



NHS Charitable Funds – Example Trustee Annual Report and Accounts

January 2016

In 2015, the Charity Commission published two new Statements of Recommended Practice (SORPs) which are applicable to accounting periods starting on or after 1 January 2015. This example has been prepared to assist NHS organisations as they work through the changes necessary to meet the requirements of the FRS 102 based SORP.

The example has been developed by the HFMA under the guidance and direction of its Charitable Funds Special Interest Group. It is based on the Sandport Children's Hospital Charities example trustee annual report and accounts published by the Charity Commission to assist with the preparation of NHS charity annual reports and accounts in accordance with the SORP published in 2005.

It is the responsibility of each NHS charity's trustees to determine appropriate accounting treatments and disclosures based on their circumstances and to reach agreement with their auditors.

Every care had been taken in the preparation of this guidance, the HFMA cannot in any circumstances accept responsibility for errors or omissions, and is not responsible for any loss occasioned to any person or organisation acting or refraining from action as a result of any material in it.

This guidance is intended to be of interest and help to NHS organisations in England and Wales. However, NHS organisations in Scotland and Northern Ireland may find its contents useful as the FRS 102 based SORP also applies there.

We always welcome feedback on our guidance – if you have any comments, please contact debbie.paterson@hfma.org.uk

Example trustee annual report and accounts: Sandport Children's Hospital Charities

The Sandport Children's Hospital Charities (SCH Charities) example accounts were published by the Charity Commission to assist with the preparation of NHS charity annual reports and accounts in accordance with the 2005 Statement of Recommended Practice (SORP).

From 1 January 2015, the 2005 SORP has been replaced by a choice of SORPs which comply with both extant sets of accounting guidance, namely:

- Financial Reporting Standard for Smaller Entities (FRSSE¹)
- Financial Reporting Standard 102 (FRS 102²).

SCH Charities has opted to use the FRS 102 based SORP³.

The SCH Charities example accounts have been updated by the HFMA to comply with the Charities SORP FRS 102⁴ ('the new SORP'). The modules of the new SORP which have been referred to in preparing this document are listed below. Where it is helpful, the example includes best practice examples – in other words it goes beyond the minimum requirements as set out in the SORP.

The new SORP introduces a number of key changes, in particular:

- Governance costs must be shown discreetly
- Comparative figures must be included
- There are additional disclosure requirements in both the trustees' report and the accounts.

All changes made to the example accounts in order to comply with the new SORP are described in boxes which precede the paragraph or note which has been changed. References to the new SORP have been added where applicable.

The SCH Charities meets the criteria for a 'large charity' as its income exceeds £1m⁵. Therefore, it has to meet some reporting requirements that charities below this threshold do not. Where the new SORP's requirements only apply to large charities the text in boxes makes it clear.

In order to bring the example accounts up to date all dates have been changed by adding 7 years on – the original example accounts were for 2008/09 and these are for 2015/16. Unless the change to the new SORP requires it, all numbers have been left unchanged. No further reference will be made to the change of dates in this document. All other major changes from the previous example annual report and accounts are described in a text box.

¹ The FRSSE has been withdrawn from 1 January 2016 so the FRSSE based SORP is also withdrawn from that date. The FRSSE based SORP can therefore only be used for the 2015/16 accounts and another restatement will be required in 2016/17.

² The SORP is written to comply with the version of FRS 102 issued in August 2014 ([frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/FRS-102-The-Financial-Reporting-Standard-appli-\(1\).pdf](http://frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/FRS-102-The-Financial-Reporting-Standard-appli-(1).pdf))

³ See www.charitySORP.org/choosing-the-right-sorp/ for guidance on which SORP to choose.

⁴ www.charitySORP.org/. This SORP is expected to be subject to an update in early January 2016 to reflect the changes made to FRS 102 in September 2015. This revised FRS is applicable to periods starting on or after 1 January 2015 (frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/FRS-102-The-Financial-Reporting-Standard-appliacab.pdf).

⁵ See section 8.3 of *Charity reporting and accounting: the essentials March 2015* www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-march-2015-cc15c/charity-reporting-and-accounting-the-essentials-march-2015 or the glossary in appendix 1 to the new SORP. Note: the SORP making entities have consulted on whether to change the definition of a larger charity to remove the link to the audit threshold and to set a new, lower, threshold.

All of the paragraphs of the annual report are numbered. These have been added simply to make references from the new SORP to the example annual report clearer. The format of the annual report including headings, paragraph numbering and style of reporting is for the trustees to determine.

There is no NHS charity specific example annual report and accounts for the FRSSSE based SORP but there are 2 examples for this SORP available from the Charity Commission's website⁶.

Background to the SCH Charities

Following the conversion of the linked NHS trust to an NHS foundation trust in 2007, the charity obtained s51 status under the NHS Act 2006. The charity therefore has independently appointed trustees rather than a corporate trustee. This has no impact on the preparation and content of the annual report and accounts

The registration comprises a group of charities administered by the trustee body and registered under a 'group registration'. The charity is an active fundraiser and produces its trustees' annual report as a dual purpose document so that the annual report can be distributed with the accounts or as a free standing document. Therefore, the charity includes summary financial statements in its annual report.

The new SORP no longer provides any guidance on summary financial statements as this is outside of the scope of FRS 102. Paragraph 13 of the *scope and application* section at the start of the new SORP states:

"The report and accounts should not be viewed simply as a statutory requirement or a technical exercise. The report and accounts, when read together, should help users of the information to understand what the charity is set up to do, the resources available to it, how these resources have been used and what has been achieved as a result of its activities."

It is expected that the annual report and accounts will be distributed as a single document but the summary financial information is included in the annual report so that if it is read in isolation it makes sense to the reader.

In preparing these example accounts we have chosen to simply update the previous information included in the annual report. In some places, this example will therefore exceed the requirements of the new SORP.

All charities will have to meet the requirements of the new SORP but they also have the option of providing additional information if they think that it will assist the reader of their report and accounts.

Modules of the new SORP which have been applied to the production of this set of annual report and accounts

Core modules

- 1 Trustees' annual report
- 2 Fund accounting
- 3 Accounting standards, policies, concepts and principles, including the adjustment of estimates and errors
- 4 Statement of financial activities

⁶www.charitycorp.org/about-the-sorp/example-trustees-annual-reports/

- 5 Recognition of income, including legacies, grants and contract income
- 6 Donated goods, facilities and services, including volunteers
- 7 Recognition of expenditure
- 8 Allocating costs by activity in the statement of financial activities
- 9 Disclosure of trustee and staff remuneration, related party and other transactions
- 10 Balance sheet
- 11 Accounting for financial assets and financial liabilities
- 12 Impairment of assets
- 13 Events after the end of the reporting period
- 14 Statement of cash flows

Additional modules

- 16 Presentation and disclosure of grant-making activities
- 17 Retirement and post-employment benefits
- 20 Total return (investments)

This charity does not hold any social investments so module 21 has not been referred to in this case. Charities with social investments should refer to this module.

This charity does not have a corporate trustee but those charities which do should refer to module 26.

Foreword by the Chairman of Trustees of the Sandport Children's Hospital Charities

There is no requirement in the new SORP to include a foreword to the trustee's annual report. This is a decision made by these particular trustees.

A reference to s51 of the NHS Act 2006 has been removed as the legislation has changed since the preparation of the original example annual report and accounts.

1. Welcome to our annual report for 2015/16. We are a trustee body independent from the management of the Sandport Children's Hospital NHS Foundation Trust (SCH FT) but work with them in partnership for the benefit of NHS patients and their families from Sandport and the surrounding area.
2. We exist to provide resources and facilities to meet the needs of sick children and their families. With the continued pressure on public finances we regard the health needs of children to be chronically under-resourced. I am delighted to be reviewing another very successful year where we raised almost £3m and we spent £2.3m in grants to support the care and treatment of children. We continue to have as our aim the raising of at least £5m a year to fulfil our charitable aims and strategy by meeting the needs of children through our close partnership with SCH FT. This partnership is key to our success and continues to go from strength to strength.
3. Key highlights of our year:
 - Almost £1m spent on high quality research to develop therapies and treatments to help our children in the future.
 - Over £1.2m spent on new buildings and equipment to meet the health needs of the children of today.
 - Over £195,000 spent on welfare to assist patients' families and carers and the staff who strive so professionally to treat the children in their care.
4. Your donations made this work possible and your future donations are the key to our continued success. By changing a child's health today you bring joy to them and their families. By investing in their future health you in a real sense invest in our community's future.
5. This is my third report as Chair and I would like to thank the volunteers who fundraise and help us, my fellow trustees, and the volunteers who work alongside the professional staff of the SCH FT.
6. I hope that like me you will be inspired by our plans to help children live fulfilling and healthy lives and want to be a part of our story. If you would like to donate, details about how to do this are at the end of this report. Please support us, every pound counts.

Josephine Maine

30 June 2016

Who We Are

7. Sandport Children's Hospital Charities (SCH Charities) is an independent registered charity (registered number 107XXX0). We exist to raise funds and receive donations for the benefit of the patients of Sandport Children's Hospital. By securing donations, legacies and sponsorship, SCH Charities can provide the 'icing on the cake' to make a real difference for the children, their families and the staff who look after them.
8. Providing both general and specialist care for over 150,000 children each year, Sandport Children's Hospital is a centre of excellence for healthcare and is our key partner in fulfilling our charitable aims.
9. We would like you to support us in our crucial work so please read on and let us tell you more about ourselves, what we do, what we have achieved and how we go about spending the money given to us.

What we aim to do: our objectives and activities

Paragraph 1.17 of the new SORP requires that the charity provides a summary of :

- The purpose of the charity as set out in the governing document and
- The main activities undertaken in relation to those purposes.

Paragraphs 10 to 11 of the annual report aim to do that.

Our mission

10. By raising new money and careful management of our existing funds, SCH Charities is able to make grants to Sandport Children's Hospital and the organisations it works with in order:

'To serve the children and their families receiving services from the Sandport Children's Hospital by funding facilities, equipment and research and to support associated healthcare and complementary services for children.'

11. Grants are made in accordance with charity law, our constitution and the wishes and directions of donors. In making grants, we endeavour to reflect the wishes of patients and staff by directing funds towards areas they tell us are most in need. During the year 2015/16, grants totalling £2.3m were made. Our future plans are to continue to raise our level of fundraising to achieve our target of £5m a year which will help us work with our NHS partner to transform the health prospects for children in our community.

What we have achieved: highlights from the activities undertaken in the year

Paragraph 1.18 of the new SORP requires that charities in England and Wales must:

- Explain the main activities undertaken to further the charity's purpose for the public benefit
- Include in their report a statement confirming whether the trustees have had regard to the Charity Commission's guidance on public benefit.

The statement in paragraph 60 and paragraphs 12 to 20 meet this at the most minimum level. Ideally, the annual report would demonstrate that the trustees understand what public benefit really means and demonstrate who the charity helps and how it is different from the services provided by the NHS.

The Charity Commission's various publications on public benefit can be found here www.gov.uk/government/collections/charitable-purposes-and-public-benefit.

Paragraph 12 also meets the requirement of paragraph 1.20 of the new SORP to contain a summary of the main achievements of the charity.

12. Our key aim is to serve the NHS patients of Sandport Children's Hospital for the public benefit. By working with the NHS we assist children from every walk of life, irrespective of race, creed, ethnicity or personal or family financial circumstances. We put this aim into practice by helping the children, their families and carers, and visitors to the hospital by:

- Funding medical research to understand better the diseases affecting our children today so that we can develop the cures and therapies of tomorrow
- Enhancing the care our partner hospital can offer through new equipment and building improvements to deliver better facilities
- Investment in people and in creating a caring environment for the children receiving care, their families and visitors
- Providing direct support to patients by way of information, networking support, better facilities and occasional grants.

Paragraph 1.36 of the new SORP requires that larger charities provide an explanation of:

- Its aims, including details of the issues it seeks to tackle and the changes or differences it seeks to make through its activities (met in paragraphs 13 to 20 in the annual report)
- How the achievement of its aims will further its legal purposes (met in paragraph 10 and paragraph 36 of the annual report)
- The criteria or measures it uses to assess success in the reporting period (met in paragraph 29)
- The significant activities undertaken (including its main programmes, projects or services provided), explaining how they contribute to the achievement of its stated aims and objectives (met in paragraphs 13 to 20 in the annual report).

13. We do this through a range of programmes funded by you, our generous donors. Highlights from the main programmes undertaken in the year are detailed below to give you a wider understanding of the difference we can make together to young lives today and in the future.

Finding the treatments of tomorrow

14. SCH Charities is extremely committed to supporting high quality, nationally competitive research into childhood diseases and illness. Through its Research Foundation, grants are awarded for research projects which not only provide valuable results themselves but also have the potential to lead to major research projects securing national and international funding. A mixture of 1 year, 2 year and 3 year research grants are awarded.

15. During the year 2015/16, two rounds of new grants were awarded totalling £453,000. The details of the twelve projects funded can be obtained from the Directorate of Research at Sandport Hospital or can be viewed via the linked web site ResearchSandport.nhs.web

Research into new tissue implants and patches – a life pain free

16. Our research programme includes developing new techniques to apply tissue implants using nano technology of skin scaffolds and stem cell technology to enable a better covering of skin for children who have been victims of burns and accidents which cause skin damage and disfigurement. Aside from the trauma of pain, disfigurement brings problems of bullying and social isolation which can traumatise a child for life. Sandport Children's Hospital is a regional centre for the treatment of paediatric burns and our grants are used to fund research into identifying the most effective therapies for children.

