Torbay and South Devon NHS Foundation Trust

Annual Report and Accounts 2019/20

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Presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006

Contents

Foreword by the Chairman and Chief Executive

Welcome to the Annual Report 2019/20 for Torbay and South Devon NHS Foundation Trust. This report summarises our achievements and challenges over the past 12 months, our ambitions for 2020/21 and describes the context in which we have operated.

We start though by referring to the last few months and the significant challenges faced by the NHS as a consequence of the COVID-19 Pandemic. The NHS has well-rehearsed plans for responding to emergencies including a pandemic. The scale and speed of the spread of COVID-19 is unprecedented in our lifetimes, and we have had to put all our contingency planning to good use.

Although the South West has not, so far, seen as high an incidence as the rest of the country, we have treated many patients with COVID-19. This has involved reconfiguring hospital services to treat both COVID and non-COVID patients safely and standing down non-urgent activity. This way our staff could continue to focus on providing high-quality urgent and emergency care both in our hospitals and across our communities. We have also provided support to our colleagues in care homes, a number of whose residents and staff have been affected.

Our hearts go out to all those affected, and our thanks go to our staff, whose commitment, compassion, professionalism and flexibility has been extraordinary.

At the time of writing, we are working to re-introduce more of our non-urgent hospital services. As we do so, we will take the learning from COVID-19 to improve services for the future. This includes making more use of new technology for outpatient clinics and some diagnostics, and building on our team-working with partners in other hospitals, GPs, councils, care homes and the voluntary sector.

Looking a little further back, to 2019, we introduced a new service delivery structure, based on our five localities Coastal, Moor to Sea, Newton Abbot, Paignton and Brixham, and Torquay, with each locality also taking responsibility for a range of services and pathways that cover both community and hospital. Local people are already benefiting from the change, as GPs play a key role within these teams to create links between our health and care staff in their communities and our hospitals.

Many of our services are delivered in partnership with the voluntary sector, so that we focus on people's overall wellbeing, not just their mental or physical health conditions. This year we celebrated the opening or our new Friends Centre in Brixham, which is run by the voluntary sector. We continue to work on plans for new Health and Wellbeing Centres in local communities, including Dartmouth and Teignmouth, to bring health and care services and staff together.

We have also had good news from the government: we have received confirmation of HIP2 funding to transform our ageing physical and digital infrastructure. This is not just about a new hospital: it is about re-designing services to meet our population's needs for the next 30 to 50 years, and ensuring we have the right facilities to support modern ways of delivering health and care. In future, many services could be provided in new ways and/or from different locations, sometimes in shared or networked services with other

partners. We will fully involve our staff, our partners and local people in developing these plans over the coming months and years.

Any building work is at least five years away, so in the meantime we are reviewing how we provide our current services. For example, our Emergency Department urgently needs redesign to provide a better experience for patients and staff alike. Any interim changes we make will be so that we can continue to provide the best possible care to local people, whilst supporting our staff and making best use of our funding and our estate.

Finally, as we prepare to adapt to a new normal, in which we might need to rapidly respond to a resurgence of COVID-19, we are immensely proud of the contribution our people have made throughout the year. A very heartfelt and sincere thank you to all our staff and partners for their extraordinary efforts during a year of significant challenges and change for our Foundation Trust.

Richard Ibbotson, KBE, CB, DSC, DL

Chairman

24 June 2020

Liz Davenport

Chief Executive

24 June 2020

Part I – Performance Report

Overview of performance

The purpose of this overview of performance is to provide the reader with sufficient information to understand the organisation, its purpose, main objectives, the key risks to the achievement of its objectives, and how it has performed during the year. More detailed information on the arrangements in place and the Foundation Trust's approach to ensure services are well-led is given in the Performance Analysis Report and the Annual Governance Statement.

The Performance Report highlights some of the main developments to Torbay and South Devon NHS Foundation Trust's services and the improvements we have made to care over the past year, whilst also reporting on how the Foundation Trust performed against key national and locally determined clinical standards.

In doing so it is important to stress that the impact of the COVID-19 Pandemic was hugely significant for the NHS and important for the Foundation Trust in terms of financial, operational performance and workforce. The impact on performance was felt towards the end of the 2019/20 financial year with ongoing impact in to 2020/21.

The Performance Report outlines the position as at 31 March 2020 and provides commentary on relevant post year-end matters.

Chief Executive's statement on performance

Torbay and South Devon Foundation Trust is under enormous pressure to meet the health and social care needs of a growing and diverse population, alongside great changes to the infrastructure of the NHS and a difficult financial climate. The Foundation Trust's performance against a range of national targets and standards is assessed and reported externally. These measures include the 4-hour emergency care standard; cancer referral targets; infection control standards; 18-week waiting times and staffing levels. For most of the objectives or indicators, a rating of either Green or Red is applied based on the position to date against the threshold set. In some cases, an Amber rating is applied for reasons such as the objective/indicator area being currently on hold or as an early warning that an area being measured on a quarterly or annual basis is currently behind plan. Supporting commentary is provided together with trend charts showing the position over the previous five quarters or fifteen months, depending on the frequency of the measurement period. The Board considers an Integrated Performance Report at each meeting which describes performance against these targets and any action being taken to address dips in performance. This is informed by detailed review at a group and executive level prior to the Board meeting. Monitoring of performance during the year was delivered via the newly created Integrated Service Units ('ISUs') each of which are responsible for delivering services to their localities (Coastal, Moor to Sea, Newton Abbot, Paignton and Brixham, and Torquay). Performance monitoring enabled each of the ISU's to review quality and performance dashboards relevant to their services on a monthly basis and to present plans where there were risks or concerns. There is also detailed scrutiny of the different elements of the Integrated Performance Report through the Finance, Performance and Digital Committee. Each quarter the Board confirms the position of each

of these metrics to NHS Improvement. Details of the Foundation Trust's performance during the year can be seen below.

Purpose and activities of the Foundation Trust

Our purpose is to provide safe, high-quality care including social care and community care services at the right time and in the right place to support the people of Torbay and South Devon to live their lives to the full.
We do this because we want people to:

- Be empowered to manage their own health and care needs;
- Work in partnership with professionals;
- Only tell us their story once;
- Access seamless care easily;
- Have care in or close to home, whenever appropriate; and
- Work together as a community to look after health and care needs.

Torbay and South Devon NHS Foundation Trust provides high quality, personalised acute, elective, specialist, social care and community care services to a resident population of over 290,000 people, plus about 100,000 visitors at any one time during the summer holiday season.

We employ over 6,500 staff including front-line health and social care staff, such as nurses, occupational therapists, social workers, consultants and physiotherapists who work in people's homes and community settings. Prior to COVID-19, we had over 650 volunteers working in Torbay Hospital and across the community. Of these nearly 90 were Youth Volunteers aged between 16 and 25, and over 150 were volunteers from our Leagues of Friends, who also fundraise to help support the Foundation Trust. The public support in response to COVID-19 has been amazing and enabled us to recruit an additional 32 volunteers, bringing our total volunteer's numbers to almost 700.

Approximately 75,000 people received treatment in our Emergency Department during the year, and 41,000 were treated in our Minor Injury Units. There were around 500,000 face-to-face contacts with service users and carers in their homes and communities each year. The Foundation Trust has an annual operating budget of over £500million.

We provide services from our main hospital site, Torbay Hospital, and from community hospitals and health centres. Our main services are commissioned by Devon Clinical Commissioning Group as well as Torbay Council and Devon County Council.

In addition to partnerships with its commissioners, the Foundation Trust has also developed a range of strategic and business partnerships, including;

- The Foundation Trust is a partner in a Limited Liability Partnership *(Health and Care Innovations LLP)* providing health care videos developed by clinicians and specialists to improve the patient and user experience of the care we provide;
- The Foundation Trust has a wholly owned subsidiary providing an on-site pharmaceutical dispensary at Torbay Hospital;

- The Foundation Trust is a partner in a Limited Liability Partnership to support the Foundation Trust's ambitions to develop new buildings to replace out-of-date facilities;
- With three other Devon NHS Foundation Trusts, the Foundation Trust has joined the University of Exeter's new Academy of Nursing. This will help to bolster the nursing profession through development and training, with our local nurses at the forefront of regional, national and international advances in care; and
- The Foundation Trust partnered with the University of Plymouth to launch the Torbay Clinical School, to promote clinical research.

History and statutory background of the Foundation Trust

Torbay and South Devon NHS Foundation Trust ('the Foundation Trust') is a statutory body which, in October 2015, became a public benefit corporation, following its approval as an NHS Foundation Trust by the Independent Regulator of the NHS Foundation Trusts authorised under the Health and Social Care (Community Health and Standards) Act 2006.

The Foundation Trust was established on 1 October 2015 following the acquisition of Torbay and Southern Devon Health and Care NHS Trust (providing community and adult social care) by South Devon Healthcare NHS Foundation Trust (providing acute services), thereby enabling the new organisation to implement a new model of integrated care. In creating the Integrated Care Organisation, a financial Risk Share Agreement was established with our partners, which has stood us in good stead and enabled major changes to how health and care is delivered for our local population.

The principal location of business of the Foundation Trust is Torbay Hospital, Lowes Bridge, Torquay TQ2 7AA.

In addition to the above, the Foundation Trust has registered the following locations with the Care Quality Commission:

- Ashburton and Buckfastleigh Hospital, Eastern Road, Ashburton TQ13 7AP;
- Brixham Hospital, Greenswood Road, Brixham TQ5 9HN;
- Brunel Dental Centre, Brunel Industrial Estate, Newton Abbot TQ12 4XX;
- Castle Circus Health Centre, Abbey Road, Torquay TQ2 5YH;
- Dartmouth Clinic, Mayors Avenue, Dartmouth TQ6 9NF;
- Dawlish Hospital, Barton Terrace Dawlish EX7 9DH;
- Kingsbridge Hospital (South Hams) Special Care Dental, Plymouth Road, Kingsbridge TQ7 1AT;
- Newton Abbot Hospital, Jetty Marsh Road, Newton Abbot TQ12 2TS;
- Paignton Hospital, Church Street, Paignton TQ3 3AG;
- St Edmunds Victoria Park Road, Torquay TQ1 3QH;
- Tavistock Special Care Dental Service, 70 Plymouth Road, Tavistock PL19 8BX;
- Teignmouth Hospital, Mill Lane, Teignmouth TQ14 9BQ;
- Totnes Hospital, Coronation Road, Totnes TQ9 5GH; and
- Walnut Lodge, Walnut Road, Torquay TQ2 6HP.

The Foundation Trust is registered with the Care Quality Commission without conditions and provides the following regulated activities across the stated locations:

- Diagnostic and screening procedures;
- Family planning services;
- Management of supply of blood and blood derived products;
- Maternity and midwifery services;
- Assessment of medical treatment for patients detained under the 1983 Act;
- Surgical procedures;
- Termination of pregnancies;
- Transport services, triage and medical advice provided remotely; and
- Treatment of disease, disorder or injury.

As a Foundation Trust responsible for public funds, the Board of Directors is accountable to local people represented by the Council of Governors. Full guidance on how Foundation Trusts are required to operate is available from NHS Improvement.

Highlights of the year 2019/20

During 2019/20 we received an income of over £500 million to invest in healthcare services and we did this through delivery of our Operational Plan, which set out our priorities for the year. The Board reviewed progress against the 2019/20 Operational Plan and a mid-year review was undertaken in October 2019.

In September 2019, the Foundation Trust was identified as one of the Trusts included in the second wave of the Health Infrastructure Plan ('HIP2'). The investment plans announced by the Prime Minister will enable investment in the health infrastructure. As we seize the opportunity with Government funding to make the most of a once-in-a-lifetime change to redesign the shape, delivery and location of acute and community services, we are not standing still as the following developments illustrate:

- Two theatres reopened after £2.3m upgrade with state-of-the-art facilities;
- New-look 'Staff Heroes' awards launched, recognising our people going beyond the call of duty;
- Endoscopy equipment worth £1.3m handed over by Torbay Hospital League of Friends;
- The Foundation Trust was given approval to be one of a few sites in the UK to be on the Pathway to Excellence programme – to improve nursing satisfaction and retention; and
- Chief Nursing Officer for England awarded two of her individual nursing awards and a team award during a visit to Torbay Hospital.

Further notable achievements during the year included:

Supporting our staff

- Our People Plan – staff engagement process launched to co-create a great place to work together;

- Smoke free site policy re-launched;
- A new £250,000 grant offered by the Torbay Medical Research Fund to support research by health professionals in Torbay and South Devon;
- Community children's nurse Lisa Pullen, awarded Queen's Nurse;
- First Health and Wellbeing Staff Olympics staged;
- Winter flu vaccination campaign vaccinating staff to protect patients;
- Health and care staff learning about living with dementia via virtual reality interactive experience;
- Home First initiative developed as one of the ways to improve patient flow in response to increased demand for acute services and other winter pressures;
- First reunion for all staff who had attended a HOPE Programme (Help Overcoming Problems Effectively) to catch up with colleagues and facilitators;
- Menopause self-help group formed;
- Development and expansion of the Foundation Trust's coaching programme;
- Roundtable event discussing issues of bullying. Development of a training programme and network of advisors with a go live date of 1st April;
- 'Jigsaw'; our network of people trained in Critical Incident Stress Management have supported a number of areas following difficult events across the Foundation Trust;
- Development of a 'Staff Experience network' overseeing information about staff wellbeing and experience across the Foundation Trust to help to make improvements;
- New staff development programme and community peer "reflective practice" forums launched in Adult Social Care; and
- Board established a new sub-committee – People Committee in October 2019 to provide Board-level focus on delivery of the Foundation Trust's People Plan.

Working with communities (wellbeing through partnerships)

- Design unveiled as part of public awareness sessions for proposed new-build of the Dartmouth Health and Wellbeing Centre;
- Brixham Friends Centre opened funded by Brixham Community Hospital League of Friends and run by Brixham Cares voluntary group;
- Torbay Hospital League of Friends opened newly-refurbished hub on Level 2 at Torbay Hospital;
- Our Young Volunteers funded to expand and recruit paid staff;
- 'Strength and Balance' classes launched in community areas;
- 'Red bag' scheme launched to improve care home residents' hospital transfers;
- Supported the Armed Forces community by signing up to the Armed Forces Covenant with Army's 6 Rifles, the Rifles' Reserve Infantry Battalion of the South West;
- Care homes received extra GP visits during winter;
- Junior doctors actively involved in teaching CPR to pupils at Torbay schools in a national initiative; and

- ‘Community Led Support’ initiative launched in Torbay Adult Social Care, working in partnership with the voluntary sector; helping to connect people to their communities, and taking a more holistic approach to care and support.

Service developments and initiatives

- Heart patients benefit from new arterial procedure, leading to reduced waiting times and reducing time spent in hospital;
- New IT system improving care: SystmOne Community units for Intermediate Care, Community Nurses, OTs and physiotherapists implemented in Newton Abbot and Moor to Sea localities, enabling information sharing between services in the localities and with GPs;
- Latest user-friendly high-tech defibrillators installed across our sites;
- Heart patients within the area avoided longer stays in hospital as a result of specialists and community teams joining forces to use a drug innovatively;
- New cardiac physiologist qualified to increase rate of patient heart-imaging;
- Patients and clinicians jointly designing the future of outpatient work through a programme of workshops;
- A community children’s nurse with Children, Family Health Devon won an RCNi award for developing guidelines to wean babies off oxygen;
- Day Case surgery team earned two prizes at the International Ambulatory Surgery (IAAS) Congress;
- Torbay Hospital nurse became a Research Leader (one of 70 nationally) in the NIHR national research leadership programme;
- Health Visitor Service awarded UNICEF Baby Friendly Award from UNICEF;
- Podiatrists at Newton Abbot Hospital running one of only three heart screening pilot projects in the UK;
- Day surgery unit piloted a new patient pathway offering total shoulder replacement surgery - two procedures completed with same-day discharge; and
- “Talking Points” launched in Adult Social Care, offering informal early intervention and prevention, through outreach in a variety of community settings.

In 2019/20, the Foundation Trust faced a number of challenges, which are shown below and described in more detail within the Performance Analysis section and the Annual Governance Statement:

The financial risks related to:

- Achieving the required efficiency savings for 2019/20;
- The Foundation Trust’s adverse performance against its control total resulting in a re-forecast of the financial plan mid-way through the year;
- Lower income from contract healthcare, Torbay Council and the Provider Sustainability Fund; and
- The Foundation Trust’s capacity to deliver activity to the required standards and activity levels.

A number of operational risks have also been identified. These include:

- The ability to deliver the required activity levels given the sustained increase in demand for services;
- The ability to deliver the national access standards, particularly the accident and emergency 4-hour wait, the cancer maximum 62 day wait, the 18 week referral to treatment target and the diagnostic test six-week wait;
- The impact of COVID-19 on national access standards resulting in reduced attendance at accident and emergency and minor injuries centres, the standing down of elective capacity, reduced capacity for surgical treatment and diagnosis, including testing.

Our vision is a community where we are all supported and empowered to be as well and as independent as possible, able to manage our own health and wellbeing, in our own homes. When we need care, we have choice about how our needs are met only having to tell our story once.

Our values and the NHS Constitution

The NHS belongs to all of us and the NHS Constitution sets out the rights and responsibilities of patients and staff. We have adopted the core values of the NHS Constitution, consistent with our vision and our aim to improve quality through partnership. Our staff will put patients and service users first by following the NHS Constitution's core values:

- Respect and dignity;
- Commitment to quality of care;
- Compassion;
- Improving lives;
- Working together for people; and
- Everyone counts.

Our partners

Our Foundation Trust is all about working in partnership with the people we serve at the centre. We work mainly with GPs and primary care, Devon County and Torbay Councils, the local community voluntary sector, and our main commissioner, now called Devon Clinical Commissioning Group ('CCG') since the merger of NHS South Devon and Torbay CCG and NHS Northern, Eastern and Western Devon CCG, from 1 April 2019. We have plans to deliver real change in how services are provided over the next few years.

Further developing local integration

The Devon Sustainable Transformation Partnership ('STP') is now coterminous with the CCG, along with 43 other STPs in England. The STP was established to enable the pooling of resources, and expertise where appropriate, so that a sustainable health and

care system exists across Devon. Our Foundation Trust is one of the partners in the Devon STP.

The STP has been a positive catalyst for Devon. It has helped leaders build a collaborative and system-wide approach across the NHS and local government. As a result, Devon is in a stronger position in which to further integrate services health and care services for the benefit of its population. The collective work by leaders will be vital to help tackle the financial and service performance challenges to be faced.

The Foundation Trust's Medical Director is leading the Clinical Cabinet for the STP and is also leading on the establishment of a number of clinical networks that the Foundation Trust has been asked to host. These networks have been established to secure additional resilience across health and care providers through greater partnership working.

The focus of working as part of an integrated health and care system in Devon, and as an STP, has been the driver for developing innovative new approaches, as well as some major successes including the successful award of the children's services tender to the Foundation Trust through a Devon Alliance that commenced on 1 April 2019.

The STP has drawn up a draft Long Term Plan, following the parameters set out in the NHS Long Term Plan and tailored to meet the needs of Devon. This plan '*Together for Devon'* will be the blueprint for Devon as it becomes an Integrated Care System from 1 April 2020.

Whilst we have made good progress, we and our partners (i.e. our commissioners in Devon CCG, Torbay Council and Devon County Council, GPs, and local voluntary sector organisations) recognise there are further integration opportunities that would help to improve the health, care, and wellbeing of our local population. We believe that the best way to build on our achievements is to continue to focus on optimising the care model to support local people in their communities, rather than in bed based care, whenever it is safe to do so.

Key risks to performance, NHSE/NHSI standards, emergency access, 4-hour ED wait

As part of good governance, the Foundation Trust continues to identify potential risks to achieving its strategic developments. During 2019/20 the Foundation Trust continued to embed its risk management processes with a review of the risk management arrangements and the risk management strategy. These were further strengthened in 2019/20 with the development of the Board's risk appetite against each of the strategic risks in the Foundation Trust's Board Assurance Framework.

The Foundation Trust also reviewed and implemented refreshed governance arrangements, with the introduction of a People Committee. There is a regular review of the Board Assurance Framework and the high level risk register at the Board and its sub-committees.

A detailed description of the principle risks and uncertainties facing the Foundation Trust is set out in more detail in the Annual Governance Statement. The key risks to the Foundation Trust during 2019/20 were:

Financial position

The Foundation Trust continued to operate in a difficult financial environment being shaped by the national financial picture with the on-going need to reduce the public deficit and bring NHS finances at a national level back into balance. This sits alongside delivering year on year efficiency savings; investing in developing technology; maintaining an aging estate; and, responding to increasing demand and seasonal pressures.

Demand for services

The demand for services and the numbers of patients attending Accident and Emergency (A&E) continued in 2019/20. The aging estate and overcrowding in A&E impaired the Foundation Trust's ability to manage patient flow at an optimum level. As a result, there had been at times significant escalation beds opened, over and above the planned additional winter beds. This also placed additional pressure on the staffing levels across the Foundation Trust and staff morale.

Performance

In 2019/20, the Foundation Trust did not deliver the level of performance expected against the all of the key NHSE/NHSI performance standards. However good progress has been made in delivery additional capacity and service changes as part of the agreed recovery plan for 2020/21.

The onset of COVID-19 has had an impact on the final end of year reported performance. The challenge into 2020/21 will be to respond to the changing needs of the COVID-19 escalation and maintain critical services for the most clinically urgent patient's whist supporting longer term recovery plans for the patient's requiring more routine and less time-critical interventions.

A summary of the key clinical access performance standards used by regulators to assess our performance is set out below in the Performance Analysis Section.

Transformation and partnerships

During 2019/20 the Foundation Trust has seen significant steps forward in the development of its transformation and partnership working on a local and system-wide level. All Board members have played a role in supporting partnership working and with the formation of a shadow Integrated Care System ('ICS') in 2020 this will progress. These partnership arrangements require, and will require as we move in to 2020/21, significant attention and commitment. It is important that these are balanced against the needs of the Foundation Trust to ensure that work is progressed at pace on a partnership level to deliver the needed changes in activity and patient care, while keeping a focus on performance and quality of services within the Foundation Trust.

Further detail on key risks are set out in the Annual Governance Statement.

Going concern

The Foundation Trust's financial statement have been prepared on a going concern basis.

International Accounting Standard IAS) 1 requires the Board to assess, as part of the accounts preparation process, the Foundation Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without transfer of its services to another entity within the public sector.

In preparing the financial statements the Board of Directors has considered the Foundation Trust's overall financial position against the requirements of IAS1. The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the COVID-19 outbreak which has had profound effects upon the operations of health services throughout the UK. As a consequence, NHS finances have been significantly impacted at a national and local level.

The Board has also based its Going Concern assessment on guidance from NHS Improvement and NHS England ('NHSI/NHSE').

Continuity of service

It is critical that the Foundation Trust has certainty regarding cash inflows over the next few months due to the impact of COVID-19. To facilitate this NHSI/NHSE will make block payments to all NHS Providers for the first four months of 2020/21 (to July 2020) guaranteeing a minimum level of income. This covers all services directly commissioned by regional teams and specialised commissioning hubs.

The NHS Long Term Plan includes financial settlement which puts the NHS on a sustainable footing by moving away from a system where provider deficits are the norm.

As is the case with many other Trusts, the Foundation Trust is reliant on cash funding from the Department of Health and Social Care ('DHSC') to continue its operations, and has had interim revenue support loans totalling £14.7m for 2019/20. These have been drawn down in line with forecasts. Interim capital loans totalling £3.0m have also been drawn down during 2019/20. With accrued interest, the total liability of these interim loans totals £17.8m as at 31st March 2020.

Liquidity

The Board of Directors has a reasonable expectation that the Foundation Trust will have access to adequate resources to continue to deliver the full range of mandatory services for the foreseeable future.

On 2 April 2020, the DHSC and NHSI/NHSE announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans, as at 31 March 2020, will be extinguished and replaced with the issue of Public

Dividend Capital ('PDC') to allow the repayment. The affected loans totalling £17.8m are classified as current liabilities within these financial statements.

The Foundation Trust has £26.3m in DHSC revenue related loans and £41.9m in DHSC capital loans, at 31 March 2020, of which £17.8m relate to Interim loans that DHSC have confirmed will be converted to PDC during 2020/21.

In addition to the above DHSC loans, the Foundation Trust has a Revolving Working Capital Facility loan ('RWCF') of £11m which is due for repayment in full during September 2020. The Foundation Trust has received assurance from NHSI/E that this will be either converted into another loan facility or into PDC, but this was not explicitly covered by the DHSC announcement on 2 April 2020.

Although the Foundation Trust has a savings plan for 2020/21, a 'route to cash' has not been developed for a number of schemes.

Net current liabilities at 31 March 2020 are recorded as £36.1m. Excluding the £17.8m of interim revenue loans from this position reduces the net current liability to £18.3m. If the RWCF is also converted to PDC, net current liabilities would equate to £7.3m.

For 2020/21, for those organisations that have agreed a Revenue Control Total with NHSI/E, the Financial Recovery Fund ('FRF'), will be the sole source of financial support for NHS providers and CCG's that are otherwise unable to live within their means. Organisations' entitlement to FRF will continue to depend on full-year financial performance and, where financial trajectories are not achieved, any FRF that has been paid but not earnt will be converted to DHSC financing (PDC).

Future revenue support will also be available for organisations that have been unable to agree a Revenue Control Total with NHSI/E, that is, providers in financial distress. This support will be provided as PDC (rather than loans) and does not require principal repayment but carries a dividend payable at the current PDC rate (3.5%).

The changes in the cash regime from 1 April 2020 alongside the short term COVID-19 measures provide a degree of assurance regarding future revenue funding despite the Trust's historic performance in relation to achievement of planned cost reductions.

This in turn provides reassurance over the Foundation Trust's ability to continue as a Going Concern.

In further support of this conclusion, and recognising the heighted 'Going Concern' uncertainty generated by COVID-19, NHSI/NHSE issued a joint statement on 27 May 2020 which incorporates the following paragraph, reaffirming 'continuity of service' and government funding:

> *"In March 2020 we announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. In May 2020 we issued revised financial management guidance to CCGs for the corresponding period. We are not yet able to definitively announce the contracting arrangements that will be in place for the rest of 2020/21 and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG*

allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this."

Conclusion

The Foundation Trust recognises that the recurrent deficit alongside its ability to achieve planned cost reductions indicate that there is a material uncertainty which may cast significant doubt about the Foundation Trust's ability to continue as a Going Concern. The financial statements do not include the adjustments that would result if the Group or the Foundation Trust were unable to continue as a going concern. However, the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this.

While the Foundation Trust is planning a revenue deficit position again during 2020/21, it does so with the full knowledge of the above as the Foundation Trust has not received any notice of discontinuation or notice of transfer of its services to another entity, and accordingly it intends to prepare its accounts on a going concern basis.

Performance Analysis

National and Local Standards

The purpose of this overview of performance is to provide the reader with sufficient information to understand how the organisation has performed against key regulator standards during the year.

