

TORBAY AND SOUTH DEVON NHS CHARITABLE FUND
REGISTERED CHARITY NUMBER: 1052232

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2021

Trustee's Report

The Corporate Trustee of Torbay and South Devon NHS Charitable Fund (the charity) is Torbay and South Devon NHS Foundation Trust (the Trust).

1 - The Corporate Trustee

The Board of Directors of the Trust are responsible for the trusteeship of the charity. The members of the Board of Directors at the date of signing of this report were:

Executive Members

Liz Davenport – Chief Executive

Dave Stacey – Chief Finance Officer and Deputy Chief Executive

John Harrison – Chief Operating Officer

Judy Falcao – Director of Workforce and Organisational Development

Adel Jones – Director of Transformation and Partnerships

Deborah Kelly – Chief Nurse

Ian Currie – Medical Director

Joanne Watson – Health and Care Strategy Director

Non-executive Members

Sir Richard Ibbotson – Chairman

Chris Balch

Jacqui Lyttle

Vikki Matthews

Paul Richards

Robin Sutton

Sally Taylor

The non-executive directors on the Board of Directors are appointed and re-appointed by the Trust's Council of Governors in accordance with Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003, the National Health Service Act 2006 as amended by the Health and Social Care Act 2012, the Trust's Constitution and the NHS Improvement (regulator of NHS Foundation Trusts and NHS Trusts) Code of Governance. The general duties of the Council of Governors are to hold the non-executive directors individually and collectively to account for the performance of the Board of Directors and to represent the interests of the members of the Trust as a whole and the interests of the public.

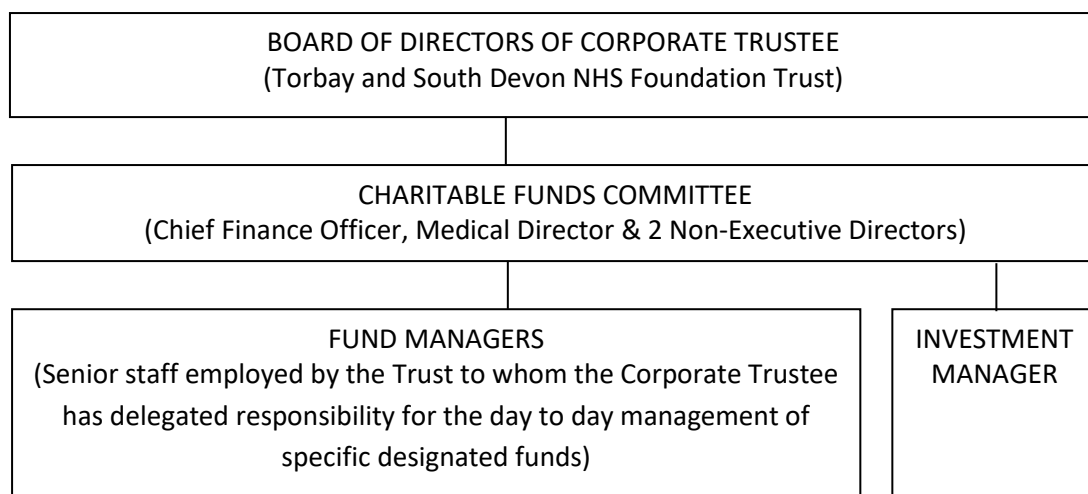
Newly appointed members of the Board go through an induction procedure to assist them in adjusting to the new social and working conditions in order to achieve maximum safe working and efficiency in the shortest possible time, to ensure they have knowledge of the organisation structure and how their particular area of work relates to the 'broader picture'.

The Trust administers the charity and disburses to the charity the cost of doing this. Further details are provided in Notes 3 and 10 to the Accounts. The Trust also charges the charity £18,000 per annum for the rent of the premises occupied by Rainbow Nursery. The rental value was provided by the District Valuer.

2 - Organisation structure

NHS bodies are not themselves charities. Only the property they hold on trust for exclusively charitable purposes constitutes charitable property.

The Trust's charitable funds are held within an Umbrella charity and 21 Special Purpose charities (2019/20: 21). These do not constitute separate charities for accounts purposes and are not separately registered. However, they facilitate the correct direction of donations towards the purposes for which they were granted. Each Special Purpose charity itself is divided into a number of designated funds for particular purposes. There are 200 designated funds (2019/20: 202).



Fund Managers have responsibility for managing these funds in accordance with procedures and with the concurrence of the Corporate Trustee. Fund Managers have delegated authority to authorise expenditure items up to £5,000. Items above this value require central approval.

3- Objectives

The governing document is the Model Declaration of Trust for an NHS Umbrella Charity dated 12th December 1995. The Objects clause states that the Corporate Trustee shall *“hold the fund upon trust to apply the income and, at their discretion, so far as may be permissible, the capital, for any charitable purpose or purposes relating to the National Health Service”*.

Each Special Purpose charity has its own governing document. The Objects clauses of the Special Purpose charities follow that of the Umbrella charity but, in addition, restrict the Objects ‘wholly or mainly’ to that of the relevant location or department.

4 - Aims

The Trust has resources from Exchequer funds which, though limited, are assigned according to a strict assessment of priorities and risks. Charitable funds are used to achieve an additional benefit for patients. To this end, charitable funds are used for items which can not be met from Exchequer resources. In addition to taking due account of the expressed wishes of donors, decision-makers also take due account of the likely expectations of donors and other stakeholders regarding the appropriate use of charitable funds and the possibility of damage to the charity's reputation from inappropriate use. Many donations from the general public are unsolicited and may be given with or without an indication of how the donor wishes the donation to be used.

The uses of charitable funds will include for example, medical equipment, building work, training and education and non-commercial research.

The Corporate Trustee seeks to ensure that the charity responds to the needs of the population by continuous consultation with beneficiaries, appropriate health professionals and representatives of local health bodies. Charitable funds are used to provide equipment, amenities and other patient benefits, for the advancement of health and to improve the conditions under which patients are cared for and to help to make staff within the local health community more effective in delivering healthcare.

Representatives of the Trust meet regularly with the local Hospital Leagues of Friends, to whom bids are made for donations of equipment which it would not otherwise be possible to fund. The Leagues of Friends' members are themselves potential patients of the local NHS services. Many also serve in a voluntary capacity within local hospitals.

The charity has complied with its duty under the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. The beneficiaries of the charity are users of the National Health Service, which is a public class of people (within the meaning of the public benefit guidance). The charity therefore considers that its charitable activities are for the public benefit.

The charity achieves its aims principally through making grants of equipment or services to relevant NHS bodies (principally the Trust). The charity's policy for grant-making is described above. In addition, the charity runs a day nursery open to employees of relevant NHS bodies, which improves staff morale and retention and hence benefits patients. The charity does not currently make use of social investment. The charity's use of volunteers is confined to its use of volunteer fundraisers, as described further in section 6.1 of this report.

5 - Monitoring

Each year, the charity prepares an income and expenditure plan. This plan takes into account feedback received from Fund Managers, who are usually medical practitioners and other front-line staff who can best assess the needs of their patients. This plan is considered and approved by the Charitable Funds Committee, with delegated authority from the Trust Board.

The charity measures the success of the strategy through regular meetings of the Charitable Funds Committee, which in turn reports to the Trust Board.

The investment policy balances short-term income needs with medium to long-term growth to ensure the ability to meet future financial commitments. The Committee meets and communicates regularly with the charity's investment manager and monitors the manager's performance closely.

6 - Performance against objectives

The charity's over-riding objective is, firstly, to use donations within a reasonable timeframe to make grants which achieve the greatest benefit to the charity's beneficiaries and, secondly, to run the Rainbow nursery safely and effectively.

The charity sets default grant-making priorities each year, in line with Charity Commission guidance. For 2020/21, these priorities were:

- Discretionary staff training/development
- Purchases of medical equipment
- Comforts for patients and their visitors

Given the extensive nature of the services supported by the charity, the charity's management can not be aware of changing patient need within each individual service and therefore primarily relies upon its Fund Managers to decide how best to utilise donations (subject to the delegated authority limit detailed in Section 2). The above priorities are therefore a guide and are not prescriptive.

Due to its nature, voluntary income is dependent on the wishes of donors and is inherently variable. Grant expenditure is almost entirely discretionary and hence also highly variable. For these reasons, performance against the charity's annual plan is normally subject to a relatively high level of variability.

