children's Services through an overarching appeal.

### **Fundraising Strategy**

In order to strengthen the fundraising function of the Charity we plan to refine our fundraising strategy. There are three elements to the strategy:

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

There is a need to significantly increase the value of funds raised in order to fund the planned spend. This significantly increases the risk of shortfall in existing available funds should insufficient new funds be raised.

To mitigate this risk, each new major project needs to be viable on its own merits, as well as fitting in to the broader strategic direction of the Trust. In addition, the Charity plans to broaden its fundraising scope to increase the level of unrestricted funds coming in to the Charity.

We plan to identify and secure lead gifts early on in each campaign. Conducting the process of gift solicitation in the private, or silent, phase of the campaign also provides for a way to stop the campaign at an early stage, should the required gifts not be forthcoming.

This approach also means that the resources needed for each campaign can be outlined and agreed in advance, but only deployed should the campaign gather momentum and move to completion.

Each new project will start with:

- a planning template;
- a business case, supported by the relevant division(s) and approved by Commercial Executive; and
- a case of need, or support, to test the fundraising viability.

Each project will have a dedicated fundraising campaign lead (from the Charity), and a project leader (from the division) as a minimum. These two people will need to be given sufficient capacity to undertake full project evaluation and planning, and the ability to call on further support during the implementation phase.

### **Marketing and Communications**

Communications runs through everything we do. The Charity has to continually make the case to secure funding and to encourage staff to make use of the funds

available. We will continue to work closely with our colleagues in communications, graphics and knowledge management to ensure our communications messages are as well-defined and accurate as they can be.

### **An identity for each fundraising appeal**

The method of creating a separate appeal identity has been successful so far. We intend to continue to create separate brand identities for large-scale fundraising appeals, particularly where the beneficiaries can be clearly defined (e.g. the OurSpace appeal was for children and young people with cancer; the Forget-me-not appeal was for patients with dementia).

At the same time we will continue to refine the Leicester Hospitals Charity brand, with the Dr Fox logo, to try and improve recognition amongst staff, patients, visitors and the general public.

This year we will also be creating a booklet aimed specifically at staff, explaining in detail what the Charity does to benefit them and how they can apply for funds for their area of work. We also plan to promote the Charity to groups of staff through attendance at meetings such as the corporate induction programme.

All marketing and communications materials will be created to work in hard copy and online formats.

## **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:

<b>Name</b>	<b>Title</b>
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 19<sup>th</sup> June 1996 and amended by supplemental deeds dated 28<sup>th</sup> March 2002 and 1<sup>st</sup> 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 2013 are stated below, compared with the position at 31 March 2012.

	<b>Total Funds 2012-13 £000</b>	<b>Total Funds 2011-12 £000</b>
Fixed Asset Investments	4,933	5,228
Net Current Assets	238	285
<b>Total Net Assets Funds of the Charity</b>	<b>5,171</b>	<b>5,513</b>
Endowment Funds	1,095	1,005
Restricted Funds	673	540
Unrestricted Funds	3,403	3,968

<b>Total Funds of the Charity</b>	<b>5,171</b>	<b>5,513</b>
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**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**

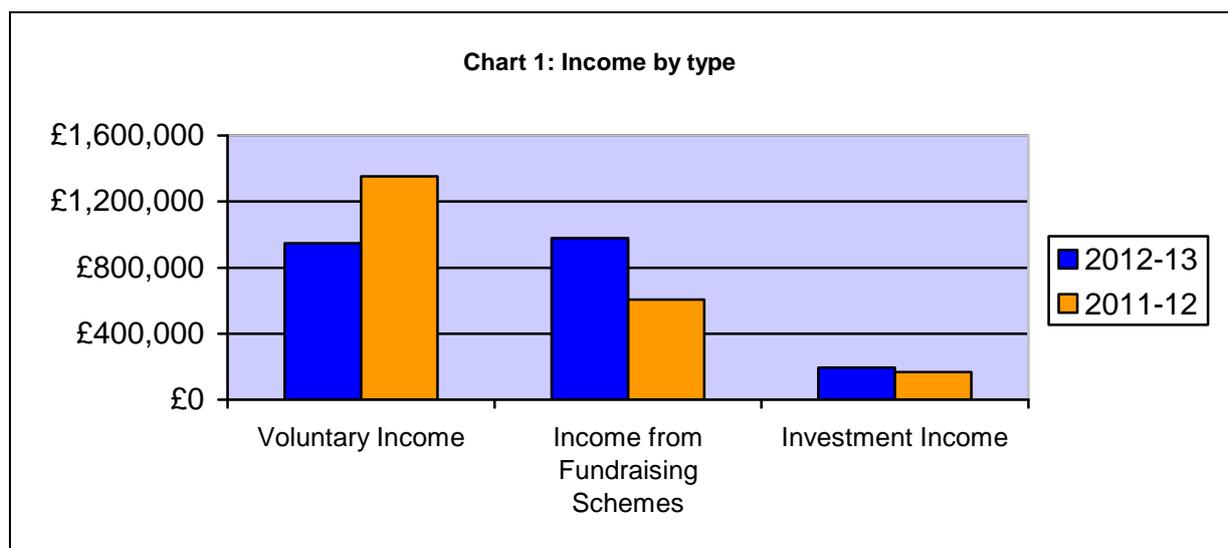
Incoming resources decreased slightly from £2,126k in 2011-12 to £2,120k in 2012-13. Fundraising income increased by £372k and legacies decreased by £320k.