During the reporting period, performance reports were provided monthly to the Finance, Performance and Digital Committee and the Board. These reports covered all the key national and local performance standards to provide assurance to the Board.

In 2019/20, against the operational performance indicators described in the Single Oversight Framework that are monitored by NHSI, we have performed as follows:

	Target			Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NHS I - OPERATIONAL PERFORMANCE								
A&E - patients seen within 4 hours	>95%			81.0%	80.3%	80.7%	77.9%	86.1%
Referral to treatment - % Incomplete pathways <18 wks	>92%			81.2%	81.5%	80.4%	79.9%	76.4%
RTT 52 week wait incomplete pathway	0			82	83	89	71	53
Cancer - 62-day wait for first treatment - 2ww referral	>85%			73.7%	78.8%	78.9%	85.9%	74.3%
Cancer - Two week wait from referral to date 1st seen	>93%			79.9%	69.5%	88.3%	85.3%	87.1%
Diagnostic tests longer than the 6 week standard	<1%			10.1%	11.7%	15.7%	7.9%	11.3%

4 Hour Emergency Department ('ED') waiting times:
In 2019/20, performance has remained below the agreed trajectory, averaging 80% against the National target of 95% of patients waiting less than 4 hours for completion of treatment / admission.

The size and age of the department and physical constraints of co locating ED and emergency floor assessment areas have remained a significant challenge to delivering improved performance. This has been widely recognised and the department awarded a significant capital scheme of £13m to facilitate improvements in physical space and environment. These plans have been developed and awaiting sign off.
Over the year there has been demonstrable progress with service improvement to:

- streamline urgent care pathways;
- increase earlier senior decision making;
- improve access to beds at peak times for admission; and
- build capacity for pathways into community and alternative settings of care.

These improvements have been facilitated through the three services improvement workstreams described below and under the leadership of the Urgent and Emergency Care Improvement board.

- Emergency Department: Focus on optimising safety and timeliness of care across the Emergency and medical assessment pathways;

- Wards: Focus on Inpatient pathways of care with improved proactive clinical pathway management using nationally recognised RED to GREEN methodology. Improvements have been seen in reduced numbers of delayed discharges, a reduction in long length of stay and increasing timeliness to diagnostic and senior clinical review 7 days a week; and
- Home first: community capacity to prevent admissions and support more patients at home.

Work has progressed with the design and resourcing of a new medical model for managing patients referred for medical review either via ED or by direct GP referral. This model of care has required investment to increase staffing levels to extend hours of senior front line presence including weekends in the assessment ward areas.

Progress has also been made with recruitment to nursing and middle grade doctor posts within ED. These substantive recruitments have increased staffing resilience and team working across the emergency department and inpatient medical assessment teams. In addition, investment has been made in a senior management and nursing posts to improve the capacity within the department.

In March 2020 the hospital had to respond to the escalating COVID-19 pandemic. This led to a radical redesign of emergency department footprint, processes and flow. The ability to embrace change proved to be vital and to date the Trust has managed to rapidly respond to the changing needs of emergency assessment.

Looking forward to 2020/21 these challenges will continue, and we anticipate seeing ongoing developments that will include maintaining good practices for pandemic management and surge demand.

Referral to Treatment (RTT) access times: In 2019/20 plans to increase capacity in critical areas have been progressed. This culminated with increased substantive workforce in many of the key areas including urology and general surgery with the longest RTT waits. In November 2019 the refurbishment of two clean air operating theatres was completed, and this led to an increased level of activity and steady reduction in our number of longest waiting patient's over 52 weeks. This together with additional sessions supported from "South West region winter monies" demonstrated progress to eliminate 52 week waits with 43 achieved by end of February with a forecast of achieving 19 by the end of March. Over the course of the year the total number of patients waiting for treatment remained in line with our agreed plan. The long waits recovery plans also supported additional capacity and improved ways of working that delivered a reduction in diagnostic waiting times and additional outpatient activity in critical areas.

With the escalation of COVID-19 and standing down on non-urgent elective activity in March this was not achieved, and the impacts on access times continue to be seen. Recovery will be a key challenge as we continue to respond to the COVID-19 Pandemic. With the changes and investments made in 2019/20 the Foundation Trust is however better equipped to respond to these challenges.

Cancer standards: The Foundation Trust maintained its commitment to prioritise delivery of cancer standards with several significant investments to increase capacity across clinical teams and diagnostics capacity approved during 2019/20. Throughout the

disruption from theatres, the Foundation Trust made a commitment to protect theatre lists for cancer and urgent patients; this has been maintained.

As a result of these investments, performance has remained consistent throughout the year with an overall increase in the number of patients treated on cancer pathways of 7%. This is set against the 10% overall increase in urgent two-week wait referrals for suspected cancer compared to 2018/19.

The active tracking lists have remained static with a significant reduction in patients waiting over 104 days.

In the year we have seen continued innovation and pathways improvement with the introduction of straight to test pathways in Prostate, Bladder, Lung, Lower GI and Upper GI suspected cancer pathways. Alliance investment and subsequent skill mixing to appoint CWT Navigator roles has enabled the Foundation Trust to achieve and maintain the 28 day faster diagnosis standard. Early implementation of this standard and capturing the activity resulted in the Foundation Trust being selected to participate in the national 28-day Faster Diagnosis Standard (FDS) pilot.

Maintaining timely access to diagnostics and improving clinical infrastructure remain a challenge.

Diagnostics: In 2019/2020, the Foundation Trust has been reliant on additional insourcing to meet the increasing demand for diagnostics tests across CT, MRI and endoscopy. This capacity has been supported with continued investments whilst planning has continued to establish both in house and STP solutions to the diagnostic challenge.

Against the national standard of 1% of diagnostic waits over 6 weeks and local improvement trajectory to achieve 4% by end of March, the Foundation Trust recorded a gradual deterioration in performance to 15% of diagnostic waits in September, a recovery of performance to 7% by the end of February and good assurance of delivering 4% of diagnostic waits by the end of March. As already noted the COVID-19 escalation and standing down of routine work had an immediate impact meaning the end of year target was not achieved. The Foundation Trust continued to priorities the most urgent tests and recovery will be one of many challenges to be faced with the ongoing COVID-19 pandemic.

Dementia Find: The assessment of patients who are admitted to hospital over the age of 75 for dementia was introduced as part of the updated Single Oversight Framework in October 2017. The standard was achieved with 96.95% of qualifying patients receiving timely dementia screening on admission to hospital.

Assurance and performance monitoring: Bi-weekly assurance meetings held with operational leads led by the Chief Operating Officer to review the key NHSI performance standards and operational plans.

The overall governance reflects the new organisational and governance structure introduced in April 2019. This incorporates executive-led Integrated Governance Group (IGG) - performance review meetings with system leadership teams each month. The IGG gives assurance and review of items escalated from the integrated service unit (ISU's)

monthly governance process, with each of the ISU's holding monthly review meetings to review performance metrics and escalate any emerging risks.

This process gives the executive team and Board of Directors assurance over performance and actions being taken.

Summary of performance - 2019/20 compared to 2018/19

	This year (2019/20)	Previous year (2018/19)
Total revenue income	£500,209,000	£441,046,000
Foundation Trust funded capital expenditure	£17,176,000	£14,009,000
Total revenue expenses (including PDC and Finance Expense)	£518,251,000	£438,900,000
Pay expenditure (excluding capitalised costs)	£269,413,000	£234,400,000
Non-pay expenditure (including PDC and Finance Expense)	£248,838,000	£204,500,000
How much we spend per day (excluding depreciation and impairments)	£1,431,000	£1,227,000
Worked FTE*	5,939	5,565
Staff numbers headcount	6,538	6,236

*FTE: Full-Time Equivalent and includes worked FTE of bank and agency staff.

Financial performance

Funding overview

The Foundation Trust earned over £500 million of income during 2019/20, primarily from clinical activities, but also received a significant contribution from education and training and other income generation activities.

In 2019/20 the majority of the Foundation Trust's clinical income was received under the terms of a block contract income stream, developed in support of the integrated care model in partnership with Devon Clinical Commissioning Group and Torbay Council. Consequently, a smaller proportion of income received by the Foundation Trust was derived from activity undertaken at national tariff prices, following the funding principles of the system known as Payment by Results (PbR), which has historically been the default pricing and payment mechanism across the NHS.

The response to the COVID-19 pandemic has meant significant changes to the services provided and organisational priorities of the Foundation Trust. In response to the directive issued by the Government, the Foundation Trust mobilised plans to prepare for the anticipated surge in COVID-19 related cases. The changes required to estates and service provision was significant, resulting in increased pay expenditure, additional staff bank utilisation, annual leave accrual, and independent sector non-pay costs. The impact of COVID-19 also impacted adversely on reduced income relating to non-patient related services, free car parking and R&D income and reduced expenditure relating to lower drugs costs as a result of clinical activity reduction.

As the Foundation Trust enters the COVID-19 recovery phase in 2020/21, the return of capacity is constrained by compliance with social distancing, infection control requirements, available facilities and patient engagement. It is therefore forecasted that

capacity, and consequently income will, for non-urgent elective services, remain below historical levels for some time.

Value for Money

As an NHS Foundation Trust, we focus on ensuring the best possible economy, efficiency, and effectiveness in the use of resources. We aim to provide the best possible health and social care within available resources. Ensuring value for money in all the Foundation Trust's activities is therefore a fundamental part of our financial strategy.

The Foundation Trust targeted delivery of £20.0m of savings in 2019/20. This was the requirement of NHS Improvement in order for the Foundation Trust to deliver the statement of comprehensive income performance determined by the 'control total'. The Foundation Trust achieved a total of £10.7m of income improvement and cost reduction in the year, £4.1m of which was delivered recurrently, but with a non-recurrent element in year of £6.6 m. This left a savings shortfall of £9.3m in the year.

To demonstrate value for money, the Foundation Trust uses benchmarking information such as the NHS productivity metrics. For procurement of non-pay related items, the Foundation Trust has a procurement strategy which maximises value using national contracts and through collaboration with other NHS bodies in the Peninsula Purchasing and Supply Alliance.

The Foundation Trust's external auditor, PricewaterhouseCoopers LLP opinion for 2019/20 concluded that the Foundation Trust had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. The basis for the opinion was due to the deterioration in the Foundation Trust's financial position and the continuing increase in demand outstripping increases in funding and cost savings being achieved. The Going Concern Statement and the Independent Auditors' Report to the Council of Governors provides further detail.

Capital developments during the last year

During 2019/20 the Foundation Trust continued to invest in its facilities and equipment and carried out capital projects totalling £17.2 million. In addition to this sum, the Foundation Trust received charitable donations totalling £0.8 million which was predominantly the donation of a new building at Brixham Community Hospital, generously supported by the Brixham Hospital League of Friends. Part of the Foundation Trust's capital expenditure has been supported by the Public Dividend Capital received from the Department of Health and Social Care, and through other sources of financing such as finance leases with commercial providers.

Cashflow

During the year the net cash balance increased from a net credit balance of £2.2million to a net credit balance of £10.1million. This was after further accessing the Foundation Trust's working capital facility within year (£0.5m) and also the drawdown of Interim Revenue Loan Finance support from the Department of Health and Social Care totalling £14.7m.

Further details of cash movements are disclosed in the Cash Flow Statement within the Foundation Trust's accounts.

Financial framework

Being licensed as an NHS Foundation Trust means that the Foundation Trust, as well as being more accountable to its local public and patients, has greater financial freedoms. NHS Foundation Trusts are free to retain any surpluses they generate and to borrow to support investment.

As noted in Part VI of the annual report, the Foundation Trust's financial performance is monitored by NHS Improvement.

Accounting framework

As an NHS Foundation Trust, we apply accounting policies compliant with the Department of Health and Social Care's Group Accounting Manual (GAM). The DHSC GAM includes mandatory accounting guidance for DHSC group bodies completing statutory annual reports and accounts. These group bodies include clinical commissioning groups, NHS trusts, NHS foundation trusts and arm's length bodies.

The GAM is approved by the HM Treasury Financial Reporting Advisory Board. It is based on the 2019 to 2020 treasury financial reporting manual.

Accounting policies

Accounting policies for pensions and other retirement benefits are set out in a note to the full accounts (note 1.6) and details of senior employees' remuneration are given in the Remuneration Report.

Income from non-contracted activity

A percentage of the Foundation Trust's income is from non-contracted income. In the absence of the last month's activity data being available at the time the accounts were prepared, an accrual for the income has been calculated, based on the non-contracted income activity to period 11.

Partially completed patient spells

Income in the accounts related to 'partially completed spells' is accrued based on the number of occupied bed days per care category, and an average cost per bed day per care category.

Valuation of property, plant and equipment (PPE)

The valuation of PPE is an elevated risk raised by the external auditors, as identified in their audit plan. This is due to the level of assumptions and estimation that is required by the District Valuer in their assessment of the values of land and buildings (including buildings useful lives). The Foundation Trust engaged the District Valuer to perform an interim revaluation during 2019/20. As part of external audit's year-end procedures, PricewaterhouseCoopers LLP have consulted with their own internal valuers to determine whether the valuation methodology and assumptions used were appropriate. In addition, they have focused their testing on the information provided to the District Valuer for assessment.

Charitable funds

Torbay and South Devon NHS Charitable Fund is a registered charity (number 1052232) and as such a separate legal entity, established to hold charitable donations given to Torbay and South Devon NHS Foundation Trust. Donations are received from individuals and organisations and are independent of the monies provided by the government.

These charitable donations are a very important source of funds and continue to provide benefits for patients and service users. Based upon the most up to date figures (subject to audit), in 2019/20 the Charitable Fund received donations and legacies totalling £610,000. This included very generous donations of £174,000 from the Leagues of Friends of our Hospitals towards the purchase of equipment and other items. The Charitable Fund also received £128,000 from Torbay Medical Research Fund in respect of various research projects within the Foundation Trust.

Other donations have been used to purchase numerous items of medical and other equipment, as well as supporting the training and development of staff and patient/client welfare. Full details can be found in the Charitable Fund's Annual Report and Accounts, which is produced by the Foundation Trust in its role as Corporate Trustee.

Emergency preparedness, response, and resilience ('EPRR')

On 11th October 2019, the Foundation Trust Board formally received and signed-off the outcome of the NHS England/CCG assessment against core standards in relation to its responsibilities as a Category 1 responder under the Civil Contingencies Act (2004). The Foundation Trust was substantially compliant with the EPRR core standards, apart from one amber rating in relation to business continuity.

In addition to the assessment against core standards, NHS England and the Clinical Commissioning Group undertook a deep dive into the provision of 'severe weather planning'. Performance against the twenty criteria was rated as 'Good' with fifteen green and only five red rating. The areas of non-compliance were related to building adaptations to mitigate the risk of extreme heating and weather. These will only be resolved through new facilities. The Foundation Trust's Chief Executive provided an assurance letter to NHS England describing the compliance position against core standards and the deep dive undertaken.

Unusually the Foundation Trust and community colleagues have dealt with a number of critical instances during the year that have required the use of the Foundation Trust's business continuity and Major Incident Plans. Reflecting the NHS England/CCG assessment the Foundation Trust was prepared and dealt with the incidents well with the safety of patients being maintained throughout. An after action review was undertaken after each incident with plans adapted to reflect the lessons learnt and good practice.

Environmental matters and the impact on the environment

The Foundation Trust recognises the importance of the environmental impact it has within the community and ensures it limits its impact on the local area.

The Foundation Trust also recognises the responsibility it has to maximise the contribution to creating social value and ensure that the use of resources is efficient thus maximising the funds available for patient care.

In line with NHSI guidance the Foundation Trust has been considering how innovation can be driven considering environmental impact and minimising costs relating to the waste disposal of single use plastics.

This has included the commencement of a trial of reusable sharps containers known as Biosystem in seven areas on the Torbay Hospital site. These reusable containers have replaced single use sharps bins and cardboard pharmaceutical bins and can be reused up to 600 times and also removes plastics from high temperature incineration. A phased programme will continue across all Foundation Trust sites aiming for full implementation by the end of the year.

For the year 2019/20, Foundation Trust achievements included:

- Recycled over 50% of waste produced, achieving an on-going improvement on the previous years;
- Continued to promote sustainable travel, including cycle to work and car sharing initiatives, as well as offering financial incentives for purchasing cycles and bus passes via a salary sacrifice scheme;
- Encouraged modal shift from single vehicle occupancy promoting the staff drive share scheme with financial incentives;
- Progression of the Foundation Trust's transport fleet to electric vehicles and introducing charging points at Torbay Hospital;
- Maximising the Torbay Hospital site to support health and wellbeing at work including a woodland walk, landscaped gardens and a sensory garden;
- Introducing Bio-systems (re-usable sharps bins) into the Foundation Trust which helps reduce single use plastic;
- Signing up to the NHS single use plastic pledge in the Catering Department;
- Establishing a Trustwide Sustainability group to include implementing a network of "Sustainability Champions" within the Foundation Trust; and
- Establishing a Waste Group with membership from the clinical teams to ensure staff are informed of correct waste segregation and current legislation.

Social and community issues

The Foundation Trust has a significant profile in the local area and sees its community role as important both as a health care provider and potential local employer. In addition to which our staff support many health related groups in both a business and voluntary capacity. We also enable our staff to play a full part in the community, for example by acting as governors for schools and colleges.

During the year we continued to build on our links with schools and colleges by holding open day events for local students to hear about careers in the NHS. Our Governors were also engaged in organising and attending events in the community and at the hospital.

Anti-bribery and human rights issues

Our internal processes ensure consistency with our zero tolerance approach to bribery and we work closely with our Local Counter Fraud Specialist ('LCFS') to raise awareness of our policies and procedures through local induction sessions and bespoke training. During the previous year, the Foundation Trust commissioned a management database system to support the Foundation Trust's compliance with NHS England guidance on managing

conflicts of interest. This database system went 'live' with effect from 1 April 2019 and was in place throughout the year. Prior to the implementation of the electronic system an awareness campaign was run to remind staff of the requirement to comply with NHS England guidance and the Bribery Act 2010. The awareness campaign has continued throughout the year and is now embedded in to standard staff communication briefings.

We encourage anyone with a concern to speak out and report concerns through our Foundation Trust policies and procedures. Employees can raise concerns through internal channels, either via our Freedom to Speak Up Guardians ('FTSU') or the LCFS. The FTSU and LCFS report periodically to the Board and the Audit Committee, respectively and the FTSU line management is direct to the Chief Executive.

As an organisation we recognise the benefits of ethical procurement and professional training. We endorse membership of the Chartered Institute of Procurement and Supply for our professional buying team. This includes the adoption of the Institute's code of conduct, which is also included within the Foundation Trust's Standing Orders and Standards of Business Conduct. We encourage best practice within our supply chain by ensuring we are compliant with legislation. We also encourage our suppliers and contractors working on our behalf to challenge unethical behaviour and promote a 'speak up' culture.

We have a number of policies in place which cover social, community, counter fraud, bribery and human rights matters. A process is in place to ensure that none of our policies have an adverse or discriminatory effect on patients and staff.

The Foundation Trust has a Board approved anti-slavery and human trafficking statement, which is published on its website.

Important events since the end of the financial year

On 2 April 2020 reforms to the NHS Cash and Capital regimes for the 2020/21 financial year were announced as effective from 1 April 2020, including New Public Dividend Capital (PDC) to be issued at 30 September 2020 to 'extinguish' interim revenue and interim capital loans and any outstanding interest on these facilities at 31 March 2020.

- All interim revenue and interim capital loans will be frozen at 31 March 2020 and interest will cease from that date.
- Amounts due for loan principal and accrued interest will be calculated and reconciled to audited accounts for the year ended 31 March 2020.
- PDC in the equivalent amount will be issued alongside a Memorandum of Understanding to repay the loans and outstanding interest on 30 September 2020.
- DHSC and NHSE/NHSI I will carry out a review of the PDC rate as it applies across the NHS financial architecture during 2020/21 financial year.

This is treated as a non-adjusting event after the reporting period. For the Foundation Trust, this means that £17,793k of DHSC interim revenue and capital loans are now classified as current liabilities in the Statement of Financial Position and reflected in note 26.1 of the draft accounts to be converted to PDC.

Overseas operations

The Foundation Trust does not operate outside England.

Liz Davenport, Chief Executive

24 June 2020

Part II – Accountability Report

Directors' report

The Directors are responsible for the preparation of the Financial Statements in accordance with Department of Health and Social Care Group Accounting Manual and that the account gives a true and fair view. The Directors consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Foundation Trust's performance, business model and strategy.

The Foundation Trust Board of Directors

The Foundation Trust Board of Directors ('the Board') has collective responsibility for the exercise of all the powers of the Foundation Trust. The general duty of the Board and of each Director individually, is to act with a view to promoting the success of the Foundation Trust to maximise the benefits for the members of the Foundation Trust and for the public. Directors are jointly and severally responsible for all the decisions of the Board.

The Board of an NHS Foundation Trust is accountable for the stewardship of the Foundation Trust, its services, resources, staff, and assets. The arrangements established by a Board must be compliant with the legal and regulatory framework, protect and serve the interests of stakeholders, specify standards of quality and performance, support the achievement of organisational objectives, monitor performance, and ensure an appropriate system of risk management and internal control.

The Foundation Trust Constitution specifies that the Board of Directors shall comprise:

- a Non-Executive Chairman;
- not less than five and no greater than eight other Non-Executive Directors;
- a Chief Executive and not less than four and no more than seven Executive Directors; and
- at least half of the Board, excluding the Chairman, are Non-Executive Directors.

To ensure the balance and effectiveness of the Board, the Foundation Trust Constitution further requires that:

- one of the Executive Directors shall be the Chief Executive;
- the Chief Executive shall be the Accounting Officer;
- one of the Executive Directors shall be the Finance Director;
- one of the Executive Directors shall be a registered medical practitioner or a registered dentist (within the meaning of the Dentists Act 1984);
- one of the Executive Directors shall be a registered nurse or a registered midwife; and
- the Board of Directors shall always be constituted so that the number of Non-Executive Directors (excluding the Chairman) equals or exceeds the number of Executive Directors.

Appointments to the Board both of Executive and Non-Executive Directors in the reporting period meant that the Board was fully constituted. The Board does not consider that its

performance or balance was significantly impacted during the preceding period of interim arrangements in relation to the Director of Finance and Director of Transformation and Partnerships.

The Board is accountable to stakeholders for discharging its general duties and is responsible for organising and directing the affairs of the Foundation Trust and its services in a manner that will promote success and is consistent with good corporate governance practice, and, for ensuring that in carrying out its duties, the Foundation Trust meets its legal and regulatory requirements. In doing so, the Board of Directors ensures that the Foundation Trust maintains compliance with its terms of authorisation and other statutory obligations.

The Board reserves some responsibilities to itself, delegating others to the Chief Executive and other Executive Directors or Committees of directors. Those matters reserved to the Board are set out as a formal schedule which includes approval of:

- the Foundation Trust's long-term objectives and financial strategy;
- annual operating and capital budgets;
- changes to the Foundation Trust's senior management structure;
- the Board's overall 'risk appetite';
- the Foundation Trust's financial results and any significant changes to accounting practices or policies;
- changes to the Foundation Trust's capital and estate structure; and
- conducting an annual review of the effectiveness of internal control arrangements.

The Foundation Trust Board of Directors delegates responsibility to the Chief Executive to:

- enact the strategic direction of the Foundation Trust Board of Directors;
- manage risk;
- achieve organisational compliance with the legal and regulatory framework;
- achieve organisational objectives;
- achieve specified standards of quality and performance; and
- operate within, generate, and capture evidence of the system of internal control.

Board of Directors – disqualification

The following may not become or continue as a member of the Foundation Trust Board of Directors:

- A person who has been adjudged bankrupt or whose estate has been sequestrated and who (in either case) has not been discharged;
- A person who has made a composition or arrangement with, or granted a Foundation Trust deed for his creditors and who has not been discharged in respect of it;
- A person who within the preceding five years has been convicted in the British Islands of any offence if a sentence of imprisonment (whether suspended or not) for a period of not less than three months (without the option of a fine) was imposed on him; or
- A person who falls within the further grounds for disqualification as described in the Foundation Trust's Constitution.

Composition of the Board of Directors

The Board of Directors as at 31 March 2020 is shown below:

Non-Executive Directors	Executive Directors
Richard Ibbotson – Chairman Sally Taylor – Non-Executive Director and Vice Chair Jacqui Lyttle – Non-Executive Director and Senior Independent Director Chris Balch – Non-Executive Director Vikki Matthews – Non-Executive Director Paul Richards – Non-Executive Director Robin Sutton – Non-Executive Director Jon Welch – Non-Executive Director	Liz Davenport – Chief Executive Rob Dyer – Medical Director Judy Falcão – Director of Workforce and Organisational Development John Harrison – Chief Operating Officer Adel Jones – Director of Transformation and Partnerships David Stacey – Chief Finance Officer Jane Viner – Chief Nurse and Deputy Chief Executive

The Board has an additional non-voting director – Lesley Darke, Associate Director of Estates and Commercial Development

Since the year-end there have been no changes in Board membership.

The gender balance of the Board as at 31 March 2020 was:

	Female	Male
Non-Executive Directors	3	5
Executive Directors	4	3

Biographies of the members of the Board are provided at “Appendix A – Biographies of the Board of Directors”.

Directors’ interests

Members of the Board of Directors are required to disclose details of company directorships or other material interests which may conflict with their role and management responsibilities at the Foundation Trust. At each meeting of the Board of Directors, a standing agenda item also requires all Executive and Non-Executive Directors to make known any interest in relation to the agenda and any changes to their declared interests. There are no interests which may conflict with their management responsibilities as per the requirements of the NHS Improvement Code of Governance. The Chairman has no other significant commitments that affected his ability to carry out his duties to the full and was able to allow sufficient time to undertake those duties.

The Chief Executive’s Office maintains a register of interests, and is available on the Foundation Trust’s website or by contacting the Company Secretary at the address given at “Appendix B – Further information and contact details”.

No political donations were made or received by the Foundation Trust in the reporting period.

Independence of the Non-Executive Directors

The Foundation Trust Board of Directors has assessed the independence of the Non-Executive Directors and considers all current Non-Executive Directors to be independent in that there are no relationships or circumstances that are likely to affect their judgement as evidenced through their declarations of interest, previous employment, or tenure.

Committees of the Foundation Trust Board of Directors

The Board has established the 'statutory' Committees required by the NHS Act 2006 and the Foundation Trust Constitution. The Non-Executive Nominations and Remuneration Committee, and the Audit Committee each discharge the duties set out in the Foundation Trust Constitution and their Terms of Reference.

The Board has chosen to deploy three additional 'designated' Committees to augment its monitoring, scrutiny, and oversight functions, particularly with respect to quality and financial risk management. These are the Quality Assurance Committee, the Finance, Performance, and Digital Committee and the People Committee.

The role, functions and summary activities of the Board's Committees are described in the Accountability Report.

