

FORTH VALLEY NHS BOARD

NHS FORTH VALLEY ENDOWMENT FUNDS

REPORT

AND

FINANCIAL STATEMENTS

31 MARCH 2011

Carseview House
Castle Business Park
Stirling
FK9 4SW

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31 March 2011

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NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Foreword

Forth Valley NHS Board received by transfer on the 1st April 2004 all property (excluding heritable property), rights and liabilities from the Endowment Funds of Forth Valley Acute Hospitals NHS Trust and Forth Valley Primary Care NHS Trust. This transfer was carried out in accordance with the Transfer Orders dated 25th March 2004 issued under paragraph 26 of Schedule 7A to the National Health Service (Scotland) Act 1978 as amended by the National Health Services Reform (Scotland) Act 2004.

Reference and Administrative details of the Charity, its Trustees and Advisors

The Charity-

NHS Forth Valley Endowment Funds was registered with the Office of the Scottish Charities Regulator with effect from 1st April 2004 under charity number SC 035953. The charity is constituted of 314 individual funds (2010: 499) as at 31st March 2011 and the notes to the financial statements distinguish the types of funds held.

Lead Executive Officer Jonathan Procter
Director of Strategic Access & Capacity Planning

Principal address Forth Valley NHS Board
Administration Offices
Falkirk Community Hospital
Westburn Avenue
Falkirk
FK1 5SU

Trustees:

Under the revised Standing Orders approved by Forth Valley NHS Board on 11th May 2004, an Endowments Committee was established to manage and direct the conduct of the NHS Forth Valley Endowment Funds. These Standing Orders further defined the membership of the Committee as all members of Forth Valley NHS Board and appointed all members of the Board as ex officio Trustees for the purpose of holding any property which is to be held in trust on behalf of the Board.

The Board members appointed as Trustees of the NHS Forth Valley Endowment Funds in the year ended 31st March 2011 in accordance with the above Order were:

Executive members:

- Prof. Fiona Mackenzie (Chief Executive)
- Ms. Margaret Duffy (Chief Operating Officer)
- Mrs. Fiona Ramsay (Director of Finance and Planning)
- Dr. Gareth Davies (Medical Director) – term of office ended 27th April 2010
- Dr. Iain Wallace (Medical Director) – appointed 19th April 2010
- Dr Anne Maree Wallace (Director of Public Health)
- Professor Angela Wallace (Director of Nursing)
- Mrs. Helen Kelly (Director of Human Resources)

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Reference & administrative details of the Charity, its Trustees and Advisors (Continued)

Non-executive members:

Mr. Ian Mullen (Chair)

Mr. Graeme Simmers (Non- Executive Member –Vice Chair – term of office ended 31st December 2010)

Dr. Victoria Nash (Non-Executive Member) – appointed Vice Chair 1st January 2011

Mrs. Marlene Anderson (Non-Executive Member) – term of office ended 31st March 2011

Cllr. Rev'd Sam Ovens (Non-Executive Member) – term of office ended 30th September 2010

Mr. James King (Non-Executive Member)

Cllr. Scott Farmer (Non-Executive Member)

Cllr. Linda Gow (Non-Executive Member)

Dr. Karen Facey (Non-Executive Member)

Mr. Tom Hart (Employee Director)

Dr. Stuart Cumming (Non-Executive Member – Chair CHP Professional Committee)

Dr. Allan Bridges (Non-Executive Member – Chair Area Clinical Forum)

Mr. Brendan Clark (Non-Executive Member)

Cllr. Janet Cadenhead (Non-Executive Member) – appointed 1st November 2010)

Ms. Fiona Gavine (Non-Executive Member – appointed 1st January 2011)

Mr. Charlie Forbes (Non-Executive Member – appointed 1st April 2011)

Principal Professional Advisors:

Investment advisers

Speirs and Jeffrey Limited
36 Renfield Street
Glasgow, G2 1NA

Auditors:

Dickson Middleton
Chartered Accountants and Registered Auditors
20 Barnton Street
Stirling, FK8 1NE

Bankers:

The Royal Bank of Scotland plc
2 Newmarket Centre
Falkirk, FK1 1JX

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Structure, Governance and Management

In accordance with the Board's Standing Orders, Forth Valley NHS Board approved the establishment of an Endowments Committee with effect from 1st April 2004 in order to manage and direct the conduct of the Endowment Fund. Whilst all Directors of the Board were appointed as ex officio Trustees of the Committee, for operational purposes these Orders required that the Chief Executive, Director of Finance and three Non-Executive Members should attend meetings and that Committee meetings would require a minimum of three Committee Members to be quorate.