Caring better using the latest technology

17. Ward donations are often used to provide a modern piece of equipment that improves the care which nursing staff can provide. For example, during 2015/16 £65,000 was spent on a central dxa scanner to measure bone density and help in the diagnosis of bone growth abnormalities. Also over £80,000 of charitable funds was used to purchase sixteen modern electric beds and ten ECG machines and 5 vital signs monitors used to automatically alert nurses to changes in blood pressure, heart rate and blood-oxygen levels, amongst other things. We also spent £6,500 on five syringe pumps, used to automatically deliver the correct dose of drugs over the optimum period of time removing the need for nurses to continually administer new injections.

A new regional paediatric burns and trauma centre

18. With the success in achieving our £2.5m appeal target, plans are in hand for the development of the new building which will house the new regional paediatric burns and trauma centre. The NHS is funding the larger share towards the £14.5 million total cost and work began in October 2015 with completion planned by December 2017 in time for a launch event in January 2018 to be attended by Lord Holsby of Sandport Holsby. The charity is funding clinical and educational equipment and disabled access facilities for this project which will enable children to be treated with the latest diagnostic and treatment technologies and for staff to be trained and able to use this technology effectively.

Team effort – triumphing with disability

19. We are also proud to provide regular support for the hospital's team to attend the annual Transplant Games. This is the fifteenth year that we have supported a team. The Games are a wonderful occasion for those who have received new organs to demonstrate their fitness and athletic prowess as they compete with patients from across the country. Last year the Games were held at Bridlington Towers and a grant of £8,200 allowed 20 team members and their families to attend and enjoy the facilities, as well as successfully winning 12 medals and recapturing the title lost last year of Best Team.

Someone to talk to – blogging with a difference

20. We all need someone to talk to and these days children and young people are as likely to be communicating over the web as the phone. We were pleased to fund an initial £30,000 grant to set up an interactive forum for children to share their experiences, maintain friendships and tell their stories. This is a great medium for children learning about the work the hospital does and from other children about their experiences. The site and web forum is moderated and every precaution is taken to protect the children from potential risk.

<p>The following section of the annual report meets the requirement of paragraph 1.21 of the new SORP that the report must contain a review of the charity's financial position at the end of the reporting period.</p>

How we funded our work, our achievements and performance

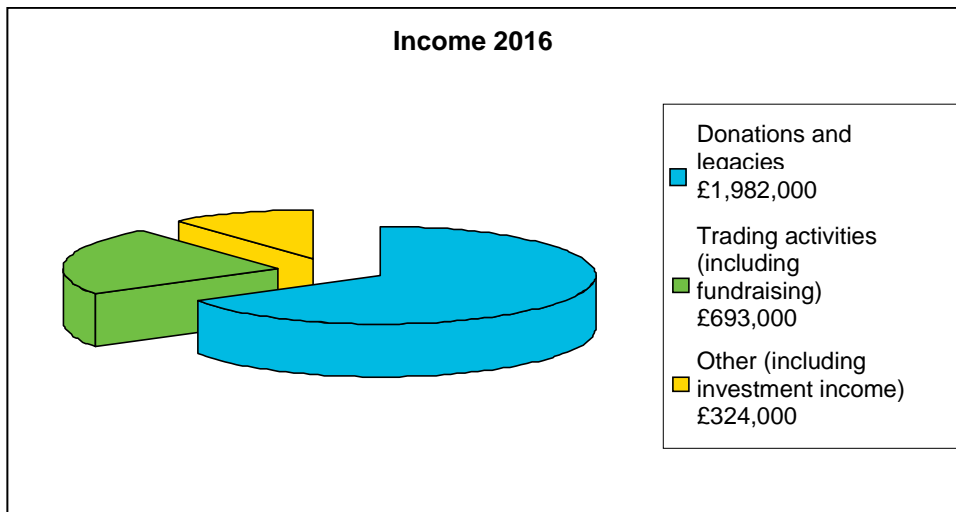
21. The following figures are taken from the full accounts approved on 30 June 2016 which carry an unqualified audit report and the accounts should be viewed if more details are required. This part of the trustees' annual report comments on key features of those accounts (and if not attached to this report, the full accounts are available from the Charity Office). The full accounts, entitled Sandport Children's Hospital Charities Accounts 2015/16, have also been lodged with the Charity Commission. In this section we firstly explain how we raised the money and then how we spent it.

Money received - £2.999m. Money spent - £2.960m

22. SCH Charities can only continue to support the work of Sandport Children’s Hospital for as long as we receive the money needed. Almost all of our income comes from the voluntary efforts of the general public. Overall we ended the year £39,000 in hand before the performance of our investments was taken into account. However due to falls in the value of the endowment investments our total funds shrank by £501,000.

Money received: sources of funds

23. The pie chart shows our three main sources of income. The largest is termed voluntary income and represents gifts and donations from the public.



24. *Donations and legacies (£1,982,000)* – Our largest source of income is giving by the public and by local companies keen to support their local community through improving child health. In detail:

- Gifts from the public (£872,000) from a few pence in a collecting box to several hundred pounds from grateful relatives, we are fortunate to receive thousands of generous gifts each year towards our work with £432,000 donated to our Education Centre and Burns and Trauma Centre appeal.
- Corporate Donations (£692,000) – many companies adopt charities as a way of putting something back into the community. SCH Charities is grateful to the companies that have donated over the year and to their employees who have given their time and money to maximise the corporate support we receive. Several companies supported our Education Centre or Burns and Trauma Centre appeals with over £550,000 donated.
- Legacies and Gifts in Memory (£280,000) – a gift in a will or a collection in memory of a loved one really is an investment in the future of our children, and we are fortunate to be remembered by so many people each year. Where the terms of the gift require the capital to be invested, the income generated is used to assist our charitable work.
- Grants from External Organisations (£138,000) – We are grateful to the charities and other similar organisations that have given us grants to fund particular projects or pieces of equipment. This year the Sandport League of Friends kindly donated £100,000. We are always keen to work with the many specialist health charities to benefit groups of patients being treated at Sandport Children's Hospital for specific conditions.

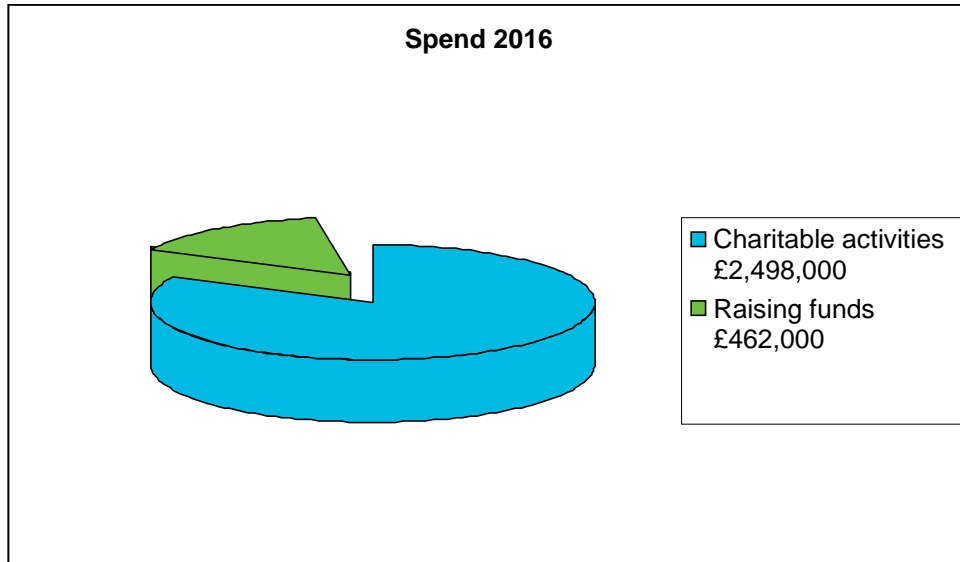
25. *Other trading income (£693,000)* – by supporting an existing event or organising one of their own with the knowledge and approval of trustees, thousands of people have had a good time whilst raising money for SCH Charities in support of our Education Centre and Burns and Trauma Centre appeals. A total of 25 events were organised by the fundraising team. Also many small events were undertaken by our volunteers which were co-ordinated

through our fundraising team and included coffee mornings, open gardens, sports tournaments and an under 11's egg and spoon race.

26. *Other Income (£324,000)* – By prudent management of funds not immediately required for use in the hospital we earned interest and dividends of £314,000 and we also received £10,000 from courses and conferences.

Money spent: what we spent the money on

27. As the pie chart shows, our largest area of spend was on charitable activities.



28. Our charitable work was made up of five programme areas:

- **Medical research.** We spent £991,000 in supporting 18 NHS and University researchers working on 22 projects, including burns treatment. Research is a long term endeavour and our projects explore new ideas which we hope will be proven in the future to be of benefit. Often these pilot research projects enable an idea to be honed and tested and then submitted for industry or Medical Research Council support.
- **New equipment.** The NHS of course buys much of its own equipment for day to day use and has its own capital programme but NHS capital funds for large items of equipment are scarce. With advances in technology and technological obsolescence of existing equipment we can make a real difference in purchasing items, such as the central dexta scanner, that allow the NHS to deliver effective world class care for the children of today. We spent £728,000 on new equipment.
- **New buildings.** The Burns and Trauma Centre and Education Centre appeals have been major initiatives and we look forward to spending those funds in 2017 in support of our partner to benefit NHS patients. In the year we spent £567,000 on refurbishing NHS buildings and facilities including £300,000 for the 'smiley ward initiative' to introduce murals and child friendly features to all the wards in the Sandport paediatric oncology wing. We also spent £85,000 on refurbishing the quiet room to make it a space that can be used by any faith group or for quiet reflection by those of no faith.
- **Staff education and welfare.** We spent £110,000 on initiatives to support the staff who care for the children. By helping to ensure the staff are well trained and supported, this benefits the quality of care. Of course the SCH FT as employer has a duty to ensure its staff are well trained and able to do their work but we can add those extra amenities and support additional training. To this end we paid for 25 staff to undertake 28 courses which included aqua therapy, bereavement

counselling, and the use of TENS machines in pain management. We also funded 4 night staff beds and the replacement of 12 microwaves in staff utility areas.

- **Patient education and welfare.** Our support to the transplant games and the web initiative were the two major areas of spending this year. We also funded patient and carer information about the hospital and common treatments in leaflet and CD, audio and MP3 formats. We funded 3 podcasts hosted on the Sandport Hospital website about visitor experiences of the hospital entitled: what to do before you come, how to get there, and what can I ask the doctor? In total we spent £102,000 on patient welfare.

Performance against objectives

The section below meets the fourth requirement of paragraph 1.36 of the new SORP.

Paragraph 1.41 of the new SORP requires that larger charities review:

- The significant charitable activities undertaken (met in paragraphs 29 to 32 of the annual report)
- The achievements against objectives set (met in paragraphs 29 to 32 of the annual report)
- The performance of material fundraising activities against the fundraising objectives set (met in paragraphs 33 to 35 of the annual report)
- Investment performance against the investment objectives set where material financial investments are held (met in paragraphs 33 to 35 of the annual report)
- If material expenditure was incurred to raise income in the future, the report must explain the effect this expenditure has had, and is intended to have, on the net return from fundraising activities for both the reporting period and future periods (not applicable to this NHS charity).

29. Spending the money is only part of the story because we are concerned to achieve value for money. To ensure the money is well spent, applications for General Fund grants include questions about the objectives, impact and success criteria for the proposed project. The charity undertakes an annual survey of all grants awarded over £5,000 and a sample of smaller grants to establish the extent to which the intended benefits have been realised. We ask the applicant what the outcome of the grant was both in terms of what they spent the money on and what difference it made to the medical care and treatment of children. This information informs future grant making policy as well as providing a basis for assessing our performance.
30. We also ask fund advisors where their spending in the year exceeded £5,000 to provide a brief report on what they spent the money on and the difference it made to the medical care and treatment of children.
31. Research grant holders are required to provide an annual report explaining the course and outcome of their work. This is reviewed by the Research Foundation and a summary report submitted to trustees. Key indicators used to measure the success of funded research include the number of peer-reviewed publications and the number of presentations to national and international meetings.

32. A review of the second round of Research Foundation grants awarded in 2012 produced the following results:

Number of projects	9
Value of grants awarded	£627,584
Number of presentations	27
Number of publications	12
Value of further research funding generated as a result of our grants	£3,159,000

Our fundraising performance

This section meets the third of the requirements set out in paragraph 1.41 of the new SORP.

Paragraph 1.46 of the new SORP requires that larger charities explain:

- The financial effect of significant events (met in the sections above starting paragraph 21 of the annual report)
- Where the charity holds material financial investments, the investment policy and objectives set (met in the sections above starting paragraph 21 of the annual report)
- A description of the principal risks and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks (met in paragraphs 71 to 76 of the annual report)
- Any factors that are likely to affect the financial performance or position going forward (met in the sections above starting paragraph 21 of the annual report).

33. Members of SCH FT's fundraising department organise fundraising events and co-ordinate the activities of our supporters both in the hospital and in the wider community on behalf of SCH Charities.
34. During the year the total donations, legacies and income from fundraising (shown as other trading activities in the Statement of Financial Activities) came to £2,675,000⁷ against a plan of £3,000,000. Although short of plan the trustees consider this a creditable result against the current difficult economic backdrop with the recession in 2015 continuing and deepening and a general fall in corporate giving.
35. We benchmark our fundraising activity with our peers through the Association of NHS Charities⁸ and monitor the comparative success of campaigns and overall fundraising cost to income ratios. We continue to perform well with a low cost to income ratio compared to the average but we underperform for the overall value of donations against the average for an NHS charity with a focus on children. By seeking to raise our fundraising profile we hope to bring our funds raised up to the average for NHS children's charities linked with large NHS Trusts and foundation trusts.