(a) Non-Executive Nominations and Remuneration Committee

The purpose of the Non-Executive Nominations and Remuneration Committee is to conduct the formal appointment to, and removal from office, of Executive Directors of the Foundation Trust, other than the Chief Executive who shall be appointed or removed by the Non-Executive Directors subject to approval by the Council of Governors. The Committee also considers succession planning for Executive Directors, considering the challenges and opportunities facing the Foundation Trust, and the skills and expertise that will be needed on the Board of Directors in the future.

The Foundation Trust is also required to appoint a Remuneration Committee in accordance with Schedule 7 of the NHS Act 2006 (paragraph 18(2)), Schedule 1 of the Constitution, and the Monitor NHS Foundation Trust Code of Governance.

The Non-Executive Nominations and Remuneration Committee fulfils the dual purpose of the two statutory Committees for nomination and remuneration of Executive Directors. It also decides the remuneration and allowances, and the other terms and conditions of office, of the Executive Directors, and reviews the suitability of structures of remuneration for senior managers.

The Committee met on a number of occasions in the reporting period for the purpose of considering changes in remuneration for Executive Directors, receiving reports on the appraisals and objective setting for Executive Directors, Executive succession planning, and to lead on the appointments of Executive Directors, namely the Director of Transformation and Partnerships and the Chief Finance Officer. The recruitment process for the appointment of the Foundation Trust's Chief Operating Officer concluded during the previous financial year however, the appointment took effect from 1 April 2019. The Committee was supported in the recruitment process of Executive Directors by an external recruitment consultant. The Chair of the Committee submitted a report to the Board following each meeting, highlighting any matters requiring disclosure to the Board.

(b) Audit Committee

The Foundation Trust's Audit Committee works in parallel with the Quality Assurance Committee with a shared membership. This provides the Non-Executive Directors with two perspectives on similar or related data, allowing for comparison or 'triangulation' in considering due processes as well as tangible outcomes.

Terms of Reference for both Committees are published in the public domain. The Audit Committee consists entirely of Non-Executive Directors and reviews the effectiveness of systems of governance, risk management and internal control across the whole of the Foundation Trust's activities. By comparison, the Quality Assurance Committee reviews the actions being taken by the Foundation Trust to ensure the on-going maintenance of standards of quality of care, and improvements where necessary to patient experience.

During 2019/20 the Audit Committee reviewed the adequacy of:

- all risk and control-related disclosure statements, together with any accompanying Head of Internal Audit Opinion statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- underlying assurance processes that indicated the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks, the controls in place and the appropriateness of the disclosure statements;
- policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements;
- policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud and Security Management Service; and
- the Committee's Terms of Reference and work plan.

The Committee sought reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of governance, risk management and internal control, together with indicators of their effectiveness; notably, the Committee-initiated improvements to the Board Assurance Framework. As part of the year-end reporting process, the Chief Finance Officer presented an update on the impact of COVID-19 and in particular the decision by HM Treasury, in conjunction with the Financial Reporting Advisory Board, to defer implementation of IFRS 16 in the public sector for a further year to 2021/22.

The Committee met on five occasions in the reporting period, and was attended by the Chief Finance Officer (previously titled Director of Finance) and other senior managers, including the Chief Nurse and Company Secretary. A governor observer was also in attendance. The Committee undertook a self-assessment during the year and also reviewed its terms of reference. The Chair of the Committee submitted a report to the Board following each meeting, highlighting any issues requiring disclosure to the Board.

The Foundation Trust's external auditor (PricewaterhouseCoopers LLP) provided additional non-audit services during the period to the value of £2k. The non-audit services related to work in relation to the quality report prior to the change in national guidance applicable for 2019/20. The Foundation Trust has also commissioned the external auditor to undertake a data quality review. This work will be completed in 2020/21 for a value of £48k.

Audit Committee Chair's opinion and report

In support of the Chief Executive's responsibilities as Accounting Officer for the Foundation Trust, the Audit Committee has examined the adequacy of systems of governance, risk management and internal control within the Foundation Trust, from information supplied, and formed the opinion that:

- there is a generally adequate framework of control in place to provide reasonable assurance of the achievement of objectives and management of risk;
- assurances received are sufficiently accurate, reliable, and comprehensive to meet the Accounting Officer's needs and to provide reasonable assurance;
- governance, risk management and internal control arrangements within the Foundation Trust include aspects of excellence as well as aspects in which on-going attention to the control improvement is required;
- financial controls are sufficient to provide reasonable assurance against material misstatement or loss; and
- the quality of both internal audit and external audit over the past year has been satisfactory.

The Committee discharged its role through the year as follows:

- we reviewed the establishment and maintenance of an effective system of governance, risk management and internal control across the whole of the Foundation Trust's activities (both clinical and non-clinical);
- we ensured that there was an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Committee. The Committee reviewed and approved the internal audit plan, ensuring that it was consistent with the audit needs of the organisation as identified by the Assurance Framework;
- we considered the major findings of internal audit's work (and management's response). The Internal Auditor had unrestricted access to the Chair of the Committee for confidential discussion;
- we reviewed the work and findings of the external auditor and considered the implications and management's response to their work. The key audit matters related to: risk of fraud and expenditure recognition; valuation of property, plant and equipment; financial sustainability; and, COVID-19 in respect of the Foundation Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. The external auditor had unrestricted access to the Chair of the Committee for confidential discussion;
- we reported to the Council of Governors in relation to the performance of the external auditor and made a recommendation to extend the appointment of the external auditor for one year. The Council of Governors approved the contract extension and commissioned a full tender exercise for the appointment of external auditor, which concluded post the financial year-end.
- we reviewed the Annual Report and financial statements before submission to the Board;
- we ensured the Standing Financial Instructions and Standing Orders were maintained and kept up to date, with an annual review of instances where exceptions to the rules were made;

- we reviewed the findings of other significant assurance functions, both internal and external to the organisation, and considered the implications to the governance of the Foundation Trust. This included a regular report from the NHS Counter Fraud Service; and
- additionally, we specifically reviewed the Foundation Trust's information governance procedures, and sought assurances regarding the control of data used in the Quality Report.

(c) Quality Assurance Committee

The Foundation Trust Board of Directors established the Quality Assurance Committee to support the Board in discharging its responsibilities for monitoring the quality of the Foundation Trust's services. This includes the essential standards of quality (as determined by Care Quality Commission's registration requirements), and national targets and indicators (as determined by NHSI's Oversight Framework). The Committee's work plan is aligned to the Foundation Trust's corporate objectives and associated risks.

The Committee reviews the outcomes associated with clinical services and patient experience and, the suitability and implementation of risk mitigation plans regarding their potential impact on patient outcomes. The Committee is also required, as directed by the Board from time to time, to consider issues relating to quality where the Board requires this additional level of scrutiny.

During the year, the Committee considered:

- the Board Assurance Framework and corporate level risks;
- operational and strategic risks relating to COVID-19;
- data and quality and safety risks in relation to never events, long stay patients with mental health and domiciliary care;
- quality and safety risks in relation to patients with complex mental health conditions on length of stay and staff and patient safety and long waits for treatments especially over 52 weeks;
- FU outpatients outside clinical wait thresholds and diagnostics;
- Quality Strategy and associated priorities;
- Patient Safety Strategy;
- internal audit reports relating to patient safety and quality;
- patient surveys; and
- the Integrated Quality, Finance, and Performance Report from quality and safety perspective.

Additional reviews have included serious incidents, safeguarding, complaints, maternity, quality information, infection control and the 62-day cancer treatment target.

The Committee met six times during this reporting period. A Governor observer was present at each meeting. The Chair of the Committee submitted a report to the Board following each meeting, highlighting any issues requiring escalation to the Board.

(d) Finance, Performance, and Digital Committee

The Finance, Performance, and Digital Committee has delegated authority from the Foundation Trust Board of Directors, subject to any limitations imposed by the Schedule of

Matters Reserved to the Board, to review and make such arrangements as it considers appropriate on matters relating to:

- control and management of the finances of the Foundation Trust;
- target level of efficiency savings and actions to ensure these are achieved;
- budget setting principles;
- year-end forecasting;
- commissioning; and
- capital planning.

The Finance, Performance, and Digital Committee met on twelve occasions during this reporting period. A Governor observer was invited to attend each meeting and was present at the majority of meetings. The Chair of the Committee submitted a report to the Board following each meeting, highlighting any issues requiring disclosure to the Board.

The Committee agreed a change of name for the Committee from April 2019 onwards to Finance, Performance and Digital Committee to reflect the broadened scope of the work of the Committee.

(e) People Committee

The Foundation Trust established a People Committee in October 2019. The purpose of the People Committee is to provide assurance to the Board on the following:

- national workforce guidance and strategies;
- People Plan and associated activity/implementation plan(s) to support Foundation Trust forward strategy;
- key people and workforce performance metrics and targets for the Foundation Trust;
- provide assurance on those elements of the Board Assurance Framework identified as the responsibility of the Committee;
- effectiveness of staff communication and levels of staff engagement;
- strategic people and workforce issues at national and local level; and
- acted as an early point of contact for the Freedom To Speak Up Guardian to raise concerns prior to reporting to Board

Since its establishment in October 2019, the Committee has considered:

- Review of the Board Assurance Framework and Corporate Risk Register, with appropriate challenge to the proposed controls and risk scoring;
- A deep-dive in to the ‘Valuing our Workforce’ section of the Board Assurance Framework;
- Received reports on progress against development of the Foundation Trust People Plan;
- Reviewed the Workforce information including pay and absence information;
- Reviewed talent management and succession planning arrangements;
- Received reports on the Workforce Transformation Programmes; and
- Triangulated information to reconcile headcount and finance data.

The People Committee meets on a bi-monthly basis and is chaired by Non-Executive Director. The Committee membership also includes two further Non-Executive Directors, Director of Workforce and Organisational Development, Chief Operating Officer and the Chief Nurse.

Enhanced quality governance reporting

The Board was satisfied during the year that, to the best of its knowledge and using its own processes (supported by Care Quality Commission information), the Foundation Trust had, and will keep in place, effective leadership arrangements for monitoring and continually improving the quality of health and social care, including:

- ensuring required standards are achieved (internal and external);
- investigating and acting on substandard performance;
- planning and managing continuous improvement;
- identifying, sharing, and ensuring delivery of best-practice; and
- identifying and managing risks to quality of care.

This encompasses an assurance that due consideration was given to the quality implications of plans (including service redesigns, service developments and cost improvement plans), in the form of Quality Impact Assessments, and that processes would be in place to monitor their on-going impact on quality and take subsequent action as necessary to ensure quality is maintained.

The basis of the Board of Directors confirmation was set out in the draft corporate governance statement to be submitted to NHS Improvement at the end of June 2020, which was prepared after due and careful enquiry. The Annual Governance Statement provides further information.

Membership and attendance at Board and Committee meetings

The Foundation Trust Board of Directors discharged its duties during 2019/20 in ten meetings, and through the work of its Committees. The Chairman of the Board submitted a report to the Council of Governors (the 'CoG') at each meeting, highlighting any matters requiring disclosure to the Council.

The table below shows the membership and attendance of Directors at meetings of the Board and Board Committees during the year.

Figures in brackets indicate the number of meetings the individual could be expected to attend by their membership of the Board or Committee. A dash indicates that the individual was not a member. "C" denotes the Chair of the Board or Committee.

2019-20	Foundation Trust Board of Directors	Council of Governors	Non-Executive Director Nominations and Remuneration Committee	Audit Committee	Quality Assurance Committee	Finance, Performance, and Digital Committee	People Committee
Number of meetings	10	4	9	5	6	12	3
Richard Ibbotson	C10(10)	C4(4)	C8(9)	-	-	-	
Liz Davenport	10(10)	4(4)	-	-	-	-	
Chris Balch	9(9)	4(4)	6(8)	1(5)	-	3(6) *C6(6)	3(3)
Jacqui Lyttle	8(10)	3(4)	5(9)	4(5)	C6(6)	-	
Vikki Matthews	6(10)	3(4)	3(9)	2(5)	2(3)	4(6)	C3(3)
Paul Richards	9(10)	1(4)	5(9)	4(5)	-	3(6)	
Robin Sutton	10(10)	3(4)	7(9)	4(5)	-	*C4(6) 6(6)	
Sally Taylor	10(10)	2(4)	5(9)	C5(5)	3(3)	3(6)	
Jon Welch	9(10)	4(4)	6(9)	3(5)	4(6)	2(3)	3(3)
Dawn Butler**	3(4)	1(1)	-	-	-	3(3)	
Paul Cooper	4(5)	1(1)	-	-	-	3(5)	
Lesley Darke**	9(10)	2(4)	-	-	-	7(12)	
Rob Dyer***	6(10)	0(4)	-	-	2(6)	-	
Judy Falcão	8(10)	1(4)	-	-	0(6)	-	3(3)
John Harrison	9(10)	2(4)	-	-	4(6)	11(12)	1(3)
Adel Jones	6(6)	1(3)	-	-	-	7(9)	
David Killoran	3(3)	2(2)	-	-	-	4(4)	
David Stacey	2(2)	0(1)	-	-	-	3(3)	
Jane Viner	8(10)	3(4)	-	-	6(6)	11(12)	0(3)
*FPDC change of Chair: R Sutton Chair April to September, C Balch Chair October to March.							
**non-voting director.							
***Ian Currie attended Board meetings and Board sub-committee meetings in his capacity as Acting Medical Director following the secondment of Rob Dyer to the STP in December 2019.							

Performance of the Board and Board Committees

Members of the Board are subject to on-going and regular performance appraisal. The Chief Executive appraises individual Executive Directors. Non-Executive Directors and the Chief Executive are appraised by the Chairman. The Chairman is appraised by the Senior Independent Director for 2019/20 in accordance with the new guidance issued by NHS England/NHS Improvement '*Framework for conducting annual appraisals of NHS provider chairs'*.

The outcome of these appraisal processes is presented to the Governors' Nominations and Appointments Committee and confirmed with the Council of Governors, in relation to Non-Executive Directors and the Executive Nominations and Remuneration Committee in relation to the Executive Directors. Confirmation of the process undertaken in respect of the Chairman's appraisal has been submitted to the NHSI Regional Director, Chair and Chief Operating Officer in accordance with the aforementioned guidance.

The Foundation Trust Board of Directors undertakes a regular self-assessment of its performance to establish whether it has adequately and effectively discharged its role, functions, and duties. The Board has approved the commissioning of an external developmental review of leadership and governance using the Care Quality Commission well-led framework, and will commence post-COVID-19.

For the reporting period, the Board's performance, considering the role, function, and work of the Board Committees, was of the requisite standard. The Board believes that it is balanced and complete in its composition and appropriate to the requirements of the organisation. This was attributed to the comprehensive annual cycle of reporting, a robust Board Assurance Framework and Risk Register, and a development plan undertaken under the guidance of the Chair and Company Secretary.

The findings of the internal audit, combined with the Head of Internal Audit Opinion set out in the Annual Governance Statement, support the Board's conclusion.

Similar assessment exercises were undertaken for each of the Committees of the Board, all of which were considered to have fully discharged the duties set out in their Terms of Reference.

The Council of Governors

The Council of Governors is responsible for discharging the general duties set out in legislation which 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 Foundation Trust as a whole and the interests of the public.

The Council of Governors discharged its statutory duties as set in the NHS Code of Governance supported through its sub-committees and working groups.

It remains the responsibility of the Foundation Trust Board of Directors to design and implement the strategy of the Foundation Trust. The Council of Governors and Foundation Trust Board of Directors communicate principally through the Chairman who is the formal conduit and Chairman of the two corporate entities. This relationship is formally extended and augmented by Governors and Directors participation in Council to Board meetings to ensure constant and clear communication and co-operation between the Board and the Council of Governors. Additionally, Directors regularly attend meetings of the Council of Governors and Governors regularly attend meetings of the Board.

The Board of Directors may request the Chairman to seek the views of the Council of Governors on any matters it may determine. Communications and consultations between the Council of Governors and the Board include, but are not limited to the following topics:

- the Annual Plan;
- the Board's strategic proposals;
- clinical and service priorities;
- proposals for new capital developments; and
- engagement of the Foundation Trust's membership.

The Board of Directors presents the Annual Accounts, Annual Report and Auditor's Report to the Council of Governors.

Membership and attendance at Council of Governors' meetings

The table below shows the membership and attendance of Governors at meetings of the Council of Governors during the year. Figures in brackets indicate the number of meetings the individual could be expected to attend by their membership of the CoG.

Public Constituency			
Name	**Constituency**	**Tenure**	**CoG Attendance**
Peter Coates	South Hams and Plymouth	Term ended – 29 Feb 2020	2(4)
Craig Davidson	South Hams and Plymouth	Re-elected – 07 Mar 2019	4(4)
Mary Lewis	South Hams and Plymouth	Re-elected – 07 Mar 2019	4(4)
Jonathan Shribman	South Hams and Plymouth	Elected – 01 Mar 2020	0(0)
Carol Day*	Teignbridge	Re-elected – 07 Mar 2019	4(4)
Chris Edwards	Teignbridge	Elected – 07 Mar 2019	3(4)
Eileen Engelmann	Teignbridge	Elected – 07 Mar 2019	3(4)
Annie Hall	Teignbridge	Re-elected – 07 Mar 2019	4(4)
Barbara Inger	Teignbridge	Re-elected – 01 Mar 2018	4(4)
Michael James	Teignbridge	Elected – 01 Mar 2018	3(4)
John Smith	Teignbridge	Re-elected – 07 Mar 2019	2(4)
Ken Allen	Torbay	Resigned – 03 Jun 2019	0(0)
Michael Birch	Torbay	Elected – 07 Mar 2019	2(4)
Bob Bryant	Torbay	Resigned – 18 Jul 2019	1(1)
Gary Goswell-Munro	Torbay	Elected – 01 Jul 2019	3(3)
Steven Harden	Torbay	Elected – 19 Jul 2019	2(3)
Lynne Hookings	Torbay	Re-elected – 07 Mar 2019	4(4)
John Kiddey	Torbay	Elected – 01 Mar 2020	0(0)
Paul Lilley	Torbay	Term ended – 29 Feb 2020	3(4)
Wendy Marshfield*	Torbay	Term ended – 29 Feb 2020	4(4)
Andrew Stilliard	Torbay	Elected – 01 Mar 2020	0(0)
Elizabeth Welch	Torbay	Elected – 01 Mar 2018	3(4)

*Lead Governor: Wendy Marshfield to February 2020. Carol Day from March 2020.

Staff-elected governors (staff constituency), 6 representatives (5 vacancies)			
Name	**Class**	**Tenure**	**CoG Attendance**
Lesley Archer	Clinical (acute)	Term ended – 29 Feb 2020	1(4)

David Hickman	Community	Term ended – 29 Feb 2020	3(4)
Anna Pryor	Community	Term ended – 29 Feb 2020	3(4)
April Hopkins	Non-clinical	Term ended – 31 Jul 2019	0(1)
Cristian Muniz	Coastal ISU	Elected – 01 Mar 2020	0(0)

Appointed governors (partner organisations)			
Name	**Organisation**	**Tenure**	**CoG Attendance**
Derek Blackford	South Devon and Torbay CCG	Appointed – 01 Apr 2017	0(4)
Stuart Barker	Devon County Council	Term ended – 13 May 2019	0(0)
Jonathan Hawkins	Devon County Council	Appointed – 14 May 2019	0(4)
Sylvia Russell	Teignbridge Council	Term ended – 17 Jun 2019	0(0)
Lorraine Evans	Teignbridge Council	Appointed – 18 Jun 2019	4(4)
Nicole Amil	Torbay Council	Appointed – 01 Oct 2017	4(4)
Peter Smerdon	South Hams District Council	Term ended – 24 Jul 2019	0(1)
Rosemary Rowe	South Hams District Council	Appointed – 25 Jul 2019	2(3)

Governor elections

In order to refresh the Council of Governors and bring a diverse range of views in to the Foundation Trust, elections are held every year. These elections are held in the various geographical or staff constituencies of the Foundation Trust. During 2019/20 the following elections were held with each member being offered a 3 year term of office.

Constituency	**Name**	**Re-elected/elected**	**Election turnout**
Torbay	Steven Harden	Re-elected unopposed	Not applicable
Torbay	John Kiddey	Elected unopposed	
Torbay	Andrew Stilliard	Elected unopposed	
South Hams & Plymouth (Eastern)	Jonathan Shribman	Elected	23.1%
Staff (Coastal ISU)	Cristian Muniz	Elected	12.8%

During the year, the Foundation Trust Constitution was revised and the staff constituencies changed to reflect the new operational management structure. The previous staff constituencies comprising, Clinical; Non-Clinical; and, Community were replaced with the following constituencies: Coastal, Moor to Sea, Newton Abbot, Paignton and Brixham, Torquay and Trustwide Corporate and Operational Services.

Governors' interests

Governors are required to disclose details of company directorships or other material interests which may conflict with their role as Governors. The Foundation Trust Membership Office maintains a register of interests, which is available to members of the public by contacting the Company Secretary at the address given at 'Appendix B – Further information and contact details'.

Committees of the Council of Governors

The Council of Governors has appointed two standing Committees and one working group. These are:

(a) Governors' Nomination and Remuneration Committee

The Governors' Nomination and Remuneration Committee is a formal Committee of the Council of Governors established in accordance with the NHS Act 2006, the Foundation Trust Constitution, and the Monitor NHS Foundation Trust Code of Governance for the purpose of carrying out the duties of Governors with respect to appointments, remuneration and other terms of service of the Chairman and Non-Executive Directors.

Its functions include:

- to receive advice as necessary on overall remuneration and terms and conditions of service for the Chairman and Non-Executive Directors;
- to recommend to the Council of Governors the levels of remuneration and terms and conditions of service for Chairman and Non-Executive Directors;
- to monitor the performance of the Non-Executive Directors through the Foundation Trust Chairman;
- to monitor the performance of the Foundation Trust Chairman through the Senior Independent Director;
- to undertake a periodic review of the numbers, structure, and composition (including the person specifications) of the Chairman and Non-Executive Directors, to reflect the expertise and experience required, and to make recommendations to the Council of Governors;
- to develop succession plans for the Chairman and Non-Executive Directors, considering the size and composition of the Foundation Trust; and
- identify and nominate candidates to fill the Chairman and Non-Executive Director posts as they arise.

The Committee met during the year to consider remuneration levels for Non-Executive Directors, re-appointment of the Chairman and Non-Executive Directors, determine the process for appraising the performance of the Chairman and Non-Executive Directors and reviewed the succession plan for Non-Executive Directors. The Committee also undertook a self-assessment of the Committee's effectiveness and reviewed the Committee terms of reference.

(b) Quality and Compliance Committee

The Committee is a formal Committee of the Council of Governors established in accordance with the Foundation Trust Constitution for monitoring, reviewing, and reporting on the quality of clinical and social care services provided by the Foundation Trust.

Its primary purpose is to:

- Obtain assurance from the governor observers that the CQC requirements are being monitored effectively;

- Act as a link between the Council of Governors and the medical director over the preparation of the annual quality report, contributing views and priorities on behalf of the governors and the Foundation Trust membership;
- Deliver the Council of Governors' formal commentary on the annual quality report; and
- Develop and maintain the Council of Governors' understanding and oversight of the key performance measures, national and local, which apply to the Foundation Trust.

(c) Membership Group

The Membership Group is a formal working group established in accordance with the Foundation Trust Constitution for monitoring, maintaining, and advancing the Foundation Trust's membership.

Its primary purpose is:

- advice – by offering advice and information to the Council of Governors on the community perception of the Foundation Trust's conduct of its healthcare provision;
- recruitment – by seeking to maintain the registered membership at its present level and to maintain under review means of achieving a representation of all sectors of the community;
- information - by promoting a series of seminars and events for members and members of the public, focusing on significant sectors of the Foundation Trust's work; and
- engagement - by promoting communications to and from members.

Membership and meetings of the Council of Governors

Membership is free and aims to give local people and staff a greater influence over how our services are provided and developed. It also helps the Foundation Trust to work much more closely with local people and service users. Our members have the chance to find out more about the hospitals, our community services, the way they are run and the challenges they face, and furthermore, help us work with local people to improve the care and experience of patients and their carers.

The Foundation Trust had 16,476 members as at 31 March 2020, split between 9,938 public members and 6,538 staff members. The public constituencies of South Hams and Plymouth (eastern), Teignbridge and Torbay comprised 1,177 members; 3,615 members; and, 5,141 members, respectively. Public membership is open to people aged 14 or over and who live within our defined membership area. All eligible staff members automatically become Foundation Trust staff members unless they choose to opt out. Staff are eligible for membership provided that they hold a permanent contract of employment with us or they have been employed by the Foundation Trust on a temporary contract of 12 months or longer.

The Council of Governors met on a total of four occasions during 2019/20. This included its four Council of Governors meetings. An Annual Members' Meeting was held at which the Annual Report was presented to the Governors by the Board.

The Council of Governors also met with the Board of Directors on two occasions for the purpose of providing input to the Foundation Trust's forward strategy and annual plan for 2020/21.

Performance of the Council of Governors

The Council undertakes a regular self-assessment of its performance year to establish whether it has adequately and effectively discharged its role, functions, and duties during the preceding year.

For this year's assessment, Governors received a survey for completion which was then used to capture their responses to a range of questions framed in the context of the duties of governing bodies.

The results of the survey were assessed to identify areas of development for the Council as well as priorities to be addressed in the forthcoming year. A development plan was presented to the Council of Governors to inform an action plan. A task and finish group was established comprising a number of Governors and the Company Secretary for the purpose of monitoring progress against the action plan on behalf of the Council of Governor and making recommendations as and when appropriate for approval by the Council of Governors. These are summarised in the Council's Development Plan document available on request from the Company Secretary at the address given at "Appendix B – Further information and contact details".

Stakeholder relations

In addition to our partnership working, we engage directly with other stakeholders including our patients, service users, carers, families, and the public to understand, listen and where possible adapt or change the services we offer and recognise the value of their ideas about these how services can be developed and improved.

The Foundation Trust Board recognises the importance of understanding the service user experience and continues its commitment to receive a service user story at each Board meeting.

With such a large public membership, this allows the organisation to harness and utilise the experience of our members, who provide the Foundation Trust with knowledgeable information. The Foundation Trust Governors attend the Board sub-committee's as observers and patient representatives also attend important groups such as the Quality Improvement Group, Mortality Surveillance Group, and Learning from Complaints / Engagement Group so that the Foundation Trust better understands the service user experiences needs and experiences.

Information and feedback is received from many quarters including national surveys, local surveys run through clinical effectiveness and consultations, these provide a rich source of data and with the National surveys benchmark data we can use for comparisons. We also receive valuable ideas and suggestions from well-established patient pathways, social media and service user groups which operate within the Foundation Trust.

The Foundation Trust also works with external organisations such as Healthwatch and seAp (a charity providing independent and confidential advocacy services), both of which are seen as providing a valuable source of information from local people who use Foundation Trust services. This partnership working is welcomed.