During 2010/2011 the Endowment Fund Committee met on four occasions in order to fulfil its remit. The Committee was chaired by Mr. Graeme Simmers until 31st December 2010 and was succeeded as Chairman by Mr. James King with effect from 1st January 2011.

| | |
|-----------------------|---|
| Non-executive Members | Mr. James King (Non-Executive Member until 31 st December 2010, appointed Chairman 1 st January 2011) Mr. Graeme Simmers (Chairman until 31 st December 2010) – term of office ended 31 st December 2010. Mr. Tom Hart (Employee Director) Mr. Charlie Forbes – appointed 1st April 2011 |
| Chief Executive | Prof. Fiona Mackenzie |
| Director of Finance | Mrs. Fiona Ramsay |

A representative from the Endowment Funds Investment Advisors, Speirs & Jeffrey attended one of the Committee meetings during the year. The activities of the Endowment Fund Committee are reported back to all Trustees at Forth Valley NHS Board meetings and all Trustees receive a copy of the minutes of the Endowment Fund Committee meetings.

The National Health Service (Scotland) Act 1978 provides the legal framework within which the Trustees require to operate the Endowment Fund. Cognisance is also taken of the law governing Trusts and charities and appropriate NHS legislation applicable to NHS Boards. Expenditure may be incurred for any purposes related to health services that would not ordinarily be provided from exchequer funding. In administering the fund, Trustees must observe, insofar as practicable, the wishes of donors.

Income received for the benefit of particular wards or specific purposes is treated as restricted and applied for the use of that ward or project in accordance with the terms of the donor. In respect of other income received, Trustees are responsible for ensuring that these monies are used for the benefit of patients and staff and for appropriate research purposes. This unrestricted income is allocated to hospitals and community health services with financial controls in place to ensure that the monies are spent within budget.

The Endowment Committee employs a robust system of budgetary control and financial reporting to ensure that all financial transactions are carried out in accordance with the objectives and priorities agreed by the Committee; that the criteria for spending charitable monies are fully met; that full accounting records are maintained; and that devolved decision making or delegated arrangements are in accordance with the policies and procedures set out by the Committee.

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Structure, Governance and Management (Continued)

The Endowment Committee has agreed a discretionary investment management agreement with its external investment advisors that allows them to carry out a mutually agreed level of investment transactions without prior approval of the Endowment Committee. A copy of all transaction dealings is notified immediately to the Lead Executive Officer and the Committee receives a full report quarterly from the investment advisors that includes the transactions, valuation and performance of the portfolio. The Committee reviews the performance of the external investment advisors and ensures that the investment of funds is in accordance with its policy on social and ethical investment.

The Committee is required to:

- a) Control, manage and monitor the use of the fund's resources
- b) Provide support, guidance and encouragement for all its income raising activities whilst managing and monitoring the receipt of all income.
- c) Ensure that the approved policies are adhered to and that performance is continually reviewed.
- d) Keep the Board fully informed on the activity, performance and risks of the charity.

Trustee Induction and Training

Executive and Non-Executive Members of NHS Forth Valley Endowment Funds are introduced to their responsibilities as Committee Members by reference to the Endowment Committee's Terms of Reference and Objectives and the current Endowment Fund policies on Expenditure, Bidding for Funds and Investments. Previous minutes and financial reports are also provided for information on current issues.

Objectives and Strategy

In accordance with the Standing Orders of Forth Valley NHS Board, the Endowment Committee is required to review its own performance and effectiveness on an annual basis. In order to allow the Trustees to undertake this process a Strategic Policy describing the Endowment Fund Committee Objectives and the monitoring arrangements against these objectives was updated during the year. This Strategic Policy was formally approved by the Committee at its meeting on 21st January 2011.

The Trustees in developing these Objectives identified two key policy areas that resulted in the production and adoption of the following Endowment Fund Policies:

1. Bidding for Funds & Expenditure Policy

To monitor the utilisation of funds to meet appropriate expenditure requests and the balancing of annual income with retention of capital. This Policy also contains the Scheme of Delegation for approval of funding bids.