What we plan to do with your donations: our future plans

Paragraphs 36 to 38 of the annual report meet the third of the requirements of paragraph 1.36 of the new SORP.

⁷ This is the total of 'donations and legacies' (£1,982,000) and 'other trading activities' (£693,000) as disclosed on the Statement of Financial Activities on page 28.

⁸ This benchmarking data is available to all members of the Association of NHS Charities www.assoc-nhs-charities.org.uk/site/

Paragraph 1.49 of the new SORP requires that larger charities provide a summary of the charity's plans for the future. Paragraphs 36 to 38 of the annual report do this as well.

36. We will achieve our mission by working with the NHS to develop the facilities to treat the children of tomorrow and have established a development fund to further that purpose. To identify the treatments of tomorrow we actively seek to assist in equipping NHS staff with the skills they need and provide financial support to our research partners in their important work. Our open invitation to the reader of our annual report and accounts is to join with us in our exciting mission of compassion and love for the children of today and tomorrow by making a gift to secure their future.
37. Our detailed plans are:
- To expand our fundraising activities towards achieving our goal of raising £5m every year.
 - Spend the funds we raised for the Paediatric Burns and Trauma Centre of almost £2.6m and the Education Centre of just under £1m in 2018 as we have planned in order to equip and provide these facilities in collaboration with our NHS partner.
 - To fund the £1m cost of a virtual reality surgical training room which uses digital technology and manikins to enable surgeons to practice and rehearse their techniques.
 - To maintain our research support at £1m per year to fund the development of future techniques and therapies to save our children from future ill-health
 - To maintain general support for equipment and buildings at £1.5m per year.
38. Your support makes these plans possible and to help us please do consider making a donation.

How we manage the money

Our grant making policy

Paragraph 1.38 of the new SORP requires larger charities to include an explanation of the use the charity makes of the following:

- Social investment, when this forms a material part of its charitable activities
- Grant-making, when this forms a material part of its charitable activities
- Volunteers, when their contribution is significant to a charity's ability to undertake a particular activity.

In this case, the charity does not make social investments and volunteers do not make a significant contribution to the charity. However, grant making is a material part of its charitable activities. The new SORP says that 'in particular, the report must explain the charity's grant-making policy and explain how its grant-making activities contribute to the achievement of its aims and objectives.'

This section (paragraph 39 of the annual report) achieves this requirement.

39. SCH Charities makes grants from both its unrestricted and restricted funds. Within the unrestricted funds, grants are made from general funds, designated (earmarked) funds and designated research funds. The income generated by the Guptah endowment is solely applied in the making of grants to promote the preservation of health and recovery of patients and former patients of the Sandport Children's hospital and other named hospitals:
- (i) **General funds** – these funds are received by SCH Charities with no particular preference expressed by donors. Once each year, trustees invite applications from

any member of the hospital, and also from specialist partner charities, for example MacMillan, and patient groups working with the hospital. Based on their knowledge of the hospital and their contacts with SCH FT, the trustees agree funding priorities and score the applications for quality and value for money. Grants are particularly targeted on projects in areas of the hospital that do not have available designated funds to assist them.

- (ii) **Designated (earmarked) funds** – are established for a particular part of the hospital or activity nominated for support by the donor. They are overseen by fund advisors who can make recommendations on how to spend the money within the designated area. Fund advisors’ recommendations are generally accepted and these funds can be spent at any time.
- (iii) **Designated research funds** – these are funds which are designated for general research. Applications are invited once a year by the SCH Research Foundation which invites internal and external peer reviews, assesses the quality of the proposed research and its correlation with existing hospital research priorities. Grants are normally awarded for between twelve months and three years, and are targeted on pump-priming high quality pilot projects which are likely to lead to externally-funded research projects.
- (iv) **Guptah income** – SCH Charities manages a separate endowment, the Guptah Charity, which cannot be spent but which produces an income. The income is held in a separate fund to promote the preservation of health and recovery of patients and former patients of the Sandport Children’s hospital, and other named eligible hospitals, from which grants are awarded each year. The trustees decide which, if any, projects to fund based an assessment of quality, value for money and how well they match the objects of the charity.

Our reserves policy

Paragraph 1.22 of the new SORP says that the charity must explain any policy it has for holding reserves, the amount of those reserves and why they are held.

- 40. The trustees have established a reserves policy as part of their plans to provide long term support to our partner SCH FT for research, education, new equipment, staff and patient welfare and building work.
- 41. The trustees calculate the reserves as that part of the charity’s unrestricted income funds that is freely available after taking account of designated funds, that have been earmarked for specific building or major equipment purchase, research and other projects.
- 42. The reserves currently stand at £1,079,000 and are calculated as follows:

Total unrestricted funds of	£3,028,000
Less designated funds	(£1,949,000)
Total reserves	£1,079,000

- 43. The trustees intend 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 research programme and continuity for general grant making. Therefore the target range for reserves is between £1.5m to £2m to ensure the stability of grant funding.

The minimum reserve requirement is calculated as follows:

Requirement for medical research activity	£1,000,000
Requirement for all other charitable expenditure	£500,000
Total reserve requirement	£1,500,000

44. The reserves held are currently below our target range due in large part to investment losses and we anticipate some of this ground will be recovered through better investment performance.
45. The trustees review the balances held in designated funds, in accordance with the provisions of the NHS Acts relating to charitable funds, to determine whether these funds are likely to be committed in the near future and the extent to which there is a continuing need identified for any particular designated fund(s). The trustees will be undertaking a review of designated funds to ensure that they are all active. Any inactive funds will be closed and the funds transferred to reserves.

Our financial health: a strong balance sheet

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

	31 Mar 16 £'000	31 Mar 15 £'000
Fixed Asset Investments	6,221	7,439
Net Current Assets	2,100	1,322
Creditors falling due after more than one year	(1,137)	(1,076)
Total Net Assets	7,184	7,685
Capital Funds (Endowment)	419	461
Income Funds		
Restricted	3,737	2,508
Unrestricted Income Funds:		
Designated (earmarked) Funds	1,949	2,639
Our reserve: 'general fund'	1,079	2,077
Total Funds	7,184	7,685

A few helpful definitions:

Fixed asset investments are investments in quoted stocks and shares.

Net current assets represent cash held on deposit less the value of accruals (money owed to others for expenses chargeable to the year) and outstanding liabilities.

Creditors falling due after more than one year represent the balance of multi-year research grants and multiyear grants towards specific posts.

Capital funds represent the Guptah endowment which is held as capital in perpetuity so that only the income is available for distribution.

Restricted income funds represent money which is held by the trustees which can only be used for specified purposes.

Unrestricted income funds are funds available to be spent within the objects of the charity which can legally be spent wholly at the discretion of the trustees. In practice, respecting the non-binding preferences expressed by donors, the trustees have sub categorised the unrestricted income funds under two headings.

Designated (earmarked) funds represent some 200 separate funds which the trustees have created to accord with sections 90 and 91 of the National Health Service Act 1977 which require that the trustees respect, as far as practicable, the specific intentions of the gifts received through wards, departments and specialties. By designating funds the trustees ensure that those gifts are channelled towards charitable purposes in those areas. These funds are supervised by about two hundred fund advisors from the wards, departments and specialties concerned.

Our general fund represents those funds available for distribution by the trustees at their discretion which have not been restricted or earmarked.

About our investments

Paragraphs 47 to 50 of the annual report meet the fourth requirement of paragraph 1.41 of the new SORP.

47. The trustees hold the Guptah endowment as XYZ Charities Investment Fund Income Units, on the advice of C Investment Management Limited with a view to striking a balance between income yield and the preservation of the real value of capital. Investments are made on a total return basis. Income is credited to a separate bank account and held as cash.
48. Other investments of SCH Charities are managed by Schumann & Co Limited with the objective to maximise the income receivable whilst allowing a degree of capital growth. Since these funds represent unrestricted income funds including reserves, the emphasis is on maintaining a high level of liquidity and a low to moderate investment risk. The governing documents allow the trustees to invest in a wide range of shares and investments, provided they are not speculative. The portfolio is structured to permit a range of investments intended to yield a competitive rate of return in difficult market conditions and part of the portfolio is invested in hedge funds. In addition, the trustees have decided not to invest in tobacco securities because of the proven link between smoking and poor health which would make such investments contrary to our charitable aims.
49. Appeal funds and funds intended to be used to pay grants in the near future are held on deposit to minimise investment risk.
50. Investment performance is monitored by the investment committee of the trustees which receives regular reports from the investment managers. During the year, the total return, including dividends and interest, in the value of the Schumann Investment Portfolio was minus 6.8%. This compares unfavourably with the benchmark set by the trustees of 6% growth but compares favourably with the stock market all returns reinvested all share benchmark of minus 12.5%.

How we organise our affairs: reference and administrative details

Paragraph 1.25 of the new SORP states that all charities must provide details of the nature of the governing document and how the charity is constituted. Paragraphs 51 to 57 of the annual report meet this requirement along with paragraphs 64 and 65.

Paragraph 1.27 of the new SORP requires that reference and administration information is provided in the annual report. The name of the charity and its charity registration numbers are given in paragraphs 51 to 57. The address of the principal office is provided after paragraph 57.

The charities

51. The SCH Charities are registered with the Charity Commission under the single Registered Number 107XXX0. There are three charities administered by the trustees, as follows:

Sandport Children's Hospital Charity (Registered Number 107XXX0-1)

52. Formerly known as the Sandport Children's Hospital NHS Trust Charity, the governing document is a deed dated 5 October 1998 as amended by Statutory Instrument 2001 No XXX2 and by a supplementary deed dated 2 July 2003.

53. Its objects are 'for any charitable purpose or purposes relating to the National Health Service.'

Sandport Children's Hospital General Charity (Registered Number 107XXX0-2)

54. Formerly part of the 'The Special Trustees for the United Sandport Hospitals Trust Funds General Charity' this charity is governed by a Scheme of the Charity Commission dated 1 April 1999 as amended by Statutory Instrument 2001 No XXX2 and by a resolution dated 2 July 2003.

55. Its objects are 'to further such charitable purpose or purposes as the trustees shall think fit, relating (a) to the hospitals for which the trustees are trustees, including research; or (b) to any other part of the health service associated with those hospitals.'

Guptah Fund (Registered Number 107XXX0-3)

56. This charity is governed by a Scheme of the Charity Commission dated 12 November 1987, as amended by a Scheme of the Charity Commission dated 1 March 2004.

57. Its objects are 'to promote the preservation or recovery of physical or mental health or the rehabilitation of persons (with a preference for babies and children under 14 years of age) who have been suffering from illness and who are or have been patients of Sandport Children's Hospital or any of the following hospitals: General Hospital Swollsea, Psychiatric Hospital Sandport, Sandport Women's Hospital or Sandport Dental Hospital, or such other hospitals as may from time to time form a part of the NHS Trusts (or their successors) currently responsible for the hospitals listed above.'

How to contact us

The charity office and principal address of SCH Charities is:

The Trust Fund Director
Sandport Children's Hospital Charities
PO Box 1X008
Sandport Children's Hospital
Sandport
SB4 6WZ



012X XXX XXX8

For fundraising queries please contact:

The Head of Fundraising
Sandport Children's Hospital NHS Foundation Trust
Porthome Lane
Sandport

**Our trustees**

Paragraph 1.27 of the new SORP requires that reference and administration information is provided in the annual report. The names of all of those who were the charity's trustees on the date that the annual report and accounts were approved or in the reporting period are given after paragraph 58.

If the charity had a corporate trustee then this would be disclosed along with the names of the directors of the body corporate (paragraph 1.27, sixth bullet point)

58. They are responsible for deciding policy and ensuring that it is implemented. They meet at least five times a year as a full board, and they have established a number of committees which they attend throughout the year. The trustees give of their time freely and do not receive any pay, emoluments or other financial benefit. Whilst the trustees are not paid for their time they can claim expenses, details of which are disclosed in the accounts.

During the year, the following trustees held office:

Name	Date Appointed	Date Resigned	Notes
Darren Hall	9 Sep 2009		Term of office expires 8 September 2017
Christine Darbishire	1 Apr 2011		Reappointed 1 April 2015 until 31 March 2019
Josephine Maine	1 Aug 2010		Term of office expires 31 July 2018
Jack Russell	9 Sep 2009		Term of office expires 8 September 2017
<i>John Smith</i>	<i>9 Sep 2009</i>	<i>31 Jul 2015</i>	<i>Resigned</i>
Peter Walker	9 Sep 2015		Term of office expires 31 August 2019

Pen profiles of our trustees:

Mr Darren Hall qualified as a chartered surveyor and has worked in the building industry for over 40 years.

Mrs Christine Darbishire qualified as a town planner and accountant. She is a Fellow of the Institute of Management.

Professor Josephine Maine did her medical training in London and Barset. She specialised in cancer and blood diseases and was a consultant for 20 years before joining Sandport Children's Hospital, where she developed the services for children with these disorders. Now retired from clinical practice, she continues to undertake research and education interests.

Mr Jack Russell is a director of a national firm of stockbrokers based in their Sandport office.

Mr Peter Walker has worked in the automotive industry since he trained as an engineer.

Our staff

Paragraph 1.52 of the new SORP requires larger charities to state to whom the trustees delegate day-to-day management of the charity and from whom trustees are taking advice. In particular, the report must provide:

- The name of any chief executive officer or other senior management personnel to whom the charity trustees delegate day-to-day management of the charity on the date the report was approved or who served in such a position in the reporting period in question
- The names and addresses of any other relevant organisations or persons providing banking services or professional advice to the charity, including its solicitors, auditor and investment advisors.