The Council of Governors' Membership Group, focuses on ensuring there is an ongoing dialogue with Foundation Trust members and that the Foundation Trust continues to develop the membership to make it as representative as possible of the whole community.

Public membership at the end of March 2019 totalled 10,473 and 9,938 at the end of March 2020. This represents around seven per cent of the households in the Foundation Trust's catchment area. Members of the public, living in any of the three public constituencies and aged over 14, are eligible to become members.

Among the critical components to our being a successful health and care provider is our leadership. We strengthened our Board of Directors during the year through the appointment of an experienced Non-Executive Director who succeed an existing Non-Executive Director whose term of office had expired, and post year-end by the successful re-appointment of the Chairman.

Another important factor to strong organisational leadership is to be found in the partnerships we have forged – critical to us as an integrated care organisation.

During the previous reporting period, the Foundation Trust consulted extensively with its staff to inform a new organisational structure for operational delivery – one which would best support how the Foundation Trust delivers health and social care for each of the localities it serves. The system leadership structure was developed following consultation and implemented in April 2019 with the premise of managing services in each locality.

Fees and charges (income generation)

Costs associated with fees and charges levied by the Foundation Trust are set out in note 5 to the annual accounts.

Income disclosures required by Section 43(2A) of the NHS Act 2006

As disclosed in the Foundation Trust's annual accounts, the Foundation Trust complies with the need to ensure that income from the provision of goods and services for health services in England is greater than its income from the provision of goods and services for any other purpose; Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012).

The other income that the Foundation Trust receives either fully covers the cost of those services or for income generating activities, profit is directly reinvested into the provision of health and social care.

Counter Fraud

The Foundation Trust acknowledges that it has a responsibility to ensure that public money is spent appropriately and that it has policies in place to counter fraud, bribery, and corruption. The Foundation Trust has detailed standing financial instructions, standing orders, NHSCFA compliant standards of business conduct policy and a counter fraud, bribery, and corruption policy to ensure probity. The Foundation Trust has support from an experienced independent Local Counter Fraud Specialist (LCFS) to ensure risks are mitigated and systems are resilient to fraud and corruption. The Audit Committee receives and approves the counter fraud annual work plan and annual report, monitors counter fraud arrangements at the Foundation Trust and reports on progress to the Board. During 2019/20 a total of 192 days were provided.

The Foundation Trust raises awareness of fraud in its staff communications through regular newsletters, displays in public and staff areas, new employee induction and individual department awareness presentations from the LCFS.

Cost allocation and charging guidance

The Foundation Trust has complied with the cost allocation and charging guidance issued by HM Treasury and its regulators, NHS Improvement & NHS England.

Better payment code of practice

The Better Payment Practice Code requires the Foundation Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

No payments were made during the year (2018/19: £Nil) under the Late Payment of Commercial Debts (Interest) Act 1998.

	2019/20		2018/19	
	Number	**£000**	**Number**	**£000**
Total Non-NHS trade invoices paid in the year	135,280	218,371	127,505	202,840
Total Non-NHS trade invoices paid within target	118,450	180,419	113,637	175,391
Percentage of Non-NHS trade invoices paid within target	**88%**	**83%**	**89%**	**86%**
Total NHS trade invoices paid in the year	2,021	19,635	1,863	7,803
Total NHS trade invoices paid within target	1,467	14,413	1,440	5,169
Percentage of NHS trade invoices paid within target	**73%**	**73%**	**77%**	**66%**

Accessible Information Standard

NHS England mandated the Accessible Information Standard on 24th June 2015, which applies to all organisations providing NHS or Adult Social Care. Organisations are required to follow the standard by law. The Accessible Information Standard directs and defines a specific, consistent approach to identifying, recording, flagging, sharing, and meeting individuals' information and communication support needs. The Foundation Trust has assigned an implementation lead and lead director to drive forward work in this important area and continues to make progress through collaboration with service users.

Statement as to Disclosure to Auditors (s418)

The Board of Directors reports that for everyone who is a director at the time this report is approved:

- as far as the director is aware, there is no relevant audit information of which the NHS Foundation Trust's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the NHS Foundation Trust's auditor is aware of that information.

"Relevant audit information" means information needed by the NHS Foundation Trust's auditor in connection with preparing their report. A director is regarded as having taken all the steps that they ought to have taken as a director to do the things mentioned above, and:

- made such enquiries of their fellow directors and of the corporation's auditors for that purpose; and

- taken such other steps (if any) for that purpose, as are required by their duty as a director of the company to exercise reasonable care, skill, and diligence.

The directors consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS Foundation Trust's performance, business model and strategy.

Liz Davenport, Chief Executive
24 June 2020

Part III – Remuneration Report

Salary and pension entitlements of senior managers as at 31 March 2020 (audited information)

	2018-19						2019-20					
	Salary	**Expense Payments (taxable)**	**Annual Performance Pay and Bonuses**	**Long-term Performance Pay and Bonuses**	**All Pension Related Benefits**	**Total**	**Salary**	**Expense Payments (taxable)**	**Annual Performance Pay and Bonuses**	**Long-term Performance Pay and Bonuses**	**All Pension Related Benefits**	**Total**
Name and Title	(bands of £5,000)	(to nearest £100)	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	(to nearest £100)	(bands of £5,000)	(bands of £5,000)	(bands of £2,500)	(bands of £5,000)
	£000	£	£000	£000	£000	£000	£000	£	£000	£000	£000	£000
Mrs A M McAlinden Chief Executive (to 31 July 2018)	0-5	0	0	0	0	0-5						
Mrs L Davenport* Chief Executive (from 1 August 2018)	165-170	0	0	0	282.5-285.0	450-455	185-190	0	0	0	147.5-150.0	335-340
Prof J Viner Chief Nurse and Deputy Chief Executive	115-120	0	0	0	0.0-2.5	120-125	130-135	0	0	0	42.5-45.0	170-175
Dr R G Dyer Executive Medical Director	200-205	0	0	0	0	200-205	200-205	0	0	0	0	200-205
Mr I Currie* Acting Medical Director (from 1 December 2019)							60-65	0	0	0	15.0-17.5	80-85
Mr P Cooper Director of Finance (to 31 August 2019)	135-140	200	0	0	85.0-87.5	220-225	50-55	0	0	0	-7.5 to -10.0	40-45
Mr D Killoran* Interim Director of Finance (from 12 August 2019 to 5 January 2020)							55-60	100	0	0	-2.5 to -5.0	50-55

Mr D Stacey Chief Finance Officer (from 6 January 2020)							30-35	200	0	0	5.0-7.5	35-40
Mrs A Wagner Director of Strategy and Improvement (to 31 March 2019)	125-130	0	0	0	-10.0 to -12.5	115-120						
Ms A Jones Director of Transformation and Partnerships (from 22 July 2019)							80-85	0	0	0	52.5-55.0	135-140
Mrs D Butler Interim Director of Transformation and Partnership (from 1 April to 21 July 2019)							30-35	0	0	0	70.0-72.5	105-110
Mrs J Falcão Director of Workforce and Organisational Development	115-120	0	0	0	17.5-20.0	135-140	110-115	0	0	0	10.0-12.5	120-125
Mrs L Darke* Director of Estates and Commercial Development	110-115	0	0	0	17.5-20.0	130-135	110-115	0	0	0	22.5-25.0	135-140
Mr J Harrison* Chief Operating Officer	100-105	100	0	0	72.5-75.0	175-180	115-120	100	0	0	32.5-35.0	150-155
Sir Richard Ibbotson Chairman	45-50	400	0	0		45-50	45-50	1,200	0	0		45-50
Mrs S Taylor Vice Chair / Non-Executive Director	15-20	0	0	0		15-20	15-20	300	0	0		15-20
Mrs J Lyttle Non-Executive Director and Senior Independent Director	15-20	0	0	0		15-20	10-15	0	0	0		10-15
Mr J Welch Non-Executive Director	10-15	0	0	0		10-15	10-15	0	0	0		10-15

Mrs J Marshall Non-Executive Director (to 31 March 2019)	10-15	0	0	0		10-15						
Mr R Sutton Non-Executive Director	10-15	0	0	0		10-15	10-15	0	0	0		10-15
Mr P Richards Non-Executive Director	10-15	0	0	0		10-15	10-15	0	0	0		10-15
Mrs V Matthews Non-Executive Director	10-15	0	0	0		10-15	10-15	0	0	0		10-15
Prof C Balch Non-Executive Director (from 14 April 2019)							10-15	0	0	0		10-15

Notes:
*Mr I Currie, Acting Medical Director is undertaking some duties for the Executive Medical Director whilst Dr Dyer is seconded to the STP. Mr Currie is not a member of the Board.
Mrs L Darke is an Associate Director i.e. non-voting member of the Board.
Mrs L Davenport – Chief Operating Officer to 31 July 2018. Interim Chief Executive 1 August 2018 to 30 September 2018. Appointed Chief Executive on 1 October 2018.
Mr J Harrison – Interim Chief Operating Officer from 1 August 2018 to 31 March 2019.
Mr D Killoran commenced with the Foundation Trust on 12 August 2019. Appointed Interim Director of Finance on 1 September 2019.

The following have opted out of the pension scheme: Mrs A M McAlinden from 31 March 2016 and Dr R G Dyer from 31 December 2016.

The taxable benefits are in respect of travel expenses that are subject to income tax.

None of the Directors received any annual or long-term performance-related benefits. Page 50 refers to managers who are paid more than £142,500 per annum (not including pension related benefits).

Pension benefits as at 31 March 2020 (audited information)

Name and title	Real increase in pension at pension age (bands of £2,500) £000	Real increase in pension lump sum at pension age (bands of £2,500) £000	Total accrued pension at pension age at 31 March 2020 (bands of £5,000) £000	Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000) £000	Cash Equivalent Transfer Value at 1 April 2019 £000	Real Increase / (Decrease) in Cash Equivalent Transfer Value £000	Cash Equivalent Transfer Value at 31 March 2020 £000	Employers Contribution to Stakeholder Pension (to nearest £100) £000
Mrs L Davenport Chief Executive	7.5-10.0	12.5-15.0	75-80	185-190	1,331	181	1,544	0
Prof J Viner Chief Nurse and Deputy Chief Executive	2.5-5.0	7.5-10.0	55-60	165-170	1,262	95	1,387	0
Dr R G Dyer Executive Medical Director	0	0	0	0	0	0	0	0
Mr I Currie Acting Medical Director (from 1 December 2019)	0.0-2.5	2.5-5.0	60-65	180-185	1,316	70	1,418	0
Mr P Cooper Director of Finance (to 31 August 2019)	0.0-2.5	-5.0 to -7.5	45-50	105-110	902	6	930	0
Mr D Killoran Interim Director of Finance (from 12 August 2019 to 5 January 2020)	0	0.0-2.5	10-15	30-35	195	5	205	0
Mr D Stacey Chief Finance Officer (from 6 January 2020)	0.0-2.5	0	10-15	0	108	21	131	0
Ms A Jones Director of Transformation and Partnerships (from 22 July 2019)	2.5-5.0	7.5-10.0	30-35	65-70	400	78	488	0
Mrs D Butler Interim Director of Transformation and Partnerships (from 1 April to 21 July 2019)	2.5-5.0	5.0-7.5	20-25	45-50	257	56	319	0

Ms J Falcão Director of Workforce and Organisational Development	0.0-2.5	0-2.5	45-50	100-105	797	33	848	0
Mrs L Darke Director of Estates and Commercial Development	0.0-2.5	0-2.5	35-40	105-110	793	44	856	0
Mr J Harrison Chief Operating Officer	0.0-2.5	2.5-5.0	30-35	75-80	568	46	628	0

As Non-Executive Directors do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive Directors.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2005-06 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member because of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real Increase in CETV – this reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0 per cent to 2.8 per cent. This rate affects the calculation of CETV figures in this report.

Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

NHS Pensions are still assessing the impact of the McCloud judgement in relation to changes to benefits in the NHS 2015 Scheme. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

Annual statement on remuneration

The Foundation Trust has established two Committees responsible for the remuneration, appointments and nominations of directors. A description of the Committee responsible for Non-Executive Director remuneration can be found in the section 'Committees of the Council of Governors'. The Committee responsible for the remuneration of Executive Directors is described below.

The role of the Non-Executive Nominations and Remuneration Committee

The Non-Executive Nominations and Remuneration Committee ('the Committee') advises the Board on matters regarding the remuneration and terms of service for Executive Directors and senior managers. The Committee is established for the purpose of overseeing the recruitment and selection process for Executive Directors and Associate Directors i.e. senior managers, and the appointment of formal Board positions, for example the Senior Independent Director. The Committee's second purpose is to determine the remuneration and terms of service of Executive Directors and Associate Directors.

The term 'senior managers' covers Foundation Trust employees in senior positions, who have authority and responsibility for directing and controlling major Foundation Trust activities. These employees influence the decisions of the entire Foundation Trust, meaning that the definition covers the Chief Executive and Board-level directors.

The advice offered covers all aspects of salary, including performance-related pay and bonuses, as applicable, pensions, provision of cars, insurance, and other benefits. Advice on arrangements for termination of contracts and other general contractual terms also falls within the remit of the Committee. Specifically, the Committee is charged with:

- advising on appropriate contracts of employment, including remuneration, for senior managers;
- monitoring and evaluating the performance of individual senior managers;
- making recommendations regarding the award of performance-related pay, based on both the Foundation Trust's performance and the performance of individuals; and
- advising on the proper calculation of any termination payments.

The Committee is empowered to obtain independent advice as it considers necessary. At all times, it must have regard to the Foundation Trust's performance and national arrangements for pay and terms of service for senior managers.

The Committee meets several times a year, to enable it to make its recommendations to the Board. It formally reports to the Board, explaining its recommendations and the basis for the decisions it makes.

The Committee's membership includes all Non-Executive Directors. The Chief Executive and other senior managers should not be present when the Committee meets to discuss their individual remuneration and terms of service but may attend by invitation from the Committee to discuss other staff's terms. Accordingly, the Chief Executive and the Director of Workforce and Organisational Development attend the Committee when required. The Company Secretary attends the Committee in an advisory capacity.

Senior managers' remuneration policy

The remuneration package for senior managers consists of the following factors:

Item	Rationale
Salary	The Foundation Trust strategy and business planning process sets the key business objectives of the Foundation Trust which are delivered by the senior managers. This success measure is one of the ways in which the senior managers' performance is monitored. Foundation Trust senior managers' remuneration is based on market rates and there are no automatic salary rises. To ensure that the pay and terms of service offered by the Foundation Trust are both reasonable and competitive, comparisons are made between the scale and scope of responsibilities of senior managers at the Foundation Trust and those of employees holding similar roles in other organisations. A report is prepared for the Non-Executive Nominations and Remuneration Committee by the Director of Workforce and Organisational Development, which makes these comparisons between the Foundation Trust's remuneration rates for senior managers and market rates. The base salaries of Executive Directors in post at the start of the policy period and who remain in the same role throughout the policy period will not usually be increased by a higher percentage than the maximum incremental uplift applicable to the highest paid staff on Agenda for Change. The only exceptions are where an Executive Director has been appointed at below market level to reflect experience. Senior managers are paid spot level salaries rather than on an incremental scale and may collectively receive an annual uplift in salary in line with '*Guidance on pay for very senior managers'* issued by NHS England and NHS Improvement. All senior managers' remuneration is subject to satisfactory performance of duties in line with their employment. There is no performance related pay so senior managers receive one hundred per cent of their salary subject to the relevant deductions.
Taxable benefits	The Non-Executive Nominations and Remuneration Committee agree any taxable benefit. This forms part of the recruitment and retention of senior managers by ensuring that the Foundation Trust remains competitive. There is no maximum amount payable.
Pension	Standard pension arrangements are in place in 2019/20. This forms part of the recruitment and retention of senior managers by ensuring that the Foundation Trust remains competitive. There is no maximum amount payable.

Bonus	There is no bonus scheme for any senior manager in Torbay and South Devon NHS Foundation Trust. The maximum that could be paid is £nil. All other staff, except the senior management team at Torbay Pharmaceuticals, are subject to Agenda for Change pay rates, terms and conditions of service, which are determined nationally.
Other	Individual items such as lease cars are not offered as part of a remuneration package. Board level directors may, however, put forward an individual request in respect of such items. Senior managers' terms and conditions e.g. holidays, pensions, sick pay are in accordance with Agenda for Change terms and conditions.

There have been no changes to the remuneration policy for senior managers during the year.

For Executive Directors there are no arrangements relating to termination payments other than the application of employment contract law.

No awards have been made to either present or past senior managers within 2019/20.

During the year ending 31 March 2020, two senior managers (Chief Executive and Executive Medical Director) were paid more than £142,500 as identified by the remuneration report (audited information). The steps outlined above provides the Executive Nominations and Remuneration Committee with assurance that the remuneration level is reasonable and linked appropriately to the weight of the role based on accountability, job responsibilities and the knowledge and skills required for each of those positions.

Remuneration is set in accordance with NHS Agenda for Change for all staff other than doctors and directors. Pay and conditions of service for doctors is agreed nationally.

Senior manager's objectives and performance

Senior managers meet annually with the Chief Executive to agree core and individual performance objectives and subsequently meet with the Chief Executive monthly to discuss the progress made towards the targets set. A formal interim progress review is held six months after the objectives were set; a final review of performance and achievement of objectives is held at the end of the year, when objectives for the following year are also discussed and agreed.

The Chief Executive's performance is appraised using the same system, but their performance objectives are agreed with and monitored by the Chairman. This process was designed to ensure that clearly defined and measurable performance objectives are agreed, and progress towards these objectives is regularly and openly monitored, both formally and informally.

The Chief Executive presents an assurance report to the Committee each year outlining the appraisal process undertaken. The Committee also receives a summary report on the performance of each of the Executive Directors and Associate Director and a recommendation in respect of any proposed changes to remuneration levels. The Chairman adheres to the same process in regard to the Chief Executive.

Remuneration Executive Directors and other employees

When setting remuneration levels for the Executive Directors, the Nominations and Remuneration Committee considers the prevailing market conditions, the competitive environment (in particular through comparison with the remuneration of executives at other Foundation Trusts of a similar size and complexity) and the positioning and relativities of pay and employment conditions across the broader Foundation Trust workforce.

In particular, the Nominations and Remuneration Committee considers the recommendations of the NHS Pay Review Body and the Review Body on Doctors' and Dentists' Remuneration as reflecting most closely the economic environment encountered by Executive Directors. The Foundation Trust does not consult more widely with employees on such senior managers' remuneration matters.

Chairman and Non-Executive Director remuneration

The Chairman's and Non-Executive Director's remuneration is overseen by the Governors' Nominations and Remuneration Committee ('Committee') as outlined in the Accountability Report 'Committees of the Council of Governors' section. The Committee makes recommendations to the Council of Governors on the Non-Executive Directors and Chairman's remuneration levels, albeit for 2020/21 the Committee will reflect in its deliberations, the new remuneration framework issued by NHS England and NHS Improvement in November 2019. The Chairman and Non-Executive Directors receive spot level remuneration but can claim reasonable expenses, for example travel expenses, as per other employees.

A review of remuneration levels applicable to Non-Executive Directors and the Chairman was undertaken during the year. The review comprised a review of remuneration of similar sized Foundation Trusts and took account of increasing time commitment required of Non-Executive Directors in establishing partnership working across the region. The outcome of the benchmarking exercise concluded that an increase of £500 per annum to the baseline remuneration fee for Non-Executive Directors (i.e. mid-way point between the peer average for medium sized Foundation Trusts and large Foundation Trusts), was appropriate. In respect of the role of the Chairman, the outcome of the benchmarking review indicated an increase to £51,000 per annum was appropriate when applying the same principle. On the recommendation of the Committee, the Council of Governors approved an uplift in remuneration levels effective from 1 April 2019, as outlined above.

Accordingly, the Non-Executive Directors (excluding the Foundation Trust Chairman), received with effect from 1 April 2019, baseline remuneration of £13,500 per annum. Some Non-Executive Directors receive an additional one-off responsibility allowance based on Board positions held.

The Chairman opted to remain on the same remuneration level as applied in 2018/19 and therefore received a total remuneration package of £47,825 during the year 2019/20.

The remuneration package for the Chairman and other Non-Executive Directors is made up of:

Item	Rationale
Remuneration*	£47,825 per annum for the Non-Executive Chairman - three days per week.
Remuneration	£13,500 per annum for all other Non-Executive Directors - three days per month.
Remuneration	Additional responsibility allowance of £3,000 for the Chair of the Audit Committee.
Remuneration	Additional responsibility allowance of £1,500 given to the Senior Independent Director (SID*).
Remuneration	Additional responsibility allowance of £1,000 given to the Vice Chair.
Expenses	Chairman and Non-Executive Director mileage rates are aligned with latest guidance; 56p per mile for the first 3,500 miles reducing to 20p per mile thereafter. All other expenses remain in line with Foundation Trust policy.

Service contracts

The following table shows for each person who was an Executive or Associate Director or Non-Executive Director as at 31 March 2020, the commencement date for their current position and the term of service agreement or contract for services and details of notice periods.

Director	Contract start date	Contract term (years)	Unexpired term at the date of publication^	Notice period by the Foundation Trust	Notice period by the director
Ms L Davenport	01.10.2018	Indefinite term	Not applicable	*	Six months
Mrs L Darke	01.04.2017	Indefinite term	Not applicable	*	Three months
Dr R G Dyer	01.10.2015	Indefinite term	Not applicable	Three months	Three months
Ms J Falcão	01.08.2016	Indefinite term	Not applicable	*	Six months
Mr J Harrison	01.04.2019	Indefinite term	Not applicable	*	Three months
Mrs A Jones	22.07,2019	Indefinite term	Not applicable	*	Three months
Mr D Stacey	06.01.2019	Indefinite term	Not applicable	*	Three months
Mrs J Viner	15.07.2013	Indefinite term	Not applicable	*	Three months
Sir Richard Ibbotson	01.06.2017	1 year**	11 months	One month	One month
Mr C Balch	14.04.2019	3 years	22 months	Three months	Three months
Mrs J Lyttle	01.10.2017	3 years	4 months	One month	One month
Mrs V Matthews	01.12.2017	3 years	6 months	One month	One month
Mr P Richards	13.11.2017	3 years	5 months	One month	One month
Mr R Sutton	01.06.2019	3 years	20 months	One month	One month
Mrs S Taylor	01.01.2019	3 years	18 months	One month	One month

Notes:
*as per statutory notice period i.e. one week for each year of employment up to a maximum of 12 weeks
**Sir Richard Ibbotson re-appointed for a term of one year following two terms of office of three years
^date of publication taken to mean July 2020

Unless noted above, these officers have been in post throughout 2019/20.

Policy on payment for loss of office for senior managers

Senior managers are employed on substantive contracts of employment and are employees of the Foundation Trust. Their contracts are open-ended employment contracts which can be terminated by either party by giving notice in accordance with their individual service contract.

The Foundation Trust's normal disciplinary policy applies to senior managers, including the sanction of instant dismissal for gross misconduct. The Foundation Trust's redundancy policy is consistent with the NHS redundancy terms for all staff.

Service contracts

As described above, senior managers contracts are open-ended (permanent) contracts. Non-Executive Directors serve terms of three years, up to six years have been served. The Council of Governors will consider and set terms of office for Non-Executive Directors beyond that point that meet the needs of the organisation, taking into account NHS Improvement's guidance and the NHS Code of Governance, that terms beyond that point should be set on an annual basis. Further details about the terms of office of each individual Non-Executive Director can be found in the Director's Report within this annual report and accounts.

Governors' expenses

Governors may be reimbursed for legitimate expenses, incurred during their official duties, as Governors of the Torbay and South Devon NHS Foundation Trust. During the financial year, a number of Governors were paid expenses to reimburse their travel costs incurred while attending meetings of the Foundation Trust and at external training and development events.

	31 March 2020	**31 March 2019**
Number of Governors in office	23	26
Number of Governors receiving expenses	6	7
Total expenses paid to Governors	£2031.54	£2,019.52

Fair pay multiple (audited information)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid Director in Torbay and South Devon NHS Foundation Trust in the financial year 2019/20 was £185,000 - £190,000 (2017/18,

£185,000 - £190,000). This was 6.3 times (2018/19, 6.6) the median remuneration of the workforce, which was £29,575 (2018/19, £28,050).

In both 2019/00, 11 employees (2018/19, 8) received remuneration in excess of the highest paid Director. Remuneration ranged from £17,652 to £407,145. (2018/19, £17,460 to £328,343).

Total remuneration includes salary and non-consolidated performance-related pay. It does not include benefits-in-kind, severance payments, employer pension contributions and cash equivalent transfer value of pensions.

The median calculation is based on the full-time equivalent staff of the Foundation Trust at the reporting period end date on an annualised basis.

Definition of 'senior managers'

The definition of 'senior managers' is 'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS Foundation Trust'. This includes the Chief Executive, Chairman, Executive, Associate and Non-Executive Directors. This definition covers all those who hold or have held office as Chairman, Non-Executive Director, Executive Director, or Associate Director of the NHS Foundation Trust during the reporting year. It is irrelevant that:

- an individual was not substantively appointed (holding office is sufficient, irrespective of defects in appointment);
- an individual's title as Director included a prefix such as 'interim, acting, temporary or alternate'; or,
- an individual was engaged via a corporate body, such as an agency, and payments were made to that corporate body rather than to the individual directly.

Liz Davenport, Chief Executive

24 June 2020

Part IV – Staff Report

Analysis of staff costs (audited information)

The Foundation Trust is required to provide an analysis of staff costs, in categories defined in the NHS Information Centre's Occupational Code Manual. This analysis distinguishes between 'permanently employed' and 'other staff'.

	2019-20			2018-19		
	Total	**Permanently Employed**	**Other**	**Total**	**Permanently Employed**	**Other**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Salaries and wages	206,732	206,732	-	186,076	186,076	-
Social security costs	18,632	18,632	-	16,913	16,913	-
Apprenticeship levy	989	989	-	911	911	-
Employer's contributions to NHS pensions	24,799	24,799	-	22,722	22,722	-
Pension cost – Employer contributions paid by NHSE/ NHSI on Trust's behalf (6.3%)	10,803	10,803	-	-	-	-
Pension cost - other	87	87	-	70	70	-
Temporary staff	9,086	-	9,086	9,398	-	9,398
Total staff costs	**271,128**	**262,042**	**9,086**	**236,090**	**226,692**	**9,398**
Of which: Costs capitalised as part of assets	1,715	1,715	-	1,690	1,690	-

The Foundation Trust incurred £99,000 (2018/19 £0) in respect of other post-employment benefits, other employment benefits, or termination benefits. The Foundation Trust did not second any staff in either year to other organisations, instead where staff were supplied to other organisations the Trust generated an income from this service.

Analysis of worked full time equivalents (FTEs) (audited information)

The Foundation Trust is required to provide an analysis of average staff numbers, in categories defined in the NHS Information Centre's Occupational Code Manual. This analysis distinguishes between 'permanently employed' and 'other' staff.