	2020/21				2021/22
	Plan	Actual	Variance		Plan
	£'000	£'000	£'000		£'000
Income	2,123	1,334	-789		1,197
Expenditure	-2,242	-752	+1,490		-1,300
(Deficit)/surplus prior to investment gains/losses	-119	582	+701		-103

The charity planned in 2020/21 to incur a deficit (before investment gains/losses) of £119,000. The actual surplus (before investment gains) of £582,000 was £701,000 favourable to plan. There were three principal reasons for this:

- Income (excluding that from the local Leagues of Friends) was higher than planned, due to the very generous donations in response to the Covid pandemic.
- Charitable expenditure was also lower than planned, due to the need for clinical teams to delay these projects and focus on the Covid pandemic.
- The Foundation Trust waived its right to receive the £400,000 outstanding balance on the grant awarded to it in 2017/18.

Donations from the local Leagues of Friends (and the expenditure these donations fund) were substantially lower than the high value planned, due to a change in the timing of the use of these funds. This resulted in a large reduction in the value of both income and expenditure.

Further details of the generous support received from the Leagues of Friends, Torbay Medical Research Fund and other similar charities can be found on pages 9 to 10 of this Report.

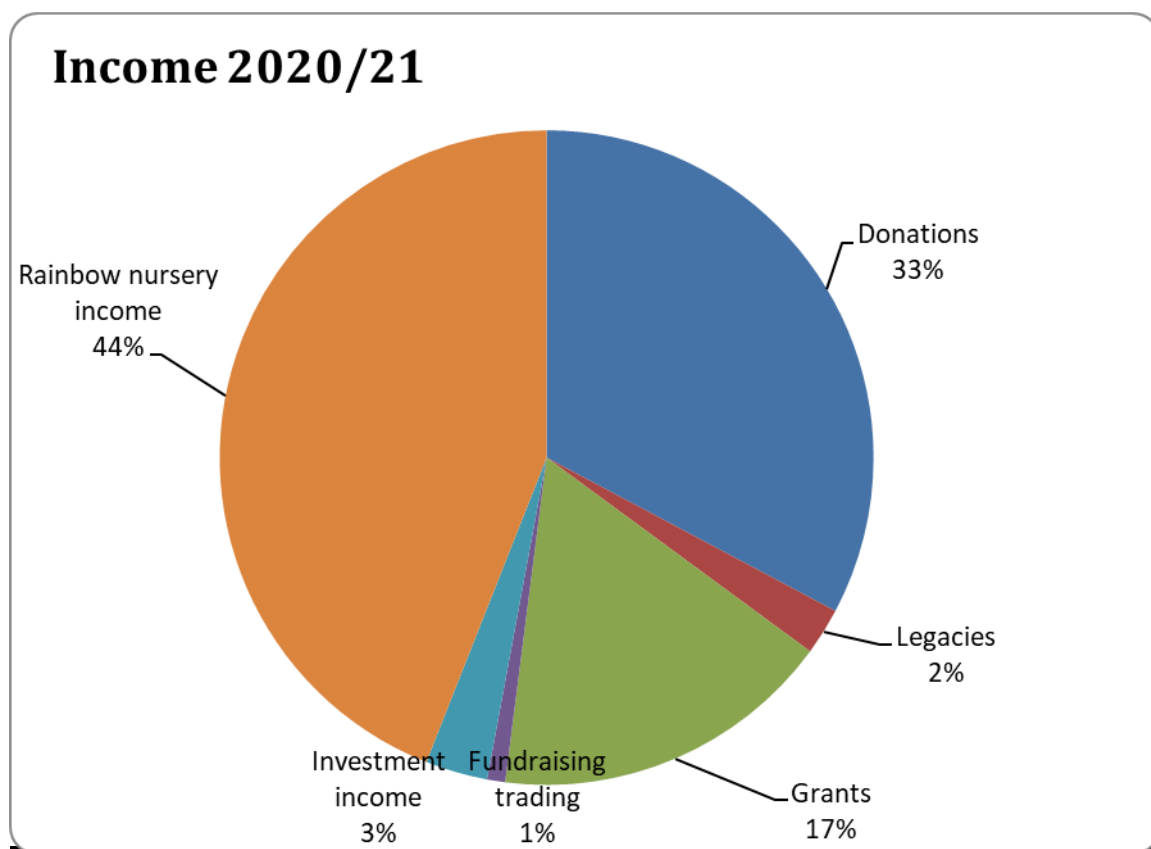
The Rainbow nursery incurred a deficit of £2,000, which was £4,000 adverse to the planned surplus of £2,000. As described in Note 8 to the Accounts, the Charitable Funds Committee has initiated a review into options to ensure the long-term financial sustainability of the nursery. Pending the conclusion of that review, the nursery has been able to fund any modest deficits out of its accumulated revenue reserves (March 2021: £30,000).

As mentioned above, during the year the Trust waived its right to receive the outstanding balance of £400,000 relating to the grant of £1,000,000 awarded to the Trust in March 2018. In March 2021, the Trust consulted the charity regarding this. The Trust explained that it was mindful that the payment of this grant was constraining the charity's ability to support other worthwhile projects. The Trust took the decision formally at its March 2021 Board Meeting and the charity has duly accounted for this as a 'grant written back'. Further details regarding the consequent impact upon the charity's financial statements can be found in note 21 to the Accounts.

On behalf of those patients and staff who have benefited either directly or indirectly, the Corporate Trustee would like to thank all the donors who have made contributions to the funds during the year. This report does not have the scope to give details of all the ways in which the funds have been applied. However, by focusing on some of the highlights of the year, it illustrates the generosity of donors and the diversity of purposes for which their gifts have been used.

This section of the report gives details of significant activities that have contributed to the achievement of the charity's objectives and the furtherance of its charitable purposes for the public benefit.

6.1 – Income



Income	2020/21	2019/20
	£'000	£'000
Donations	437	532
Legacies	31	211
Grants	226	8
Fundraising	12	14
Investment income	41	56
Rainbow nursery income	587	565
Total Income	1,334	1,386

Donations, legacies and grants

The Covid pandemic had a significant impact on voluntary income. The charity received very generous grants totalling £184,000 from NHS Charities Together, funded by the exceptional donations made nationally to the NHS. In addition, the charity raised £48,000 through its local Covid fundraising campaign. At the same time, the level of general donations reduced, perhaps because some clinical activity had to be postponed due to Covid or because individuals had already donated to one of the Covid campaigns.

Overall, the combined level of donation and grant income in 2020/21 (£663,000) was significantly higher than in the prior year (£540,000).

A gift in a will is a valued way of donating to charity and we are fortunate to be remembered by so many people each year. Legacy income is unpredictable and therefore tends to vary from year to year. During 2020/21 £31,000 was kindly bequeathed to the charity from 4 legacies. These ranged in value from less than £1,000 up to £30,000.

Further details of the expenditure funded by these generous donations are given on pages 9 to 10.

Fundraising

The charity does not normally engage in a significant amount of fundraising activity. The local Leagues of Friends are active throughout South Devon and are very successful at raising funds for the benefit of our community. Each normal year, around 10-20 members of the public or members of staff contact the charity to volunteer to fundraise for it, most commonly through obtaining sponsorship for a challenging event such as a marathon or through organising a fundraising social event. These fundraising activities are supported by the charity's small administrative team. The charity does not currently use the services of professional fundraisers or commercial participators.

Due to the Covid pandemic, in 2020/21 the charity launched a fundraising appeal, as described above. In addition, the number of volunteer fundraisers was very significantly higher than normal, reflecting the desire of local people to support the NHS.

While the charity aims to ensure that fundraising is always conducted appropriately, given the small scale of fundraising activity the charity has not chosen to join or adopt any of the voluntary schemes or standards for fundraising, such as those provided by the Fundraising Regulator or Fundraising Standards Board.

There are significant practical limitations on monitoring the activities of volunteer fundraisers (who mostly conduct their fundraising from their private homes). As such, very limited monitoring can be undertaken but the charity is ready to act swiftly in the event of a complaint. No such complaints were received in the year (2019/20: none).

The charity does not believe that there is a significant risk to vulnerable people from the activities of volunteer fundraisers who, unlike professional fundraisers and commercial participators, have no financial interest in maximising donations. The charity does ask all volunteer fundraisers not to do anything which would reflect badly on the NHS.

In addition to the above, the Art for Life fund holds exhibitions of works of art and receives commission from their sales which is used to further enhance the environment of the hospital for the enjoyment of its visitors. Rainbow Day Nursery holds an annual fete, the proceeds of which are used for the purchase of play equipment. Some wards hold occasional raffles. Total net income from fundraising trading in 2020/21, after deducting costs, amounted to £2,000 (2019/20: £2,000).