These points are covered in paragraphs 59 to 63 of the annual report.

59. SCH Charities has two employees, **Mr Stylone Buckeridge** is the trust fund director and Ms **Ginger Thorpe** is his PA. The trustees are also assisted in their work by a number of professional advisors, as detailed below:

Our advisors

Investment managers:

C Investment Management Limited
1000 Cheapside
London
EC2V 6ZZ

Schuman & Co Limited
1000 Wood Street West
London
EC2V 7ZZ

External auditors:

Top Audit LLP
2 Cornwall Street
Sandport
D3 2DL

Internal auditors:

Bentley Audit Co
5 Ridge House
Ridge House Drive
Darsetshire Park
Clasterbridge
CL1 5SJ

Bankers:

Any Bank
166 High Street
Sandport
S17 9PW

Legal advisors:

Good Law
115 Davenport Road
Sandport
S3 3AL

Charity governance, structure and management arrangements

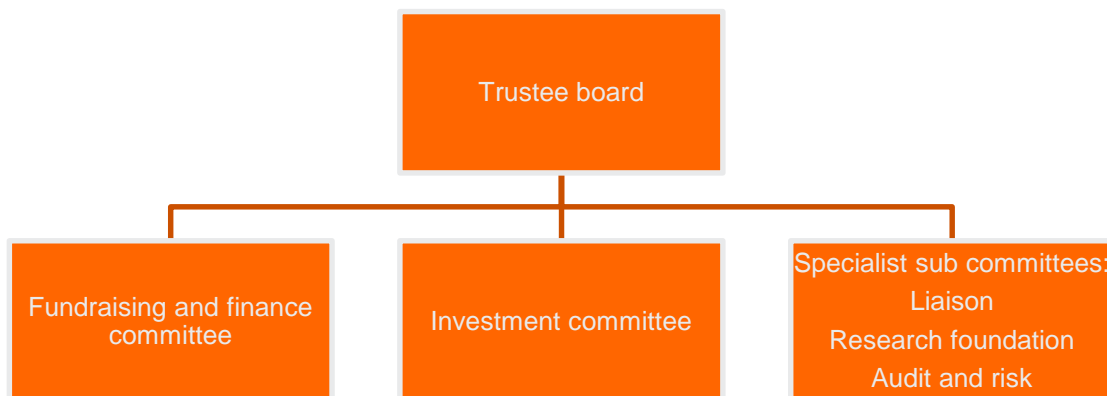
Paragraph 1.18 of the new SORP requires that charities in England and Wales must:

- Explain the main activities undertaken to further the charity's purpose for the public benefit
- Include in their report a statement confirming whether the trustees have had regard to the Charity Commission's guidance on public benefit.

The statement in paragraph 60 and paragraphs 12 to 20 meet this at the most minimum level. Ideally, the annual report would demonstrate that the trustees understand what public benefit really means and demonstrate who the charity helps and how it is different from the services provided by the NHS.

The Charity Commission's various publications on public benefit can be found here www.gov.uk/government/collections/charitable-purposes-and-public-benefit. The previous version of the annual report referenced specific guidance but there are several publications so a more general reference has been made.

60. SCH Charities has five trustees who make up the board of trustees. They decide policy and make sure it is implemented. Day to day management is delegated to the trust fund director and he is responsible for carrying out the decisions of trustees and for working with the professional advisors and with the representatives of SCH FT and University Hospital Sandport NHS Foundation Trust who provide the financial services to the charities. In planning our activities for the year the trustees have read and had regard to the Charity Commission's guidance on public benefit.
61. The trustees have established the following committees to provide detailed scrutiny of aspects of SCH Charities and to make appropriate recommendations to the Board.
- *Fundraising and finance committee* – to monitor the operation of the finance and fundraising service level agreements and to keep all aspects of income and expenditure under scrutiny.
 - *Investment committee* – to monitor the performance of investments and investment advisors.
 - *Liaison sub-committee* – to provide a forum for the exchange of information between SCH Charities and SCH FT.
 - *SCH audit and risk sub-committee* – to appoint the auditors, review and maintain the risk register and to receive and consider the findings of internal and external audit.
 - *SCH research foundation* – to recommend research projects for funding and to report on the outcomes of that research.
62. These specialist committees and sub-committees, and our formal contacts with our external auditors and the NHS complement the work of the administrative staff in support of the board of trustees:



The following people served as members of the committees, and their contribution is gratefully acknowledged:

Finance and fundraising committee and audit and risk sub committee

Mr Peter Walker
Mrs Sweet Marshall
Mr Kelvin Stronger

Trustee
Charitable Funds Accountant, UHS NHS Trust
Director of Finance, SCH FT

Mr David Sharp	Deputy Director of Marketing and Communications, SCH FT
Mr David Proud	Managing Director, Metropolis 2 Ltd

Investment committee

Mr Jack Russell	Trustee
Mrs Sweet Marshall	Charitable Funds Accountant, UHS NHS Trust
Dr Sandy Brain	Chief Executive, SCH FT

Liaison committee

Mr Darren Hall	Trustee
Dr Sandy Brain	Chief Executive, SCH FT
Mrs Joanna Dart	Chairman, SCH FT
Mrs Liz Marbrook	Director of Nursing and Family Centred Care, SCH FT
Dr Alistair Crin	Clinical Director, SCH FT

SCH research foundation

Professor Josephine Maine	Chair of Trustees
Dr Tawny Barrett	Chair of SCH FT
Prof Terrence Southwood	University of Sandport
Prof Ian Boot	University of Sandport
Dr Martin Kilby	Sandport Women's Hospital NHS Foundation Trust
Mrs Lesley Roberts	SCH FT
Mrs Maryanne Preen	SCH FT
Albert Li Wan Po	Davenport University
Robert Ashton	University of Central Darsetshire
Mrs Helen Par	Lay member

63. In addition we are grateful to the many hundreds of volunteers who have given their time as fund advisors and to organise fundraising events for us.

Trustee recruitment, appointment and induction

Paragraph 1.25 of the new SORP requires charities to provide details of the methods used to recruit and appoint new charity trustees.

Other than updating a reference to the NHS Trust Development Authority, the Strategic Health Authority and the Charity Commission's guidance, paragraph 64 has not been amended and meets the new SORP's requirements.

Paragraph 1.51 of the new SORP requires larger charities to explain:

- The charity's organisational structure and, where relevant, those of its subsidiary undertakings (met in paragraphs 51 to 57 of the annual report)
- How the charity makes decisions, for example which types of decisions are taken by the charity's trustees and which are delegated to staff (met in paragraphs 58 to 62 of the annual report)
- The policies and procedures for the induction and training of trustees (met by paragraph 65)
- The arrangements for setting the pay and remuneration of the charity's key management personnel and any benchmarks, parameters or criteria used in setting their pay (met in paragraphs 66 to 70 of the annual report)

- If the charity is part of a wider network (for example if it is affiliated with an umbrella group), how, if at all, this impacts on the operating policies adopted by the charity (this is met paragraphs 51 to 65)
- Relationships between the charity and related parties, including its subsidiary undertakings, and with any other charities and organisations with which it cooperates in the pursuit of its charitable objectives (met by paragraphs 66 to 70 and paragraphs 78 and 79 of the annual report).

64. The trustees are each appointed by the NHS Trust Development Authority under arrangements made by the Secretary of State for Health. NHS bodies within NHS England's North East region nominate two trustees, and the other three are recruited following public advertisement. All potential trustees must be interviewed and recommended by a panel consisting of two existing trustees of the charity and one external assessor. Candidates must show knowledge of and an interest in the hospital and the community it serves and be willing to give the time necessary. Trustees are also selected to give the charity a good mix of appropriate professional skills – for example, medical, finance, investment and fundraising. All trustees are appointed for a fixed term of not more than four years (renewable to a maximum of ten years in total).
65. New trustees are provided with an induction pack consisting of the governing documents, previous 3 years trustees' annual reports and accounts, policies and procedures of the Charity, the Charity Commission's guidance: *public benefit: an overview* and *the essential trustee: what you need to know (CC3)*, and they are given a tour of the hospital. Appropriate training courses are offered in charity law and administration, and the roles and responsibilities of trustees. The charity's auditors and solicitors provide much useful material, and the Association of NHS Charities (to which we belong) runs regular conferences and symposia for trustees.

Key management personnel remuneration

Paragraphs 66 to 70 of the annual report have been inserted to meet the requirement of paragraph 1.51 of the new SORP.

66. The trustees have concluded that the board of trustees and the trust fund director comprise the key management personnel of the charity as they are in charge of:
- Directing and controlling the charity
 - Running and operating the charity on a day to day basis.
67. All trustees give of their time freely and no trustee remuneration was paid in the year.
68. Details of trustee expenses are disclosed in note 13 to the accounts.
69. Trustees are required to disclose all relevant interests and register them with the trust fund director and withdraw from decisions where a conflict of interest arises. All related party transactions are disclosed in note 3 to the accounts.
70. The trust fund director of the charity is employed on the same terms and conditions (Agenda for Change) as staff in the NHS. His remuneration is reviewed annually and is increased in accordance with the nationally agreed increases for his pay scale.

Risk analysis

Paragraphs 71 to 76 have been expanded to meet the third of the requirements set out in paragraph 1.46 of the new SORP.

71. As part of their business planning exercise carried out during the year, the trustees have considered the major risks to which SCH Charities are exposed. They have reviewed systems and identified steps to mitigate those risks. Three major risks have been identified and arrangements have been put in place to mitigate those risks.

Future levels of income

72. SCH Charities is reliant on donations to allow it to make grants to NHS bodies. If income falls then the trust would not be able to make as many grants or enter into longer term commitments with the NHS bodies we support.
73. The trustees mitigate the risk that income will fall by engaging with the Fundraising Department. That Department comprises dedicated fundraising experts who work with SCH FT as well as SCH Charities to provide a co-ordinated approach to raising funds. Fundraising activity is regularly benchmarked against our peers and thorough reviews are undertaken after major campaigns and events to understand what worked well and how things could be done better.

Fall in investment returns

74. SCH Charities generated additional income from investing its cash balances so the trustees consider the loss of investment income to be a major financial risk. The risk is mitigated by retaining expert investment managers, having a diversified investment portfolio and regularly reviewing that portfolio. The trustees make use of benchmarking information when reviewing the portfolio.
75. SCH Charities' permanent endowment, the Guptah fund, is managed on a total return basis, the trustees consider that the use of a total return approach helps stabilise the income available to spend on grant making.

Unforeseen changes in the operation of the NHS

76. The NHS is, by its very nature, subject to national changes in government policy as well as local politically driven decisions. The trustees have identified this as a risk as it may mean initiatives or healthcare activities supported by SCH Charities are no longer delivered in the Sandport area. The trustees regularly liaise with all of our NHS partners to understand the changes that they are facing at an early stage. The trustees also review our NHS partners' strategic plans when they are developing future plans.

Wider networks

77. SCH Charities is one of over 250 NHS linked charities in England and Wales who are eligible to join the Association of NHS Charities. As a member charity, we have the opportunity to discuss matters of common concern and exchange information and experiences, join together with others to lobby government departments and others, and to participate in conferences and seminars which offer support and education for our staff and trustees.

Related parties

78. SCH Charities works closely with, and provides the majority of its grants to, the SCH FT, which operates the Sandport Children's Hospital. The University of Sandport is our main research partner.
79. Although the trustees are careful to consult with representatives of these organisations through their committee meetings and other, less formal contacts, they retain their independence to act in the best interests of SCH Charities and the charity's beneficiaries.

Our relationship with the wider community

80. The ability of SCH Charities to continue its vital support for Sandport Children's Hospital is dependent on its ability to maintain and increase donations from the general public. SCH Charities also continues to forge strong relationships with members of staff of the hospital without whose co-operation the ability to make an effective contribution would be much diminished.

Volunteers

81. The trustees would like to pay tribute to:
- Our volunteers for their time, support, and commitment
 - The members of staff who give of their time out of hours in support of the work on the committees, in developing ideas for research and working with us to identify how we can help them care for the children
 - Our fundraisers who do so much to encourage others to enrich the lives of others through donations and fundraising activities.

Signed on behalf of the trustees: J Maine

Name: Josephine Maine (Chair of Trustees)

Date: 30 June 2016

Having read all about us, please consider supporting the work of SCH Charities

The challenge facing SCH Charities in the future is to maintain and grow our support so that we can continue to make a difference to Sandport Children's Hospital as it carries out its mission of improving child life chances.

What could your gift buy?

£1	could buy	a set of colouring pens
£10	could buy	a cd or dvd
£30	could buy	a Play Station game
£400	could send	a nurse or doctor on a training course
£1,000	could buy	a specially adjustable bed for a ward
£5,000	could buy	an adjustable bath
£10,000	could refurbish	a patient area
£50,000	could support	a researcher for a year

If you have a larger gift in mind, please talk to us. We always have a number of major projects awaiting funding.

If you would like to make a donation or support any of our fundraising activities, please give us a call on 012X XXX 850X or complete the reply card appended to this report.

Signed: J Maine

Name: Josephine Maine (Chair of Trustees)

Date: 30 June 2016

Paragraph 1.8 of the new SORP requires that one or more of the trustees must sign and date the report on behalf of the trustees upon their approval.

The signature has been included in the annual report as well as on the balance sheet as it is possible the annual report will be distributed without the accounts.

Statement of trustees' responsibilities in respect of the trustees' annual report and accounts

IFRS requires that a statement of responsibilities is included in an annual report and accounts. It is not a requirement of FRS 102 or the new SORP. It is included here because some auditors insist that this statement is included.