The average number of employees is calculated as the whole time equivalent number of employees under contract of service in each week in the financial year, divided by the number of weeks in the financial year. The "contracted hours" method of calculating whole time equivalent number is used, that is, dividing the contracted hours of each employee by the standard working hours. Staff on outward secondment are not included in the average number of employees.

During 2019/20, the Foundation Trust reviewed the way in which it categorises staff numbers, in order to improve alignment with NHS Digital's guidance on the categorisation of staff using Occupation Codes.

	2019/20			2018/19
NHSI Staff Group	**Total Number**	**Permanently Employed**	**Other Number**	**Total Number**
Allied Health Professionals	478	468	10	402
Health Care Scientists	92	92	0	91
Medical and Dental	505	248	257	507
NHS Infrastructure Support	1068	1027	41	1009
Other Scientific, Therapeutic and Technical Staff	365	353	12	359
Qualified Ambulance Service Staff	7	6	1	7
Registered Nursing, Midwifery and Health visiting staff	1194	1171	23	1163
Support to clinical staff	1809	1746	63	1701
Total	5518	5111	407	5238

Analysis of sickness absence

The Foundation Trust continues to develop the overall health and wellbeing of its workforce, and management of sickness absence. The sickness absence rate for 2019/20 compared to the previous three years is shown below.

Year	12 months sickness	FTE	FTE days available	FTE days lost to sickness absence	Average number of days' sickness absence*
2016/17	4.37%	5,186	1,892,725	82,653	9.8
2017/18	4.09%	5,163	1,884,585	77,054	9.2
2018/19	4.23%	5,177	1,889,505	79,859	9.5
2019/20	4.45%	5,410	1,974,776	87,942	10.0

Source: from the Electronic Staff Record (ESR)

*Period covered: January to December 2019
*Data items: ESR does not hold details of the planned working/non-working days for employees so days lost and days available are reported based upon a 365-day year.
*The number of Full-Time Equivalent (FTE) days available has been taken directly from ESR. This has been converted to FTE years in the first column by dividing by 365.
*The number of FTE days lost to sickness absence has been taken directly from ESR. The adjusted FTE days lost has been calculated by multiplying by 225/365 to give the Cabinet Office measure.
*The average number of sick days per FTE has been estimated by dividing the FTE days by the FTE days lost and multiplying by 225/365 to give the Cabinet Office measure. This figure is replicated on returns by dividing the adjusted FTE days lost by average FTE.

Staff policies and actions applied during the year

The Foundation Trust continues to be committed to providing an inclusive environment for our patients, staff, and visitors. We believe in providing equity in our services, in treating people fairly with respect and dignity and in valuing diversity both as a health and care services provider and as an employer.

The work that has formed part of 'Our Journey' has continued with the development of a number of resource tools designed to support teams to have local conversations about 'Our Journey' and to create their own local plans.

The Diversity and Inclusion Policy sets out the responsibilities of the Foundation Trust, its staff, and those who use its services. The Foundation Trust actively promotes a culture that values difference and recognises that people from different backgrounds and experiences bring valuable knowledge and insights to the workplace and enhances the way we work. The Foundation Trust strives to be inclusive, where diversity is valued, respected, and embedded in all areas across the organisation. This will give us the ability to recruit and retain a diverse workforce that reflects the communities we serve. The Diversity and Inclusion Policy affords equal protection to those who access our services, ensuring people are involved in their care and its workforce, ensuring staff have fair and equal opportunity.

The Foundation Trust is committed to compliance with the Equality Act 2010, and as part of the subsequent Public-Sector Equality Duty, is dedicated to:

- eliminating discrimination;
- promoting equality of opportunity; and
- fostering good relations.

All Foundation Trust policies continue to be subject to a Rapid or Full (E) Quality Impact Assessment which aims to tackle discrimination or disadvantage at the outset.

The Foundation Trust continues to be a 'Mindful Employer', supporting health and wellbeing at work. The Foundation Trust's Employability Policy supports those who may experience disadvantage to find sustainable employment through experience-based work placements. We support a range of people to develop their employability skills in a safe environment through our work experience programmes, traineeships, apprenticeships and eventually through securing employment.

We recognise that there may be times when staff experience episodes of poor wellbeing. For these staff we have policies in place to ensure they get the support and guidance and

reasonable adjustments they need to assist them through this difficult time. Our occupational health service is focussed on the safety, health and wellbeing of our staff, patients and visitors. The Foundation Trust has commissioned Optima Health as its Occupational Health provider.

The Foundation Trust offers a full range of occupational health services, which are available to all staff including the following:

- health promotion as well as health information and advice;
- health surveillance for employees identified as 'at risk;
- workplace assessments;
- immunisation programmes;
- training and policy advice;
- infection control including 'needlestick hotline'; and
- baseline screening for new employees.

We also have an Employee Assistance Programme (EAP) which staff can access themselves for a variety of issues they may be concerned with. This service has been particularly important during the COVID-19 Pandemic and has been a valuable resource to employees during this period.

The health and safety team has continued to focus on initiatives to improve the health and safety culture and manage risks across the Foundation Trust. The Foundation Trust has a number of working groups in place to provide assurance to senior management that health and safety risks are being managed effectively. The Health and Safety Committee, chaired by the Director of Estates and Commercial Development, meets regularly, and provides an annual report to the Board.

For staff to feel valued and engaged, it is paramount that they are kept well informed. All staff have access to the Foundation Trust's internal communication system which incorporates the All Staff Bulletin, Executive Blogs, and forums where information and opportunities are shared.

The Foundation Trust is committed to creating a culture where everyone feels able and confident to speak up. Staff can gain support from Freedom to Speak Up Guardians and Diversity and Inclusion Guardians where they can speak confidentially on matters that may concern them. The Guardians play an active and visible role in raising awareness, developing staff and dealing with concerns. All Guardians and Advisors have undergone training pertinent to this role and will signpost staff to resolve the issue themselves or where they may obtain further support. To support their work, a Non-Executive Director('NED') has been appointed as the '*Freedom to Speak Champion'*.

In addition to this resource the Foundation Trust have embedded coaching into the organisation. Coaching is one of the most cost-effective development investments that any organisation can make. One-to-one coaching helps individuals to enhance their own work practices. This, in turn, can vastly improve their personal and team performance. Coaching is available for all staff at all levels and focuses on how you want things to be, what you need to achieve and how you are going to get there. The Coaching Collective is a group of 30 staff with different backgrounds, experiences and roles, who have been trained in advanced coaching skills to be able to assist staff. The details are available on the staff ICON pages. This network has been running for three years and in that time has supported over 400 requests for coaching. Feedback and evaluation of service has proven

positive enabling some staff to remain at work and supporting others to come back to work more quickly than anticipated.

The Foundation Trust is committed to ensuring the best use of NHS resources whereby staff are aware of the impact of fraud in the NHS, and where staff feel comfortable and confident in reporting possible instances of fraud. All staff have access to our counter fraud policy and procedure through a dedicated intranet page in which fraud awareness training and information is available. A counter fraud specialist works within the internal audit team (ASW Assurance) to provide guidance and support to staff who raise concerns, and to conduct investigations. The Human Resources team also provide assistance in the event of any investigations.

Under the leadership of the Equality Business Forum, our Employee Network Groups, including the Disability Awareness and Action Group (DAAG). Lesbian, Gay, Bisexual and Transgender Group (LGBT) and the Black, Asian and Minority Ethnic Representatives (BAME), have an opportunity to effect positive change.

2019 National NHS staff survey

Staff engagement and experience

The Foundation Trust recognises the importance of staff engagement as a core enabler to delivering our purpose and providing safe, high quality, person centred care. Research has shown a clear relationship between staff engagement and individual and organisational outcome measures, such as staff absenteeism and turnover, patient satisfaction and mortality; and safety measures, including infection rates. The more engaged staff members are, the better the outcomes for patients and the organisation generally.

The Foundation Trust has a range of well-established forums for staff to share their views and to engage with the wider Foundation Trust agenda including:

- Trust Talk – monthly briefing session for all staff from the Executive Team;
- 'Just Ask!' noticeboard for staff to ask questions or raise issues with the Executive Team;
- Staff Surveys including the national annual staff survey and quarterly pulse surveys;
- Bespoke forums including the mental health forum and menopause group;
- Freedom to Speak Up Guardian and champion network;
- Equality business forums;
- Joint consultations/negotiations with the Trade Unions; and
- Staff Governors.

The National Interim People Plan further identifies staff experience as a fundamental pillar in making the NHS a Great Place to Work. The Foundation Trust has recently developed a Staff Experience Network - this multi-disciplinary network regularly reviews staff experience feedback from a range of sources, to develop actions to improve the experience of staff at work. In the last quarter, an 'Informal Influencers' forum has also been established to directly connect key influencers from front line teams with the Executive and to focus on how the organisation can continue to engage best with staff.

Summary of performance

The NHS staff survey is conducted annually. Following a change in reporting in 2018, the overall findings are presented in the form of themes – an additional theme has been added this year around 'teamwork' making eleven key themes.

In 2017, the Foundation Trust modified its approach towards the fieldwork, moving away from a centralised approach to a more dispersed local approach with identified staff survey leads within teams. Through this approach the Foundation Trust has continued to see an improvement in the response rate from 43% in 2018 to 47% in 2019. This compares to a median response rate nationally of 46%.

Despite a challenging year, the Foundation Trust has maintained a consistent level of performance in nine of the eleven themes compared to the previous year.

Theme	2018 score	2018 respondents	2019 score	2019 respondents	Statistically significant change?
Equality, diversity & inclusion	**9.2**	2438	**9.2**	2907	Not significant
Health & wellbeing	**6.0**	2458	**6.1**	2923	Not significant
Immediate managers	**6.8**	2467	**6.9**	2932	Not significant
Morale	**6.3**	2421	**6.3**	2891	Not significant
Quality of appraisals	**5.0**	2063	**5.1**	2366	Not significant
Quality of care	**7.3**	2040	**7.3**	2392	Not significant
Safe environment - Bullying & harassment	**8.2**	2416	**8.2**	2905	Not significant
Safe environment - Violence	**9.5**	2416	**9.5**	2909	Not significant
Safety culture	**6.6**	2436	**6.6**	2903	Not significant
Staff engagement	**7.1**	2506	**7.0**	2945	↓
Team working	**6.6**	2472	**6.6**	2907	Not significant

Given the previous year's decline, it is pleasing to see that improvement has been made in health and wellbeing – this is of paramount importance and a critical prerequisite to the organisation being able to deliver great care. It is also heartening to see the continued improvement in the immediate management theme – this is a key relationship particularly through times of change and transformation and it is pleasing to hear that staff are feeling supported. Whilst, work is still required, progress has made in improving the quality of appraisals and is being monitored by the People Committee.

Disappointingly, there has been a decline in staff engagement. The planned engagement around the co-creation of the Foundation Trust's People Plan and the work to connect staff with the Foundation Trust strategy, are both ways in which we are seeking to improve this position.

In comparison with all combined acute and community Foundation Trusts in 2019, the Foundation Trust performs equal to or above the national average in six of the eleven

themes. The Foundation Trust performs particularly well with regard to health and wellbeing and morale.

	2019/20		2018/19		2017/18	
	Foundation Trust	**Benchmarking Group**	**Foundation Trust**	**Benchmarking group**	**Foundation Trust**	**Benchmarking group**
Equality, diversity and inclusion	9.2	9.2	9.2	9.2	9.2	9.2
Health and wellbeing	6.1	6.0	6.0	5.9	6.1	6.0
Immediate Managers	6.9	6.9	6.8	6.8	6.7	6.8
Morale	6.3	6.2	6.3	6.2		
Quality of appraisals	5.1	5.5	4.9	5.4	4.8	5.3
Quality of care	7.3	7.5	7.3	7.4	7.4	7.5
Safe environment – bullying and harassment	8.2	8.2	8.2	8.1	8.2	8.1
Safe environment - violence	9.5	9.5	9.5	9.5	9.4	9.5
Safety culture	6.6	6.8	6.6	6.7	6.5	6.7
Staff engagement	7.0	7.1	7.1	7.0	7.0	7.0
Teamwork	6.6	6.7				

Future priorities

In order to respond to the findings and address the areas of concern, the following areas have been identified as key priorities for 2020:

- focussed work to improve the quality of staff appraisals through the Talent Management strategy;
- improved staff engagement, enabled by the People Plan; and
- targeted work to improve the safety culture.

Performance against these criteria will be monitored through the People Committee.

Trade union facility time

The Foundation Trust is required to make the following disclosure in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	16
Full-time equivalent employee number	8.1

Percentage of time spent on facility time

Percentage of time	**Number of employees**
0%	0
1 – 50%	14
51% - 99%	0
100%	2

Percentage of pay bill spent on facility time

Total cost of facility time	£119,904.30
Total pay costs	£247,692,327.58
Percentage of the total pay bill spent on facility time, calculated as (total cost of facility time divided by total pay bill) x 100	0.048%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on trade union activities by relevant union officials during the relevant period + total paid facility time hours) x 100	25.45%

Consultancy costs

Expenditure on consultancy costs for 2019/20 was £8,000 compared with £357,000 for 2018/19. The Trust benefited from some consultancy support during the year which was funded by third parties, notably Devon CCG.

Off-payroll report

PES (2018)13 requires the Foundation Trust to seek assurance from individuals working through off-payroll engagements, that all their tax obligations are being met. This is required for existing and new engagements that during the period between 1 April 2019 and 31 March 2020 cost more than £245 per day and were engaged for more than six months.

The Foundation Trust is required under the reporting requirements published by HM Treasury in relation to PES (2018)13, to report if it had any engagements which met the disclosure requirements. The Foundation Trust can confirm that it had no engagements requiring disclosure.

Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2020	0
Of which…….	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two years and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

New off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	0
Of which…….	
Number assessed as within the scope of IR35	0
Number assessed as not within the scope of IR35	0
Number engaged directly (via PSC contracted to Foundation Trust) and are on the Foundation Trust's payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Off-payroll engagements of Board members and/or senior officials with significant responsibility, between 1 April 2019 and 31 March 2020

Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year	0
Number of individuals that have been deemed 'Board members and/or senior officials with significant responsibility' during the financial year	20

Note: The Foundation Trust has a number of doctors who meet the financial criteria but have no significant financial responsibility and therefore fall outside of the scope of the reporting requirement.

Staff exit packages paid in year (audited information)

The exit packages within the scope of this disclosure include, but are not limited to, those made under nationally-agreed arrangements or local arrangements for which Treasury approval was required.

	2019/20			2018/19		
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
Less than £10,000	-	35	35	1	20	21
£10,001 - £25,000	-	6	6	-	1	1
£25,001 - 50,000	-	-	-	-	-	-
£50,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
Greater than £200,000	-	-	-	-	-	-
Total number of exit packages by type	-	41	41	1	21	22

	Cost of compulsory redundancies £000s	**Total cost of other exit packages £000s**	**Total cost of exit packages £000s**	**Cost of compulsory redundancies £000s**	**Total cost of other exit packages £000s**	**Total cost of exit packages £000s**
Compulsory redundancy	-	-	-	5	-	-
Contractual payments in lieu of notice	-	227	227	-	70	70
Exit packages payments following employment tribunals or court orders	-	-	-	-	-	-
Total cost of exit packages	-	227	227	5	70	75

Exit packages: other (non-compulsory) departure payments (audited information)

	2019/20		2018/19	
	Payments agreed Number	Total value of agreements £000	Payments agreed Number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs	11	127	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	30	100	21	70
Exit payments following Employment Tribunals or court orders	-	-		-
Non-contractual payments requiring HMT approval	-	-	-	-
Total	41	227	21	70
Of which: Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	-	-	-	-

The exit packages within the scope of this disclosure include, but are not limited to, those made under nationally-agreed arrangements or local arrangements for which Treasury approval was required.

Diversity and Inclusion

Diversity and Inclusion is at the forefront of everything we do within the NHS. As a Foundation Trust we are committed to building an organisation that puts patients' and service users wishes at the centre and removing the barriers that hinder staff and prevent them working to their full potential. All staff are kept informed and are aware of the NHS Constitution and the Organisational values. Staff can be assured that they will continue to be supported and valued to carry out their duties effectively, ensuring that everyone counts.

Equality Delivery System (EDS2)

The Equality Delivery System (EDS) is a governance framework which was mandated by NHS England in April 2015. The EDS is designed to support NHS organisations to meet the requirements of section 149 of the Equality Act 2010- the Public Sector Equality Duty (PSED). The EDS provides a clear and robust framework, enabling NHS organisations to be transparent about their equality performance. The EDS was created to drive improvements, strengthen the accountability of services to the service users and bring about workplaces free from discrimination. EDS2 comprises of 18 goals, nine public focussed and nine workforce focussed.

The Foundation Trust is required to produce specific and measurable equality objectives in order to maintain legal compliance. Equality objectives must be published every four years, however the Foundation Trust can review the objectives annually. These

objectives will be informed by the views gathered from any engagement events where our performance has been graded by staff or the public.

Workforce Disability Equality Standards (WDES)

In 2019, the WDES standards were introduced and require the Foundation Trust to annually self-assess against 13 indicators of workplace experience and opportunity, and to develop and implement robust action planning for improvement. Nine of these standards are taken from the national staff survey and are highlighted below.

The Foundation Trust is committed to providing reasonable adjustments for staff with disabilities as required by the Equality Act 2010. There have been a number of recent developments to ensure reasonable adjustments are considered and monitored consistently across the Foundation Trust and these are expected to have a positive impact on the data below. This has included the development of a reasonable adjustment policy, which will be launched in March 2020, with appropriate training. As part of the build up to the launch a reasonable adjustment film has been developed and presented at Trust Talk. The film seeks to communicate the importance of reasonable adjustments, through a number of staff sharing their stories about their disabilities and the reasonable adjustments that have been made to support them in work.

The Foundation Trust is dedicated to equal opportunities for staff with disabilities. We have joined the Disability Confident scheme and are a Disability Confident Committed member. This initiative replaces the '*two ticks'* scheme. The aim of the scheme is to support organisations to successfully recruit and retain disabled people and those with long term conditions. By signing up to the scheme we have committed to:

- Actively attract and recruit disabled people;
- Provide a fully inclusive and accessible recruitment process;
- Offer an interview to disabled people who met the minimum criteria for the job;
- Be flexible when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job; and
- Proactively offer and make reasonable adjustments as required.

Work is underway with recruitment to review how we currently support disabled staff to apply to the Foundation Trust and how we can progress and gather evidence to level 2.

<u>Actions already taken</u>

- The Disability Focus Forum (DEFF) was set up in July last year to help to produce an Action Plan. The group consists of approximately 15-20 staff members who have a disability of Long Term Condition (LTC). The group meets twice a year and converses via email in between;
- Membership of the Disability Confident Scheme (replaced the two ticks initiative);
- Work with recruitment to evidence practices regarding recruitment of staff with a disability or LTC. This informs the Disability Confident Scheme;
- Reasonable Adjustment film has been produced by the Diversity Lead staring members of the DEFF group who explain their experiences, what it is like living and working with a disability and what the Foundation Trust has done to help them;
- Reasonable Adjustment policy has been produced and ratified;

- Bullying and harassment issues also affect this group and will be addressed in the overall initiative for Bullying and Harassment;
- Members of the group have offered to become mentors for any member of staff who has a disability who joins the organisation or who is already a member of the Foundation Trust; and
- Two members of the group have already engaged a member of staff who needed support and training.

What Next

A number of actions have been identified for implementing during the next year, including:

- Launching the Reasonable Adjustment Policy using a number of communication methods, including the Chief Executive's VLOG, promoting information on the Foundation Trust's intranet, via PC screensavers, films and diversity webpage;
- Monitoring reasonable adjustments through ESR;
- The EBF to review the action plan in light of new NHS data; and
- Continuing to monitor bullying and harassment across all areas within the Foundation Trust.

	2018		2019			
	Non disabled	Disabled	Non disabled	NA* Non Disabled	Disabled	NA* Disabled
% staff experiencing BHA from patients/public last 12 months	21.9	25.5	24.2	24.6	26.8	31.8
% staff experiencing BHA from manager last 12 months	10.5	14.6	7.8	10.0	18.2	17.7
% staff experiencing BHA from staff last 12 months	16.3	26.3	15.4	16	28.6	26.5
% reported experience of BHA	48.9	44	47.7	46.7	47.5	48.5
% believing Foundation Trust provides equal opportunities for career progression	87.3	75.9	87.3	87.1	77.1	79.7
% staff felt pressure to attend work when unwell	26	33.9	21.8	21.3	32	32.5
% staff satisfied with the extent Foundation Trust values their work	47.3	31.0	47.8	50.1	37.0	39.3
% staff saying their employer had made adequate adjustments to enable them to carry out work duties		78.5			78.3	73.5
Staff engagement	7.2	6.7	7.1	7.2	6.5	6.7

*National average
[Note: BHA means bullying and harassment]

As with the WRES data, the WDES data relies on data from the Employment Service Records ('ESR') and the national Staff Survey. There are nine matrices related to the WDES standards. Matrices 1 to 3 relate to the percentage of disabled and non-disabled staff in bands 1 to 9; difference in shortlisting between disabled and non- disabled white staff and percentage of disabled and non-disabled staff going through formal disciplinary process.

Matrices 4 to 9 are taken from the 2019 Staff Survey and are detailed above:

Workforce Race Equality System

On 1st April 2015, NHS England launched the Workforce Race Equality Standard (WRES) to hold a mirror up to the NHS and spur action to close gaps in workplace inequalities between our black and minority ethnic (BME) and white staff. WRES requires the Trust to self-assess against nine standards of workplace experience and opportunity. Four of these standards are taken from the national Staff Survey and are highlighted below. As can be seen, significant progress has been made in improving experience and reducing disparity between BME and white staff, particularly with regard to equal opportunity for career progression and experience of discrimination and bullying.

There has been a 5% improvement in the percentage of BME staff believing the Foundation Trust provides equal opportunities for career progression and whilst there is still a 5% disparity with white staff, this gap is closing and is much smaller than the national disparity of 16%. There has also been a 7% reduction in the percentage of BME staff who have experienced discrimination. Staff experience of bullying, harassment or abuse from staff is reducing for all staff and for the first time in the last three years, the level reported by BME staff is below that of white staff. Focused work continues around this area as we must continue to strive to make further improvements – this work includes the imminent launch of the anti-bullying network and mandated training in anti-bullying. There is still work to be done around bullying and harassment from patients, which mirrors the national picture.

<u>Actions already taken</u>

- Bullying and Harassment Round Table discussions have been established;
- The Acceptable Behaviour Policy has been updated and re-formatted in to the Foundation Trust's Bullying and Harassment Policy;
- An Anti-Bullying Network has been set up to discuss and address current issues;
- Anti- Bullying training has been introduced in the Foundation Trust's Induction Programme with effect from January 2020;
- Anti -Bullying training has been established as part of the Foundation Trust's Mandatory Training Programme with effect from February 2020;
- Anti-Bullying Advisors have been appointed and are due to be launched across the Foundation Trust;
- The Foundation Trust's Equality Business Forum (EBF) has been re-focussed and the WRES action plan updated;

- Staff diversity posters displayed across the organisation with a clear message the we have a valued diverse workforce;
- Information regarding the EU settlement scheme was sent out in bulletin, followed up by a VLOG and screensavers throughout the year; and
- A new BME representative joined the EBF and has been active throughout the year in engaging staff during her walkabouts at the Foundation Trust. This work has comprised advising the international staff co-ordinator, sharing experiences with the leadership team and supporting diverse workforce management initiatives. Completion of the Stepping Up Programme run by the South West Leadership Academy specifically for BME staff has also been achieved. It is hoped that this will encourage other BME staff to come forward and progress within the NHS thus ensuring that BME staff are equipped to progress further within the organisation.

Next steps

- A number of further steps have been identified for implementation in 2020/21, and include:
- Inclusivity video clip to be added to the training programme for all staff to access as part of their Anti Bullying training;
- Rainbow badges to be launched;
- Campaign to raise awareness for patients of the Foundation Trust's zero tolerance of abuse against our staff;
- BME representative present their story describing their experience of the Stepping Up Programme and encourage others to follow;
- Continuation of monitoring all bullying and harassment issues; and
- EBF to review action plans in light of new NHS Survey data.

There are nine matrices related to the WRES standards. Matrices one to four relate to the percentage of BME and white staff in bands 1 to 9; difference in shortlisting between BME and white staff; percentage of BME staff going through formal disciplinary; and, the training uptake of BME and white staff including CPD. Matrix 9 relates to percentage difference between the organisations board voting membership and its overall workforce.

Matrices five to eight is detailed below and has been sourced from the staff survey 2018:

[Note: BHA refers to bullying and harassment]

	2017		2018		2019			
	White	BME	White	BME	White	NA* White	BME	NA* BME
% staff experiencing BHA from patients/public last 12 months	22.8	25.3	22.4	25.7	24.6	25.4	30.8	28.7
% staff experiencing BHA from staff last 12 months	22.3	26.3	23.3	24.0	22.1	22.2	20.7	27.9
% believing Foundation Trust provides equal opportunities for career progression	84.5	73.3	86.0	77.1	85.7	87.4	81.7	72.9
% staff experienced discrimination from manager/colleague in last 12 months	6.7	16.7	6.9	17.0	6.0	5.5	10.3	14.8

*National average

Gender pay differential

Gender pay reporting legislation requires employers with 250 or more employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees. The data in this report is based on a snapshot taken on 31st March 2020.

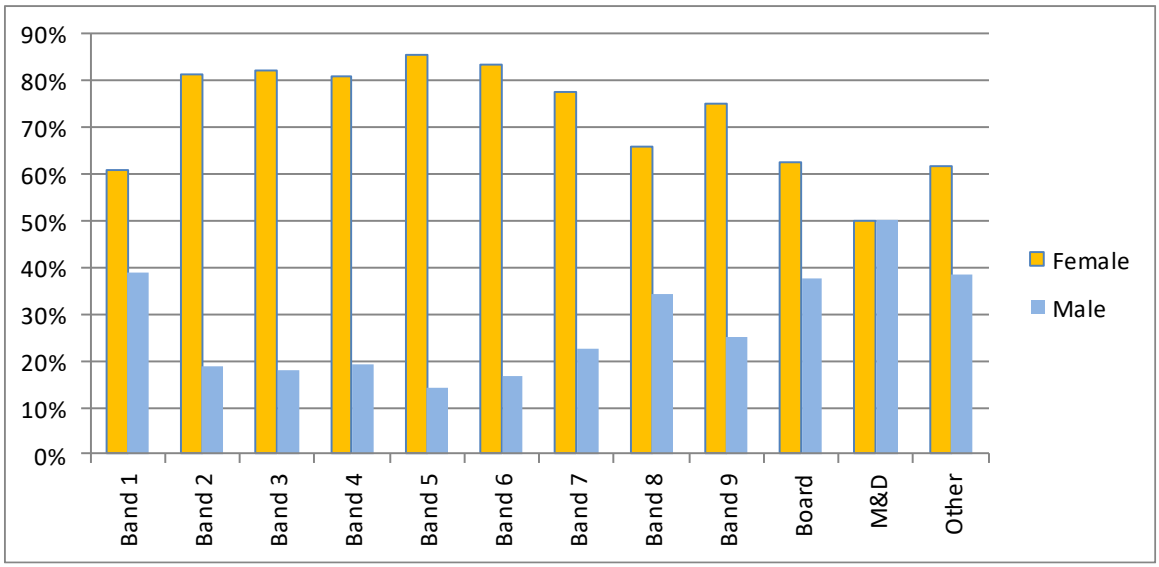
An analysis of the Foundation Trust workforce as at 31 March 2020, split by directors, other senior managers and employees, is shown below:

	Male %	**Male headcount**	**Female %**	**Female headcount**
Executive Directors	37.50	3	62.50	5
Other senior managers	44.74	34	55.26	42
Employees	21.72	1420	78.28	5118

Gender pay reporting is different to equal pay. Equal pay deals with the pay differences between men and women who carry out the same jobs, similar jobs or work of equal value. It is unlawful to pay people unequally because they are a man or a woman.