Total resources expended have increased from £2,395k in 2011-12 to £2,896k in 2012-13 mainly due to an increase in charitable activities of £506k a large element of which is due to the OurSpace scheme.

The Charity generated a £342k deficit on the Statement of Financial Activities, with an excess of expenditure compared to income of (£774k) and an investment gain of £432k.

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 2012-13, and particularly where a large scheme is being funded following a fundraising campaign.

Income performance was as follows:



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

The level of income from donations and legacies decreased from £1,352k in 2011/12 to £948k in 2012-13.

Voluntary income most notably included legacies of £65k and £68k. Donations from the WRVS totalled £89k in the year. A further £43k was raised through the gift aid scheme.

- **Income from Fundraising Activities**

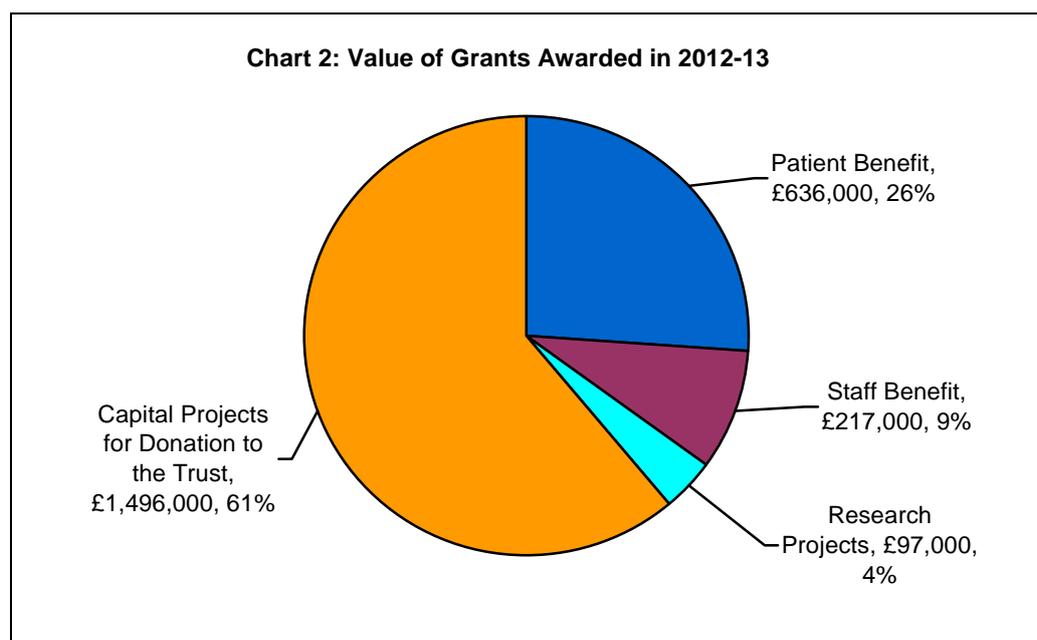
A total of £792k was raised through fundraising schemes, including £688k for the OurSpace appeal.