Under charity law, the trustees are responsible for preparing the trustees' annual report and accounts for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice requires that the trustees:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether the recommendations of the SORP 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, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. The trustees are 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 trustees to ensure that, where any statements of accounts are prepared by the trustees under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. The trustees have general responsibility for taking such steps as are reasonably open to the trustees to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Signed on behalf of the trustees:

Sandport Children's Hospital Charities Statement of Financial Activities for the year ending 31 March 2016

Paragraph 4.1 of the new SORP states that all charities preparing their accounts on an accruals basis to give a true and fair view must prepare a statement of financial activities (SoFA). The structure, format and headings of the SoFA are set out in table 2 of the new SORP.

The SCH Charities SoFA has been restated in the format set out in the new SORP. The rows which analyse income and expenditure reflect the requirements of table 2. This means much of the detail on the face of the previous SoFA has been removed and is included in notes to the accounts. The detailed information on expenditure on charitable activities has been retained. Previously, governance costs were separately disclosed. These have now been included in the costs of raising funds and charitable activities.

The format of the SoFA is for the trustees to decide. This is one way of achieving the new SORP's requirements, there are other, equally valid, ways of achieving the same end.

Paragraph 4.2 of the new SORP states that FRS 102 requires that comparative information must be provided for all amounts provided in the SoFA. The new SORP requires that comparative information for the total funds of a charity must be provided on the face of the SoFA and comparative information for each class of funds can be provided either on the face of the SoFA or in a note to the accounts. The options available are therefore:

- An 8 column SoFA
- Comparatives for each fund included in the notes to the accounts
- The inclusion of two SoFAs in the accounts (one for this year and one for last year).

SCH Charities have opted to include the comparatives for each fund in note 2 to the accounts.

Paragraphs 4.8 to 4.21 of the new SORP set out the requirements which apply to all charities. This example set of accounts therefore:

- Excludes any rows where there is nothing to report in the current or prior year
- Discloses the three types of fund separately for the current year in a columnar format (where funds are not material they can be combined)
- Is prepared on an activity basis – income is analysed according to the activity that produced the income and expenditure is analysed by the nature of the activities undertaken. Smaller charities can analyse their income and expenditure by nature but this option has not been taken (see paras 4.24 to 4.26 of the new SORP).

Sandport Children's Hospital Charities Statement of Financial Activities for the year ending 31 March 2016

	Note	Unrestr cted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2016 £000	Total Funds 2015 £000
Income and endowments from:						
Donations and legacies	4	1,000	982		1,982	1,841
Charitable activities		10			10	12
Other trading activities	5	166	527		693	561
Investments	7	189	125		314	408
Total incoming resources		1,365	1,634		2,999	2,822
Expenditure on:						
Raising funds	8	(132)	(330)		(462)	(481)
Charitable activities	9					
- Medical research		(991)			(991)	(938)
- Purchase of new equipment		(728)			(728)	(118)
- Building and refurbishment		(514)	(53)		(567)	(2,031)
- Staff education and welfare		(110)			(110)	(142)
- Patient education and welfare		(93)		(9)	(102)	(136)
		(2,436)	(53)	(9)	(2,498)	(3,365)
Total expenditure		(2,568)	(383)	(9)	(2,960)	(3,846)
Net gains/(losses) on investments	16	(507)		(33)	(540)	(474)
Net income/(expenditure)		(1,710)	1,251	(42)	(501)	(1,498)
Transfers between funds	21	22	(22)			
Net Movement in funds		(1,688)	1,229	(42)	(501)	(1,498)
Reconciliation of Funds						
Total Funds brought forward	22	4,716	2,508	461	7,685	9,183
Total Funds carried forward	22	3,028	3,737	419	7,184	7,685

Sandport Children's Hospital Charitable Funds Balance Sheet as at 31 March 2016

Paragraph 10.1 of the new SORP states that all charities preparing their accounts on an accruals basis to give a true and fair view must prepare a balance sheet at the end of each reporting period. The structure, format and headings of the balance sheet are set out in table 5 of the new SORP.

The SCH Charities' balance sheet has been restated in the format set out in the new SORP.

Paragraph 4.2 of the new SORP states that FRS 102 requires that comparative information must be provided for all amounts provided in the balance sheet. The new SORP requires that comparative information for the total funds of a charity must be provided on the face of the balance sheet and comparative information for each class of funds can be provided either on the face of the balance sheet or in a note to the accounts. The options available are therefore:

- An 8 column balance sheet
- Comparatives for each fund included in the notes to the accounts
- The inclusion of two balance sheets in the accounts (one for this year and one for last year).

Whilst most of the balance sheet notes have comparisons, SCH Charities have opted to include the comparatives for each fund in note 2 to the accounts.

This example set of accounts therefore:

- Includes comparative amounts
- Excludes any rows where there is nothing to report in the current or prior year.

Paragraph 10.8 of the new SORP states that the balance sheet must be signed by one or more of the trustees who have been authorised to do so. The date on which the accounts including the balance sheet were approved must be specified.

Sandport Children's Hospital Charitable Funds Balance Sheet as at 31 March 2016

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2016 £000	Total Funds 2015 £000
<i>Fixed assets:</i>						
Investments	16	3,285	2,508	428	6,221	7,439
Total Fixed Assets		3,285	2,508	428	6,221	7,439
<i>Current assets:</i>						
Debtors	17	57			57	48
Cash and cash equivalents	18	1,805	1,271		3,076	2,249
Total Current Assets		1,862	1,271		3,133	2,297
<i>Liabilities:</i>						
Creditors falling due within one year	19	(982)	(42)	(9)	(1,033)	(975)
Net Current assets/(liabilities)		880	1,229	(9)	2,100	1,322
Total assets less current liabilities		4,165	3,737	419	8,321	8,761
Creditors falling due after more than one year	19	(1,137)			(1,137)	(1,076)
Total net assets or liabilities		3,028	3,737	419	7,184	7,685
The funds of the charity:						
Endowment funds	22			419	419	461
Restricted income funds			3,737		3,737	2,508
Unrestricted income funds		3,028			3,028	4,716
Total charity funds		3,028	3,737	419	7,184	7,685

The notes at pages 32 to 58 form part of these accounts

Signed: J Maine

Name: Josephine Maine (Chair of Trustees)

Date: 30 June 2016

Sandport Children's Hospital NHS Charitable Funds Statement of Cash Flows for the year ending 31 March 2016

Paragraph 14.1 of the new SORP states that charities preparing their accounts under FRS 102 must provide a statement of cash flows. Table 8 of the new SORP provides a template for charities preparing their accounts using the indirect method.

Unnecessary lines have not been included in the example accounts – this charity has no financing activities so this section of the statement of cash flows has been excluded.

	Note	Total funds 2015/16	Total funds 2014/15
Cash flows from operating activities:			
<i>Net cash provided by (used in) operating activities</i>	20	(165)	(66)
Cash flows from investing activities:			
Dividends, interest and rents from investments	7	314	408
Proceeds from the sale of investments	16	1,202	1,218
Purchase of investments	16	(524)	(505)
<i>Net cash provided by (used in) investing activities</i>		992	1,121
<i>Change in cash and cash equivalents in the reporting period</i>		827	1,055
Cash and cash equivalents at the beginning of the reporting period	18	2,249	1,194
Change in cash and cash equivalents due to exchange rate movements			
<i>Cash and cash equivalents at the end of the reporting period</i>	18	3,076	2,249

Notes on the accounts

1. Accounting Policies

(a) Basis of preparation

Paragraph 3.37 of the new SORP requires that the notes to the accounts must state whether the accounts are prepared in accordance with this SORP and FRS 102 as well as applicable charitable and/or company law.

The example accounts have therefore been updated to reflect the current references to the SORP and Charities Act.

The second and third paragraphs have been taken from paragraph 8.1.5 of the Charity Commission's *Charity reporting and accounting: the essentials* which was published in March 2015 (www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-march-2015-cc15c/charity-reporting-and-accounting-the-essentials-march-2015#the-accounting-framework-at-a-glance). The second paragraph (in italics) will be required if the regulations are not changed by 1 April 2016.

The financial statements have been prepared under the historic cost convention, with the exception of investments which are included at fair value.

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Paragraph 3.14 of the new SORP requires trustees to make their own assessment of the charity's ability to continue as a going concern when preparing the accounts.

Paragraph 3.38 of the new SORP sets out the disclosures that must be made if there are material uncertainties related to events or conditions that cast significant doubt on the charity's ability to continue as a going concern.

Paragraph 3.39 of the new SORP says that 'Where there are no material uncertainties about the charity's ability to continue, this should be stated.' This is not a requirement of the new SORP as it is a 'should' rather than 'must' but it has been included in this case as there are no material uncertainties.

The trustees consider that there are no material uncertainties about the SCH Charities' ability to continue as a going concern. There are no material uncertainties affecting the current year's accounts.

In future years, the key risks to the SCH Charities are a fall in income from donations or investment income but the trustees have arrangements in place to mitigate those risks (see the risk management and reserves sections of the annual report for more information).

(b) Reconciliation with previous generally accepted accounting practice

When first reporting under FRS 102, section 35 of FRS 102 requires 3 reconciliations to be presented, if applicable:

- A reconciliation of retained funds under the old policy and FRS 102 at the date of transition (1 April 2014 for NHS charities)
- A reconciliation of retained funds under the old policy and FRS 102 at the end of the last period presented in the most recent accounts prepared under the old policy (1 April 2015 for NHS charities)
- A reconciliation of net income (or expenditure) prepared under the old policy and FRS 102 (2014/15 for NHS charities).

In the case of this charity there are no changes in accounting policy which affect total retained funds at 1 April 2014 or 1 April 2015 or net income for 2014/15. However, the explanation above has been included to assist the reader's understanding.

In preparing these accounts, the trustees have considered whether any restatement of comparatives was required to comply with FRS 102 and the Charities SORP FRS 102. No restatements were required although there has been a change in the analysis of governance costs and cash and cash equivalents.

Governance costs: previously, these had been separately analysed on the face of the statement of financial activity. Governance costs are now classified as a support costs and have therefore been apportioned between fundraising activities and charitable activities. There is no effect on the total expenditure for 2014/15 or 2015/16.

Reconciliation of reported total expenditure

	Expenditure on raising funds	Expenditure on charitable activities	Governance costs	Total expenditure
	£'000	£'000	£'000	£'000
2016 expenditure as previously reported	454	2,432	74	2,960
Adjustment for the reapportionment of governance costs	8	66	(74)	
2016 expenditure as restated	462	2,498		2,960

The analysis of support costs, including governance costs, is shown in note 12.

Cash and cash equivalents: previously investments held in a 90 day access savings account had been shown separately on the face of the balance sheet. As these are very liquid funds they are classified as cash equivalents and are now shown as part of cash and cash equivalents on the balance sheet. There is no impact on the total funds of the charity. An analysis of cash and cash equivalents is provided in note 18.

(c) Funds structure

Where there is a legal restriction on the purpose to which a fund may be put, the fund is classified either as:

- A restricted fund or

- An endowment fund.

Restricted funds are those where the donor has provided for the donation to be spent in furtherance of a specified charitable purpose. SCH Charities' restricted funds tend to result from appeals for specified purposes.

Endowment funds arise when the donor has expressly provided that the gift is to be invested and only the income of the fund may be spent. These funds are sub analysed between those where the trustees have the discretion to spend the capital (expendable endowment) and those where there is no discretion to expend the capital (permanent endowment).

The charity has one permanent endowment fund, the Guptah fund and no expendable endowment. The Guptah fund is managed by the trustees on a total return basis. This means that the funds are invested to maximise the return on investment without regard to whether that return is in the form of income from dividends or interest or capital appreciation (where the market value of the investment increases). The trustees decide each year how much of that return is released to income for spending and how much is retained for investment. The allocation is made on an equitable basis to balance the need to fund current projects as well as to invest returns for the future.

Chapter 20 of the new SORP discusses the total return on investments. Trustees must formally decide whether to adopt a total return approach in relation to an endowment but in this example no such resolutions have been made.

Those funds which are neither endowment nor restricted income funds, are unrestricted income funds which are sub analysed between designated (earmarked) funds where the trustees have set aside amounts to be used for specific purposes or which reflect the non-binding wishes of donors and unrestricted funds which are at the trustees' discretion, including the general fund which represents the charity's reserves. The major funds held in each of these categories are disclosed in note 22.

(d) **Incoming resources**

Paragraph 5.56 of the new SORP states that all charities must explain in notes to the accounts the accounting policies adopted for the recognition of each material item of income.

Charities with material legacy income should refer to paragraphs 5.29 to 5.37 of the new SORP. This charity does not have material legacy income so no new accounting policy is required.

Paragraph 5.8 of the new SORP sets out the general rules for income recognition by charities. The key change here is that income must be recognised when it is probable that the economic benefits associated with the transaction or gift will flow to the charity. Previously, the accounting policy was that income was recognised when it was certain,

The policy has also been expanded to include how terms and conditions in grants are dealt with.

All incoming resources are recognised once the charity has entitlement to the resources, it is probable (more likely than not) that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Where there are terms or conditions attached to incoming resources, particularly grants, then these terms or conditions must be met before the income is recognised as the entitlement condition will not be satisfied until that point. Where terms or conditions have

not been met or uncertainty exists as to whether they can be met then the relevant income is not recognised in the year but deferred and shown on the balance sheet as deferred income.

(e) Incoming resources from legacies

Paragraphs 5.29 to 5.37 set out the general rules for recognition of legacy income by charities. Again, the key change is that legacy income must be recognised when it is probable that it will be received. Previously, the accounting policy was that income was recognised when it was virtually certain,

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

Receipt is probable when:

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

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

(f) Incoming resources from endowment funds

The incoming resources received from the invested endowment fund are wholly restricted.