The gender pay gap analysis below shows the difference in the average pay between all men and women in a workforce. Generally, the average pay of women is lower than that of men and this tends to be because there are fewer women in senior high earning positions in organisations than men. Whilst a workforce may be predominantly female, if the most senior positions are taken up by men, the average pay of women in that organisation could well be lower.

The current gender split within the overall workforce is 79% female and 21% male. The breakdown of proportion of females and males in each banding is as follows:



Average Gender Pay Gap

a) Average gender pay gap as mean average (All applicable Foundation Trust staff)

	Male	Female	% difference
Mean hourly rate 2018	£18.76	£14.85	20.84%
Mean hourly rate 2019	£18.89	£15.22	19.44%

b) Average gender pay gap as median average (All applicable Foundation Trust staff)

	Male	Female	% difference
Median hourly rate 2018	£14.16	£13.10	7.49%
Median hourly rate 2019	£14.21	£13.29	6.49%

Summary of results average gender pay gap

The overall percentage variance for the average hourly rate of pay as a mean average is low at 19.44% and this is further reduction from last year which was 20.58%. This calculation is based on the average hourly rate for 4,885 female staff compared to 1,351 male staff; because the average is calculated over different numbers of staff (there are almost four times more female staff), some variance is to be expected.

However, when analysing the data, the Office for National Statistics (ONS) recommends that the focus should be the median average, rather than the mean, as this is less open to distortion by those at the extreme ends of the pay range. The Foundation Trust's percentage variance for the median hourly rate of pay is only 6.49%. This is still well below the national average reported in 2018 of 17.3%.

Having reviewed the data there are two themes which stand out:

- when looking at the total workforce, male staff are disproportionately represented in the lowest and highest pay quartiles; and
- the most obvious imbalance of pay is amongst the Medical and Dental staff.

It is the inclusion of our Consultant Body which shows a significant impact on the figures, reversing the female positive gender pay gap across the remainder of the Foundation Trust's workforce.

Analysis of our medical workforce continues to reveal its own complexities. The Junior Doctors show a pay gap in favour of female staff, but at more senior level then this is in favour of male employees, with a higher number of male consultants employed compared to female. The legacy of a predominantly male Consultant body is slowly changing, as demonstrated by the current Junior Doctor workforce, which shows a higher number of female employees compared to male.

Additional information on the Foundation Trust's Gender Pay Gap Report can be found on the website at https://www.torbayandsouthdevon.nhs.uk/uploads/gender-pay-gap-report-2019.pdf and at the Cabinet Office website at https://gender-pay-gap.service.gov.uk/

Apprenticeships and Widening Participation

An apprenticeship is a way for young people and adult learners to earn while they learn in a real job, gaining a real qualification and a real future. Hiring apprentices helps businesses to grow their own talent by developing a motivated, skilled and qualified workforce. Being an apprentice gives you the opportunity to gain a recognised qualification and develop professional skills, while earning a salary. The Foundation Trust currently employs approximately 190 apprentices in a wide range of clinical and non-clinical roles.

Work experience allows NHS employers to influence the quality and flexibility of our future workforce' (NHS careers: March 2008). Accordingly, there is an obligation for organisations to provide an opportunity for students to experience the work environment. This can be achieved in a variety of ways including work placements, school liaison and open days.

As the largest employer in the area, it is incumbent on the Foundation Trust to use the resources available to us for the benefit of the whole community, and ensure that nobody is excluded, discriminated against, or left behind.

We are an inclusive organisation and we continue to support the ASPIRE Project ('ASPIRE') with South Devon College. ASPIRE offers work placements throughout the Foundation Trust to those who are unable to find meaningful employment. This can be for a variety of reasons including learning and physical disabilities.

ASPIRE also offers 12 month internships for young people with learning disabilities. This is made up of a City and Guilds qualification in Employability and Personal Development, accompanied by three 10-week rotations in three different departments over an academic year. The students begin and end each day in an on-site classroom to assess how their day has gone and learn other communication, problem-solving and job skills.

Presently, the Foundation Trust has seven ASPIRE students; of which we hope to be able to offer permanent jobs within the Foundation Trust on completion of the ASPIRE programme.

Within our work experience programmes, the Foundation Trust also supports the ‘Focus 5’ project, which is for those who are Not in Education, Employment or Training (‘NEET’). The Foundation Trust offer careers advice and mentoring to realise potential employment opportunities.

Part V – Governance Statements

NHS Foundation Trust Code of Governance

Torbay and South Devon NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a '*comply or explain*' basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

Compliance with the Code

In considering the provisions of the NHS Improvement Code of Governance for Foundation Trusts, the Board of Directors considers that it was compliant or had otherwise appropriate arrangements for the governance of the Foundation Trust in place, and consequently there are no disclosure requirements.

In accordance with the Code, the Foundation Trust is led by the Board of Directors who have joint and several responsibility for the exercise of the powers of the Foundation Trust. Appointments to the Board both of Executive and Non-Executive Directors in the reporting period meant that the Board was fully constituted. The Board does not consider that its performance or balance was significantly impacted during any period of interim arrangements.

Details of the Constitution of the Board are given in the Accountability Report.

Mandatory disclosures

Relating to	***Code provision***	***Summary of requirement***	***Location in Annual Report***
Board and Council of Governors	A.1.1	The schedule of matters reserved for the board of directors should include a clear statement detailing the roles and responsibilities of the council of governors. This statement should also describe how any disagreements between the council of governors and the board of directors will be resolved. The annual report should also include this schedule of matters or a summary statement of how the board of directors operate, including a summary of the types of decisions to be taken by each of the boards and which are delegated to the executive management of the board of directors.	Accountability Report Page 40
Board, Audit Committee, Nominations and Remuneration Committee(s)	A.1.2	The annual report should identify the chairperson, the deputy chairperson (where there is one), the chief executive, the senior independent director (see A.4.1) and the chairperson and members of the nominations, audit and remuneration committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.	Accountability Report pages 32 and 39

Council of Governors	A.5.3	The annual report should identify the members of the council of governors, including the description of the constituency or organisation they represent whether they were elected or appointed, and the duration of their appointments. The annual report should also identify the Lead Governor.	Accountability Report Pages 41 - 42
Council of Governors	FT ARM*	The annual report should include a statement about the number of meetings of the council of governors and individual attendance by governors and directors.	Accountability Report Pages 39 and 41 – 42
Board	B.1.1	The board of directors should identify in the annual report each of the non-executive director it considers to be independent, with reasons where necessary.	Accountability Report Page 33
Board	B.1.4	The board of directors should include in its annual report a description of each director's skills, expertise and experience. Alongside this, in the annual report, the board should make a clear statement about its own balance, completeness and appropriateness to the requirements of the Foundation Trust.	Accountability Report Pages 30, 32 and Appendix A
Board	FT ARM*	The annual report should include a brief description of the length of appointments of the non-executive directors, and how they may be terminated.	Remuneration Report Page 58
Nomination and Remuneration Committee(s)	B.2.10	A separate section of the annual report should describe the work of the nominations committee(s), including the process it has used in relation to board appointments.	Accountability Report Pages 33 and 43
Nomination and Remuneration Committee(s)	FT ARM*	The disclosure in the annual report on the work of the nomination committee(s) should include an explanation if neither an external search consultancy nor open advertising has been used in the appointment of a chair or non-executive director.	Not applicable
Chair/Council of Governors	B.3.1	A chairperson's other significant commitments should be disclosed to the council of governors before appointment and included in the annual report. Changes to such commitments should be reported to the council of governors as they arise, and included in the next annual report.	No other significant commitments to report Page 32
Council of Governors	B.5.6	Governors should canvass opinion of the Foundation Trust's members and the public, and for appointed governors the body they represent, on the NHS Foundation Trust's forward plan, including its objectives, priorities and strategy and their views should be communicated to the board	Accountability Report Pages 44 – 46

		of directors. The annual report should contain a statement as to how this requirement has been undertaken and satisfied.	
Council of Governors	FT ARM*	If during the financial year, the Governors have exercised their power under paragraph 10C of Schedule 7 of the NHS Act 2006, to require one or more of the directors to attend a governors' meeting for the purpose of obtaining information about the Foundation Trust's performance of its functions or the directors' performance of their duties, then information on this must be included in the annual report.	Not applicable
Board	B.6.1	The board of directors should state in the annual report how performance evaluation of the board, its committees, and its directors, including the chairperson, has been conducted.	Accountability report Pages 33 – 37 Pages 39 - 40
Board	B.6.2	Where there has been an external evaluation of the board and/or governance of the Foundation Trust, the external facilitator should be identified in the annual report and statement made as to whether they have any other connection to the Foundation Trust.	Not applicable
Board	C.1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide information necessary for patients, regulators and other stakeholders to assess the NHS Foundation Trust's performance, business model and strategy. Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report).	Accountability Report Page 30 Governance Statements page 105
Board	C.2.1	The annual report should contain a statement that the board has conducted a review of the effectiveness of its system of internal controls.	Governance Statements Pages 106 - 108
Audit Committee/ control environment	C.2.2	A Foundation Trust should disclose in the annual report: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Accountability Report Pages 34 - 36

Audit Committee/ control environment	C.3.5	If the council of governors does not accept the audit committee's recommendation on the appointment, re-appointment or removal of an external auditor, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	Not applicable
Audit Committee	C.3.9	A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities. The report should include: • the significant issues that the committee considered in relation to financial statements, operations and compliance, and how those issues were addressed; • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length or tenure of the current audit firm and when a tender was last conducted; and • if the external auditor provided non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.	Accountability Report Pages 34 – 36
Board, Nomination and Remuneration Committee	D.1.3	Where an NHS Foundation Trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	Not applicable
Membership	E.1.4	Contact procedures for members who wish to communicate with governors and/or directors should be made clearly available to members on the NHS Foundation Trust's website and in the annual report.	Appendix B Pages 118 - 120
Board	E.1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular non-executive directors, develop an understanding of the views of governors and members about the NHS Foundation Trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	Accountability Report Pages 40 - 41

Board/ Membership	E.1.6	The board of directors should monitor how representative the NHS Foundation Trust's membership is and how the level and effectiveness of member engagement and report this in the annual report.	Accountability Report Pages 40 and 44
Membership	FT ARM*	The annual report should include: • a brief description of the eligibility requirements for joining difference membership constituencies, including the boundaries for public membership; • information on the number of members and the number of members in each constituency; and • a summary of the membership strategy, an assessment of the membership and a description of any steps taken during the year to ensure a representative membership, including progress towards any recruitment targets for members.	Accountability Report Page 44
Board/Council of Governors	FT ARM*	The annual report should disclose details of company directorships or other material interests in companies held by governors and/or directors where those companies or related parties are likely to do business, or are possibly seeking to do business, with the NHS Foundation Trust.	Accountability Report Pages 32 and 42

*FT ARM disclosures are required by the NHS Foundation Trust Annual Reporting Manual rather than the NHS Foundation Trust Code of Governance.

NHS Improvement strongly encourage all providers to carry out externally facilitated, developmental reviews of leadership and governance using the well-led framework every three to five years. The Foundation Trust has not undertaken an externally facilitated review since it was established in October 2015 therefore, during the year the Board approved the commissioning of such a review. Due to COVID-19, the review has been temporarily delayed and will be completed in 2020/21.

NHS oversight framework

NHS England and NHS Improvement's NHS Oversight Framework provides the framework for overseeing providers and identifying potential support needs to help them improve. The framework looks at five themes:

- quality of care;
- finance and use of resources;
- operational performance;
- strategic change; and
- leadership and improvement capability (well-led).

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum

autonomy. A Foundation Trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

For 2019/20, the Foundation Trust has been placed in segment 2 which attracts an offer of targeted support in response to concerns in relation to one or more of the five themes. Whilst not currently subject to enforcement action, the Foundation Trust has accepted targeted support from NHS Improvement in respect of finance and use of resources and operational performance.

This segmentation information is the Foundation Trust's position as at 19 June 2020. Current segmentation information for NHS Foundation Trusts is published on the NHS Improvement website.

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4' where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding in to Single Oversight Framework, the segmentation of the Foundation Trust disclosed above might not be the same as the overall finance score.

Area	Metric	2019/20 scores				2018/19 scores			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial sustainability	Capital service capacity	4	4	4	4	4	4	4	4
	Liquidity	4	4	4	2	3	3	4	3
Financial efficiency	I & E margin	4	4	4	4	3	4	4	4
Financial controls	Distance from financial plan	4	3	1	1	2	2	2	2
	Agency spend	3	4	4	4	4	3	3	3
Overall scoring		4	4	3	3	3	3	3	3

The Foundation Trust's financial performance is monitored by NHS Improvement, principally using the measure of 'adjusted financial performance excluding Provider Sustainability Funding ('PSF')' and Marginal Rate Emergency Tariff (MRET). This measure excludes items such as asset impairments, income/depreciation relating to donated assets, MRET and PSF, which do not reflect underlying financial performance. On this measure, the Foundation Trust is reporting a 2019/20 deficit of £24.45million, £20.65million adverse to that planned. The overall financial performance was a deficit of £18.04million, which included £5.72million of PSF and MRET.

Statement of Accounting Officer's Responsibilities

Statement of the Chief Executive's responsibilities as the Accounting Officer of Torbay and South Devon NHS Foundation Trust:

The NHS Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum i*ssued by NHS Improvement.

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Torbay and South Devon NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Torbay and South Devon NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

In preparing the accounts and overseeing the use of public funds, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care Group Accounting Manual and in particular to:

- observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* (and the *Department of Health and Social Care Group Accounting Manual*) have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the use of public funds complies with the relevant legislation, delegated authorities, and guidance;
- confirm that the annual report and accounts, taken as a whole, is fair balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Foundation Trust's performance, business model and strategy; and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as I am aware, there is no relevant audit information of which the Foundation Trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

Liz Davenport, Chief Executive
24 June 2020

Annual Governance Statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum.*

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the policies, aims and objectives of Torbay and South Devon NHS Foundation Trust;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- to manage them efficiently, effectively, and economically.

The system of internal control has been in place in Torbay and South Devon NHS Foundation Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

As Accounting Officer, I have overall responsibility for ensuring that there are effective risk management and integrated governance systems in place within the Foundation Trust and these meet all statutory requirements and adhere to guidance issued by NHS Improvement in respect of governance and risk management.

The Foundation Trust has a Risk Management Strategy, which is reviewed and endorsed by the Board of Directors. The Strategy provides the framework for managing risks across the organisation which is consistent with best practice and Department of Health and Social Care guidance. The Strategy provides a clear, systematic approach to the management of risks to ensure that risk assessment is an integral part of clinical, managerial and financial processes across the organisation.

The Board of Directors provides leadership on the overall governance agenda including risk management. It is supported by a number of sub-committees that scrutinise and review assurances on internal control. These include the Audit Committee, Quality Assurance Committee, People Committee and the Finance, Performance and Digital Committee. Underpinning these sub-committees are the executive-led groups – including the Quality Improvement Group, Risk Group and other Groups managing the operational delivery of IM&T, Estates and Workforce and OD.

Independent assurance on the effectiveness of the system of internal control and overall governance arrangements is provided by the Audit Committee. Additional assurance on the effectiveness of the systems for ensuring clinical quality is given by the Quality Assurance Committee. The Board of Directors receives a report from the Chair of each of the Board sub-committees. The Board of Directors also receives the Board Assurance Framework and Corporate Risk Register on at least a quarterly basis.

The Risk Group oversees all risk management activities across the Foundation Trust to ensure that the correct strategy is adopted for managing risk; controls are present and effective; action plans are robust for these risks that are being actively managed; and, that high risks are scored appropriately. The Risk Group is chaired by the Chief Finance Officer (who is also the designated Senior Information Risk Owner). Membership comprises all Executive and Associate Directors; other standing attendees include the Director of Health Informatics, Company Secretary, Corporate Governance Manager and the Risk Officer. In addition, the Executive Directors have in place a process whereby all significant risks to the achievement of service delivery unit and directorate objectives, NHS Improvement governance and compliance requirements and Care Quality Commission regulations are kept under review.

Established governance arrangements maintain effective risk management arrangements across the Integrated Service Units maintain risk registers and report accordingly. The System Directors for each of the Integrated Service Units are responsible and accountable to the Chief Operating Officer for the quality of the services they manage and to ensure that any identified risks are placed on the Integrated Service Unit risk register. All such risks are reviewed by the relevant Integrated Service Unit and any escalation as required is managed in accordance with the risk reporting process.

Whilst the Chief Executive has overall responsibility for the management of risk, other members of the Executive Team exercise lead responsibility for the specific types of risk as follows:

Strategic risk	***Chief Executive***
Clinical and quality risks	***Chief Nurse/Medical Director***
Financial risks	***Chief Finance Officer***
Workforce risks	***Director of Workforce and Organisational Development***
Clinical staffing risks	***Chief Nurse/Medical Director***
Environmental risks	***Director of Estates and Commercial Development***
Operational risks	***Chief Operating Officer***
IM&T risks	***Director of Transformation and Partnerships***

All Board level directors are responsible for ensuring there are appropriate arrangements and systems in place to identify and assess risks and hazards; comply with internal policies and procedures, and statutory and external requirements; and, integrate functional risk management systems and develop the assurance framework. These responsibilities are supported operationally by service unit managers.

All members of staff have responsibility for participation in the risk/patient safety management system, through:

- awareness of risk assessments which have been carried out in their place of work and to compliance with any control measures introduced by these risk assessments;
- compliance with all legislation relevant to their role, including information governance requirements set locally by the Foundation Trust;
- following all Foundation Trust policies and procedures;
- reporting all adverse incidents and near misses via the Foundation Trust's incident reporting system;
- attending regular training as required ensuring safe working practices;
- awareness of the Foundation Trust's patient safety and risk management strategy; and
- knowing their limitations and seeking advice and assistance in a timely manner when relevant.

The Foundation Trust recognises the importance of supporting staff.

Integrated Service Units and directorate risk management activities are supported by a risk management training programme, principally delivered by the Risk Officer and monitored by the Risk Group, whose purpose is to provide a cross-organisational support network. Executive Directors and Non-Executive Directors are provided with risk management training on an individual basis or collectively at Board seminars.

The Foundation Trust continues to maximise its opportunity to learn from other Foundation Trusts (particularly those who achieve outstanding CQC ratings), internal / external audit and continuous feedback is sought internally to ensure the systems and processes in place are fit for purpose. The findings are taken to the Foundation Trust's Quality Assurance Committee to ensure that any learning points are implemented. A wider distribution of learning points for staff is disseminated via staff briefings and bulletins.

In addition to the Foundation Trust reviewing all internally driven reports, the Foundation Trust adopts an open approach to the learning derived from third party investigations and audits, and/or external reports. The Foundation Trust has also adopted a pro-active approach to seeking independent reviews in which Royal College reviews are commissioned should concerns be raised of a significant magnitude.

I have ensured that all risks of which I have become aware are reported to the Board of Directors. All new significant risks are escalated to the Executive Team and reviewed and validated by the Risk Group. There is a regular programme of review of risks on the Board Assurance Framework by the Board of Directors, the purpose of which is to scan the horizon for emergent threats and opportunities, and consider the nature and timing of the response required to ensure the risk is kept under control.

The risk and control framework

Risk is managed at all levels of the Foundation Trust and is co-ordinated through an integrated governance framework consisting of seven key groups that report on a regular basis to either the Quality Assurance Committee, People Committee, Finance, Performance and Digital Committee or Audit Committee. The seven key groups are: Safeguarding / Inclusion Group, Quality Improvement Group, Workforce and

Organisational Development Groups, Capital Infrastructure and Environment Group, Information Management and IT Group, Risk Group and Integrated Governance Group.

The Foundation Trust's risk management strategy has defined the Foundation Trust's approach to risk throughout the year and provides an integrated framework for the identification and management of risks of all kinds, whether clinical, non-clinical, corporate, or financial and whether the impact is internal or external. This is supported by a Board Assurance Framework, which is used to record corporate objectives, risks to their achievement, key risk controls, sources of assurance and gaps in assurance to ensure effective risk management. At each Board of Directors meeting, papers are provided with a report summary sheet through which Directors identify links to one or more corporate objectives and one or more overarching corporate level risks/themes.

The assessment and subsequent management of risk is informed by its quantification using a risk grading matrix, which is set by the Board of Directors. Consequence and likelihood tables are outlined in the risk management policy. Across a range of domains, the consequence tables grade each risk by reference to its expected impact. This, combined with the likelihood score, defines a measure of overall risk. The Foundation Trust risk tolerance is defined as: 'the amount of risk the Foundation Trust is prepared to accept, tolerate or be exposed to at any point in time'. In setting a tolerance, it has been determined that any risks to the delivery of the organisation's objectives with a current risk score of 15 or above will be brought through the exception reporting process via the Risk Group and to the Foundation Trust Board of Directors if deemed to be a corporate level risk. Actions and timescale for resolution are agreed and monitored. Such risks are deemed to be acceptable by the Executive Team only when there are adequate control mechanisms in place and a decision has been made that the risk has been managed as far as is reasonably practicable. Risks scored below this level are managed by the relevant lead Director, Service Unit or Directorate.

The Risk Group receives reports on any risks which could impact on the Foundation Trust's strategic objectives; particularly those risks deemed to be 'major' or 'catastrophic' or which could escalate to these levels if action is not taken. The Risk Group also oversees the development of the Foundation Trust's long-term strategy and implementation of the risk management and assurance framework. A deep dive schedule was established during the year which ensures that significant risks (current risk score of 15) receive detailed scrutiny at the Risk Group, Audit Committee, Quality Assurance Committee, People Committee or Finance, Performance, and Digital Committee meetings. Further information can be found within the Foundation Trust's Risk Management Policy.

Significant risks (any with a current risk score of 15 or more in accordance with the risk scoring matrix) will be reported to and considered by the Risk Group. If it is deemed that a risk is a 'corporate level' risk, it will be added to the Corporate Risk Register as described in the Foundation Trust's Risk Management Policy.

The Risk Group reviews the Corporate Risk Register to ensure that:

- the risk has been appropriately assessed and recorded;
- actions plans/points are in place and leads identified and timescales for delivery; and
- the risk and actions points/plans are monitored to completion.

Risks posing a threat to the Foundation Trust's strategic objectives are escalated to the Board Assurance Framework (BAF).

The Executive Team is responsible for:

- ensuring that programme and operational risks are actively managed within their areas of the business;
- being owner and action owner of individual risks (including those delegated by the Chief Executive); and
- devising short, medium, and long-term strategies to tackle identified risk, including the production of any mitigating action plans.

The Audit Committee has responsibility for the review of governance, risk management and internal control covering both clinical and non-clinical areas. The Committee reviews the establishment and maintenance of an effective system of integrated governance, risk management (including regular review of the Board Assurance Framework and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives. The Audit Committee will request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control. The Audit Committee may review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation and make recommendation to the Board of Directors where appropriate. Where the Audit Committee feels that there is evidence of ultra vires transactions, evidence of improper acts or if there are other important matters that the Committee wishes to escalate, the Chair of the Audit Committee will raise these at a full meeting of the Board of Directors and, if appropriate, exceptionally to NHS Improvement. After each meeting, the Chair of each Committee is required to provide a summary report to the Board of Directors addressing 'key issues' and any 'key decisions/recommendations'.

The Board of Directors evaluates the Board Assurance Framework at least quarterly with any exceptions being reported at other times of the year. Corporate level risks / themes are included on all Board papers in relation to the action being taken to manage these risks.

An example of where risk management is incorporated into core Foundation Trust business is in relation to the Integrated Finance, Performance, Quality and Workforce Board report. The monthly report to the Board of Directors via the Finance, Performance and Digital Committee provides commentary on performance and on key variances and improvements. The report is created by the outcomes and actions from various meetings, for example, the Transformation and Assurance Group, Integrated Service Unit Governance Group meetings and Executive Team weekly meetings. A separate and detailed 'Performance and Quality Data Book' providing detailed assurance, predominantly in table and chart form, is also taken to the Finance, Performance, and Digital Committee monthly.

Another example is in relation to the Quality Report. The Foundation Trust identifies up to five quality improvements for the year, which have been developed through discussions with clinical teams, commissioners, senior clinical and business leaders in the organisation and Governors. These priorities are then signed off by the Board for 2019/20 and

managed in accordance with internal processes. In accordance with guidance issued by NHS England and NHS Improvement Auditor assurance work on quality accounts and quality reports was ceased for 2019/20. Accordingly, there is no independent auditor's limited assurance opinion on the Annual Quality Report for 2019/20.

The Foundation Trust ensures that public stakeholders are involved in managing risks which impact on them. The Council of Governors, having responsibility for representing the Foundation Trust members and members of the public, receive briefings from the Chief Executive and Chair and have regular dialogue with the Chair, Executive and Non-Executive Directors. Matters pertaining to the Foundation Trust's performance, both quality and financial, and any changes to Foundation Trust services are reported.

Discussions have also been ongoing throughout the year with commissioner colleagues to ensure all key access targets are being managed from within available resource. There have been regular contract management meetings with the Foundation Trust's lead commissioners and councils.

Principal risks

The Foundation Trust's risk management processes have identified a number of risks for 2019/20. These system-wide risks relating to unprecedented challenges in achieving financial sustainability and controlling costs whilst having sufficient monies to maintain the digital and estate infrastructure to ensure continued patient safety, quality and productivity have been considered and reflected in the Board Assurance Framework. The most significant are outlined below along with how they have been/are being managed and mitigated and how outcomes are being assessed.