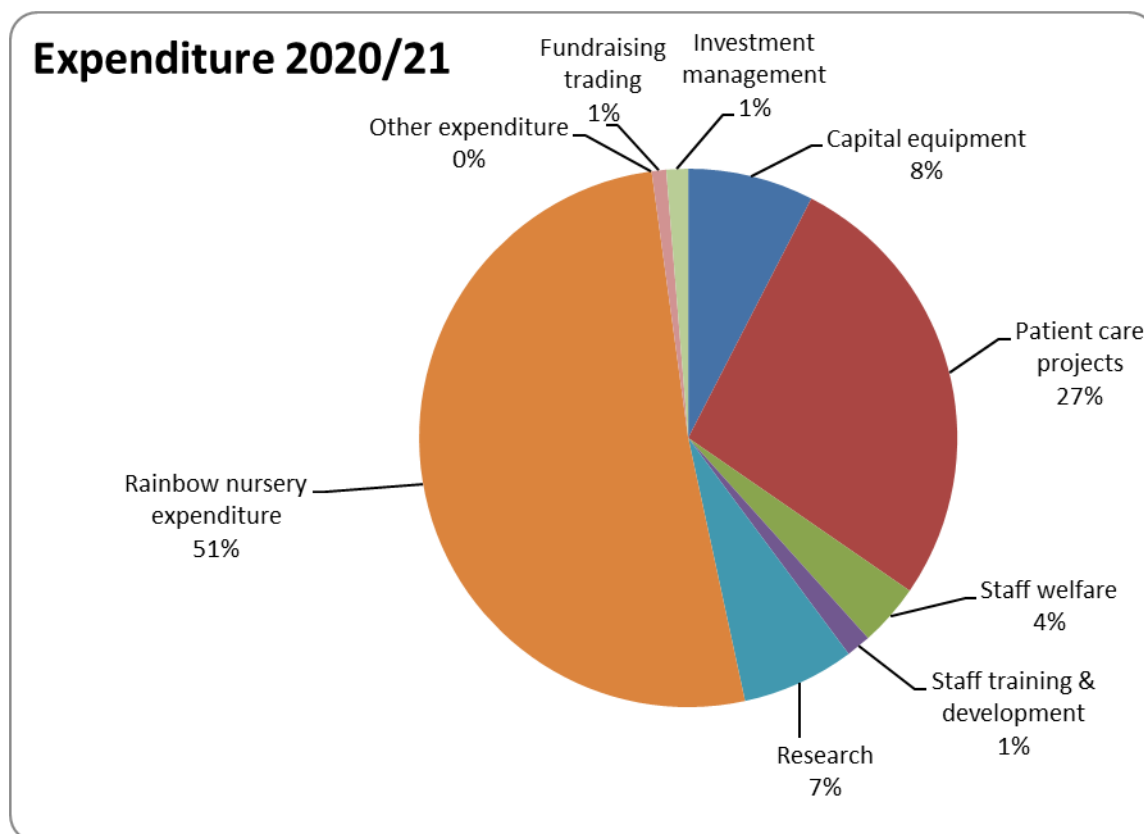
Investments

Investment income for the year was £41,000 (2019/20: £56,000). Due to the economic uncertainty caused by the Covid pandemic, many companies froze or reduced their dividends, resulting in a reduced level of income compared to the prior year.

Gift Aid

Torbay and South Devon NHS Charitable Fund participates in the government's Gift Aid scheme. Wherever possible we encourage donors to assist us with this by authorising us to claim tax back from HM Revenue and Customs in respect of their donation. This can increase the value of the donation by 25% at no additional cost to the donor. In 2020/21 we boosted our donations by £1,876 as a result of this initiative.

6.2 – Expenditure



Expenditure	2020/21	2019/20
	£'000	£'000
Capital equipment	87	105
Patient care projects	311	490
Staff welfare	43	49
Staff development	17	41
Research	78	146
Transfers to other charities	0	3
Rainbow nursery expenditure	589	569
Other expenditure	2	1
Fundraising	10	12
Investment management	15	17
Total expenditure	1,152	1,433
Other expenditure - grants written back	(400)	0
Total resources expended	752	1,433

Expenditure in 2020/21 was significantly lower than in the prior year. Many charitable projects were delayed due to the need for staff to focus on the Covid response. For expenditure funded by Covid donations and grants, there was additionally a desire to consult widely with staff before deciding how these funds should be best used. As a result, much of the expenditure funded by Covid donations will not take place until 2021/22.

During the year, the Trust waived its right to receive the £400,000 outstanding balance of the £1,000,000 grant awarded by the charity to the Trust in March 2018, which further reduced the reported level of expenditure.

Expenditure for the year included a total of £229,000 funded by Leagues of Friends, the Torbay Medical Research Fund and other charities. Further details of this expenditure is given on pages 9 to 10.

Projects funded by Covid donations and grants

The following are examples of how Covid donations and grants are being used, following consultation with staff:

- Improvements to Bayview Café (£40,000)
- Improvements to Rose Garden (£36,000)
- Modernisation of staff rooms (£32,000)
- Outdoor spaces (£16,000)
- Bicycle storage facilities (£10,000)
- Support for BAME (Black, Asian and Minority Ethnic) staff network (£5,000)

General charitable expenditure

There was a reduced level of general charitable expenditure during the year, as staff prioritised dealing with the Covid pandemic. The following are examples of some of the ways in which donations have been put to use during 2020/21:

- Upgrade to Ricky Grant Day unit (£14,846)
- New furniture (chairs and sofas) for the Cancer support and Information centre (£8,688)
- Manual Maxi-move hoist – for Newton Abbot Hospital (4,994)
- Reclining chairs for Special Care Baby Unit (£3,966)
- Airvo Optiflow oxygen provider for the Intensive Care Unit (£2,970)
- ECG recorder for Newton Abbot Hospital (£2,601)
- Works (building and decorating) in Oncology Unit (£2,483)
- Airvo Optiflow oxygen provider for the Louisa Cary Ward (£2,475)

Leagues of Friends, Torbay Medical Research Fund and other charities

The charity remains greatly indebted to the various hospital Leagues of Friends, the Torbay Medical Research Fund and other charities, who raise and provide us with funds to support our work. Listed below are just some of the projects funded by them during the year.

Torbay Hospital League of Friends

- Specialist ophthalmology chairs (£11,907)
- Specialist Echocardiography couches, pacemaker trolleys & laboratory incubator (£9,607)
- Comfort packs for Covid frontline staff (£2,336)
- Transformation of training room (£3,960)

Dartmouth Hospital League of Friends

- ECG (electrocardiogram) machine (£1,358)

Dawlish Hospital League of Friends

- Hoverjack patient lifting device (£9,581)
- Bladder scanner (£5,636)

Newton Abbot Hospital League of Friends

- ECG machine for Templar Ward (£2,601)
- Specialist chairs for Stroke ward (£10,170)

Teignmouth Hospital League of Friends

- Skin graft mesher and Stool (£6,137)

Totnes Hospital League of Friends

- Hovermatt patient movement device (£9,581)
- Dynamic Airwave Mattress (£3,480)

Torbay Medical Research Fund

- Study 132 - Doctoral and pre-doctoral fellowship for nurses, midwives and allied health professionals (£56,325)
- Study 102 - Brain plasticity and rehabilitation (£3,000)
- Study 135 - Evaluating the impact of the implementation of patient information videos into cardiology (£4,593)
- Scholarship funding (£1,103)

Torbay Prostate Support Association

- Ultrasound for use in prostate biopsy (£66,332)

There were also many other smaller projects and pieces of equipment funded by the various Leagues of Friends, the Torbay Medical Research Fund and other charities totalling £21,000 making a grand total funded from these sources during the year of £229,000.

Rainbow Nursery

Rainbow Nursery funds its costs, which in 2020/21 amounted to £589,000 (2019/20: £569,000), from fees charged to parents of the children attending the Nursery and from Early Years funding by Torbay Council. The Nursery is a purpose built facility, sited at the Torbay Hospital Annexe, with 50 registered places and a holiday club for 4-11 year olds. It provides local NHS staff with reassurance that their children are being well cared for while they are at work. It consistently receives excellent reports from OFSTED and is recognised for the high standards of care and pre-school education it provides.

Covid first impacted on the nursery in March 2020. During 2020/21, the impact was severe. Almost all children were withdrawn during the first lockdown. Following this, there was continued disruption due to social distancing requirements and due to children and staff unwell or having to isolate. The Trust provided funding to the Nursery during the year to offset the impact of Covid, which amounted to £94,000 (2019/20: £14,000). Further information regarding the financial position of the nursery is provided in Note 8 to the Accounts.

7 - Risk Management

The Charity operates within the framework of internal control established by Torbay and South Devon NHS Foundation Trust, for which the Board of Directors of the Trust is accountable.

The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, and
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Responsibility for the oversight of the risk management process has been delegated by the Board to the Risk and Assurance Integrated Governance Group which manages the assurance framework. The Trust's risk management strategy provides an integrated framework for the identification and management of risks of all kinds. This is supported by a single risk management and assurance framework. There is a review process under the leadership of the executive directors.