(g) Resources expended and irrecoverable VAT

Paragraphs 7.5 onwards of the new SORP set out the general rules for the recognition of liabilities and expenditure.

This note has been amended to reflect more closely the wording in the SORP but there is no change to the accounting policy.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to each category of expense shown in the Statement of Financial Activities. Expenditure is recognised when the following criteria are met:

- There is a present legal or constructive obligation resulting from a past event
- It is more likely than not that a transfer of benefits (usually a cash payment) will be required in settlement
- The amount of the obligation can be measured or estimated reliably.

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

(h) Recognition of expenditure and associated liabilities as a result of grant

Paragraphs 7.12 to 7.27 of the new SORP discuss the expenditure recognition criteria for grant paying charities. The policy has been amended to expand the criteria in line with

the new SORP but, in reality, the accounting policy has not changed because the trustees are able to manage the creation of a realistic expectation.

Previously, the policy said that if the size of the grant had not been determined then expenditure was not recognised. This has been removed as it could be possible, although unlikely, to create a constructive obligation even if the size of the grant had not been finalised.

This policy has been separated from the policy on recognising provisions.

Grants payable are payments made to linked, related party or third party NHS bodies and non NHS bodies, in furtherance of the charitable objectives of the funds held on trust, primarily relief of those who are sick.

Grant payments are recognised as expenditure when the conditions for their payment have been met or where there is a constructive obligation to make a payment.

A constructive obligation arises when:

- We have communicated our intention to award a grant to a recipient who then has a reasonable expectation that they will receive a grant
- We have made a public announcement about a commitment which is specific enough for the recipient to have a reasonable expectation that they will receive a grant
- There is an established pattern of practice which indicates to the recipient that we will honour our commitment.

The trustees have control over the amount and timing of grant payments and consequently where approval has been given by the trustees and any of the above criteria have been met then a liability is recognised. Grants are not usually awarded with conditions attached. However, when they are then those conditions have to be met before the liability is recognised.

Where an intention has not been communicated, then no expenditure is recognised but an appropriate designation is made in the appropriate fund. If a grant has been offered but there is uncertainty as to whether it will be accepted or whether conditions will be met then no liability is recognised but a contingent liability is disclosed.

(i) Allocation of support costs

Paragraph 8.31 of the new SORP requires that details of the accounting policy for the apportionment of costs are provided.

The basis of apportionment is given in the note to the accounts. Under the old arrangements governance costs were separately disclosed on the face of the SoFA. Now they are included in support costs and are allocated to either fundraising activities or charitable activities. This accounting policy has been amended to reflect the new policy and the previous policy on governance costs has been deleted.

Support costs are those costs which do not relate directly to a single activity. These include some staff costs, costs of administration, internal and external audit costs and IT support. Support costs have been apportioned between fundraising costs and charitable activities on an appropriate basis. The analysis of support costs and the bases of apportionment applied are shown in note 12.

(j) Fundraising costs

The costs of generating funds are those costs attributable to generating income for the charity, other than those costs incurred in undertaking charitable activities or the costs incurred in undertaking trading activities in furtherance of the charity's objects. The costs of generating funds represent fundraising costs together with investment management fees. Fundraising costs include expenses for fundraising activities and a fee paid to a related party, the SCH FT, under a fundraising agreement (see note 3). The fee is used to pay the salaries and overhead costs of the hospital's fundraising office.

(k) Charitable activities

Costs of charitable activities comprise all costs incurred in the pursuit of the charitable objects of the charity. These costs, where not wholly attributable, are apportioned between the categories of charitable expenditure in addition to the direct costs. The total costs of each category of charitable expenditure include an apportionment of support costs as shown in note 9.

(l) Fixed asset investments

Paragraphs 10.53 and 10.73 of the new SORP require that the accounting policy in relation to fixed and short term investment must be included in the accounts. The policy must include the measurement basis for all investments and the difference between fixed or current assets.

Paragraph 11.35 of the new SORP requires the measurement bases and accounting policies in relation to basic financial instruments to be disclosed. These have been included in the accounting policies for investments, debtors and creditors rather than as a separate policy.

Paragraph 11.35 also requires the following to be disclosed in relation to some financial instruments. In the case of this charity these only apply to investments so have been included in note 16:

- Information about the significance of financial instruments to the charity's financial position or performance, for example the terms and conditions of loans or the use of hedging to manage financial risk
- For all financial assets and financial liabilities measured at fair value, the basis for determining fair value, including any assumptions applied when using a valuation technique.

Note: the previous set of Sandport Children's Hospital accounts stated that the market value of quoted stocks and shares was 'mid-market price'. Paragraph 11.27 of FRS 102 discussed the fair value of stocks and shares. Ideally, such investments would be valued at current mid-price which is likely to be different to the mid-market price. In this example, there is no difference between mid-market price and current market value so there has been no restatement. This is an area where NHS charities may have to restate their accounts.

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

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment

risk, and changes in sentiment concerning equities and within particular sectors or sub sectors. Further information on the SCH Charities investments can be found in note 16.

(m) Debtors

Paragraph 10.67 of the new SORP requires that the accounting policies must set out the basis on which debtors are measured. As this charity has no long term debtors the policy in relation to the time value of money has not been included.

Paragraph 11.35 of the new SORP requires the measurement bases and accounting policies in relation to basic financial instruments to be disclosed. These have been included in the accounting policies for investments, debtors and creditors rather than as a separate policy.

This is a new note in this set of accounts.

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

(n) Cash and cash equivalents

Paragraph 10.75 of the new SORP requires that the notes to the accounts must explain how the charity has defined any short term, highly liquid investments as cash and cash equivalents.

This is a new note in this set of accounts.

Cash at bank and in hand is held to meet the day to day running costs of the charity as they fall due. Cash equivalents are short term, highly liquid investments, usually in 90 day notice interest bearing savings accounts.

(o) Creditors

Paragraph 10.81 of the new SORP requires that the basis on which creditors are recognised and measured should be included in the accounting policies.

It should be noted that the new SORP also requires an accounting policy in relation to provisions to be included in the accounts. This charity does not have any provisions so there is no need to include a policy but charities with a material provision should include a policy.

Paragraph 11.35 of the new SORP requires the measurement bases and accounting policies in relation to basic financial instruments to be disclosed. These have been included in the accounting policies for investments, debtors and creditors rather than as a separate policy.

This is a new note in this set of accounts.

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

Amounts which are owed in more than a year are shown as long term creditors.

(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 carrying value (purchase date if later). Unrealised gains and losses are calculated as the difference between the market value at the year end and opening carrying value (or purchase date if later).

(q) Pensions

Paragraphs 17.22 and 17.23 of the new SORP states that where a charity participates in a defined benefit pension scheme but where the information on its share of the underlying assets or liabilities is unavailable then the following should be disclosed:

- The fact that the pension is a defined benefit plan
- Such information as is available about the plan's surplus/deficit
- The implications, if any, for the charity
- A description of the extent to which the charity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan
- An explanation of how any liability has been determined.

This note is a cut down version of the current NHS pension scheme disclosure note which is found on the finman website

([http://www.info.doh.gov.uk/doh/finman.nsf/4db79df91d978b6c00256728004f9d6b/75334ce516e12ab280257d9d004144b3/\\$FILE/2014-15%20Manual%20FAQ3%20EoY%20Issues%2001-05-15.pdf](http://www.info.doh.gov.uk/doh/finman.nsf/4db79df91d978b6c00256728004f9d6b/75334ce516e12ab280257d9d004144b3/$FILE/2014-15%20Manual%20FAQ3%20EoY%20Issues%2001-05-15.pdf))

This note will have to be updated in 2015/16 to reflect the revised disclosure provided by the Department of Health as the NHS pension scheme changed from 1 April 2015.

Employees of the charity are entitled to join the NHS Pensions Scheme.

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

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

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

The valuation of scheme liability in accordance with IAS19 is carried out annually by the Scheme Actuary. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website.

2. Prior year comparatives by type of fund

The primary statements provide prior year comparatives in total; this note provides prior period comparatives for the Statement of Financial Activities and the Balance Sheet for each of the three types of fund that SCH Charities manages.

Paragraph 4.2 of the new SORP states that FRA 102 requires that comparative information must be provided for all amounts provided in the SoFA. The new SORP requires that comparative information for the total funds of a charity must be provided on the face of the SoFA and comparative information for each class of funds can be provided either on the face of the SoFA or in a note to the accounts. The options available are therefore:

- An 8 column SoFA
- Comparatives for each fund included in the notes to the accounts
- The inclusion of two SoFAs in the accounts (one for this year and one for last year).

This is a new note to the accounts which provides comparatives for each fund. In this case, the trustees have decided that only the row headings are provided for comparative purposes so there is no analysis on the SoFA of prior period charitable activities. This is for the trustees to decide and an alternative approach would be to replicate the SoFA analysis in this note.

2a Unrestricted funds – Statement of Financial Activity for the year ended 31 March 2016

	2016	2015
	£000	£000
Income and endowments from:		
Donations and legacies	1,000	839
Charitable activities	10	3
Other trading activities	166	60
Investments	189	244
Total incoming resources	1,365	1,146
Expenditure on:		
Raising funds	(132)	(120)
Charitable activities	(2,436)	(3,300)
Total expenditure	(2,568)	(3,420)
Net gains/(losses) on investments	(507)	(439)
Net income/(expenditure)	(1,710)	(2,713)
Transfers between funds	22	31
Net Movement in funds	(1,688)	(2,682)
Reconciliation of Funds		
Total Funds brought forward	4,716	7,398
Total Funds carried forward	3,028	4,716

Unrestricted funds – Balance Sheet as at 31 March 2016

	2016	2015
	£000	£000
<i>Fixed assets:</i>		
Investments	3,285	4,510
Total Fixed Assets	3,285	
<i>Current assets:</i>		
Debtors	57	48
Cash and cash equivalents	1,805	1,229
Total Current Assets	1,862	1,277
<i>Liabilities:</i>		
Creditors falling due within one year	(982)	(923)
Net Current assets/(liabilities)	880	354
Total assets less current liabilities	4,165	4,864
Creditors falling due after more than one year	(1,137)	(148)
Total net assets or liabilities for unrestricted funds	3,028	4,716
Total unrestricted funds	3,028	4,716

2b Restricted funds – Statement of Financial Activity for the year ended 31 March 2016

	2016	2015
	£000	£000
Income and endowments from:		
Donations and legacies	982	1,002
Charitable activities		9
Other trading activities	527	501
Investments	125	164
Total incoming resources	1,634	1,676
Expenditure on:		
Raising funds	(330)	(361)
Charitable activities	(53)	(55)
Total expenditure	(383)	(416)
Net gains/(losses) on investments		
Net income/(expenditure)	1,251	1,260
Transfers between funds	(22)	(31)
Net Movement in funds	1,229	1,229
Reconciliation of Funds		
Total Funds brought forward	2,508	1,279
Total Funds carried forward	3,737	2,508

Restricted funds – Balance Sheet as at 31 March 2016

	2016	2015
	£000	£000
<i>Fixed assets:</i>		
Investments	2,508	2,461
Total Fixed Assets	2,508	2,461
<i>Current assets:</i>		
Debtors		
Cash and cash equivalents	1,271	1,020
Total Current Assets	1,271	1,020
<i>Liabilities:</i>		
Creditors falling due within one year	(42)	(45)
Net Current assets/(liabilities)	1,229	975
Total assets less current liabilities	3,737	3,436
Creditors falling due after more than one year		(928)
Total net assets or liabilities for restricted funds	3,737	2,508
Total restricted funds	3,737	2,508

2c Endowment funds – Statement of Financial Activity for the year ended 31 March 2016

	Endowment Funds £000	Total Funds 2016 £000
Total incoming resources		
Expenditure on:		
Raising funds		
Charitable activities	(9)	(10)
Total expenditure	(9)	(10)
Net gains/(losses) on investments	(33)	(35)
Net income/(expenditure)	(42)	(45)
Net Movement in funds	(42)	(45)
Reconciliation of Funds		
Total Funds brought forward	461	506
Total Funds carried forward	419	461

Endowment funds – Balance Sheet as at 31 March 2016

	Unrestricted Funds 2016 £000	2015 £000
<i>Fixed assets:</i>		
Investments	428	468
Total Fixed Assets	428	468
<i>Liabilities:</i>		
Creditors falling due within one year	(9)	(7)
Net current assets/(liabilities)	(9)	(7)
Total net assets or liabilities	419	461
Total endowment funds	419	461

3. Related party transactions

Paragraph 9.17 of the new SORP requires that all transactions between a charity and a related party must be disclosed subject to exemptions set out in paragraph 9.18.

Paragraph 9.21 of the new SORP states that charities must not state that related party transactions were made at open market value or on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated. Therefore, the statement relating to the charging arrangements between the charity and the foundation trust has been amended.

Trustees' expenses were included in the related party note but they have been moved to note 13.

Where an NHS charity has a corporate trustee, paragraph 26.1 of the new SORP states that it is viewed for accounting purposes as a subsidiary because it is being controlled by the corporate trustee. Therefore, the disclosure requirements set out in paragraph 26.5 and 26.6 must be met. A corporate trustee will be a related party so the requirements of paragraphs 9.17 and 9.20 must be met.

Christine Darbishire, a trustee of the SCH Charities, is also a non-executive director of the SCH FT, the patients of which are the main beneficiaries of the charity. The charity has made revenue and capital grant payments to the SCH FT for the benefit of NHS patients and these are detailed in note 10.

None of the trustees or members of the SCH FT board or parties related to them has undertaken any transactions with the SCH Charities or received any benefit from the charity in payment or kind. The trustees received no honoraria or emoluments in the year. Expenses paid to trustees are disclosed in note 13.