The risks to the achievement of the Foundation Trust's strategic objectives are described in the Board Assurance Framework for 2019/20 as:

Strategic Objective 1: Safe, quality care and best experience
Principal Objective: To maintain high quality patient care and experience for our local population

- Risk of failure to achieve the standards required for a 'Good' CQC rating.
- Risk of failure to provide safe, quality patient care due to service interruption with major consequences.
- Risk of failure to achieve the financial plan.
- Risk of failure to maintain a fit for purpose estate.
- Risk of failure to maintain a fit for purpose digital infrastructure.
- Risk of failure to meet agreed trajectories set out within the annual plan.
- Risk of failure to recruit and retain sufficient skilled clinical staff to maintain safe core services.
- Risk of failure to ensure the Foundation Trust's business continuity plans are capable of responding to the COVID-19 Pandemic (added March 2020).

Strategic Objective 2: Improved wellbeing through partnerships
Principal Objective: To be a socially responsible organisation contributing to a healthier population

- Risk of failure to implement the Foundation Trust's transformation plan.
- Risk of failure of key stakeholders eg STP, local authority, primary care.

Strategic Objective 3: Valuing our workforce
Principal Objective: To ensure the organisation has a fit for purpose workforce

- Risk of failure to be the best place to work.
- Risk of failure to engage and involve the workforce.
- Risk of failure to enable sustainable workforce transformation.
- Risk of failure to support the mental and physical health and wellbeing of all staff including supporting their individual needs.
- Risk of failure to develop a succession planning and talent management system.
- Risk of failure to create an inclusive culture.

Strategic Objective 4: Well-led
Principal Objective: To build patient, public and stakeholder confidence that their health and care is in safe hands

- Risk of failure to ensure leadership capacity and capability to deliver high-quality sustainable care.
- Risk of failure to define a clear vision and credible strategy to deliver high-quality, sustainable care to people, with robust plans to deliver.
- Risk of failure to ensure a culture of high-quality, sustainable care.
- Risk of failure to ensure clear responsibilities, roles and systems of accountability to support good governance and management.
- Risk of failure to ensure clear and effective processes to managing risks, issues and performance.
- Risk of failure to ensure appropriate and accurate information is effectively processed, challenged and acted on.
- Risk of failure to ensure the public, staff and external partners are engaged and involved, to support high-quality sustainable services.
- Risk of failure to ensure robust systems and processes for learning, continuous improvement and innovation.
- Risk of failure to actively manage the Foundation Trust's reputation.

During the year, the Foundation Trust has also monitored closely the risk of Brexit, the potential impact on the UK economy and specifically the implications for the Foundation Trust, both in the near term and further out. How the risks were identified and monitored formed part of the Foundation Trust's risk management process. The Foundation Trust accepted that the effect of an EU exit, and in particular leaving the EU market with no deal, was a significant risk. The potential challenges identified included, delays or failures to procure and receive goods (including drugs) and services, and staffing from the EU. In order to mitigate these risks a number of reviews were undertaken, for example, business continuity plans and review of capacity. Actions required for data protection and a financial impact analysis were also put in place. Government guidance on the planning of a no-deal Brexit informed the Foundation Trust plans.

Towards the close of the financial year 2019/20, the COVID-19 pandemic was confirmed and the impact of the COVID-19 pandemic recognised both by central government and locally by the Foundation Trust and the Devon-wide system. The Foundation Trust responded in accordance with the Government guidance issued from March 2020 onwards, and in relation to year-end reporting requirements, guidance issued by the Department of Health and Social Care and the Regulator. The Foundation Trust's critical incident arrangements and business continuity plans were activated swiftly and became operational in a timely way to enable the Foundation Trust's response to be robust and

managed appropriately. These arrangements have over time been adapted to ensure the resilience of workforce over the short to medium term. The Foundation Trust's corporate governance arrangements at Board and Board sub-committee level remained in place albeit with a focus on essential business and COVID-19 related issues. Where non-essential business reports were deferred or operational management meetings were stood down temporarily, the Foundation Trust put in place a standard operating procedure, including a logging system whereby a record was maintained to enable the Board, Committee or Group to maintain good governance. A review of the Foundation Trust's scheme of delegation and standing financial instructions was also undertaken and revised to allow authorisation of orders and invoices to be made at the appropriate level.

The Board Assurance Framework and Corporate Risk Register were both refreshed to include risks to existing operational and strategic objectives of the Foundation Trust and also established new risks specifically relating to COVID-19. The Board has, and continues to receive, detailed assurance reports describing how the Foundation Trust's business continuity plans are managing the impact of COVID-19 from a quality, financial, operational and workforce perspective. Each of the Board sub-committees have received and reviewed the COVID-19 risks pertaining to that Committee's scope of works. The Audit Committee also received an assurance report on the risk management process being applied within the Foundation Trust.

The ongoing nature of the COVID-19 pandemic means that the Foundation Trust will be required to continue its systems and processes of internal control and monitor risks to those. Whilst national, system and local guidance is responded to in a timely and robust manner, the Foundation Trust recognises that this will present a complex set of activities to manage. In responding to this next challenging phase of activity, the Foundation Trust has been in continuous dialogue with its internal auditor and has commissioned additional audit reviews to ensure the governance arrangements remain appropriate and to support the Foundation Trust's recovery work.

The most challenging phase of COVID-19 will be the response to, and recognition of, the impact on the long term health of the population. The Foundation Trust has therefore put in place a Resilience and Recovery Group led by the Director of Transformation and Partnerships for the purpose of developing and implementing the recovery plan with one if its primary aims to minimise the impact on COVID-19 on the local population. Accordingly, a specific risk identifying the potential risk to the Foundation Trust's strategic objectives has been incorporated in to the Board Assurance Framework for 2020/21 as detailed below.

Looking forward to 2020/21, the Foundation Trust has identified a number of risks, which are being managed and mitigated, which could impact on the achievement of the Foundation Trust's strategic objectives, compliance with its licence or Care Quality Commission; these being:

- Risk of failure to ensure development and implementation of robust recovery plans in response to the COVID-19 Pandemic.
- Risk of failure to provide safe, quality patient care and achieve best patient experience.
- Risk of failure to achieve financial sustainability, enabling appropriate investment in the delivery of outstanding care.

- Risk of failure to maintain a fit for purpose digital infrastructure ensuring service continuity at all times.
- Risk of failure of the Foundation Trust estate ensuring service continuity and availability at all times.
- Risk of failure to deliver levels of performance in line with our annual plan and national standards.
- Risk of failure to develop and implement the plans to transform services, using digital technology as an enabler, to meet the needs of our local population.
- Risk of failure to develop and implement a system plan with partners and local stakeholders to deliver the 'Here to Care' strategy.
- Risk of failure to develop and implement the People Plan ensuring the Foundation Trust can be 'a great place to work'.
- Risk of failure to ensure leadership capacity and capability to deliver high-quality, sustainable care for the local population.
- Risk of failure to actively manage the potential for negative publicity, public perception or uncontrollable events that may impact on the Foundation Trust's reputation.

The Foundation Trust's Annual Operational Plan for 2020/21 has acknowledged the risks facing the Foundation Trust during the coming year and has set out explicit plans for what must be done and how the outcomes will be measured - these being:

Financial, performance, workforce and quality risks

As the Foundation Trust goes in to 2020/21, plans are in place to mitigate these risks through rigorous budgetary control and the delivery of significant productivity and efficiency improvements. The COVID-19 pandemic has seen a significant shift in the NHS financial framework, and the Foundation Trust adopts a proactive approach with respect to monitoring and implementing revised policy and guidance. Given the significant upheaval caused by COVID-19, the Foundation Trust's primary focus for the first half of 2020-21 will be on monitoring financial run rate, to ensure that movements in income and expenditure are understood and, where appropriate, subject to appropriate challenge.

Outcomes will be measured by monthly review of financial, quality, performance and workforce information by the Board, in addition to scrutiny of the impact of efficiency savings on patient safety and quality of service. The Board receives the quality and safety impact assessments of the Foundation Trust's cost improvement plans from the chief nurse and medical director on an annual basis. A Board Committee focussing on finance is in place to provide additional scrutiny of productivity and improve financial efficiency by reducing variation at specialty level. This will be achieved by benchmarking the Foundation Trust's operational efficiency against the Lord Carter Model Hospital. In line with national planning guidance, our plans, built up from service delivery units and system developments, are currently being revised to take account of the new financial regime and the impacts of the COVID-19 pandemic. All planned efficiency schemes have been triaged, to reflect their prospects of delivery within the new financial framework and taking account of significant service- and practice changes implemented as part of the COVID-19 response.

Prior to COVID-19, the Foundation Trust had developed a challenging but realistic efficiency programme amounting to £18.6m, or 3.7% of operating income. Of these

savings, it was envisaged that £13.3m would be generated internally, with a further £5.3m requiring support and collaboration with system partners across Devon. As at March 2020, £17.8m of savings schemes had been identified and were progressing through quality impact assessments. As a result of COVID-19 and in line with national guidance, these schemes are now on hold. The Foundation Trust has implemented a 'recovery cell' as part of its major incident response to COVID-19, which will be the vehicle through which efficiency programmes are re-launched once the acute pandemic phase comes to an end. CIP delivery remains a risk and is reflected in the Corporate Risk Register.

Capital funding risks

Reduced levels of EBITDA associated with the Foundation Trust's challenged revenue performance in both 2019/20 and 2018/19 have significantly restricted the level of cash available for capital expenditure in recent years. The consequence is seen in an increased backlog in essential repairs and replacements across all areas of investment: estates, IM&T, and medical equipment and devices. The ability to invest in developmental capital necessary to further develop the Foundation Trust's care model has, similarly, been curtailed.

The capital risk facing the Foundation Trust is now so significant that it is no longer possible to contain capital spending within internally generated cash. The Foundation Trust will continue to develop its range of financing options through negotiation with NHS Improvement that will enable this risk to be addressed, including: a strategic estates partnership; lease options; bidding, largely through STP processes, for Public Dividend Capital; and, where appropriate and subject to the necessary approvals, debt financing (loans).

System cost pressures

The pressure in the 2020/21 cost base reflects the increasing operational risk profile across the Integrated Care Organisation including the costs of addressing the consequences of infrastructure failures, continued in-sourcing and out-sourcing of elective patients to maintain a maximum 52 week wait position; continued reliance on agency medical staff in a number of national shortages specialties; uniquely, and most significantly in this ICO, are pressures building in Continuing Health Care and Adult Social Care. This is largely the result of a number of providers withdrawing from the market or experiencing difficulty in maintaining qualified staffing, both restricting the number of placements available.

The Devon STP system-wide plans for 2020/21 have been developed in conjunction with our partners and through the Board. These have been tested by a peer review process organised by the Devon STP and scrutinised by the Regulator. The Board has acknowledged that the Foundation Trust must continue to develop its planning and delivery models, and to this end the Foundation Trust implemented a revised operational structure in 2019, in which leadership groups operate as 'self-managed teams', with greater freedoms and authority to act and lead delivery. An enhanced accountability framework and programme management office supports this model.

Despite this achievement, the potential failure remains in achieving the necessary level of financial improvement reflects the scale of system wide savings required to deliver the Devon STP control total position.

Performance and activity risks

As we look ahead to the next 12 months there are clearly new risks being identified with COVID-19 that will impact on activity and performance.

Having completed the escalation planning and seen out the first wave of COVID-19 hospitalisations (March and April) the Foundation Trust remains committed to maintaining the same levels of COVID-19 response as needed and indicated by NHS planners. The response has required reconfiguration of services and has as a result reduced our capacity to maintain or reintroduce business as normal routine elective services. Future delivery of these services will now have to work within criteria set out to comply with COVID-19 policies and constraints of workforce, facilities, personal protective equipment ('PPE') and managing patient risks.

It is likely that due to the changes and constraints to business as usual that elective activity will remain below historical levels and result in patient access times for routine treatments remaining high or increasing over the short to medium term.

To offset the loss of elective capacity the Foundation Trust will be adopting new ways of working and clinical pathways. This is a great opportunity in many ways to positively embrace change and will include virtual consultations for outpatient appointments, that are already being favoured by many patients, flexible use of day case and inpatients' theatres with transition to outpatient treatments where possible along with relocation of services including to community hospitals and primary care settings.

This will certainly be a very different year in terms of normal hospital activity and performance. It is likely that we will see significant change in the way services are delivered with system wide and local configuration of services to manage both the COVID-19 resilience and clinical care for routine elective services.

Care Quality Commission

The Chief Nurse is responsible for ensuring compliance with the Foundation Trust's registration with the Care Quality Commission ('CQC'). This is achieved by:

- Reporting and keeping under review matters highlighted within inspections;
- Liaising with the Care Quality Commission inspectors and senior clinicians and managers in response to any specific concerns raised by the Care Quality Commission by patients and members of the public;
- Engaging with the Care Quality Commission inspectors in the inspection process and co-ordinating the Foundation Trust's response to inspections and any recommendations or actions that arise;
- Analysing trends from incident reporting, complaints and patient and staff surveys and sharing the learning from these across the Foundation Trust;
- Reviewing assurances on the effective operation of controls;

- Receiving assurances provides by internal audit and any clinical audit conclusions, which provide only limited assurance; and
- Requirement notices and 'should do' action plans are monitored through the individual service leadership teams and reported to the Foundation Trust's CQC Assurance Group.

In February 2020, the CQC notified the Foundation Trust that announced inspections of eight core services would be held in March 2020, with a ninth core service inspection and the well-led inspection to be held in late March and early April 2020.

The CQC inspected the following six core services on 10, 11 and 12 March 2020:

- Acute
  1. Urgent and Emergency Care
  2. Medical Care
  3. Surgery
  4. Children and Young People
  5. Maternity
- Community
  6. Inpatients

On 9 March 2020, the CQC informed the Foundation Trust that following a CQC risk review, the core service inspections of Community Adults, and Community End of Life had been stood down due to the developing COVID-19 pandemic and the scenario where inspection requirement would be required to visit people in their own homes. Some interviews with staff from these core services went ahead in the capacity of ongoing CQC monitoring.

The CQC also informed the Foundation Trust in March 2020 that the well-led inspection and the diagnostic imaging core service inspection planned for late March and early April 2020, were also cancelled due to COVID-19. The timeframes for reporting the inspection were extended by the CQC due to COVID-19 pressures. The draft CQC inspection report was received in May 2020 and is subject to the factual accuracy check process with the final report expected in July 2020. The Use of Resources (UoR) assessment by NHS Improvement (NHSI) took place on 12 February 2020 and was managed by the Foundation Trust's finance directorate. The draft report was also received in May 2020.

As the CQC were unable to complete the well-led inspection, the ratings for the whole Foundation Trust have not changed since the previous inspection in May 2018, and are shown below. The Foundation Trust's overall rating remains as 'Good'.

Ratings for the whole trust

Safe	Effective	Caring	Responsive	Well-led	Overall
Requires improvement May 2018	Good May 2018	Outstanding May 2018	Good May 2018	Good May 2018	Good May 2018

The Foundation Trust has not been notified of any further planned inspections.

Compliance with NHS Foundation Trust condition 4(8)(b)

The assurance process described in this statement allow the Board to issue an accurate Corporate Governance Statement, required under NHS Foundation Trust condition 4(8)(b) of NHS Improvement's provider licence. The Foundation Trust will, during 2020/21, use the learning from the most recent Care Quality Commission Well Led and NHS Improvement Use of Resources inspections to form the basis of an externally led assessment developmental review of leadership and governance using the NHS Improvement well-led framework.

Communication with stakeholders

The Foundation Trust's communication team works closely with the quality team and the Foundation Trust membership office. Together they ensure there is public stakeholder engagement that addresses any perceived or actual risks that might impact on the public. This includes undertaking any necessary consultation exercises.

A number of forums exist that allow the Board of Directors, Executive Directors and staff at all level to communicate with stakeholders, for example formal Board to Board and Executive to Executive meetings with local commissioners, Health and Wellbeing Boards and meetings with Healthwatch. The forums provide a mechanism for risk identified by stakeholders that affect the Foundation Trust to be discussed for any action plans to be developed.

Compliance with workforce strategies and 'Developing Workforce Safeguards'

The Foundation Trust has processes to ensure that short, medium and long-term workforce strategies and staffing systems are in place to assure the Board that staffing processes are safe, sustainable and effective. Further, as part of the safe staffing review, the chief nurse and medical director confirm that staffing is safe, effective and sustainable and meet the requirements of the national quality board.

The Board continually reviews the effectiveness of its systems of internal control. The embedding of the strengthened governance framework supports the provision of evidenced based assurance from Ward to Board. The Board reviews the organisation's performance in the key areas of finance, activity, national targets, patient safety and quality and workforce in the form of an integrated performance dashboard. This includes the regular presentation of performance information against key quality, workforce and financial metrics to the Board and its Committees. The workforce section contains information on monthly staff sickness, staff turnover and volume of temporary staffing, as well as performance against the annual staff survey. These are high level organisational metrics and data that the Foundation Trust will continue to collate, review and analyse each month for a range of workforce metrics, quality and outcomes indicators and productivity measures.

The Foundation Trust's workforce operating model mirrors that of our Care Model, helping to enable and empower teams to be self-organising. In embedding the Foundation Trust's aim to be a fully integrated organisation providing integrated pathways of care, a new system leadership structure was established at the start of the financial year to oversee the entire pathway of care across primary and community care, through to emergency

medicine and planned care. Whilst, the new structure continues to embed, a culture has evolved fostered around autonomy and accountability with a common sense of purpose and overall aim to support and engage staff to remove barriers to their productivity and ensure their time is used in the best way possible to provide direct or relevant care or care support.

The Foundation Trust seeks to continuously improve its performance against workforce standards and the national staff survey. The annual workforce plan that forms part of the Foundation Trust's Annual Plan sets out the key organisational aims for the coming year, including how the Foundation Trust will maximise workforce analytics, planning and redesign capabilities. In terms of the wider context, the Foundation Trust remains fully engaged with the Devon STP Workforce Strategy, of which the main focus of the workforce planning and transformation plan will be centred on developing a culture and structure that facilitates trust; involvement and innovation; and, local empowered decision making.

Care Quality Commission compliance declaration

At 31 March 2020, the Foundation Trust remains fully compliant with the registration requirements of the Care Quality Commission.

Compliance with 'Managing Conflicts of Interest in the NHS' guidance

The Foundation Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the Foundation Trust with reference to the guidance) within the past 12 months as required by the '*Managing Conflicts of Interest in the NHS*' guidance published by NHS England.

Compliance with NHS pension scheme regulations

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Compliance with Equality, Diversity and Human Rights Legislation

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Foundation Trust is committed to providing an inclusive and welcoming environment for our patients. Clients, service users, carer, families and staff and is working hard to mainstream diversity, inclusion and human rights into our culture.

A range of control measures are in place to ensure the organisation complies with its obligations under equality, diversity and human rights legislation.
Performance is monitored via two core streams: The Equality Co-operative (public) which consists of Equality Leads from Devon across Health, Social Care, Local Authorities and

the Police. The Equality Business Forum (for staff) which consists of leads and representatives of our Network Groups as well as a Staff Side representative, which reports through the newly formed People Committee.

The Foundation Trust Board of Directors receives reports on diversity and inclusion issues from the Chief Nurse (service user update) and the Director of Workforce and Organisational Development (workforce update). These include any updates or changes in national mandates together with any risks or challenges. An Annual Equalities Report is presented to the Board for ratification prior to publication. The primary aim of this report is to evidence compliance with the outcomes set out in the Equality Delivery System.

Compliance with Climate Change Act and the adaptation reporting requirements

The Foundation Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Foundation Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Review of economy, efficiency, effectiveness, and use of resources

Directors are responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in the Foundation Trust's use of resources. The Foundation Trust has established several processes to help support the achievement of this. These include:

- Clear processes for setting, agreeing, and implementing strategic objectives based on the needs of the local population, reflecting the priorities of key partners and the Department of Health and Social Care. This includes a clear strategy for patient, client, service users, carers, and public involvement as well as the Foundation Trust public members, providing a key focus for our engagement work within South Devon. Established objectives are supported by quantifiable and measurable outcomes;
- Clear and effective arrangements for monitoring and reviewing performance which include a comprehensive and integrated performance dashboard used monthly in the performance management of health and social care services and reported to the Board of Directors. The integrated Finance, Performance, Quality and Workforce Report details any variances in planned performance and key actions to resolve them plus the implementation in a timely fashion of any external recommendations for improvement e.g. external audit. There is also a performance management regime embedded throughout the Foundation Trust including weekly capacity review meetings, financial recovery planning meetings, executive reviews of services, budget reviews (undertaken monthly) and regular work to ensure data quality. An internal audit review of governance was undertaken during the year and reported to the Audit Committee and Board of Directors;
- Committees consider reports of external regulators and bodies, with improvement action plans developed and their implementation monitored where and as necessary;
- Through the Finance, Performance and Digital Committee, the Foundation Trust has arrangements for planning and managing financial and other resources in

place. These are encompassed in the Scheme of Delegation and the Standing Financial Instructions which receive regular audit review; and

- The Foundation Trust uses other benchmarking tools such as the Model Hospital productivity metrics to demonstrate the delivery of value for money. The Foundation Trust continues to develop its reference cost reporting data to ensure services are being provided as efficiently as possible. For procurement of non-pay related items, the Foundation Trust has a clear procurement strategy and collaborates with other NHS bodies to maximise value through the NHS South West Peninsular Procurement Alliance.

The Foundation Trust's external auditor, PricewaterhouseCoopers LLP opinion for 2019/20 concluded that the Foundation Trust had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. The basis for the opinion was due to the deterioration in the Foundation Trust's financial position and the continuing increase in demand outstripping increases in funding and cost savings being achieved. The Going Concern Statement and the Independent Auditors' Report to the Council of Governors provides further detail.

Compliance with information governance requirements

Information Governance (IG) within the Foundation Trust provides a framework for handling personal information in a confidential and secure manner. The Foundation Trust aims to safeguard patient, client, and employee confidentiality and maintain data security, while promoting the sharing of data to improve services, through the maintenance of key information governance principles. The Foundation Trust's Data Protection Officer ('DPO') has this year been nominated for, and received shortlisting for a national award, recognising excellence in the specialty by the Information Commissioners Office.

The Information Governance ('IG') Steering Group is a sub-committee of Information Management and Technology Group. Its role is to oversee and provide scrutiny of the IG strategic agenda. The IG Steering Group has continued its engagement in the challenging embedding of the General Data Protection Regulations (GDPR), and the Data Protection Act 18 (DPA18) into every day practice across the Foundation Trust.

The IG framework is supported by the Foundation Trust's Senior Information Risk Officer (SIRO) and the Caldicott Guardian who provide advice and guidance to the Chief Executive and the Board in ensuring compliance with appropriate standards and management of information risks. The DPO is responsible for assessing the Foundation Trust's compliance with the data disclosure regulations, including but not limited to, Freedom of Information Act 2000, the DPA18, and the GDPR, supporting the organisation with day to day management of information governance.

The Foundation Trust promotes a culture of openness and transparency; the positive rate of incident reporting enables the IG team to provide support to staff who have reported breach of confidentiality, identifying themes and areas of weakness. To that end the Foundation Trust has seen 741 incidents reported to the incident reporting system based on the categories: documentation, breach of confidentiality, communication issues, and consent. It is of note that the quality of reporting is fallible due to the human factor, and recording may change at the various review stages of an incident cycle.

Where themes have emerged, teams have been contacted by IG and supported in finding new ways to work. During the year 12 incidents were reported to NHS Digital via the Data Security and Protection Toolkit with 11 requiring further reporting to the Information Commissioners Office ('ICO'); available below. One case is still ongoing and the ICO is considering criminal prosecution of the individual involved. In response to this type of incident, the IG team has engaged extensively in communications with all Foundation Trust staff to raise awareness.

The Data Security and Protection Toolkit ('DSPT') has replaced the former Information Governance Toolkit and is supplied by NHS Digital ('NHSD') to support the performance monitoring of IG within the NHS and as evidence organisations are compliant with IG Statement of Compliance. The Foundation Trust will submit its DSPT for 2019/20 stating 'Standards not met, plan agreed' to NHSD by the revised submission date of 30 September 2020, as a result of capacity pressures due to COVID-1.

Information Governance risks are recorded on the Foundation Trusts risk management system. These are monitored by the Head of IG for guidance and support in mitigation. New projects require a Data Privacy Impact Assessment which endeavours to highlight and mitigate potential Information security risks.

IG Incidents reported to Information Commissioners Office during 2019/20

Nature of Incident	Lessons Learned
Discharge summary forwarded by email to respite carer in error	Existing process reviewed by team. Information to be forwarded to NHS Team Account. Autofill function removed from system. Staff awareness raised. Checking procedures and policies in place.
Member of staff accessed patient records outside remit of work	HR process undertaken and disciplinary action recommended. Case ongoing.
Patients raised allegations regarding member of staff accessing patient records inappropriately	HR process and investigation by line manager undertaken. ICO satisfied that appropriate investigatory measures were taken.
Speech and Language Therapy report posted to incorrect address	Address book created within localities to avoid using wrong address. Additional monitoring and spot-checks in place.
Permission to access Theatre timetables not in place enabling staff to access demographics and some clinical information	Immediate action taken to close the page. Staff training in place and data storage policies reviewed.
Assessment report distributed to incorrect address in error. Change of home address not reported to Foundation Trust.	Immediate action – contacted parent and occupant of address where the report had been sent, and the Clinical Support Systems Lead. Corrected on system to ensure no reoccurrence of incident.

	Procedures changed and checks put in place to confirm address when clients attend clinic. Reports written and issued within two week period from assessment to reduce risk of address change.
Referral letter to Community Mental Health Team sent to previous address in error	Immediate action – contacted the patient, confirmed correct address and issued second letter with correct address. Robust checking procedures and policies put in place. Staff awareness raised of the importance of data security/confidentiality. Ensured compliance with GDPR Article 33, 55 to 72 hour breach reporting.
Autism Assessment Report issued incorrectly to another service user's family	Escalated immediately to Business Support Manager and contact made with child's parent. Process reviewed including root cause of incident. Awareness raised with staff and new process communicated. Training reviewed and refreshed tailored to job roles. Impact on family to be monitored.
Discharge letter issued to parent of child with similar last name as another patient	Immediate action - both parents contacted and apology made. Letters retrieved and destroyed. Process changed so that data search is made using unique ID number rather than name. Staff awareness raised of the importance of data security/confidentiality.
Staff data showing name, email address, work and/or personal mobile numbers incorrectly sent via unsecured email to third party supplier	Recipient contacted and confirmation given that file deleted from the third party supplier's system.
Member of staff accessed family records	Staff awareness raised of the importance of data security/confidentiality.

Data Quality and Governance

Within the integrated care organisation ('ICO') there are two Executives with a shared responsibility with regard to data quality:

- Chief Finance Officer – Information; and
- Director of Transformation and Partnerships – clinical and non-clinical data, information governance, information technology and performance.

The Medical Director and Chief Nurse hold executive leadership for patient safety and ensuring the quality of care delivered within the ICO is of the highest standard.

There is a clear structure from 'ward to board' to ensure the quality of care is maintained and that information is both timely, accurate and shared appropriately to improve the quality of care provided. Staff are taught and supported in doing root cause analysis and after-action reviews by the Integrated Service Unit clinical governance coordinators.