2. Investment Policy

To define the investment policy and instruct the investment advisers on how control will be executed.

These Policy documents clearly set out the policy being adopted by the Trustees in each of these key areas.

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Review of the Finances, Activities, Achievements and Performance of the Endowment Funds

During the year, the funds continued to support a wide range of charitable and health related activities including the purchase of equipment and services for patients, provision of amenities for staff, assistance with medical research, supporting educational opportunities for staff and a number of other social investments.

The Endowment Fund benefits greatly from the generosity of patients and their relatives and other donors who are familiar with, or have experienced the care provided within NHS Forth Valley, or who are sympathetic and generous in their support to their local NHS service.

During the year the Endowment Funds paid grants of £500,440 (2010 - £688,136), and these are detailed in note 6 of the financial statements. The grants relate to medical research, patients' welfare and amenities, staff welfare and amenities and staff development and training.

Included within the total cost of charitable activities of £500,440 (2010 - £688,136), shown in the Statement of Financial Activities are the costs of administering grant making of £21,330 (2010 - £21,328).

Medical research

Medical Research was provided with £12,606 (2010 - £15,117) of funding during the year to sponsor non-commercial research in areas where the Board has considerable expertise with a view to developing new therapies for treating and caring for patients.

Staff welfare and amenities

During the year £83,355 (2010 - £118,693), was awarded to help finance staff related functions and activities. This included the cost of staff long service awards, staff bursary scheme and the cost of providing a staff benefits unit. The ward charitable funds receive many donations specifically to thank the nursing staff and these are used for charitable activities that will benefit staff.

Staff education, training and development

Staff education, training and development received £91,534 (2010 - £113,659) of funding to provide learning opportunities to staff. These opportunities enabled staff to develop new skills and techniques that enhanced their ability to provide healthcare within their speciality.

Patient welfare and amenities

Patients' welfare grants totalled £312,945 (2010 - £440,667), during the year that included £6,829 (2010 - £14,595), for the provision of outings and holidays for patients in institutional care. This gives the patients an opportunity to experience a break from the hospital environment and enjoy the more relaxing atmosphere typical of a holiday that is recognised as an essential therapeutic component of each patient's programme of care. A further £75,700 (2010 - £76,352), was provided to support "Artlink" who provide art projects of a high standard to vulnerable and marginalised groups in the community and institutional care.

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Review of the Finances, Activities, Achievements and Performance of the Endowment Funds (Continued)

Finances

The Trustees are pleased to record the level of income received in the year from donors, legacies and the yield from investments. The Trustees are grateful to staff and the residents of Forth Valley who support the fund by making donations and taking part in fund-raising events. Donations received from the local community and staff in the year amounted to £253,124 (2010 - £333,600). Income from legacies amounted to £89,507 (2010 - £106,816), and the yield from investments was £100,548 (2010 - £111,336).

The income received during the year was sufficient to enable the committee to fund £500,440 of charitable activities and a further £10,014 on Governance and Investment Management fees without the utilisation of accumulated reserves.

A fundraising strategy, developed by the Fundraising Manager was approved during 2010-11 that is intended to strengthen relationships and improve communication with a range of partners intended to increase fundraising activity and the number of individual donations. The NHS Forth Valley Endowment Fund has also undergone a 'branding exercise' that includes the adoption of the new name "Forth Valley Giving". A fundraising section has also been created within the NHS Forth Valley website to provide information, support and advice to Forth Valley communities and to highlight specific events.

Events since the year end and future plans

The Trustees do not expect any significant changes in the objectives of the charity in the forthcoming year and intends to continue to reduce reserves where suitable projects or programmes can be identified. The Trustees are encouraged by the continuing contribution made by the Endowment Fund in providing support to hospital and community health services. Facilities have been supplemented and enhanced in particular by the provision of medical and general equipment and furniture and furnishings. Support has been given to the education and training of staff and to non-commercially sponsored research and development projects.

The total value of the assets and liabilities of the Endowment Fund at 31st March 2011 is £3,268,493 and this reflects the market value of investments at that date. It is confirmed that the Endowment Fund's assets are available and adequate to fulfil obligations of the Endowment Fund and the aims and objectives of the Endowment Fund Strategic Policy.