The SCH FT makes a number of clerical and transaction services available to the charity, by agreement with the trustees. These include:

- Fundraising services and office at a cost of £230,000 (£234,000 in 2014/15) – see note 8
- Administrative services at a cost of £103,000 (£96,000 in 2014/15) in support of the charity’s grant making activities which are included within support costs - see note 12.

The charges made by the SCH FT constitute the costs of the fundraising office. The amounts paid for administrative services are due under a service level agreement and are set at an amount which allows SCH FT to recover its costs.

4. Income from donations and legacies

Paragraph 4.42 of the new SORP requires that the notes to the accounts provide an analysis of the material components of income included within each analysis heading of the SoFA. This note meets the requirements of the new SORP and some additional narrative has been included as the trustees felt that this would be helpful to the reader of the accounts.

Paragraph 5.58 of the new SORP requires that a charity in receipt of government grants must make particular disclosures. This charity’s grant income was from other charities rather than the government.

	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Donations from individuals	440	432	872	835
Corporate donations	142	550	692	601
Legacies	280		280	250
Grants	138		138	155
Total	1,000	982	1,982	1,841

Donations from individuals are gifts from members of the public, relatives of patients and staff. This income is collected through our collection boxes around the Sandport Children’s Hospital as well as our annual collection at the May meeting at Sandport Racecourse.

5. Analysis of income from other trading activities

Paragraph 4.42 of the new SORP requires that the notes to the accounts provide an analysis of the material components of income included within each analysis heading of the SoFA. This note has therefore been added to the accounts in accordance with the new SORP's requirements.

No additional note has been added for income from charitable activities as the amount of income is not material.

As the amounts are not material to this set of accounts no narrative has been added to the note.

	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Fete for the Burns and Trauma Centre		328	328	
Other events organised by the fundraising team	80	18	98	253
Events organised by volunteers	86	181	267	308
Total	166	527	693	561

6. Role of volunteers

Paragraphs 6.19 and 6.31 of the new SORP says that charities must include a description of the role played by general volunteers and provide an indication of the nature of their contribution in a note to the accounts.

This note has been added in accordance with that requirement.

Like all charities, the SCH Charities is reliant on a team of volunteers for our smooth running. Our volunteers perform 2 roles:

- Fund advisors – there are about 200 SCH FT staff who manage how the charity's designated funds should be spent. These funds are designated (or earmarked) by the trustees to be spent for a particular purpose or in a particular ward or department. Each fund advisor has delegated powers to spend the designated funds that they manage in accordance with the trustees wishes. The trustees determine what each fund can be spent on and the amount that can be spent in a year. Fund advisors who spend more than £5,000 are required to report to trustees setting out what they spent the money on and the difference it made to the medical care and treatment of children.
- Fundraisers – there are about 50 local volunteers who actively fundraise for the SCH Charities by running events such as coffee mornings, open gardens, sports tournaments and an under 11's egg and spoon race. The fundraisers also rattle collection tins at our annual collection at the Racecourse

In accordance with the SORP, due to the absence of any reliable measurement basis, the contribution of these volunteers is not recognised in the accounts.

7. Gross investment income

This note was included in the previous set of accounts but just disclosed the totals for the year. An analysis by fund has therefore been included in accordance with paragraph 11.35 of the new SORP.

	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Fixed asset equity and similar investments		75	75	119
Short term investments and deposits and cash on deposit	189	50	239	289
Total	189	125	314	408

8. Analysis of expenditure on raising funds

Paragraph 4.57 of the new SORP requires that the notes to the accounts provide a relevant analysis of the activities included within each expenditure heading provided on the face of the SoFA. This note has therefore been added to the accounts in accordance with the new SORP's requirements.

As the amounts are not material to this set of accounts no narrative has been added to the note.

	Unrestricted funds £000	Restricted funds £000	Total 2016 £000	Total 2015 £000
Fundraising office	56	174	230	234
Fundraising events		145	145	154
Investment management	64		64	68
Support costs	12	11	23	25
Total	132	330	462	481

9. Analysis of charitable expenditure

Paragraphs 4.57 and 4.58 of the new SORP require that an analysis should provide the user of the accounts with an understanding of the charities main activities. The analysis must also give details of the support costs charged to an activity and the costs of grant funding to third parties. An example is provided in table 3 in chapter 4 of the new SORP.

Paragraph 16.13 of the new SORP requires that the notes to the accounts contain the following:

- The total amount of grants paid analysed between grants to individuals and grants to institutions
- An analysis of the total amount of grants paid by nature or type of activity or project being supported
- The amount of support costs allocated to grant-making activities.

This note and note 8 meet these requirements and reconcile to the total grants payable.

Paragraphs 16.17 and 16.18 of the new SORP require that charities that make grants to institutions disclose details of a sufficient number of those institutions that the reader of the accounts can understand the range of institutions supported.

The charity did not undertake any direct charitable activities on its own account during the year. All of the charitable expenditure was in the form of grant funding.

Grants were approved in favour of the partner organisations, principally the SCH FT and University Hospital Sandport NHS Foundation Trust to carry our activities that will benefit children who are NHS patients and their families. The charity incurred expenditure with third parties in pursuance of those grants or reimbursed expenditure incurred by them.

	Grant funded activity £000	Support costs £000	Total 2016 £000	Total 2015 £000
Medical research	913	78	991	938
Purchase of new equipment	671	57	728	118
Building and refurbishment	522	45	567	2,031
Staff education and welfare	101	9	110	142
Patient education and welfare	94	8	102	136
Total	2,301	197	2,498	3,365

10. Analysis of grants

This table has been moved in the example accounts where it was previously note 7. This is to assist the reader of the accounts as it now follows the analysis of charitable expenditure.

Paragraph 16.13 of the new SORP requires that the notes to the accounts contain the following:

- The total amount of grants paid analysed between grants to individuals and grants to institutions
- An analysis of the total amount of grants paid by nature or type of activity or project being supported
- The amount of support costs allocated to grant-making activities.

This note and note 9 meet these requirements and reconcile to the total grants payable.

Paragraphs 16.17 and 16.18 of the new SORP require that charities that make grants to institutions disclose details of a sufficient number of those institutions that the reader of the accounts can understand the range of institutions supported.

The charity does not make grants to individuals. All grants are made to the SCH FT or other institutions to provide for the care of NHS patients in furtherance of our charitable aims. The majority of grant support was given to the SCH FT. The total cost of making grants, including support costs, is disclosed on the face of the Statement of Financial Activities and the actual funds spent on each category of charitable activity, is disclosed in note 9.

The trustees operate a scheme of delegation for the majority of the charitable funds, under which fund advisors manage the day to day disbursements on their projects in accordance with the directions set out by the trustees in charity standing orders and financial instructions. Funds managed under the scheme of delegation represent ongoing activities and it is not possible to segment these activities into discrete individual grant awards. The trustees do make individual grant awards based on invited applications from eligible NHS or related organisations selected by the trustees.

Institution receiving grant support:	Number of grants awarded	Total amount paid £000
SCH FT	Scheme of delegation	1,651
University Hospital Sandport NHS Foundation Trust	Scheme of delegation	520
University of Sandport	1	58
Davenport Trust	1	13
Sandport Women's Hospital NHS Trust	1	39
Sandport Clinical Commissioning Group	1	20
Total		<u>2,301</u>

11. Movements in funding commitments

Paragraphs 7.43 to 7.46 of the new SORP require that expenditure resulting from recognised funding commitments and provisions is analysed and the following is included in a note to the accounts:

- A reconciliation of the movements in provisions and funding commitments
- A brief description of the nature of the commitment made and the expected amount and timing of any resulting payments
- An indication of the uncertainties of the amount or timing of those payments
- The amount of any expected reimbursement.

	Current liabilities	Non-current liabilities	Total	Total
	2016	2016	2016	2015
	£000	£000	£000	£000
Opening balance at 1 April (see note 19)	563	1,076	1,639	1,873
Additional commitments made during the year	1,048	1,253	2,301	2,237
Movement from current to non-current	200	(200)		
Amounts paid during the year	(1,331)	(992)	(2,323)	(2,471)
Closing balance at 1 April (see note 19)	480	1,137	1,617	1,639

As described in notes 9 and 10, the charity awards a number of grants in the year. Many grants are awarded and paid out in the same financial year. However, some grants, especially those relating to research and development or for funding a specific posts are multi-year grants paid over a longer period.

As the charity has control over the award and timing of grants there is little uncertainty around these payments.

12. Allocation of support costs and overheads

Paragraph 8.7 of the new SORP states that governance costs are a support costs which should be apportioned across the activities that the charity disclosed on the face of the Statement of Financial Activities. The required disclosures are set out in paragraph 8.13 of the new SORP and an example is provided in table 4 of chapter 8.

The analysis of apportionment of support costs and overheads has therefore been restated to include the apportionment of governance costs which were previously separately identified on the face of the Statement of Financial Activities.

Support and overhead costs are allocated between fundraising activities and charitable activities. Governance costs are those support costs which relate to the strategic and day to day management of a charity.

The bases of allocation used are as follows:

- Time: based on the timesheets produced by the charity's two staff members.
- Direct allocation: where a cost is wholly attributable to a particular activity. In 2016, the training event related to the management of small grants which relate mainly to our unrestricted funds
- Expenditure: this is a proportion based on the fund balance at the start of the year. This is used where the trustees consider this is a more equitable treatment to avoid disadvantaging funds with high volume, low value transactions.
- Salaries: this is proportionate to staff salaries where costs are related to the employed staff.

	Raising funds £000	Charitable activities £000	2016 Total £000	2015 Total £000	Basis
Internal audit	2	6	8	8	Expenditure
External audit	4	17	21	20	Expenditure
Staff training		1	1		Direct allocation
Staff recruitment				1	Direct allocation
Other professional fees		1	1	2	Expenditure
Governance	6	25	31	31	
Financial administration	10	93	103	96	Time
Salaries and related costs	6	53	59	58	Time
Bank charges		2	2	2	Expenditure
Office rent		9	9	9	Salaries
Telephone/ postage/ stationery	1	8	9	8	Salaries
Computer expenses		3	3	3	Salaries
Insurance		2	2	2	Salaries
Miscellaneous		2	2	3	Salaries
Total	23	197	220	212	

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	2016 Total £000	2015 Total £000
Raising funds	12	11		23	183
Charitable activities	135	53	9	197	29
	147	64	9	220	212

13. Trustees' remuneration, benefits and expenses

Paragraph 9.6 of the new SORP requires that all charities disclose:

- Either that no trustees are paid any remuneration or receive any other benefits from employment with the charity
- Or that one or more trustees have been paid.

In this instance, no trustees are paid. If any trustees were paid then more extensive disclosures are required. This statement was previously included in the annual report rather than the accounts.

Paragraphs 9.11 and 9.12 of the new SORP set out the disclosure requirements for trustees' expenses. The expenses element of the note was previously included in the related party note.

Paragraphs 9.7 and 9.8 of the new SORP set out the disclosure requirements for trustees who are paid.

The charity's trustees give their time freely and receive no remuneration for the work that they undertake as trustees. However, they can claim expenses to reimburse them for costs that they incur in fulfilling their duties.

Trustee expenses were incurred, as detailed below, and these were wholly in fulfilment of charity business.

Trustee expenses	2016	2015
	£	£
Travel and subsistence	821	570
Total number of trustees paid expenses	5	5

14. Analysis of staff costs and remuneration of key management personnel

Paragraphs 9.26 to 9.30 set out the disclosure requirements in relation to staff costs. This note has not been amended.

Note that paragraph 9.28 of the new SORP states that the information provided for staff costs and employee benefits must also include any expenditure on staff working for the charity whose contracts are with and are paid by a related party. This may be the case for NHS charities where staff are employed by the host NHS body but work either full time or part time for the NHS charity. To assess whether this is the case, the trustees should consider the specific arrangement in place.

The fundraising staff employed by SCH FT provide services to the charity. However, these services are paid on a service contract rather than a secondment type arrangement. They are not employed solely to work on the charitable funds so they are not considered to be employees of the charity employed by a related party. If they were considered to be working for the charity then their costs would have to be disclosed here in accordance with paragraph 9.28 of the new SORP.

Paragraph 7.41 of the new SORP requires charities to include a holiday pay accrual where material in their accounts. As this charity has only 2 employees, a holiday pay accrual would not be material so the accounts have not been restated for this.

Paragraph 9.31 and 9.32 of the new SORP requires that information on the amount paid to key management personnel is disclosed in the accounts.

	2016 £000	2015 £000
Salaries and wages	53	52
Social security costs	3	3
Employers pension contribution	3	3
Total	59	58

The average number of full time equivalent employees during the year was 2 (2015: 2) with both employees involved in providing support services to charitable activities or the governance of the charity.

SCH Charities considers its key management personnel to be the trustees and the trust fund director. The total employment benefits included employer pension contributions of the key management personnel were £45,000 (2015: £44,250).

No employees had emoluments in excess of £60,000 (2015: none).

15. Auditor's remuneration

Paragraph 9.23 of the new SORP requires that charities disclose and analyse the amounts payable to their auditor or independent examiner.

The auditor's remuneration of £21,000 (2015: £20,000) related solely to the audit with no other additional work being undertaken (2015: £nil).

16. Fixed asset investments

Paragraph 10.53 of the new SORP sets out the disclosure requirements in relation to investments.

The tables in this note have been amended to merge information previously provided in 2 tables but, otherwise, this note has not been changed. As noted in accounting policy 11, it is likely that the investment valuations of NHS charities will change as a result of the movement to FRS 102 fair value valuation.