- **Investment Income**

During the year, the total return, including dividends and interest, was £194k. The Charity also benefited from investment gains of £432k (loss of £80k in 2011-12) 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 2012-13 financial year, the Charity expended approximately £k in grants as shown below:



### Grants to provide benefits to patients

The Charity spent £636 on grants to benefit the Trust's patients, including:

- Purchases of Equipment to Supplement Wards and Departments      £229k
- Furnishings of Patient Areas      £294k

### Grants to provide benefits to staff

The Charity spent £217k on grants with a purpose to provide benefits to the Trust's staff, including:

- UK and Overseas Course Fees, Study Leave and Travel      £23k
- Social Activities      £55k
- Furnishing Improvements to Staff Areas      £30k
- Prize giving      £22k
- Wellbeing at work (including other miscellaneous expenditure)      £71k

### Capital projects for donation to the NHS Trust

The Charity spent £1,496k on grants with a purpose to provide benefits to the Trust's patients and staff through capital expenditure, including:

- OurSpace construction works      £1,060k
- Medical and dental equipment      £272k
- Computer and other equipment      £50k

### Grants awarded for research projects

The Charity has a number of research funds and during the year £97k was spent on research related activities. The majority of this expense (£69k) related to the purchase of equipment for use in research activities.

## **Risk Management**

The Charity has identified no new material risks during 2012-13, with the main risk being the potential loss from a fall in the market value of investments.

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

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

Appropriate controls and systems have been established to mitigate these risks, including the Charity adopting UHL's standing orders and standing financial instructions. Assurances are obtained from internal audit that these controls are operating effectively and for 2010-11, 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. These are regularly monitored to ensure that funds are spent in a timely manner and in accordance with the donors' wishes.

The Corporate Trustee's intent is that designated 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 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 reserves available for general use as at 1<sup>st</sup> April 2013 is as follows:

Breakdown of reserves	£'000
Total funds	4,933
<i>less</i> restricted funds	(609)
<i>less</i> endowments	(1,096)
<i>less</i> committed funds	(761)
Freely available reserves	2,467

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 £1,096k commitments shown above, we are also anticipating further expenditure of £500k within the year based on the historic level of ad-hoc applications.

## Our Investments

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

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

Investment Class	Permissible Range (%)	Proportion as at 31/03/13 (%)	Proportion as at 31/03/12 (%)
Equities (UK/Overseas)	35 to 65	61.8	55.4
Bonds	No restriction	25.3	25.6
Portfolio funds	No restriction	8.7	0
Hedge funds	0 to 10	0	4.9
Property	0 to 10	3.8	8.2
Cash	No restriction	0.4	6.0

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

<b>Charity Name</b>	Leicester Hospitals Charity
<b>Charity Address</b>	Trust Headquarters Level 3, Balmoral Building Leicester Royal Infirmary Infirmary Square, LE1 5WW
<b>Registered Number</b>	1056804
<b>Charity Staff</b>	Tim Diggle (Head of Fundraising) Debbie Adlerstein (Community and Events Fundraising Manager) Marie Hough (Fundraising Administrator) Maxine Walmsley (Fundraising Events Assistant) Nick Sone (Charity Finance Lead) Julie Woolley (Charity Finance Manager) Mandy Tuddenham (Charitable Funds Assistant)
<b>Internal Auditors</b>	PricewaterhouseCoopers LLP Cornwall Court, 19 Cornwall Street Birmingham B3 2DT
<b>External Auditors</b>	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
<b>Solicitors</b>	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ
<b>Bankers</b>	The Royal Bank of Scotland St Johns House East Street Leicester LE1 9NB

<b>Investment Managers</b>	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
<b>Corporate Trustee</b>	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](mailto:fundraising@uhl-tr.nhs.uk).

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

30<sup>th</sup> January 2014

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Leicester Hospitals Charity (“the Charity”), for the purpose of expressing an opinion as to whether these financial statements give a true and fair view of the financial position of Leicester Hospitals Charity and of its financial performance in accordance with UK Generally Accepted Accounting Practice. These financial statements comprise the balance sheet as at 31 March 2012, 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 30<sup>th</sup> January 2014.