The charity has identified the following principal risks and uncertainties:

- Safe nursery services

This risk is controlled through staff training and management, the Trust's risk management procedures (eg monitoring of state of nursery building) and appropriate insurance policies. Assurance is provided through the Ofsted regulatory regime and the Trust's internal assurance processes.

- Performance of investment portfolio

This risk is controlled by means of an investment policy and written instructions to the investment manager, who provides at least a quarterly report for the Corporate Trustee and attends meetings of the Charitable Funds Committee twice a year. The charity holds a medium risk investment portfolio spread across a diverse range of investments which is actively managed and reviewed by the Charitable Funds Committee. Assurance is provided through the scrutiny of the Charitable Funds Committee, including the comparing of investment performance against a peer benchmark.

- Compliance with regulatory requirements and maintenance of donor confidence

This risk is controlled through staff training and management, the scrutiny of the Charitable Funds Committee and the Trust's internal assurance processes (eg internal financial controls, as described below). Assurance regarding compliance is gained through internal audit.

The impact of the Covid pandemic upon the charity has been four-fold:

- There has been a significantly increased level of donations to NHS charities, at both the national and local levels.
- Regular charitable activity has reduced, as staff prioritise the Covid response.
- The Rainbow nursery has been severely impacted by a reduction in occupancy and an ongoing increased level of costs. The Trust has offset the financial impact.
- Investment markets largely recovered the significant losses incurred in March 2020, resulting in significant investment gains in year.

The major risks to which the charity is exposed, as identified by the Corporate Trustee, have been reviewed and systems or procedures have been established to manage those risks.

Internal Financial Control and Governance

The Charitable Funds Committee is a sub-committee of the Trust Board and usually meets three or four times a year. It has delegated authority and terms of reference within which it governs, manages and regulates the finances, accounts, investments, assets, business and other affairs of the charity. It reports to the full Board of the Trust, which is ultimately responsible for the Corporate Trusteeship of the charity. There are also procedures specifically related to the financial management of the Charitable Fund. Amongst other things, these define expenditure limits applicable to the above structure.

Each year an income and expenditure plan is drawn up in consultation with the fund managers in order that the Corporate Trustee may know that the funds are available and adequate to fulfil the obligations of the charity. The financial position as at the 31st March 2021 was more than adequate to meet future plans and obligations as at that date, both overall and on a fund-by-fund basis.

The Standing Orders and Standing Financial Instructions of the Trust cover both Exchequer and charitable funds. Financial procedures comply with the Standing Financial Instructions of the Trust and include a Scheme of Delegation to Fund Managers. Compliance is rigorously checked and controlled. The financial and accounting procedures and arrangements are audited periodically by internal audit. The most recent internal audit was conducted during 2019/20, resulting in a 'Significant' (top level) assurance rating. Our external auditors audit the accounts annually and no material control issues have been raised.

8 - Reserves

The Charity Commission defines reserves as “that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes” (Charity reserves: building resilience (CC19)). The underlying purpose is to identify those funds which can potentially act as a contingency against financial risks such as fluctuations in income or in the level of charitable need.

While the charity has minimal funds which are ‘freely available’ in this sense, it has significant fund balances which can be used for any of the charity’s purposes but which are restricted or designated for use within particular clinical areas. As these funds are spread over a wide number of clinical areas, they cumulatively provide a significant source of funding for financial contingencies that the charity might face.

For the above reason, the charity assesses its reserves primarily by monitoring the level of overall funds (excluding endowments, which can not be spent).

In line with Charity Commission guidance, the policy of the charity is to ensure that donations are spent within a reasonable period of receipt. An appropriate balance may be held in order to take account of potential fluctuations in income and the valuation of the investment portfolio, and to accommodate fluctuations in the level of charitable need which result in changes in expenditure requirements. Balances may also be built up temporarily in order to ‘save up’ for a higher-value item of expenditure. The Corporate Trustee considers this policy to be in the best interests of the charity.

In 2016, the Corporate Trustee identified that the value of accumulated funds was higher than was required. Fund Managers were encouraged to utilise excess fund balances. In June 2018, the Committee reviewed the position and set a target level of funds (excluding endowments) of £1.15m. The actual level of these funds can be expected to fluctuate above and below the target, given the variability of both voluntary income and discretionary grant expenditure. As at March 2021, these funds total £1.57m (March 2020: £0.82m). The significant increase in the year was due to the surplus before investment gains of £0.58m (as described further in section 6) and investment gains on non-endowment funds of £0.17m.

The legal structure of the charity includes 21 Special Purpose Charities (see section 2 above). The governing document of each Special Purpose Charity requires that its funds be ‘wholly or mainly’ spent within a particular clinical area. As a result, funds held within Special Purpose Charities must be classified as restricted funds. The majority of the charity’s funds are held within these Special Purpose Charities and are therefore classified as restricted funds.

9 - Future plans

As charitable resources are limited, the Corporate Trustee has introduced guidance for Fund Managers regarding priority areas for charitable expenditure. This is to ensure that charitable donations are used as effectively as possible.

For 2021/22, the Corporate Trustee has asked Fund Managers to prioritise expenditure on:

- Recovery from the impact of the Covid pandemic
- Discretionary staff training/development

- Purchases of medical equipment
- Comforts for patients and their visitors

The Corporate Trustee believes that these priorities will maximise the benefit to patients.

Charitable needs may often arise at short notice and the charity retains sufficient reserves to allow it to respond swiftly to such needs, in collaboration with Trust clinicians and managers.

10 - Assets and Liabilities

Total assets and liabilities	31/03/21	31/03/20
	£'000	£'000
Investments	1,689	1,661
Debtors	77	246
Cash and cash equivalents	304	47
Total assets	2,070	1,954
Creditors	148	843
Total liabilities	148	843
Total assets less liabilities	1,922	1,111

At the start of 2020/21, the charity owed the Trust £600,000 in respect of the grant of £1,000,000 it awarded to the Trust in March 2018. During the year, a further £200,000 of this grant was paid and the Trust agreed to waive its right to receive the remaining balance of £400,000 (as described further in section 6, above, and in note 21 to the Accounts). As a result, the value of creditors has decreased significantly during the year.

Excess cash is usually held within the investment portfolio, where it obtains a greater return. When required, transfers are made between the charity's bank account and its investment portfolio or vice versa. During the year, £200,000 (2019/20: £0) was transferred from the investment portfolio to the charity's bank account. This was done in order to enable the charity to make a grant payment of £200,000 to the Trust, as described above. This transfer from the portfolio was more than offset by investment gains, meaning that the value of the investment portfolio increased slightly during the year.

The value of cash was significantly higher than the prior year. This was largely due to the receipt of significant Covid donations which could not be spent by the end of the year. As it was envisaged that these donations would be spend within a relatively short timeframe, it was not thought appropriate to transfer the excess cash balance into the investment portfolio.

The value of debtors is significantly lower than in the prior year. This is because the prior year value included an unusually large legacy income debtor.

10.1 Investments

The investment portfolio is medium risk, spread across a diverse range of investments including Government 'gilt-edged' securities, local authority securities and loans, UK equities and authorised UK and overseas unit and investment trusts, plus cash on deposit. The split between the asset groups were as follows: -

	31 March 2021	31 March 2020
Fixed Interest	16%	19%
Equities	69%	59%
Property	5%	7%
Alternative assets	7%	6%
Cash	3%	9%
Total	100%	100%

Investment Policy and Ethical Investments

Charitable bodies are bound by the Trustee Act 2000. The Corporate Trustee also follows the basic principles for the investment of charitable funds as outlined by the Charity Commission. The Governing Document authorises the Corporate Trustee to invest the retained funds held in duly authorised investments.

The Corporate Trustee seeks to maximise the return from retained funds by prudent investment, taking into account available dividend, interest and potential growth in the value of the investments.

The current objective, taking into account the above factors, is to achieve a balance of maximising current income while aiming for a growth in capital value in order to obtain a reasonable long-term overall return at medium risk.

The Corporate Trustee has employed Investec Wealth & Investment Limited since July 2011 on a discretionary basis to manage the portfolio. The risk profile is regarded as medium and the manager is specifically requested to avoid direct investment in companies whose core business is in the following areas:

- Manufacture/production/retail of tobacco
- Production/retail of alcohol
- Production/retail of foods with high fat content
- Production/retail of foods/drinks with high sugar content

The Corporate Trustee has also sought assurance from the investment manager regarding the ESG (Environmental, Social and Governance) scoring of the investment portfolio. Based on the Sustainalytics scoring method, at 30 June 2021 the portfolio scored 19.3 (June 2020: 23.2), which is favourable to the MSCI Index average of 22.8 (June 2020: 24.5).