Investment Policy and Performance

Investments held by the Endowment Fund are managed by Speirs and Jeffrey Ltd, Stockbrokers of Glasgow and are administered in accordance with the Investment Policy contained in the Endowment Fund Strategic Policy. The investment objective is to safeguard against inflation and to yield a reasonable level of income. The Fund will not invest in companies whose main activity is the sale of tobacco, alcohol, armaments or gambling. Income funds not required in the coming year are invested in the portfolio that currently adopts an overall low level of risk. The investments produced a net gain of £108,177 on a portfolio valued at £2,835,009 as at 31st March 2011 with an income yield of £100,548. The movement in the valuation of the portfolio was closely monitored and reviewed by the Committee and their Investment Advisors during the year. The performance of the investments is reviewed on a regular basis in comparison with suitable benchmarks.

The Trustees of the Endowment Fund are required to comply with the provisions of the Charities and Trustees Investment (Scotland) Act 2005 with regard to the Fund's investments. Any investments held by the Endowment Fund have been acquired in accordance with the powers available to the Trustees.

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Trustees Report

Connected bodies

In terms of the Charities Accounts (Scotland) Regulations 2006, the NHS Forth Valley Endowment Fund and Forth Valley NHS Board are connected bodies.

The Endowment Fund purchased the following services from Forth Valley NHS Board during the year:

| | <u>2011</u> | <u>2010</u> |
|------------------------|-----------------|----------------|
| Catering Services | £12,654 | £19,066 |
| Administrative support | 25,000 | 25,000 |
| Fundraising support | 36,371 | 20,150 |
| Research staff | 10,000 | 10,000 |
| Sports Injury Clinic | 0 | 4,330 |
| Staff benefits unit | 6,000 | 13,833 |
| Other | <u>5,000</u> | <u>3,940</u> |
| | <u>£ 95,025</u> | <u>£96,319</u> |

The balances due to Forth Valley NHS Board at 31st March are £50,313 £22,839

The balances due from Forth Valley NHS Board at 31st March are £133,796 £27,592

Risk Management

The Trustees have assessed the major risks to which the Endowment Fund is exposed and are satisfied that systems are in place to mitigate those risks.

The most significant risks identified were-

- to ensure the level of donations and other income received is sufficient to meet the cost of charitable activities during the current economic downturn.
 - The Trustees have appointed a Fundraising Manager who has developed a Fundraising Strategy that is intended increase fundraising activity and the number of individual donations. In addition the Trustees employ a robust system of budgetary control including regular financial reports and cash flow forecasts in order to monitor financial performance.
- to ensure that the Fund retains its charitable status by ensuring that its activities are in accordance with the recent guidance issued by the Office of the Scottish Charities Regulator (OSCR).
 - The Trustees have undertaken a review of the activities of the NHS Forth Valley Endowment Fund in order to ensure that those activities continue to be carried out in accordance with the appropriate charities legislation and recommendations made by OSCR.

Mr. James King

Trustee and Chairman of Endowment Committee

Date: 14th June 2011

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Endowment Fund and of the incoming resources and application of resources of the Endowment Fund for that period. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Endowment Fund will continue in operation.

The trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Endowment Fund and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, and appropriate NHS legislation. They are also responsible for safeguarding the assets of the Endowment Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the Endowment Fund and financial information included on the Forth Valley NHS Health Board's web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

Independent Auditors' Report to the Trustees of NHS Forth Valley Endowment Funds

We have audited the financial statements of NHS Forth Valley Endowment Funds for the year ended 31st March 2011 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with Section 44(1) (C) of the Charities and Trustee Investment (Scotland) Act 2005, Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and appropriate NHS legislation. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 8, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31st March 2011, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and appropriate NHS legislation.