Yours truly,

Chairman

## **Appendix A to the Management Representation Letter of Leicester Hospitals Charity**

### **Definitions**

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



*cutting through complexity™*

# Leicester Hospitals Charity

Audit highlights memorandum and management letter for the year  
ended 31 March 2013

January 2014

The contacts at KPMG in connection with this report are:

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Engagement Partner  
(Charity Accredited)

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(Charity Accredited)

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	<b>Page</b>
<b>Executive summary</b>	2
<b>Audit status and observations</b>	3
<b>Appendices</b>	5
1. Summary of audit differences	
2. Accounting update	
3. Tax Update	
4. Auditor independence	

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bostock who is the engagement partner to the Charity, telephone 0121 232 3215 or email [andrew.bostock@kpmg.co.uk](mailto:andrew.bostock@kpmg.co.uk) who will try to resolve your complaint.

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

Audit conclusions		
✓	<ul style="list-style-type: none"> <li>An unqualified audit opinion is proposed on the financial statements.</li> </ul>	
Accounting matters		
✓	<ul style="list-style-type: none"> <li>No material audit differences were identified during the course of the audit.</li> <li>We identified a small number of presentational issues during our audit and we understand that Management have adjusted for all of these matters.</li> </ul>	Appendix 1
✓	<ul style="list-style-type: none"> <li>Accounting policies appropriate for the annual report and the financial statements are in accordance with disclosure requirements of relevant charities legislation, UK GAAP and the Statement of Recommended Practice.</li> </ul>	
Auditing matters		
✓	<ul style="list-style-type: none"> <li>We have completed the audit subject to receipt of the signed management representations letter.</li> </ul>	Page 3 and 4
✓	<ul style="list-style-type: none"> <li>No significant audit issues arose during the course of our audit of the Charity.</li> <li>The total charitable funds fell by £342k in the year from £5,513k to £5,171k.</li> </ul>	
Systems and controls		
✓	<ul style="list-style-type: none"> <li>No major weaknesses in the financial systems were identified.</li> </ul>	
Regulatory and tax matters		
✓	<ul style="list-style-type: none"> <li>No significant regulatory or tax matters came to our attention during the course of our normal audit work.</li> </ul>	

*The purpose of this document is to set out certain matters which came to our attention during the course of our audit of the accounts of Leicester Hospitals Charity (the Charity) for the year ended 31 March 2013.*

## The purpose of our audit

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

- **give a true and fair view**, in accordance with UK Generally Accepted Accounting Practice, of the state of the Charity's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- **have been properly prepared** in accordance with the SORP 2005.

## Our audit objectives

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

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

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

## Acknowledgements

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

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

<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 auditors' report on the 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 fundamental difficulties in dealing with management in performing the audit.
<b>Material written communications</b>	In accordance with the communication requirements of Clarified International Standard on Auditing (UK and Ireland) 260, we provide the following material written communications to the Trustee: <ul style="list-style-type: none"> <li>■ Report to the Charitable Fund Committee – this is the main body of this report; and</li> <li>■ KPMG Independence communication (appendix 3).</li> </ul>

# Audit status and observations

<b>Management Representations</b>	In accordance with Clarified ISA 580 <i>Written representations</i> , we will request written representations from those charged with governance.
<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.</p> <p>There are no material unadjusted misstatements (see Appendix 1)</p>

## Audit of the Leicester Hospitals Charity

Our audit work on the financial statements is now substantially complete and we plan to issue an unqualified audit opinion for the year ended 31 March 2013 (based on our position at the date of this report), following our receipt of the management representations letter.

There were no significant issues identified during our audit as reported in this document in appendix 1.

### Management Report

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

### Summary of audit differences

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

### Audit differences

We identified no material audit difference during the course of our audit for the year ended 31 March 2013.

We identified a small number of presentational adjustments which have again been adjusted by management.

### New UK GAAP

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

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

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

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

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

\*\* As defined by company law

### Statement Of Recommended Practice (SORP) 2005

The SORP applies to all UK charities that prepare accruals-based accounts to give a true and fair view of a charity's financial activities and financial position. The SORP provides guidance on the application of accounting standards by charities.

The SORP Committee is now drafting the next SORP to reflect the new UK accounting framework. The new SORP is likely to take the form of online modules rather than be a single published book to provide guidance on the application of FRS 102 including the PBE specific requirements. A draft SORP in modular form will be made available for public consultation in due course and it is anticipated the consultation will commence in summer 2013, aiming to launch the SORP mid-2014.

### FRS 102 GAAP differences

Differences between FRS 102 and current UK GAAP that may impact charities are set out in the table below. As you can see, the charity is not likely to be significantly affected by these changes.