The current benchmarks that the portfolio is measured against, with their weighting ratios are:-

Investment type	Weighting	Benchmark
Bonds	17%	FTA Government Gilt Index
Equities – UK	25%	FTSE All Share Index
Equities - Overseas	45%	FTSE World (ex UK) Index
Property	5%	IPD Property Index
Alternatives	5%	Bank of England Base Rate plus 2%
Cash	3%	Bank of England Base Rate minus 0.5%

The investment managers provide quarterly performance reports, which include performance against the benchmark indices listed above.

A review of the portfolio performance is undertaken by the Corporate Trustee twice-yearly at the meetings of the Charitable Funds Committee, alongside a review of the performance of the investment manager. The performance of the investment manager is also subject to a more extensive review every three years. The last such review was in November 2017. The review due to be held in November 2020 has been delayed, primarily due to Covid.

The investment policy is reviewed by the Corporate Trustee annually.

11 - Contact details

The day-to-day management of the charity is delegated to the Trust's Senior Finance Manager – Capital and Financial Accounting. This role is currently undertaken by Patrick Vincent ACMA.

Principal Address

Torbay and South Devon NHS Charitable Fund
c/o Torbay and South Devon NHS Foundation Trust
Hengrave House
Torbay Hospital
Lawes Bridge
Torquay
Devon TQ2 7AA

Finance Office

Charitable Funds Accountant
Finance Department
Torbay and South Devon NHS Foundation Trust
Regent House
Regent Close
Torquay
Devon TQ2 7AN

Auditors

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199 Avebury Boulevard
Milton Keynes
MK9 1AU

Investment Advisers

Investec Wealth & Investment
2 Gresham Street
London EC2V 7QP

Bankers

National Westminster Bank plc
108 Union Street
Torquay
Devon TQ1 2AQ

Scottish Widows
67 Morrison Street
Edinburgh EH3 8YJ

Further Information

If you require any further information about the Torbay and South Devon NHS Charitable Fund please contact Chief Finance Officer, Torbay and South Devon NHS Foundation Trust, Regent House, Regent Close, Torquay, Devon TQ2 7AN

Signed on behalf of the Corporate Trustee

Non-Executive Director and member of Charitable Funds Committee
Torbay and South Devon NHS Foundation Trust

Date:

TORBAY AND SOUTH DEVON NHS CHARITABLE FUND

ACCOUNTS 2020/21

FOREWORD

These accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK GAAP as it applies from 1 January 2019.

STATUTORY BACKGROUND

Torbay and South Devon NHS Foundation Trust is the Corporate Trustee of the Torbay and South Devon NHS Charitable Fund under paragraph 47(2)(c) of the National Health Service Act 2006.

The Torbay and South Devon NHS Charitable Fund is registered with the Charity Commission and includes funds held in respect of the following Hospitals:

Ashburton Hospital
Bovey Tracey Hospital
Brixham Hospital
Dartmouth Hospital
Dawlish Hospital
Newton Abbot Hospital
Paignton Hospital
Teignmouth Hospital
Torbay Hospital
Totnes Hospital

MAIN PURPOSE OF THE FUNDS HELD ON TRUST

The main purpose of the fund is to apply income for any charitable purpose relating to the National Health Service wholly or mainly for the services provided by the Torbay and South Devon NHS Foundation Trust.

Statement of Trustee's Responsibilities

The trustee is responsible for preparing the Trustee's Annual 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 England and Wales requires the trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, 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 charity will continue in business.

The trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Trustee

Signed:

Chief Finance Officer

Date

Independent auditor's report to the trustee of Torbay and South Devon NHS Charitable Fund

Opinion

We have audited the financial statements of Torbay and South Devon NHS Charitable Fund (the 'charity') for the year ended 31 March 2021, which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2021 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 Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the charity to cease to continue as a going concern.

In our evaluation of the trustee's conclusions, we considered the inherent risks associated with the charity's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the trustee and the related disclosures and analysed how those risks might affect the charity's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the trustee with respect to going concern are described in the 'Responsibilities of trustee for the financial statements' section of this report.

Other information

The trustee is responsible for the other information. The other information comprises the information included in the Trustee's Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the trustee of Torbay and South Devon NHS Charitable Fund (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept sufficient accounting records; 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.

Responsibilities of trustee for the financial statements

As explained more fully in the Trustee's Responsibilities Statement set out on page 19, the trustee is responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the charity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charity and the sector in which it operates. We determined that the following laws and regulations were most significant: The Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102), Charities SORP (FRS 102), Charities Act 2011 and Data protection Act 2018.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the Charity's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations; and
 - the detection and response to the risks of fraud.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquires to relevant supporting documentation.

Independent auditor's report to the trustee of Torbay and South Devon NHS Charitable Fund
(continued)

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
(continued)**

- We assessed the susceptibility of the Charity's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of certain controls management has in place to prevent and detect fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the Charity including:
 - the provisions of the applicable legislation;
 - the applicable statutory provisions.
- We did not identify any matters relating to non-compliance with laws and regulation and fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Charity's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the applicable statutory provisions;
 - the Charity's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Charity's compliance with regulatory requirements.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustee 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 trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of Financial Activities for the year ending 31 March 2021

	Note	Unrestricted Funds 2020/21 £'000	Restricted Funds 2020/21 £'000	Endowment Funds 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Income and endowments from:						
Donations and legacies	4	109	585	0	694	751
Charitable activities - Rainbow nursery income	5	0	587	0	587	565
Other trading activities		0	12	0	12	14
Investments	6	16	25	0	41	56
Total		125	1,209	0	1,334	1,386
Expenditure on:						
Raising funds	7	(3)	(18)	(4)	(25)	(29)
Charitable activities						
- NHS capital equipment grants	8	(20)	(67)	0	(87)	(105)
- Patient welfare & amenities	8	(72)	(239)	0	(311)	(490)
- Staff welfare & amenities	8	(4)	(39)	0	(43)	(49)
- Staff development	8	0	(17)	0	(17)	(41)
- Research	8	0	(78)	0	(78)	(146)
- Transfers to other charities	8	0	0	0	0	(3)
- Rainbow nursery expenditure	8	0	(589)	0	(589)	(569)
Sub-total charitable activities		(96)	(1,029)	0	(1,125)	(1,403)
Other expenditure	21	70	328	0	398	(1)
Total		(29)	(719)	(4)	(752)	(1,433)
Net gains/(losses) on investments	13.4	39	129	61	229	(160)
Net income/(expenditure)		135	619	57	811	(207)
Transfers between funds		0	0	0	0	0
Net movement in funds		135	619	57	811	(207)
Reconciliation of funds:						
Total funds brought forward		280	535	296	1,111	1,318
Total funds carried forward	18	415	1,154	353	1,922	1,111

A prior year Statement of Financial Activities with analysis by fund type is provided in note 2.1.

Balance Sheet as at 31 March 2021

	Note	Unrestricted Funds 31/03/2021 £'000	Restricted Funds 31/03/2021 £'000	Endowment Funds 31/03/2021 £'000	Total 31/03/2021 £'000	Total 31/03/2020 £'000
Fixed assets:						
Investments	13	353	983	353	1,689	1,661
Total fixed assets		353	983	353	1,689	1,661
Current Assets:						
Debtors	14	30	47	0	77	246
Cash at bank and in hand	15	65	239	0	304	47
Total current assets		95	286	0	381	293
Liabilities						
Creditors: Amounts falling due within one year	16	(33)	(115)	0	(148)	(843)
Net current liabilities		62	171	0	233	(550)
Total net assets		415	1,154	353	1,922	1,111
The funds of the charity:						
Endowment Funds	18	0	0	353	353	296
Restricted Income Funds	18	0	1,154	0	1,154	535
Unrestricted Income Funds	18	415	0	0	415	280
Total charity funds		415	1,154	353	1,922	1,111

The notes on pages 26 to 39 form part of these accounts.

A prior year Balance Sheet with analysis by fund type is provided in note 2.2.

The accounts on pages 23 to 39 were approved by the Corporate Trustee on and signed on its behalf by:

Chief Finance Officer

Date

Statement of cash flows for the year ending 31 March 2021

	Note	Total 2020/21 £'000	Total 2019/20 £'000
Cash flows from operating activities:			
Net income/(expenditure) for the year (as per the Statement of Financial Activities)		811	(207)
Adjustments for:			
- (Gains)/losses on investments	13.4	(229)	160
- Dividends, interests and rents from investments	6	(41)	(56)
- Decrease/(increase) in debtors	14	169	(142)
- (Decrease)/increase in creditors	16	(695)	173
Net cash used in operating activities		15	(72)
Cash flows from investing activities:			
Dividends, interests and rents from investments	6	41	56
Plus purchased interest	13.3	1	0
Cash withdrawn from the investment portfolio	13.3	200	0
Net cash provided by investing activities		242	56
Change in cash and cash equivalents over the year		257	(16)
Cash and cash equivalents at the beginning of the year	15	47	63
Cash and cash equivalents at the end of the year	15	304	47

Notes to the Accounts

1. Accounting policies

(a) Basis of preparation

The accounts have been prepared under the historic cost convention, with the exception of investments which are included at their market value.

These accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK GAAP as it applies from 1 January 2019.

The accounts 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: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Judgements

The most significant judgements made in applying the charity's accounting policies are:

- the assumption that voluntary income is not subject to legal trusts unless there is clear written evidence of such a legal trust
- the assumption that, where the executor of a legacy has not raised any issues relating to the payment of a legacy, this can be taken as evidence that the executors have established that there are sufficient assets to pay the legacy.

Estimates

The charity does not consider that it makes any estimations which have a significant risk of causing a material adjustment within the following financial year. The most significant estimation made is that of allocating support costs (further details of which are given in note 10), which is not considered to be subject to any significant risk.

Going concern

The charity's business activities are limited to the running of the Rainbow nursery. As explained in Note 8, the nursery holds sufficient reserves of its own to support its operation for the foreseeable future. Should exceptional financial pressures be placed upon the nursery, the Corporate Trustee could also draw upon the charity's significant other reserves.

The charity's non-business activities (grants to support the work of the Foundation Trust) are discretionary. Long-term commitments are not normally made and grants are only awarded where funds are already in place to support the grant. The charity is exposed to the risk of fluctuating voluntary income and/or investment losses, but such risks can be managed through a corresponding reduction in discretionary grant expenditure and/or the utilisation of the charity's significant reserves.

Taking the above into account, the Corporate Trustee has a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. This is not subject to any material uncertainties. The charity therefore continues to adopt the going concern basis in preparing its accounts.

Public benefit and legal form

The charity is a public benefit entity and an unincorporated trust.

Notes to the Accounts

1. Accounting policies (continued)

(b) Funds structure

Where there is a legal restriction on the purpose to which a fund may be put, the fund is classified either as an endowment fund, where the donor has expressly provided that the income of the fund may be applied, or as a restricted income fund where the donor has provided for the donation to be spent in furtherance of a specified charitable purpose.

Endowment funds, where capital is held to generate income for charitable purposes, are sub analysed between those where the trustee has the discretion to spend the capital, expendable endowment and those where there is no discretion to spend the capital, permanent endowment. The charity has five permanent endowment funds and no expendable endowments.

Those funds which are neither endowment nor restricted income funds are unrestricted income funds which are used wholly at the trustee's discretion.

The major funds held in each of these categories are disclosed in note 18.

(c) Incoming resources

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. Until these criteria are met, any monies received would be classified as deferred income.

(d) Incoming resources - legacies

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

Receipt is probable when:

- 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.

(e) Incoming resources from endowment funds

The incoming resources received from the investment of endowment funds have been earmarked in accordance with the donor's stated wishes by allocating to the nominated restricted general funds.

(f) Resources expended and irrecoverable VAT

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.

(g) Resources expended - grants

Grants payable are payments or donations of goods or services 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.

Notes to the Accounts

1. Accounting policies (continued)

(g) Resources expended - grants (continued)

Evidence of a constructive obligation exists where:

- The commitment made by the charity is specific, for example a promise is made to provide particular goods, services or grant funding;
- This commitment is communicated directly to particular beneficiaries or grant recipients; and
- There is an established pattern of practice which indicates to the recipient that we will honour our commitment.

The Trustee has control over the amount and timing of grant payments and consequently where approval has been given by the Trustee and all 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.

Due to the close working connection between the charity and the Corporate Trustee, the recognition criteria will normally only be met when the charity's staff team have clearly indicated the charity's acceptance of a grant liability.

(h) Allocation of overhead and support costs

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. 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 10.

(i) 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.

(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 include an apportionment of support costs as shown in note 8.

(k) Fixed asset investments

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 charity's investment manager, excluding dividend.

The main form of financial risk faced by the charity is that of volatility in investment and foreign exchange markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning particular investment sectors. Further information on investments can be found in note 13.

Notes to the Accounts

1. Accounting policies (continued)

(k) Fixed asset investments (continued)

All investment 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).

Fixed asset investments includes cash held by the investment manager for investment purposes.

(l) Debtors

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

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(n) Creditors

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

(o) Financial Instruments

The charity's Financial Instruments are all Basic Financial Instruments and consist of:

- Investments. See note 1(k). The carrying value for investments on the balance sheet at the reporting date entirely consists of financial assets measured at fair value through profit or loss.
- Debtors. See note 1(l).
- Cash and cash equivalents. See note 1(m).
- Creditors. See note 1(n).

(p) Pensions

The charity does not issue contracts of employment or operate a pension scheme. Employees of Torbay and South Devon NHS Foundation Trust who are under the control of the charity are treated as charity staff. Pension costs in relation to these staff are recharged to the charity by the Foundation Trust.

(q) Pooling scheme

An official pooling scheme is operated for investments relating to the following funds:

South Devon Healthcare NHS Foundation Trust (Expendable Funds) Common Investment Fund
South Devon Healthcare NHS Foundation Trust (Capital) Common Investment Fund

The scheme was registered with the Charity Commission on 23rd February 1999.

(r) Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in the furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

Notes to the accounts

2. Prior year comparatives by type of fund

2.1 Statement of Financial Activities

	Note	Unrestricted Funds 2019/20 £'000	Restricted Funds 2019/20 £'000	Endowment Funds 2019/20 £'000	Total 2019/20 £'000
Income and endowments from					
Donations and legacies	4	194	557	0	751
Other NHS charities		0	0	0	0
Charitable activities - Rainbow nursery income	5	0	565	0	565
Other trading activities		0	14	0	14
Investments	6	24	32	0	56
Total		218	1,168	0	1,386
Expenditure on:					
Raising funds	7	(3)	(20)	(6)	(29)
Charitable activities					
- NHS capital equipment grants	8	(6)	(99)	0	(105)
- Patient welfare & amenities	8	(88)	(402)	0	(490)
- Staff welfare & amenities	8	(9)	(40)	0	(49)
- Staff training & education	8	(1)	(40)	0	(41)
- Research	8	0	(146)	0	(146)
- Transfers to other charities	8	0	(3)	0	(3)
- Rainbow nursery expenditure	8	0	(569)	0	(569)
Sub-total charitable activities	8	(104)	(1,299)	0	(1,403)
Other expenditure		0	(1)	0	(1)
Total		(107)	(1,320)	(6)	(1,433)
Net gains on investments	13.4	(37)	(62)	(61)	(160)
Net income/(expenditure)		74	(214)	(67)	(207)
Transfers between funds		(1)	1	0	0
Net movement in funds		73	(213)	(67)	(207)
Reconciliation of funds:					
Total funds brought forward		207	748	363	1,318
Total funds carried forward	18	280	535	296	1,111

Notes to the accounts

2. Prior year comparatives by type of fund (continued)

2.2 Balance Sheet

	Note	Unrestricted Funds 31/03/2020 £'000	Restricted Funds 31/03/2020 £'000	Endowment Funds 31/03/2020 £'000	Total 31/03/2020 £'000
Fixed assets:					
Investments	13	470	895	296	1,661
Total fixed assets		470	895	296	1,661
Current Assets:					
Debtors	14	134	112	0	246
Cash at bank and in hand	15	(47)	94	0	47
Total current assets		87	206	0	293
Liabilities					
Creditors: Amounts falling due within one year	16	(277)	(566)	0	(843)
Net current liabilities		(190)	(360)	0	(550)
Total net assets		280	535	296	1,111
The funds of the charity:					
Endowment Funds	18	0	0	296	296
Restricted Income Funds	18	0	535	0	535
Unrestricted Income Funds	18	280	0	0	280
Total charity funds	18	280	535	296	1,111

Notes to the accounts

3. Related party transactions

During the year one party (2019/20: none) related to a member of the Board of Torbay and South Devon NHS Foundation Trust (the Corporate Trustee) has undertaken material transactions with the charity. A Board member has undertaken (in a personal capacity, unconnected with their Trust role) consulting work for Torbay Council, with whom the charity has undertaken material transactions (as described below). No members of the key management staff or parties related to them has undertaken any material transactions with the charity (2019/20: none).

During the year one (2019/20: 1) public sector organisation has undertaken material transactions with the charity. Torbay Council provided £142k (2019/20: £140k) Early Years funding to the charity in respect of the charity's provision of nursery services to eligible children.

The charity has made revenue and capital payments to the Corporate Trustee:

- Finance and administration costs bought in from Torbay and South Devon NHS Foundation Trust, £62k (2019/20 £53k). Please see Note 10 for further details.