NHS FORTH VALLEY ENDOWMENT FUNDS

Year ended 31st March 2011

**Independent Auditors' Report to the Trustees of
NHS Forth Valley Endowment Funds**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Dickson Middleton
Statutory Auditors
Eligible to act as an Auditor in terms of Section 1212 of Companies Act 2006
20 Barnton Street
Stirling
FK8 1NE

Date: 14th June 2011

NHS FORTH VALLEY ENDOWMENT FUNDS

Statement of Financial Activities

for the year ended 31st March 2011

| | Note | Perm. | Res. | Unres. | 2011 Total | 2010 Total |
|--|------|---------------|------------------|--------|------------------|------------------|
| Incoming resources | | | | | | |
| Incoming resources from generated funds: | | | | | | |
| - Voluntary Income | | | | | | |
| Donations | 4 | - | 253,124 | - | 253,124 | 333,600 |
| Legacies | 4 | - | 89,507 | - | 89,507 | 106,816 |
| Sub total voluntary income | | - | 342,631 | - | 342,631 | 440,416 |
| - Activities for generating funds | | - | 100,458 | - | 100,458 | 112,968 |
| - Investment Income | 10 | - | 100,548 | - | 100,548 | 111,336 |
| Incoming resources from charitable activities | | - | 186,452 | - | 186,452 | 132,453 |
| Other incoming resources | | - | 23,703 | - | 23,703 | 7,999 |
| Total Incoming resources | | - | 753,792 | - | 753,792 | 805,172 |
| Resources expended | | | | | | |
| Costs of generating funds | | - | (104,049) | - | (104,049) | (105,862) |
| Charitable activities | 6 | (300) | (500,140) | - | (500,440) | (688,136) |
| Governance costs | 5 | - | (10,014) | - | (10,014) | (12,239) |
| Total resources expended | | (300) | (614,203) | - | (614,503) | (806,237) |
| Net incoming/(outgoing) resources before transfers and other recognised gains & losses | | (300) | 139,589 | - | 139,289 | (1,065) |
| Gross transfers between funds | | - | - | - | - | - |
| Net incoming/(outgoing) resources before other recognised gains and losses | | (300) | 139,589 | - | 139,289 | (1,065) |
| Gains & losses on the revaluation of functional fixed assets | | | | | | |
| - Property revaluation | | - | (40,000) | - | (40,000) | - |
| - Write of Land & Feu Valuation | | - | (1,481) | - | (1,481) | - |
| Gains & losses on the disposal and revaluation of investment assets | | | | | | |
| - Realised losses on disposal | | - | (13,834) | - | (13,834) | 104,187 |
| - Unrealised Gain on Revaluation | | - | 122,011 | - | 122,011 | 504,780 |
| Net Movement in funds | | (300) | 206,285 | - | 205,985 | 607,902 |
| Reconciliation of Funds: | | | | | | |
| Total Funds brought forward | | 12,784 | 3,049,724 | - | 3,062,508 | 2,454,606 |
| Total Funds carried forward | | 12,484 | 3,256,009 | - | 3,268,493 | 3,062,508 |

The notes on pages 13 to 20 form part of these financial statements

NHS FORTH VALLEY ENDOWMENT FUNDS

Balance Sheet as at 31 March 2011

| | <u>Note</u> | <u>2011</u> £ | <u>2010</u> £ |
|--|-------------|------------------|------------------|
| Tangible Fixed Assets | | | |
| Land & Property | | 180,000 | 221,481 |
| Investments | 9 | 2,835,009 | 2,741,035 |
| Current assets | | | |
| Debtors | 11 | 137,409 | 39,727 |
| Cash at bank | 12 | 180,838 | 100,095 |
| | | 318,247 | 139,822 |
| Liabilities: | | | |
| Amounts falling due within one year | 13 | (64,763) | (39,830) |
| Net current assets | | 253,484 | 99,992 |
| Total assets less current liabilities | | 3,268,493 | 3,062,508 |
| Charitable Funds | 15 | | |
| Permanent Endowment funds | | 12,484 | 12,784 |
| Restricted funds | | 1,777,197 | 1,795,087 |
| Accumulated funds | | 1,478,812 | 1,254,637 |
| | | 3,268,493 | 3,062,508 |

Approved by the Board of Trustees on 14th June 2011 and signed on its behalf by: -

Mr James King
Trustee & Chairman of Endowment Committee

The notes on pages 13 to 20 form part of these financial statements.

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investments and heritable property.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) and applicable UK Accounting Standards.