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

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

**From 2013-14 the Charitable Funds may have to be included in the Trust's consolidated accounts, as the previous HM Treasury exemption for NHS bodies in relation to IAS 27 is no longer available.**

### **Consolidation of the NHS Charitable Funds**

From 2013-14, the previous HM Treasury exemption for NHS bodies in relation to IAS 27, Consolidated and Separate Financial Statements, is no longer available.

As this is a change in national accounting policy, IAS 8 requires the restatement of comparators for 2012-13, with accounts presenting the Statement Of Financial Position at 1 April 2012, 31 March 2013 and 31 March 2014 as if the charitable fund had always been consolidated. Both local accounts and summarisation schedules will need be presented so as to identify the NHS body's own transactions and the consolidated position in separate columns.

As of December 2013, the Trust is currently assessing whether its Charitable Fund is material and therefore needs to be consolidated. If it concludes that the Charitable Fund is material it will need to consider the following:

1. Amendment of closedown timetable for sign off of the Charitable Funds accounts; incorporating the preparation of financial statements, and related working papers ready for audit in April/May, rather than later in the year;
2. Preparing entries for restated comparatives; and
3. Preparation of consolidation journals.

Note that preparing entries for restated comparatives early in the year would facilitate an early audit and reduce the work load on the finance team during the year end Trust accounts timetable.

### Gift Aid – Charities Online

Charities Online is a new service through which HMRC will administer electronic repayment claims for Gift Aid, the Gift Aid Small Donations Scheme and repayment of tax on other income. Charities Online went live on 22 April 2013. HMRC guidance regarding the new system can be found at:

<http://www.hmrc.gov.uk/charities/online/index.htm>

The new system is intended to make it quicker and easier for charities to submit repayment claims and it is expected that claims should be processed and paid within 15 working days under the new system. In addition built-in checks are designed to help reduce errors and limit the risk of claims being rejected by HMRC. There are three options for charities to make their repayment claims under the new system:

- 1) Use HMRC online form – for a claim with up to 1,000 donors (there is no limit to the number of online forms that can be submitted);
- 2) Use own internal database – for a claim with up to 500,000 donors (one claim can be submitted per day);
- 3) Use a new paper form ChR1 – for those charities that do not have internet access.

In addition there are transitional provisions which will allow charities to make claims using the old paper form R68(i) until 30 September 2013.

### Gift Aid Small Donations Scheme (GADS)

GADS became effective on 6 April 2013 and is intended for small cash donations received in collection boxes/bucket collections. GADS enables eligible charities to receive a Gift Aid style repayment on small (up to £20) cash donations without the need to obtain Gift Aid declarations from donors for those donations.

A charity is eligible under the GADS if it has been in existence for at least three years and made two valid Gift Aid claims in the previous four years. A matching rule applies so that for every £10 of donations claimed in a tax year under GADS an eligible charity must also claim £1 of donations under Gift Aid. The scheme is subject to an overall cap of £5,000 of small donations per year, although this cap may be increased in certain circumstances.

### Gift Aid – Audits

HMRC are increasingly carrying out audits on Gift Aid reclaims made by charities to ensure that the correct amount of Gift Aid is being claimed. If in the course of an audit HMRC are unable to validate the basis of a Gift Aid claim then the charity will be considered to have been overpaid in relation to its Gift Aid repayment. HMRC will therefore seek to recover overpaid tax for all relevant years plus interest and possibly penalties. The charity will also be required to undertake remedial action, during which period Gift Aid claims could be suspended.

The charity should review its systems, procedures and documentation surrounding Gift Aid reclaims to ensure that the correct amount of Gift Aid is being claimed and thereby reduce the risk of repayment, penalties or a possible suspension.

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgment, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of Andrew Bostock and the audit team. This letter is intended to comply with this requirement. We have summarised below the fees paid to us by the charity for significant professional services provided by us during the reporting period.

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

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners, Directors and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

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

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Charitable Funds Committee or the Trust Board.

We confirm that as of 6 January 2014, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

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

Any additional services provided by KPMG to you are approved by management under delegated authority from the Corporate Trustee to ensure transparency. In addition to the audit of the financial statements, during 2012/13 KPMG has also undertaken no other work for the Corporate Trustee in respect of the Charity.



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