- Reimbursement of charitable expenditure incurred by Torbay and South Devon NHS Foundation Trust on behalf of the charity, £1,090k (2019/20: £1,380k). In addition, during the year the Corporate Trustee waived its right to receive an outstanding grant balance of £400k (see note 21 for further details). The Corporate Trustee also provided financial support of £93k to the charity to offset the financial impact of Covid on the nursery.

During the year, the Corporate Trustee was not paid or reimbursed for the costs it incurs in its role as Corporate Trustee, such as the salary costs of members of the Board of the Corporate Trustee (2019/20: £0).

There was an outstanding creditor due to Torbay and South Devon NHS Foundation Trust at 31st March 2021 of £76k (31 March 2020: £795k).

No members of the Corporate Trustee's Board received honoraria, emoluments or expenses in the year from the Charitable Fund (2019/20: none).

Notes to the Accounts

4. Donations and legacies

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020/21 £'000	Total 2019/20 £'000
Donations	79	358	0	437	532
Legacies	30	1	0	31	211
Grants	0	226	0	226	8
Total	109	585	0	694	751

5. Charitable activities - Rainbow nursery income

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020/21 £'000	Total 2019/20 £'000
Rainbow nursery income	0	587	0	587	565
Total	0	587	0	587	565

Rainbow nursery provides nursery services, primarily to employees of Torbay and South Devon NHS Foundation Trust.

6. Investments

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020/21 £'000	Total 2019/20 £'000
Listed investments	16	25	0	41	56
Total	16	25	0	41	56

The charity generally holds low levels of cash, due to the insignificant level of interest being received. This results in a negligible level of investment income from cash and cash equivalents. Cash balances at 31/03/2021 were significantly higher than the prior year, largely due to Covid donations which were received in advance of the related expenditure and which were expected to be spent within a relatively short timescale.

7. Raising funds

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020/21 £'000	Total 2019/20 £'000
Investment management costs	(3)	(8)	(4)	(15)	(17)
Fundraising trading costs	0	(10)	0	(10)	(12)
	(3)	(18)	(4)	(25)	(29)

The charity employs a professional investment management company (Investec Wealth & Investment Ltd) to manage its investment portfolio.

8. Analysis of expenditure on charitable activities

	Activities undertaken £'000	Grant expenditure £'000	Support costs £'000	Total 2020/21 £'000	Total 2019/20 £'000
NHS capital equipment grants	0	(87)	0	(87)	(105)
Patient welfare & amenities	0	(243)	(68)	(311)	(490)
Staff welfare & amenities	0	(41)	(2)	(43)	(49)
Staff development	0	(16)	(1)	(17)	(41)
Research	0	(78)	0	(78)	(146)
Transfers to other charities	0	0	0	0	(3)
Sub-total - grant expenditure	0	(465)	(71)	(536)	(834)
Rainbow nursery expenditure	(584)	0	(5)	(589)	(569)
Total	(584)	(465)	(76)	(1,125)	(1,403)

Notes to the Accounts

8. Analysis of expenditure from charitable activities (continued)

With the exception of the running costs of the Rainbow nursery, the charity's expenditure consists of grants to relevant NHS bodies.

Over the long run, the running costs of Rainbow nursery are met from nursery fee income received. A surplus has been made in most years, allowing the nursery to build up revenue reserves, which totalled £30,000 at 31 March 2021 (31 March 2020: £32,000). During 2020/21, the nursery incurred a deficit of £2,000 (2019/20: £4,000) - largely due to the impact of the NHS-wide pay award and the declining real value of funding received from Torbay Council. While the operational impact of Covid was very significant for the nursery (for example, the withdrawal of most children during the first lockdown), the financial impact was offset by financial support received from the Trust (as described in Note 3).

The Charitable Funds Committee has initiated a review of the options for ensuring the financial sustainability of the nursery. In the meantime, the nursery's revenue reserves provide funding to cover immaterial deficits that may be incurred.

9. Analysis of grant expenditure

All grants are made to organisations. All grants have been made to Torbay and South Devon NHS Foundation Trust with no exceptions (2019/20: one exception, £3k).

An analysis of grant expenditure by type of activity is given in Note 8, which also discloses the support costs allocated to each category of grant expenditure.

10. Support costs

	Basis of allocation	Charitable activities £'000	Total 2020/21 £'000	Total 2019/20 £'000
External audit fees	Value of balance	14	14	7
Staffing cost - governance activities	Value of balance	15	15	16
Total governance cost		29	29	23
Staffing cost - administrative activities	Value of expenditure	47	47	37
Other costs - administrative activities	Value of expenditure	0	0	0
		76	76	60

Support costs are those costs which can not be directly attributed to an individual activity. These include the cost of the staff who administer the charity and governance costs (such as the audit fee). In deciding upon a basis for allocating support costs, the charity has considered the Charity Commission's 'NHS Charities Guidance' section G.3. The charity believes that 'value of balance' is the most appropriate basis of allocation for governance costs, as the value of funds is a key driver for governance activities, and 'value of expenditure' is the most appropriate basis of allocation for day to day management/administration costs, as management of expenditure is the principal administrative activity. Support costs are allocated across c 200 separate funds. This is a complex process and, as such, the charity does not consider that it would be sensible to adopt more complex bases of apportionment. Support costs are allocated between fund types in line with the above bases of apportionment.

Most support costs are incurred by the Foundation Trust and recharged to the charity, as disclosed in Note 3 and as described in Note 12. Support costs have risen in 2020/21, due to the costs of administering the very generous donations in response to the Covid pandemic.

Grant expenditure tends to consist of one-off discretionary projects. By contrast, Rainbow nursery expenditure mainly consists of recurring costs which are simple to administer, once set up. The allocation of support costs takes account of this distinction and reduces the allocation to Rainbow nursery accordingly.

Analysis of support costs by fund

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020/21 £'000	Total 2019/20 £'000
Capital equipment	0	0	0	0	5
Patient welfare	6	62	0	68	45
Staff welfare	0	2	0	2	0
Staff development	0	1	0	1	2
Research	0	0	0	0	3
Rainbow nursery expenditure	0	5	0	5	5
	6	70	0	76	60

Notes to the Accounts

11. Auditors' remuneration

The auditors' remuneration of £14k (2019/20 £7k) related to the audit with no additional work undertaken (2019/20: none).

12. Analysis of staffing cost

	Rainbow nursery £'000	Support costs £'000	Total 2020/21 £'000	Total 2019/20 £'000
Wages and salaries	434	51	485	458
Social security costs	25	4	29	25
Employer contributions to NHS Pension Scheme	60	7	67	61
	519	62	581	544
Average headcount	37.1	8.3	45.4	48.8
Average whole-time equivalent	20.3	1.4	21.7	22.0

The charity does not issue contracts of employment. The values disclosed above relate to staff who are employed on contracts of employment issued by Torbay and South Devon NHS Foundation Trust but who are effectively under the control of the charity and are therefore treated as employees of the charity. From time to time the charity, in addition, provides funding to the Foundation Trust to support other staff posts (eg research posts) but does not control these individuals, who are therefore not considered to be employees of the charity and are not included within the values disclosed above.

There are no employees who received employee benefits excluding employer pension costs of more than £60,000 (2019/20: none).

13. Investments

13.1 Fixed asset investments by class

	Total value held in the UK 31/03/2021 £'000	Total value held in the UK 31/03/2020 £'000
Listed investments - at fair value	1,644	1,653
Cash or cash equivalents	45	8
Total	1,689	1,661

13.2 Movement in fixed asset investments - listed investments

	2020/21 £'000	2019/20 £'000
Market value brought forward at 1st April	1,653	1,767
Purchases at cost	507	296
Disposals at carrying value	(680)	(273)
Unrealised gain/(loss) on revaluation	164	(137)
Market valuation as at 31st March	1,644	1,653

Notes to the Accounts

13. Investments (continued)**13.3 Movement in fixed asset investments - cash or cash equivalents**

	2020/21 £'000	2019/20 £'000
Brought forward at 1st April	8	54
Proceeds on disposal of listed investments	745	250
Purchases of listed investments	(507)	(296)
Purchased interest	(1)	0
Cash withdrawn from the investment portfolio	(200)	0
Value as at 31st March	45	8

During 2020/21 the charity made withdrawals from the investment portfolio totalling £200k (2019/20: £0k). These withdrawals were made in order to fund planned reductions in reserves (as described in the Annual Report).