(b) Funds structure

In accordance with recommended practice, the funds held are identified as restricted or unrestricted dependent on the wishes of the donors. The trustees may set aside designated sums forming part of the accumulated funds to be used for particular purposes in the future; these are classified as designated funds. The purpose of designation is to detail those parts of the accumulated funds that have been non-contractually committed. Permanent endowment funds are particular restricted funds where the capital content must be held permanently although its constituent assets may change from time to time. Where a balance remains in a fund whose purpose can no longer be fulfilled (e.g. due to hospital or ward closure) the Committee should contact the original donor to determine an alternate use for the fund. If the original donor cannot be contacted then the Committee may transfer the funds to an alternate project that is in keeping with the intent of the original donation.

(c) Incoming Resources

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

Donations from the public are recorded on a receipts basis. Investment income is recognised on an accruals basis. Income received for specific purposes not applied at the year-end is carried forward within restricted fund balances and expended later as instructed by the donor.

(d) Incoming resources from legacies

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

(e) Incoming resources from endowment funds

The Trustees treat the incoming resources receivable from the investment of endowment funds as accruing to the accumulated funds. These funds are then utilised as a central resource for allocating funds against bids for expenditure made to the Endowment Committee.

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011

(Continued)

(f) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. All expenditure is recognised once there is a legal or constructive obligation committing the charity to the expenditure.

(g) Irrecoverable VAT

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

(h) Allocation of overhead and support costs

Overhead and support costs have been allocated between Charitable Activities and Governance Costs. Costs, which are not wholly attributable to an expenditure category, have been apportioned. The analysis of overhead and support costs and the bases of apportionment applied are shown in note 5.

(i) Costs of generating funds

The costs of generating funds are those costs attributable to generating incoming resources 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, and include investment management fees and staff lottery costs.

(j) 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 therefore include support costs and an apportionment of overheads, as shown in note 6.

(k) Governance costs

Governance costs comprise all costs attributable to ensuring the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit together with an apportionment of overhead and support costs.

(l) Capital expenditure

Capital expenditure is defined as expenditure on acquisitions of new tangible fixed assets and additions, extensions, improvements or replacements to such existing assets. There is no record of capital assets in the balance sheet, apart from those fixed assets disclosed, for any such assets purchased are immediately donated to Forth Valley NHS Board.

(m) Fixed Asset Investments

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

Quoted stocks and shares are included in the balance sheet at mid-market price, excluding dividends.

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011 (Continued)

(n) Realised gains and losses

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

(o) Tangible fixed assets

DVS Property Specialists for the NHS carried out a valuation of the land and buildings at Randolph Road, Stirling in the year to 31st March 2011 at which time the property valuation was valued at £180,000.

These assets are held by separate restricted funds.

Following a detailed investigation into the disposals over time of the land at Braehead Farm, St. Ninians the Committee are satisfied that no significant part of land remains and the carrying value of the land and other superiorities has been written off in the current financial year.

(p) Cash flow statements

No cash flow statement has been prepared as the endowment fund is entitled to the small entities exemption.

(q) Continuation of funds

In accordance with the reconfiguration of NHS Health Boards and Trusts in Scotland, FVAH NHS Trust and FVPC NHS Trust ceased to exist on 31st March 2004 and their endowment funds were transferred on 1st April 2004 to the successor organisation, Forth Valley NHS Board. In view of the terms of these transfers, NHS Forth Valley Endowment Funds has been treated for accounting purposes as a continuation of the predecessor FVAH and FVPC endowment funds.

(r) Pensions

The charity is a grant making charity and has no employees and any pension contribution liabilities that may arise are solely the responsibility of the grant recipient.

2. Funds structure

The nature and purpose of each fund is as follows: -

Restricted

(a) Permanent endowment funds

Shennan Bequest

The income of this fund is to be applied in providing an annual holiday prize draw for nursing staff of RSNH.

Bellsdyke Nurses Scholarship

The income of this fund is to be applied for the professional development of nursing staff at Bellsdyke Hospital.

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011 (Continued)

- (b) Ward Funds
They comprise donations received by specific wards and spent in accordance with the wishes of donors and management subject to the discretion of trustees.
- (c) Specific funds
These funds have been received and applied for specific projects and activities.

Accumulated

- (d) Accumulated funds
These funds are representative largely of:
 - i) accumulated gains and losses on realisation and revaluation of investments made over the years including those made by the predecessor endowment funds.
 - ii) investment income, bank interest, feu duties and property rents offset by authorised expenditure.