The additional narrative disclosure around financial instruments has been added to meet the requirement of paragraph 11.38 of the new SORP that the disclosures around credit risk required by FRS 102 should be made in the accounts.

If any of the cash invested on interest bearing deposit was invested for a short term then it would be included in cash and cash equivalents. In this case, the deposits are for more than one year so they are classified as fixed asset investments.

Movement in fixed asset investments	2016 £000	2015 £000
Market value brought forward	7,439	8,626
Add: additions to investments at cost	524	505
Less disposals at carrying value	(1,202)	(1,218)
Add net gain (loss) on revaluation	(540)	(474)
Market value as at 31 st March	6,221	7,439

Fixed asset investments by type	2016 £000	2015 £000
UK Equity Funds	378	1055
Overseas Equity Funds	382	312
Bond Funds	419	738
Hedge Funds	43	160
Property Funds	217	250
XYZ Investment Units	428	461
Total listed investments	1,867	2,976
Cash on interest bearing deposit	4,354	4,463
Total	6,221	7,439

All investments are carried at their fair value.

The trustees set 5% of market value as at 31 March as the threshold for reporting material investments. As at 31 March 2016 the following investment was considered material: XYZ Investment Units: holding amounts to 6.9% (2014/15 6.2%) of the total portfolio.

The significance of financial instruments to the ongoing financial sustainability of SCH Charities is considered in the risk analysis section of the trustees' annual report.

The main risk from financial instruments lies in the combination of uncertain investment markets and volatility in yield. Due to 'quantitative easing' and the market favouring lower risk investments, the yield on bonds has been low giving rise to a significant downside risk of a fall in capital values when interest rates return to normal levels.

Although the stronger economy should result in improving dividend yields, there is concern that the market conditions will change and this may not be the case.

The default rate on fixed interest securities is expected to improve with a strengthening economy. The high current demand for high quality corporate bond and government stock continues to depress the yield.

Liquidity risk is anticipated to be low as all assets are traded and the commitment to intervention by central banks and market regulators has continued to provide for orderly trading in the markets and so the ability to buy and sell quoted equities and stock is anticipated to continue. SCH Charities' investments are mainly traded in markets with good liquidity and high trading volumes. SCH Charities have no material investment holdings in markets subject to exchange controls or trading restrictions.

SCH Charities manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes. All investments were made in companies listed on a UK stock exchange or incorporated in the UK and therefore all investments are treated as investment assets in the UK. Restricted appeals to fund specific equipment or assets are held on notice deposit or overnight on the money markets in accordance with the trustees' investment policy.

SCH Charities does not make use of derivatives and similar complex financial instruments as it takes the view that investments are held for their longer term yield total return and historic studies of quoted financial instruments have shown that volatility in any particular 5 year period will normally be corrected.

17. Analysis of current debtors

Paragraph 10.68 of the new SORP requires that an analysis of debtors is included in the note to the accounts.

Debtors under 1 year	2016 £000	2015 £000
Accrued income	57	48
Total	57	48

18. Analysis of cash and cash equivalents

Paragraph 14.17 of the new SORP requires that charities using the indirect method of preparing their statement of cash flows must provide a reconciliation of cash and cash equivalents and an example is provided in table 8.

Paragraph 10.73 of the new SORP requires that an analysis of short term investments is required. In this case, these assets are included in cash and cash equivalents as they are highly liquid so the narrative has been moved from the old current investment note.

The final sentence in this note is not strictly required. Where significant cash or cash equivalent balance is not available for use, perhaps because it is held in endowment funds a note must be included to disclose the amount that is unavailable and the reason it is unavailable (paragraph 14.20 of the new SORP).

	2016 £000	2015 £000
Cash in hand	84	231
Notice deposits (less than 3 months)	2,992	2,018
Total cash and cash equivalents	3,076	2,249

The notice deposits are sums held on interest bearing deposit with Any Bank and represent restricted appeals to fund specific equipment or funds held to facilitate cash flow and the fulfilment of obligations to make grant payments. The funds are held on a 90 day notice account and are therefore classified as cash and cash equivalents.

No cash or cash equivalents or current asset investments were held in non-cash investments or outside of the UK.

All of the amounts held on interest bearing deposit are available to spend on charitable activities

19. Analysis of liabilities

Paragraph 10.82 of the new SORP specified the classifications that creditors (both those due in less than a year and more than a year) should be analysed over.

Paragraph 5.59 of the new SORP states that where a charity has deferred income, the notes to the accounts must explain the reason why the income has been deferred and must analyse the movement on deferred income. This charity has no deferred income so this note is not required.

This note was previously 2 notes – one for current and one for non-current liabilities. As a new note reconciling funding commitments is required the notes have been merged to make it easier for the reader of the accounts to understand the movement in commitments.

	2016 £000	2015 £000
Creditors under 1 year		
Trade creditors	550	410
Accruals for grants owed to NHS bodies	480	563
Other accruals	3	2
	1,033	975
Creditors falling due after more than 1 year		
Accruals for grants owed to NHS bodies	1,137	1,076
Total	2,170	2,051

20. Reconciliation of net income/(expenditure) to net cash flow from operating activities

Paragraph 14.17 of the new SORP requires that charities using the indirect method of preparing their statement of cash flows must provide a reconciliation of net income/(expenditure) presented in the SoFA to the cash flows from operating activities presented in the statement of cash flows. Table 9 in the new SORP provides an example of how the reconciliation may be set out.

	2016 £000	2015 £000
Net income/(expenditure) for 2015/16 (as per the Statement of Financial Activities)	(501)	(1,498)
Adjustments for:		
Depreciation charges		
(Gains)/losses on investments	540	474
Dividends, interest and rents from investments	(314)	(408)
Loss/(profit) on the sale of fixed assets		
(Increase)/decrease in stocks		
(Increase)/decrease in debtors	(9)	750
Increase/(decrease) in creditors	119	616
Net cash provided by (used in) operating activities	(165)	(66)

21. Transfers between funds

The transfer of £22,000 from restricted funds to unrestricted funds was to part finance the cost of a Dexa Scanner for the Sandport Children's hospital.

22. Analysis of charitable funds

Paragraph 2.29 of the new SORP sets out the disclosure requirements in relation to the charitable funds:

- A summary of the assets and liabilities of each category of fund of the charity, if not provided by presenting this information in a columnar balance sheet
- Details of the purposes and trust law restrictions imposed on each material individual fund
- Details of the movements on material individual funds in the reporting period, reconciling the opening and closing fund balance (small funds with similar purposes may be aggregated)
- Details of the reasons for any material transfers between different classes of funds
- Where endowment has been converted to income, details of the amount(s) converted and the legal power for its conversion

- Where the trustees have a power to invest permanent endowment on a total return basis, the details of the movements in the value of unapplied total return for the reporting period (refer to the SORP module 'Total return (investments)')
- Details of the planned use of any material designated funds, explaining the purpose of the designation.

This note provides this information. The trustees have determined that they will invest the permanent endowment on a total return basis. The requirements of the sixth bullet point are included in note 23. This is not a change as a result of the new SORP but is a change in the regulation of charities which may have already been adopted by some NHS charities.

a) Analysis of endowment fund movements

	Balance b/fwd	Income	Expenditure	Transfers	Gains and losses	Fund c/fwd
	£000	£000	£000	£000	£000	£000
Guptah endowment	461		(9)		(33)	419
Total	461		(9)		(33)	419

The objects of the Guptah endowment are to apply the income from the original permanently endowed gift to promote the preservation of health and recovery of patients and former patients of the Sandport Children's Hospital and General Hospital Swollsea, Psychiatric Hospital Sandport, Sandport Women's Hospital or Sandport Dental Hospital or such other hospitals as may from time to time form a part of the NHS Trusts (or their successors) currently responsible for the hospitals listed.

The Guptah endowment is managed on a total return basis. In 2015/16, there has been no transfer from the permanent endowment to unrestricted income funds. For more information see note 23.

b) Analysis of restricted fund movements

	Balance b/ fwd	Income	Expenditure	Transfers	Gains & losses	Fund c/fwd
	£000	£000	£000	£000	£000	£000
Paediatric burns and trauma centre appeal	1,702	1,111	(254)			2,559
Education centre appeal	586	500	(128)			958
Guptah income fund	214	23	(1)	(22)		214
Heathlands unit fund	6					6
Total	2,508	1,634	(383)	(22)		3,737

The objects of each of the restricted funds are as follows:

The **Paediatric burns and trauma centre appeal** was established in 2014 to create a modern medical environment with the latest equipment and scanning facilities to diagnose and swiftly treat trauma and burns victims. The appeal has reached its £2.5m target and work is due to begin 2017 to construct the new centre.

The **Education centre appeal** has reached its £1m target and work is due to begin in 2017 to refurbish the existing education centre site with new lecture facilities and a multimedia suite.

The **Guptah income fund** is restricted to promoting the preservation of health and recovery of patients and former patients of the hospitals listed in the endowment and Charity Commission scheme dated 1st March 2004. This is the fund for the income raised from the permanent endowment. The trustees receive bid submissions from the eligible hospitals and awards one or more grants, based upon criteria of eligibility and need, in accordance with the terms of the endowment and the Charity Commission scheme dated 1 March 2004.

The **Heathlands unit fund** is restricted for the purpose of the refurbishment of a patient area at Sandport Children's Hospital's Heathlands Unit. The use of these funds has been delayed due to the planned relocation of the unit.

c) Analysis of unrestricted and material designated fund movements

	Balance b/ fwd	Income	Expenditure	Transfers	Gains & losses	Fund c/fwd
	£000	£000	£000	£000	£000	£000
Burns and Education Centre	300			(300)		
Oncology & haematology Leukaemia & haematology Fund	145	138	(69)			214
Development Fund	109	21	(86)			44
Other designated funds	1,385		(450)			935
General fund	700	220	(186)	22		756
Total	2,077	986	(1,777)	300	(507)	1,079
	4,716	1,365	(2,568)	22	(507)	3,028

The trustees set an opening or closing balance of £100,000 or above as the threshold for the separate reporting of material designated (earmarked) funds. In the interests of accountability and transparency a complete breakdown of all such funds is available upon written request.

Within unrestricted funds, the trustees de-designated the £300,000 set aside in case the Education Centre Appeal fell short of the appeal target because the funds raised are sufficient to enable the planned grant to be made.

The objects of each of the designated unrestricted funds are as follows:

The **oncology and haematology fund** is a fund designated for the welfare and benefit of staff and patients on the relevant wards.

The **leukaemia and haematology fund** is designated for research in this specific clinical area.

The **development fund** is established to provide for large equipment purchases, costing in excess of £10,000 per item, and major building projects designed to enhance patient care, research, and educational or other facilities.

Other designated funds relate to assisting patients on other wards and clinical departments within the SCH FT for which donors have indicated their non-binding wishes when making their generous gifts.

The **general fund** includes all donations for which a donor has not expressed any preference as to how the funds shall be spent and the unrestricted income accruing to the charity. These funds are applied for any charitable purpose to the benefit of the patients of SCH FT at the absolute discretion of the trustees.

23. Total return on investment

Paragraph 20.12 of the new SORP sets out the disclosure requirements in relation to investments managed on a total return basis:

- The date that the initial value of the trust for investment and the initial value of the unapplied total return was established
- The policy used to identify the initial amounts of the trust for investment and any unapplied total return and the date this analysis was performed
- An explanation of the policies used by the charity's trustees and the factors considered in determining the amount of the unapplied total return allocated to income (termed the trust for application) and any amounts allocated to the trust for investment in the reporting period
- An explanation of the policies used by the charity trustees and the factors considered in determining the amount, if any, of the trust for investment (permanent endowment) allocated to the unapplied total return or any recoupment made from the unapplied total return into the trust for investment in the reporting period
- The name and professional qualifications of any person who has provided advice to the charity's trustees as to the amount that can be allocated to income and/ or the trust for investment from the unapplied total return in the reporting period.

This note provides this information. The note uses table 16 of the new SORP but all unnecessary rows have been deleted.

On 1 March 2014, the trustees made a resolution under section 104A(2) of the Charities Act 2011 to adopt a total return on investment approach to the Guptah permanent endowment fund. On 1 March 2014, the trustees identified the value of the gifts of permanent endowment received since the fund was established to that date. This set the baseline value of the gift component of the endowment to which any subsequent gifts of endowment are added. The difference between the total of endowment funds as at 1 March 2014 and the value of the gift component represented the opening balance of unapplied total return.

The power of total return permits the trustees to invest permanently endowed funds to maximise total return and to apply an appropriate portion of the unapplied total return to income each year.

Until the power is exercised to transfer a portion of unapplied total return to income, the unapplied total return remains invested as part of the permanent endowment. The power allows the trustees to decide in each year how much of the unapplied total return is transferred to income funds and so available for expenditure. Having considered their obligations under the duty of even-handedness, the trustees decided not to make a transfer from unapplied total return to unrestricted income funds in 2015/16. In making this decision the trustees have taken account of the investment climate, the return on investment for the year and the income needs of the charity.

In deciding on the amount to transfer to income funds, the trustees took the advice of their investment advisors, C Investment Management Limited, as to the likely investment trends

and the sustainability of the investment fund after considering various levels of transfer to income.

	Trust for investment	Unapplied Total Return	Total Endowment
	£000	£000	£000
At beginning of the reporting period:			
Gift component of the permanent endowment	400		
Unapplied total return		61	
Total	400	61	461
Movements in the reporting period:			
Investment return: realised and unrealised gains and (losses)		(33)	(33)
Less: Investment management costs		(9)	(9)
Net movements in reporting period		(42)	(42)
At end of the reporting period			
Gift component of the permanent Endowment	400		400
Unapplied total return		19	19
Total	400	19	419