13.4 (Losses)/gains on investments

	2020/21 £'000	2019/20 £'000
Realised gains/(losses)	65	(23)
Unrealised gains/(losses)	164	(137)
Total	229	(160)

14. Debtors

	Total 31/03/2021 £'000	Total 31/03/2020 £'000
Trade debtors	65	234
Prepayments and accrued income	12	12
Total	77	246

15. Cash at bank and in hand

	Total 31/03/2021 £'000	Total 31/03/2020 £'000
Current account	300	43
Deposit accounts	4	4
Total	304	47

16. Creditors: amounts falling due within one year

	Total 31/03/2021 £'000	Total 31/03/2020 £'000
Accruals	(72)	(33)
Deferred Income	0	(15)
Torbay and South Devon NHS Foundation Trust	(76)	(795)
Total	(148)	(843)

Creditors are unsecured, repayable on demand and not subject to interest. Creditors have reduced significantly during the year. The most significant cause is grants written back (see note 21).

Analysis of movement in deferred income:

	2019/20 £'000	2019/20 £'000
Deferred income brought forward at 1 April	(15)	(4)
Release in year of deferred income brought forward	15	4
Recognition in year of new deferred income	0	(15)
Deferred income carried forward at 31 March	0	(15)

Deferred income relates to the activities of the Rainbow nursery. Nursery income is deferred where it is received in advance of the delivery of the corresponding nursery services.

17. Contingent assets - legacies

As at 31 March 2021 there was one (31/03/2020: none) legacy where probate had been granted but where income had not been recognised because the value could not be measured with sufficient reliability. This relates to the kind bequest of a collection of musical equipment, the value of which will not be estimable until the executor of the will has been able to arrange a valuation by an appropriate auction house.

Notes to the Accounts

18. Analysis of funds

	Balance 31/03/2020 £'000	Incoming resources £'000	Resources expended £'000	Gains and losses £'000	Transfers £'000	Balance 31/03/2021 £'000
Endowment funds (see also note 18.1)						
Torbay Hospital PGMC Fund	56	0	(1)	12	0	67
Ashburton Hospital Easterbrook Bequest	16	0	0	3	0	19
Newton Abbot Hospital Easterbrook Bequest	16	0	0	3	0	19
Newton Abbot Hospital Blake Bequest	193	0	(3)	40	0	230
Newton Abbot Hospital Gribble Bequest	15	0	0	3	0	18
Total Endowment funds	296	0	(4)	61	0	353
Restricted income funds (see also note 18.2)						
Torbay Hospital Patients	82	27	50	18	0	177
Torbay Hospital Cancer Services	16	47	(6)	4	0	61
Torbay Hospital Heart & Lung Unit	44	6	13	8	0	71
Torbay Hospital Staff	40	595	(567)	8	0	76
Torbay Hospital General	81	478	(254)	33	0	338
Paignton Hospital General	65	3	(3)	13	0	78
Torbay Hospital General Surgery & Urology	32	10	9	10	0	61
Torbay Hospital Gastroenterology	11	0	14	2	0	27
Torbay Hospital Radiology	24	13	(4)	5	0	38
Torbay Hospital Radiotherapy	28	5	6	5	0	44
Torbay Hospital Laboratory Medicine	32	4	11	7	0	54
Torbay Hospital Maternity	12	4	(1)	2	0	17
Torbay Hospital Ophthalmology	20	2	7	4	0	33
Torbay Hospital Endocrinology	28	1	0	6	0	35
Others (6)	20	14	6	4	0	44
Total Restricted funds	535	1,209	(719)	129	0	1,154
Unrestricted income funds (see also note 18.3)						
Community Hospitals	34	88	(57)	7	0	72
Other	246	37	28	32	0	343
Total Unrestricted funds	280	125	(29)	39	0	415
Total funds	1,111	1,334	(752)	229	0	1,922

Some expenditure values above show as positive values, due to the impact of the Foundation Trust's waiver during the year of a £400k grant balance owing to it.

Notes to the Accounts

18. Analysis of funds (continued)

18.1 Details of material Endowment funds

Torbay Hospital Post Graduate Medical Centre (PGMC) Fund - a gift from the South West Regional Hospital Board in 1973, to be held in perpetuity and the income from which is applied to the Torbay Hospital Bursary fund to be used :-

- a) to finance projects of an educational or research nature;
- b) to contribute to expenses for conferences ; and
- c) to award prizes.

Ashburton Hospital Easterbrook Bequest - a legacy from the estate of the late Elsie Easterbrook, the will being dated 1973, to be held in perpetuity for the benefit of Ashburton Hospital. The income generated is applied to the Ashburton Hospital General Fund.

Newton Abbot Hospital Easterbrook Bequest - a legacy from the estate of the late Elsie Easterbrook, the will being dated 1973, to be held in perpetuity for the benefit of Newton Abbot Hospital. The income generated is applied to the Newton Abbot Hospital General Fund.

Newton Abbot Hospital Blake Bequest - a legacy from the estate of the late Elizabeth Blake who died in 1938 to be held in perpetuity for the benefit of Newton Abbot Hospital. The income generated is applied to the Newton Abbot Hospital General Fund.

Newton Abbot Hospital Gribble Bequest - a legacy from the estate of the late Frederick Gribble who died in 1943 to be held in perpetuity for the benefit of Newton Abbot Hospital. The income generated is applied to the Newton Abbot Hospital General Fund.

18.2 Details of material restricted funds

Torbay Hospital Patients - For the relief of patients treated at Torbay Hospital, Torquay, Devon through the purchase of, for example, medical equipment and staff training & education.

Torbay Hospital Cancer Services - For any charitable purposes in connection with Cancer Services, Torbay Hospital.

Torbay Hospital Heart & Lung Unit - For any charitable purposes in connection with the Heart & Lung Unit, Torbay Hospital.

Torbay Hospital Staff - For the relief of sickness by promoting efficient performance by the staff of Torbay Hospital. This includes the Rainbow Day Nursery , Christmas and other social functions.

Torbay Hospital General - For any charitable purposes for Torbay Hospital, Torquay, Devon, including donations from the Torbay Hospital League of Friends.

Paignton Hospital General - For any charitable purposes for Paignton Hospital, Devon, including donations from the Paignton Hospital League of Friends.

Torbay Hospital General Surgery & Urology - For any charitable purposes in connection with the General Surgery & Urology Directorate, Torbay Hospital.

Torbay Hospital Gastroenterology - For any charitable purposes in connection with the Gastroenterology Unit, Torbay Hospital.

Torbay Hospital Radiology - For any charitable purposes in connection with the Radiology Directorate, Torbay Hospital

Torbay Hospital Radiotherapy - For any charitable purposes in connection with the Radiotherapy Department, Torbay Hospital

Torbay Hospital Laboratory Medicine - For any charitable purposes in connection with the Laboratory Medicine Directorate, Torbay Hospital

Torbay Hospital Maternity - For any charitable purposes in connection with the Maternity Department, Torbay Hospital

Torbay Hospital Ophthalmology - For any charitable purpose in connection with the Ophthalmology Department, Torbay Hospital

Torbay Hospital Endocrinology - For any charitable purposes in connection with the Endocrinology Service, Torbay Hospital

Other restricted funds relate to other wards and clinical departments at Torbay Hospital and other community hospitals as listed in the foreword for which donors have indicated their wishes when making their generous gifts.

Notes to the Accounts

18. Analysis of funds (continued)

18.3 Details of material unrestricted funds

Community Hospitals - for any charitable purpose or purposes in connection with the Community Hospitals operated by Torbay and South Devon NHS Foundation Trust, with the exception of Brixham and Paignton Community Hospitals (which each have their own Restricted Funds).

19. Ultimate holding organisation

The ultimate controlling party of the charity is Torbay and South Devon NHS Foundation Trust, which is the Corporate Trustee of the charity. The Foundation Trust provides NHS healthcare and social care services to the Torbay and South Devon area. Its registered address is Torbay Hospital, Lowes Bridge, Torquay, TQ2 7AA.

Copies of the 2020/21 Annual Report and Financial Statements of Torbay and South Devon NHS Foundation Trust can be obtained by writing to: Chief Finance Officer, Torbay and South Devon NHS Foundation Trust, Torbay Hospital, Lowes Bridge,

20. Mergers

The charity has not undertaken any mergers with other charities.

21. Grants written back

During the year, the Trust waived its right to receive the outstanding balance of £400,000 on the £1,000,000 grant awarded to it by the charity in March 2018 (see section 6 of the Trustee's Report for further details). This has had the following material impacts upon the financial statements:

- The charity has duly recorded a grant write back of £400,000 to its Statement of Financial Activities. This is shown within the category for 'Other Expenditure'.
- The charity has disclosed this transaction in note 3 (Related Party Transactions).
- The consequent reduction in the grant liability has contributed to a significant reduction in creditors on the balance sheet (as described further in section 10 of the Trustee's Report) and a corresponding movement on the Cash Flow Statement.