This part of the funds must be used for the purposes specified in the National Health Services (Scotland) Act 1978, which is for any purpose for which Forth Valley NHS Board was established.

The trustees allocate annually the unrestricted income for the use of the hospitals and the community.

- (e) D G Cochrane Fund
This fund is solely for the use of Falkirk Royal Infirmary and comprises a single legacy.

- (f) Unrealised gains on investments fund
When FVAH NHS Trust Endowment Fund and FVPC NHS Trust Endowment Fund were dissolved and replaced by NHS Forth Valley Endowment Funds, the investments held were re-based to reflect the valuation at 1st April 2004 as historical cost.

These funds comprise the unrealised gains and losses, arising since that date. The unrealised gains/losses are transferred to accumulated funds when they have actually been realised.

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011

3. Taxation

The endowment fund has charitable status and is exempt from taxation. Covenanted donations, gift aid and legacies attract taxation relief for the donor. The endowment fund is not registered for value added tax and accordingly any such irrecoverable tax is included in the expenditure incurred.

4. Analysis of Voluntary income

| | 2011 £ | 2010 £ |
|--------------|----------------|----------------|
| Donations | 253,124 | 333,600 |
| Legacies | 89,507 | 106,816 |
| Total | <u>342,631</u> | <u>440,416</u> |

5. Allocation of support costs and overheads

| | Allocated to Governance £ | Charitable Activities £ | 2011 £ | 2010 £ |
|-------------------------------|---------------------------------|-------------------------------|---------------|---------------|
| External Audit | 6,250 | - | 6,250 | 8,475 |
| Financial Management salaries | 3,764 | 21,236 | 25,000 | 25,000 |
| Legal Search Fees | - | 94 | 94 | 92 |
| | <u>10,014</u> | <u>21,330</u> | <u>31,344</u> | <u>33,567</u> |

The financial administration costs have been allocated between governance and charitable activity based on time spent. External audit was wholly allocated to governance. The subsequent apportionment across activity areas is disclosed in note 6.

6. Analysis of charitable expenditure

The charity pursued its charitable activities by making grants and direct charitable activities. Support costs have been apportioned across the categories of charitable expenditure on the basis of the number of individual transactions and the associated transaction cost incurred by the charity.

| | Grant funded Activity £ | Support Costs £ | 2011 £ | 2010 £ |
|--|-------------------------------|-----------------------|----------------|----------------|
| Medical Research | 12,069 | 537 | 12,606 | 15,117 |
| Staff Welfare & Amenities | 79,802 | 3,553 | 83,355 | 118,693 |
| Staff Education, Training & Development | 87,633 | 3,901 | 91,534 | 113,659 |
| Patient Welfare & Amenities | 299,606 | 13,339 | 312,945 | 440,667 |
| | <u>479,110</u> | <u>21,330</u> | <u>500,440</u> | <u>688,136</u> |

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011

7. Analysis of grants

The charity does not make grants to individuals and the total cost of making grants is disclosed on the face of the Statement of Financial Activities and the actual disbursement for each category of charitable activity is disclosed in note 6. Where earmarked funds are operated under a scheme of delegation approved by the trustees, individual grants are not made by the corporate trustee, instead the fund holder incurs expenses based on the approved purposes of that fund and therefore individual grants are not recorded.

8. Auditor's remuneration

The auditor's remuneration of £ 6,250, (2010 £8,475), is related solely to the audit with no other additional work undertaken (2010 £nil).

9. Fixed Asset Investments

| Movement in fixed asset investments | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Market value of investments as at 01.04.10 | 2,741,035 | 2,084,238 |
| Acquisitions at cost | 381,400 | 707,117 |
| Disposals at opening book value | (409,437) | (555,100) |
| Net gain on revaluation in year to 31.03.11 | 122,011 | 504,780 |
| Market value as at 31st March 2011 | <u>2,835,009</u> | <u>2,741,035</u> |
| Historical cost at 31.03.11 | <u>2,463,655</u> | <u>2,439,671</u> |

| Analysis of fixed asset investments | Market Value 2011 £ | Market Value 2010 £ |
|--|------------------------------|------------------------------|
| Listed equity investments and unit trusts | 2,140,037 | 2,061,278 |
| Fixed interest bonds | 694,972 | 679,757 |
| | <u>2,835,009</u> | <u>2,741,035</u> |

All investments were listed on a UK stock exchange or in companies incorporated in the UK and therefore are investment assets in the UK.

10. Gross income from investments

| Gross income earned from all types of investment | 2011 £ | 2010 £ |
|---|----------------|----------------|
| Listed equity investments | 74,770 | 82,002 |
| Fixed interest bonds | 25,778 | 29,334 |
| | <u>100,548</u> | <u>111,336</u> |

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011

11. Debtors

| | 2011 £ | 2010 £ |
|------------------------------------|-----------|-----------|
| Prepayments & accrued income | 3,613 | 12,135 |
| Sums due by Forth Valley NHS Board | 133,796 | 27,592 |
| | 137,409 | 39,727 |

12. Cash & Bank

| | 2011 £ | 2010 £ |
|----------------------------------|-----------|-----------|
| Cash at Bank | 161,373 | 95,623 |
| Cash held by Investment Managers | 19,175 | 4,087 |
| Petty Cash | 290 | 385 |
| | 180,838 | 100,095 |

13. Current liabilities

| | 2011 £ | 2010 £ |
|------------------------------------|-----------|-----------|
| Accruals | 14,450 | 16,991 |
| Sums due to Forth Valley NHS Board | 50,313 | 22,839 |
| | 64,763 | 39,830 |

14. Provisions for liabilities and charges

There were no provisions made in the current or previous year and all the grants payable have been paid or accrued.

15. Analysis of charitable funds

| | Ledger Balances 31.03.10 £ | Incoming Resources £ | Expenditure £ | Fund Transfers £ | Gain on sale of investments £ | Unrealised revaluation gain £ | Ledger Balances 31.03.11 £ |
|--|-------------------------------------|----------------------------|------------------|------------------------|--|--|-------------------------------------|
| Accumulated funds | | | | | | | |
| Accumulated funds | 748,771 | 308,223 | (305,058) | 162,138 | (13,834) | 0 | 900,240 |
| Designated funds | | | | | | | |
| D.G.Cochrane | 203,635 | 0 | 0 | 0 | 0 | 0 | 203,635 |
| Non-contractual commitments | 10,825 | 0 | 0 | (7,242) | 0 | 0 | 3,583 |
| | 963,231 | 308,223 | (305,058) | 154,896 | (13,834) | 0 | 1,107,458 |
| Unrealised revaluation gains/losses | 291,406 | 0 | 0 | (42,063) | 0 | 122,011 | 371,354 |
| | 1,254,637 | 308,223 | (305,058) | 112,833 | (13,834) | 122,011 | 1,478,812 |
| Permanent Endowment Funds | 12,784 | 0 | (300) | | 0 | 0 | 12,484 |
| Restricted Funds | 1,795,087 | 445,569 | (309,145) | (112,833) | 0 | (41,481) | 1,777,197 |
| | 3,062,508 | 753,792 | (614,503) | 0 | (13,834) | 80,530 | 3,268,493 |

NHS FORTH VALLEY ENDOWMENT FUNDS

Notes to the Financial Statements - 31 March 2011

16. Analysis of fund balances over the net assets

| | Permanent | Specific | Accumulated | Unrealised Gains (losses) | 2011 |
|------------------|-----------|-----------|-------------|---------------------------------|-----------|
| | £ | £ | £ | £ | £ |
| Heritable Assets | 0 | 180,000 | 0 | 0 | 180,000 |
| Investments | 0 | 1,518,338 | 945,317 | 371,354 | 2,835,009 |
| Cash at bank | 12,484 | (38,734) | 207,088 | 0 | 180,838 |
| Debtors | 0 | 136,763 | 646 | 0 | 137,409 |
| Liabilities | 0 | (19,170) | (45,593) | 0 | (64,763) |
| | 12,484 | 1,777,197 | 1,107,458 | 371,354 | 3,268,493 |

17. Trustees remuneration and reimbursement of expenses

No trustee or person connected to a trustee has received any remuneration or reimbursement of expenses directly or indirectly from the endowment fund for the year.

18. Capital Commitments

Details of Capital Commitments at the accounting date are as follows:

| | 2011 | 2010 |
|---|--------|--------|
| | £ | £ |
| Contracted for but not provided for in the Financial Statements | 88,835 | 88,835 |
| Authorised but not contracted | - | - |