Performance dashboards are used across the organisational governance structure to give monthly oversight of key metrics covering quality, workforce, performance and finance. Each of the specialist areas has its own processes for assurance on data quality and reporting accuracy. The Foundation Trust also uses internal audit, in addition to the statutory financial auditing and national clinical audit processes, as part of the annual plan assurance process.

Clinical protocols are published and updated with the specialities and equality impact assessments are undertaken when services change. The Chief Nurse and Medical Director run monthly Clinical Audit and Effectiveness Group meetings to review and recommend implementation of local and national evidence (NICE guidance, national audits, etc). Across the specialities clinical effectiveness meetings run monthly or bi-monthly with the aim of sharing learning and outcome data.

With regards to NHSI performance indicators these are reported monthly. In 2019/20, the Foundation Trust participated with the NHSI Interim Management and Support team to review the systems and processes for data quality collection and reporting in relation to elective access standards. This covers the referral to treatment pathways and monitoring diagnostic and cancer standards.

Finally, operational controls are maintained with Chief Operating Officer oversight through fortnightly performance risk and assurance meetings with service leads. Performance benchmarking including model hospital and third-party benchmarking including Dr Foster, 'Gooroo' Planner (referral to treatment data ('RTT')) and NHSI performance benchmarking is used to triangulate data and support assurance of data quality and reporting accuracy.

During the year, Internal Audit undertook a number of audit reviews on the Foundation Trust's control systems and processes including data quality. As the Foundation Trust moves forward in to 2020/21, the Foundation Trust, with support from Internal Audit will be seeking to strengthen its governance arrangements around data capture and quality.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, and its sub-committees: including the Audit

Committee; Quality Assurance Committee; Finance, Performance, and Digital Committee; and People Committee, and in addition the Executive Group and Risk Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its corporate objectives have been reviewed. My review has also been informed by the major sources of assurance on which reliance has been placed during the year. These sources include reviews carried out by our external auditor, PricewaterhouseCoopers LLP, Care Quality Commission, Internal Audit, NHS Resolution and the Health and Safety Executive.

The following Committees and groups are involved in maintaining and reviewing the effectiveness of the system of internal control:

- The Board of Directors has overall accountability for the governance arrangements, including the Committee structure, and ensuring the Foundation Trust adheres to its Constitution and applies its standing orders, scheme of delegation and standing financial instructions correctly. The Chairs of each of the Board sub-committees present a report to the next available Board meeting for the purpose of providing assurance on matters within its terms of reference. Urgent matters if requiring escalation to the Board are reported by the Committee Chair in the intervening period. The Board has agreed, in conjunction with the Council of Governors, the strategic objectives for the Foundation Trust. The Executive Directors have assessed the risks to their achievement, along with risk controls and assurance mechanisms. As part of this risk assessment process, gaps in controls and assurances have been highlighted. This information is incorporated in the Foundation Trust's Board Assurance Framework document reviewed regularly by the Board of Directors;

- The Audit Committee is responsible for establishing an effective system of internal control and risk management and provides an independent assurance to the Board. The Committee takes an overview of the organisation's governance activity by reviewing the statement on internal effectiveness and Annual Governance Statement. Reports from the internal auditors and external auditor also provide assurance. The Committee also reviews on a regular basis, the risks that are described in the Board Assurance Framework. The Committee has oversight of, and relies on the work of the Risk Group to monitor the risk management process and risk registers. The Committee has oversight of expressions of concerns and whistleblowing arrangements. The Audit Committee is chaired by the Vice-Chair and membership comprises all Non-Executive Directors except the Chairman;

- The Quality Assurance Committee provides the Board of Directors with assurances of clinical effectiveness through scrutiny of patient quality and safety, patient experience, medicines management and staffing. It monitors selected quality metrics and ensures the Foundation Trust has robust systems in place to learn from experience. It receives reports from specialist governance groups e.g. safeguarding; patient safety; and serious incidents. The Quality Assurance Committee is chaired by a Non-Executive Director and reports to the Board of Directors;

- The Finance, Performance and Digital Committee oversees, co-ordinates, reviews and assesses the Foundation Trust's financial, performance and digital

management arrangements; including monitoring the delivery of the NHS Long Term Plan and supporting Annual Plan decisions on investment and business cases. Provides the Board with an independent and objective review of, and assurances, in relation to significant financial, performance and digital risks which may impact on the financial viability and sustainability of the Foundation Trust. Provides detailed scrutiny of financial, performance and digital matters in order to provide assurance and raise concerns (if appropriate) to the Board of Directors. Assesses and identifies risks within the finance, performance and digital portfolio and escalates as appropriate. The Finance, Performance and Digital Committee is chaired by a Non-Executive Director and reports to the Board of Directors; and

- The Risk Group oversees the risk management process at operational level, ensuring that risks are managed and/or escalated in line with the Risk Management Strategy. It promotes effective risk management and compliance and supports maintaining a dynamic Board Assurance Framework and risk management database where risks are registered. IT also ensures local level responsibility and accountability and will challenge risk assessment and risk assurance arrangements in areas of Foundation Trust activity where robust controls are not evident in order to raise standards and ensure continuous improvement. The Risk Group is chaired by the Foundation Trust's Senior Information Risk Owner ('SIRO').

The Internal Audit Opinion for 2019/20 states that significant assurance can be given, that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. Some weaknesses in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. Weaknesses in the design and/or inconsistent application of controls, which put the achievement of particular objectives at risk, are appropriately managed.

Internal audit undertook 21 reviews to inform the Head of Internal Audit Opinion for 2019/20, of which 17 received significant or satisfactory assurance and four reviews relating to risk assessment completion on admission to hospital, working time directive regulations, local induction - medical device training and data quality - timeliness of adult social care assessments within 28 days of referral indicator, received limited assurance. Internal audit reports are received by the Risk Group before presentation to the Audit Committee for assurance. Action plans and progress are reported in detail to each subsequent Audit Committee meeting as part of Internal Audit's follow up process. This process will be enhanced through a programme of review of improvements in practice in response to limited assurance reviews by the Audit Committee. The Internal Auditor takes a risk-based approach to formulating the annual work plan for agreement with management prior to final approval by the Audit Committee.

External Audit provides independent assurance on the Annual Accounts, Annual Report and Annual Governance Statement.

Conclusion

In concluding my review on the overall system of internal control, I am assured that:

- The Board, Executive Directors, senior management and staff of the Foundation Trust, have identified and are managing the risks facing the Foundation Trust, with

escalation of risk events, an effective process for keeping risk scores up to date and flagging any risk and control concerns;

- There is an appropriate risk management framework embedded in the Foundation Trust along with there being no major concerns from the undertaking of an effective programme of independent, risk based monitoring; and
- The Foundation Trust's internal auditors have no major concerns from their risk focussed programme of independent assurance.

My review therefore confirms that no significant internal control issues have been identified for the financial year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Liz Davenport, Chief Executive

24 June 2020

Appendix A – Biographies of the Board of Directors as at 31 March 2020

Richard Ibbotson – Chairman **Appointed:** June 2014 **Reappointed:** April 2017 and June 2020	Sir Richard Ibbotson was appointed Chair of the Foundation Trust in June 2014 shortly after retiring from a career in the Royal Navy. His career included periods in command of Britannia Royal Naval College Dartmouth, Commander British Forces Falkland Islands and, most recently, Deputy Commander-in-Chief Fleet (effectively Chief Operating Officer of the Royal Navy and Royal Marines). He is experienced in operating at Board level and dealing with operational pressures and challenging budgets. As well as being knighted for his services, Richard is a Companion of the Most Honourable Order of the Bath and holds the Distinguished Service Cross and the NATO meritorious service medal. He also holds other public roles, notably as a Deputy Lord Lieutenant for Devon. Richard has been a Governor of Plymouth University and Chairman of the Royal Navy Royal Marines Charity and was a Member of the Armed Forces Pay Review Body. Richard is Chair of the Non-Executive Nominations and Remuneration Committee and the Governor Nominations and Remuneration Committee.
Liz Davenport – Chief Executive **Appointed:** October 2018	Liz is responsible for the overall management of the Foundation Trust and its performance including service provision, financial and corporate viability, ensuring the Foundation Trust meets all of its statutory obligations. Liz started work in the Torbay and Devon system in September 2014 and was appointed as the Chief Operating Officer for the Integrated Care Organisation in January 2015. She took a key role in the operational care model including the development of community services. Liz was previously Interim Chief Executive and was appointed in October 2018 as the Foundation Trust's substantive Chief Executive. Liz has clinical background, and has been employed in the NHS since qualifying in 1986 as an Occupational Therapist. Liz has a passion for service improvement and transformation which is driven by the recognition that there is a need to change and adapt to meet the changing needs of our people and communities. Her experience in service change started in the 1980s with the Hospital Closure Programme and development of community services for people with mental health needs. She has subsequently continued to work in a number of NHS organisations across the country leading on a number of service improvement projects in mental health, learning disabilities and social care services. She has also held a broad portfolio of Executive Director positions including Director of Operations, Director of Workforce and Deputy Chief Executive.

Chris Balch – Non-Executive Director **Appointed:** April 2019	Chris Balch joined the Foundation Trust as Non-Executive Director in April 2019. Chris is a Chartered Town Planner and Surveyor, and was previously Emeritus Professor of Planning at Plymouth University. Prior to his academic career Chris held senior executive positions with an international property advisory company, and latterly as Managing Director of DTZ UK & Ireland, now part of Cushman & Wakefield. Chris has extensive experience of providing consultancy advice to public and private sector clients across the UK and overseas specialising in the planning and delivery of major regeneration projects and programmes. Chris was Chair of Basildon Renaissance Partnership, a member of the Council of Essex University, a Director of Torbay Development Agency and was until 2017, Non-Executive Chairman of Hilson Moran, a consultancy specialising in the energy performance of complex buildings. He is currently a member of the Supervisory Board of Ecorys BV, a European policy and research consultancy and is a Trustee of South West Lakes Trust. His interest lies in tackling the underperformance of places and managing positive change within professional organisations and communities. Chris is Chair of the Finance, Performance and Digital Committee. He is also a Board member of the Foundation Trust's subsidiary, SDH Innovations Partnership LLP.

Jacqui Lyttle – Non-Executive Director and Senior Independent Director **Appointed:** October 2014 **Reappointed:** October 2017	Jacqui Lyttle joined the Board as a Non-Executive Director in October 2014 having spent over 20 years working in the NHS at very senior manager and executive board level before establishing her own healthcare consultancy in 2008. She has a genuine passion for improving care for patients and speaks both nationally and internationally on service improvement, commissioning for outcomes and the management of change within healthcare. Jacqui has an interest in the management of pain and is an executive member of the Chronic Pain Policy Coalition, a standing Committee of an all Parliamentary Party Advisory Group. Other areas of interest include rheumatology, dermatology, endocrinology, cardiology and oncology with Jacqui working extensively in these areas across the UK. Jacqui continues to work actively within the NHS, undertaking service reviews and leading on large scale quality improvement programmes. She acts as an executive commissioning advisor to several Royal Colleges, Crohns and Colitis UK and the London Joint Working Group (Hep C). She is an NHS advisor to several professional bodies including the British Society for Rheumatology and the British Association of Dermatology. She is also a member of the NHS Masterclass faculty for Health Education England. Jacqui is Chair of AGE UK Torbay. Jacqui is Chair of the Quality Assurance Committee and the Torbay and South Devon NHS Charitable Funds Committee. Jacqui is the Foundation Trust's Senior Independent Director.
Vikki Matthews – Non-Executive Director **LLB (Hons) MBA FCIPD** **Appointed:** December 2017	Vikki Matthews joined the Foundation Trust as Non-Executive Director in December 2017. She is the owner of a strategic consulting and executive coaching business and lectures in the areas of HR and leadership. Prior to this, Vikki was the Chief Talent Officer for Plymouth University and before that, she held several Global and EMEA-wide Director level roles for Nike based in Holland and the USA. Vikki chaired a Multi Academy Trust based in Plymouth from 2012 to 2017 and is also the Company Secretary for a small education charity in Brighton. Vikki is Chair of the People Committee.

Paul Richards – Non-Executive Director **Appointed:** November 2017	Paul Richards joined the Board as a Non-Executive Director in November 2017. In the early part of his career he spent many years working in the NHS at senior manager and board level leading healthcare computing and contracting, information and medical records functions. Since Paul moved to the commercial sector he has led healthcare information technology systems businesses and has worked internationally within some of the world's leading organisations at the forefront of digital transformation in the healthcare industry. Paul has extensive experience of running large health and social care integration programmes and a variety of industry leading health and social care information technology companies providing clinical systems and electronic patient record systems to health and social care providers world-wide. Paul has a passion for improving and connecting health and social care to improve services to patients and ensure high quality outcomes. He continues to have a variety of business interests, amongst them a local visitor attraction and conservation programme which aims to protect wildlife and provide wildlife education for visitors.
Robin Sutton – Non-Executive Director **Appointed:** May 2016 **Reappointed:** May 2019	Robin Sutton joined the Foundation Trust as Non-Executive Director in May 2016. Robin is a chartered accountant with over thirty years of financial experience gained at a senior level for both private and public enterprises in both Executive and Non-Executive Director roles. Robin has previously held Non-Executive Director and senior positions at several multi-national organisations including Sifam, Fianium Holdings, CompAir Holman, Rolls-Royce PLC and Deloitte. Robin's interest in healthcare stems from a variety of different areas, ranging from consulting for Lowell General Hospital in Massachusetts, USA through to working with Novartis in developing ultrafast fibre laser technology for eye surgery. He has also been heavily involved with care services and social care covering a spectrum of services from meals on wheels, day care, supported living and residential care. Robin has enjoyed completing an Innovating in Healthcare Programme at Harvard University with a team of like-minded people looking at smart phone applications in the field of dementia. Robin is Chair of Torbay Pharmaceuticals, Director of the Foundation Trust's subsidiary, SDH Developments Limited, and a Board member of Health and Care Innovations LLP.

Sally Taylor – Non-Executive Director and Vice Chair **Appointed:** January 2013 (South Devon Healthcare NHSFT) **Reappointed:** January 2016 and January 2019	Sally Taylor joined the Board when the ICO was formed having previously been a Non-Executive Director of South Devon Healthcare NHS Foundation Trust from January 2013. Sally was the Chief Executive of St Luke's Hospice in Plymouth from 1994 to 2016. St Luke's delivers specialist palliative care, including advice and support to other professionals, for patients in Derriford, at home and in the hospice in-patient unit. Prior to that she spent nine years as a Chartered Accountant with PricewaterhouseCoopers LLP in London, specialising in corporate finance for small and growing businesses. Sally has been Trustee/ treasurer/chairman of several charities including Hospice UK (the national membership body for hospices), the Harbour Centre drug and alcohol advisory service and the Barbican Theatre in Plymouth. Sally is Chair of the Audit Committee.
Jon Welch – Non-Executive Director **Appointed:** October 2015 **Reappointed:** October 2018	Jon Welch joined the Board in 2015, having previously been a Non-Executive Director of Torbay and Southern Devon Health and Care NHS Trust that held corporate responsibility for both community health and for adult social care provision. Jon comes from a Royal Navy background, with his last appointment before he retired being Head of Research and Technology for NATO Transformation Command in the USA. He received a letter of appreciation and commendation from the NATO Secretary General following his successful formation of a new department with high level NATO interest. He was also honoured with the Legion of Merit by the US President; the highest award the USA can give to a foreign national.
Lesley Darke – Director of Estates and Commercial Development **Appointed:** July 2012	Lesley Darke is responsible for the management of the Foundation Trust's estate, providing a comprehensive facilities management service and identifying and driving commercial opportunities for the Foundation Trust. Lesley joined the Foundation Trust in July 2012. She began her career as a nurse, training at Guy's Hospital London and in cardiothoracic medicine at the Royal Brompton. Lesley has held a variety of senior nursing and management posts in a variety of provider organisations and at a health authority, including director of planning, deputy and interim chief operating officer and director of estates, facilities, and site services. Lesley has a master's degree in business administration and is experienced in planning and delivering estates, support, and commercial services. She retains her nursing values and is passionately committed to ensuring estates and facilities management services support quality care and are person-centred. She is extremely proud to be the 'champion of the patient environment'.

Rob Dyer – Executive Medical Director **Appointed:** December 2015	Rob Dyer is responsible for the quality and safety of the services provided by the Foundation Trust and for the medical and scientific staff of the organisation. Rob is currently seconded part-time to Devon STP as the Lead Medical Director for a period of 12 months. During this time, Mr Ian Currie is providing support as Acting Medical Director. Prior to becoming Medical Director, Rob was a Consultant Physician and Endocrinologist. He trained in Birmingham and Newcastle and has been a consultant since 1994, first in Northumberland and Newcastle and from 1998 at Torbay Hospital. Rob's clinical specialisms were in diabetes, endocrinology, and thyroid problems. Rob also held the position of Associate Medical Director for Long Term Conditions and Transformation, acting as clinical lead for the formation of the Integrated Care Organisation. He has a long-standing interest in integrated care models, patient self-management and prevention in long term conditions. One of his present responsibilities is the redevelopment of the Foundation Trust through redesign of care pathways, making maximum use of digital technology, and redesign of the buildings to reflect modern ways of providing care. Rob has held a range of appointments in educational roles throughout his career, and in 2019 was appointed as Honorary Associate Professor of the University of Plymouth in recognition of the expanding role of Torbay and South Devon in training of medical students.
Judy Falcão – Director of Workforce and Organisational Development **Dip MS, FCIPD, MSc HRM** **Appointed:** August 2016	Judy Falcão is responsible for workforce and organisational development which includes recruitment, payroll and pension services, workforce information, staff experience and engagement, health and well-being leadership and management development, talent management employee relations and occupational health. Judy joined the Foundation Trust in August 2016. Prior to joining the Foundation Trust, she was the Director of Workforce and Organisational Development at Poole Hospital NHS Foundation Trust. Judy has held several Executive Director roles across the NHS including Acute, Mental Health, Health Authority, and the Ambulance Service.

John Harrison – Chief Operating Officer **Appointed** April 2019	John Harrison is responsible for developing, implementing and ongoing oversight of health and social care delivery for the Foundation Trust's population. John joined the Foundation Trust in February 2012. In January 2018 he took on the operations portfolio as Interim Chief Operating Officer, having previously been Deputy Chief Operating Officer and was appointed to the substantive Chief Operating Officer position in April 2019. Prior to joining the Foundation Trust, John was Director of the Peninsula Cancer Network and led the process across Devon and Cornwall to secure necessary service changes to deliver the NHS Cancer Plan improvements. He has 21 years of healthcare experience and was previously Director of Commissioning for Plymouth Primary Care Trust, having run GP Fundholding for the previous Health Authority.
Adel Jones – Director of Transformation and Partnerships **Appointed:** July 2019	Adel Jones is responsible for organisational strategy and improvement and shaping the Foundation Trust's strategic vision for the future. She is also responsible for leading and enabling the Foundation Trust's programmes of transformation redesigning the Foundation Trust's healthcare services to improve the experience of service users, carers, and their families. Adel joined the Foundation Trust in July 2019 from the Royal Devon and Exeter Foundation Trust where she was their Integration Director, responsible for the development of joined up health and social care services. Adel has significant experience of operational management across acute and community services and is passionate about service transformation and in particular ensuring that we have effective partnerships with our local people, councils, voluntary sector and other health and social care organisations to meet the needs of our local community. Working closely with key partners and stakeholders in the wider community and the Devon STP, Adel is leading the translation of the Foundation Trust's vision into practical reality through the Foundation Trust's annual business plan. Adel's portfolio also includes the Foundation Trust's Health Informatics Service which ensures the Foundation Trust has effective technology systems, maximises the use of technology enabled care, and performance information which drives and supports the Foundation Trust's clinical and corporate decision making.

David Stacey – Chief Finance Officer **Appointed:** January 2020	Dave Stacey is responsible for the Foundation Trust's financial planning and performance. Dave joined the Foundation Trust in January 2020 from North Middlesex University Hospital, where he spent three years as Director of Finance leading a successful financial turnaround, securing significant external funding for large capital programmes and overseeing a major digital transformation programme. His previous roles include Deputy Director of Transformation at Chelsea and Westminster NHS FT, where he played a pivotal role in the successful integration of West Middlesex Hospital, and Director of Strategy at England's biggest mental health Trust, West London Mental Health. Prior to joining the NHS in 2013, he spent 7 years in KPMG's healthcare team, delivering audit and advisory services to a range of UK and international healthcare organisations.
Jane Viner – Chief Nurse and Deputy Chief Executive **MAEd, MSc, RN** **Appointed:** July 2013	Jane Viner is responsible for the quality and safety of the care we provide as a Foundation Trust, including prevention and control of infection. Jane joined the Foundation Trust in April 2013 and leads on several objectives including quality, professional practice, patient experience, safeguarding, infection prevention and control, clinical governance. Jane qualified as a nurse in 1985 and specialised in critical care and emergency medicine where she held a wide range of clinical, management and education roles. She has held various posts in the South West since 2001, including Nurse Consultant and Associate Director of Nursing at SDHFT, Deputy Director of Nursing at RD&E, and Director of Nursing and Professional Practice and Deputy Chief Executive. Jane recently completed a NICE Fellowship and is an Associate Professor at Exeter and Plymouth Universities.

Appendix B – Further information and contact details

To see our annual reports and accounts

You can look on our website at www.torbayandsouthdevon.nhs.uk or request a copy by writing to the Foundation Trust Office, Hengrave House, Torbay Hospital, Torquay TQ2 7AA. Large print or other formats are available on request.

To obtain additional information available under the Freedom of Information Act, refer to our public website at www.torbayandsouthdevon.nhs.uk For information not available on our public website, contact the Freedom of Information Office at Torbay Hospital on 01803 654868 or email foi.tsdft@nhs.net

To hear more

You can attend any meetings that the Foundation Trust holds in public, including the Council of Governors and the Board of Directors which each meet several times a year. This is an opportunity for the public members of the NHS Foundation Trust or any member of the public to attend as an observer. Members are especially welcome to attend the Annual Members Meeting of the Council of Governors which takes place once a year.

For further information contact the Foundation Trust office on 01803 655705 or email foundationtrust.tsdft@nhs.net

To tell us what you think

About this annual report or our forward plans, contact the Communications Office on 01803 217398 or email communications.tsdft@nhs.net

To help us to improve our services

There are opportunities offered through our NHS Foundation Trust membership, patient involvement, our League of Friends or through donations. Contact:

- Foundation Trust Office on 01803 655705 or email foundationtrust.tsdft@nhs.net
- League of Friends on 01803 654520 or website www.lof.co.uk
- Torbay and South Devon NHS Charitable Fund (Registered Charity No. 1052232) c/o the Charitable Funds Manager, Regent House, Regent Close, Torquay TQ2 7AN

The NHS across South Devon benefits enormously from the work of hundreds of volunteers, giving practical support or fundraising. If you are interested in joining our volunteers, we would welcome your enquiry. Sincere thanks to the hundreds of volunteers who support Torbay Hospital.

- Contact: Voluntary Services Coordinator on 01803 210500

To complain, seek advice or information about aspects of your care our Patient Advice and Liaison Service (PALS) / Feedback and Engagement Team may be able to assist.

- Contact: Telephone 01803 655838 | Free phone 0800 028 2037 | Email tsdft.feedback@nhs.net

To access your health records

An application form can be obtained for records held by Torbay and South Devon NHS Foundation Trust. You may be charged a fee.

- Contact: Data Protection Office on 01803 654868 or email dataprotection.tsdft@nhs.net

To find out about joining our staff

As a recruit or returning to work after a break.

- Contact: Recruitment on 01803 654120 or email tsdft.workwithus@nhs.net

For work experience placements

- Contact: email tsdft.workexperience@nhs.net

To find out about South Devon Healthcare Arts

This scheme is supported by staff volunteering their time and by charitable funds generated from the proceeds of sales from art exhibitions staged in The Gallery, Torbay Hospital. The aim is to enhance the health and social care environment.

- Contact: Health and the Arts Torbay and South Devon on 01803 614567

For general health queries

- Contact NHS advice by telephone on 111

Torbay and South Devon NHS Foundation Trust

Annual accounts for the year ended 31 March 2020

Foreword to the accounts

These accounts, for the year ended 31 March 2020, have been prepared by Torbay and South Devon NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Signed

Name	**Liz Davenport**
Job title	**Chief Executive**
Date	**24 June 2020**

Independent auditors' report to the Council of Governors of Torbay and South Devon NHS Foundation Trust

Report on the audit of the financial statements

Opinion

In our opinion, Torbay and South Devon NHS Foundation Trust's Group and Trust financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2020 and of the Group's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

We have audited the financial statements, included within the Annual Report and Accounts 2019/20 (the "Annual Report"), which comprise: the Group and Trust's Statement of Financial Position as at 31 March 2020; the Group's Statement of Comprehensive Income for the year then ended; the Group and Trust's Statement of Cash Flows for the year then ended; the Group and Trust's Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies

Basis for opinion

We conducted our audit in accordance with the National Health Service Act 2006, the Code of Audit Practice and relevant guidance issued by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice"), International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Trust's ability to continue as a going concern.

The Group and the Trust recorded a deficit for 2019/20 and is also forecasting a deficit for both 2020/21 and 2021/22. The forecast is based on a number of assumptions and there is significant uncertainty in the financial plan for 2020/21 as a result of the COVID-19 pandemic and its impact on the Group and Trust. The Group and Trust recognise that the deficit, combined with the assumptions made relating to likely levels of income and their ability to deliver against their Cost Improvement Programme, creates uncertainty over their future funding needs. The Group and Trust have assumed financial support will be received from the Department of Health and Social Care during the course of 2020/21 in order to meet ongoing liabilities where required and to continue to provide healthcare services. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Trust's ability to continue as a going concern. However, the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this. The financial statements do not include the adjustments that would result if the Group and the Trust were unable to continue as a going concern.

Explanation of material uncertainty

The Department of Health and Social Care Group Accounting Manual 2019/20 requires that the financial statements should be prepared on a going concern basis unless management either intends to apply to the Secretary of State for the dissolution of an NHS Foundation Trust without the transfer of the services to another entity, or has no realistic alternative but to do so.

The Group, not including Torbay and South Devon NHS Charitable Fund, has a current year deficit of £18,042k, which was behind its originally planned control target. The Trust is forecasting a deficit for 2020/21. This is in the context of the Trust having not agreed its control total, with commissioner funding for the remainder of 2020/21 currently uncertain. The extent, nature and availability of any financial support to meet its funding requirements, which includes a working capital facility from the Department of Health and Social Care or how the Trust will repay a loan due in full in September 2020, has not yet been confirmed.

Work we performed on going concern

In considering the financial performance of the Group and Trust and the appropriateness of the going concern assumption in the preparation of the financial statements, we obtained the Group's and Trust's cash flow forecasts until the end of September 2021 and:

- examined the impact of cash flow sensitivities and assessed these against the Group's and Trust's ability to meet its liabilities as they fall due; and
- sensitised the assumptions behind the Group's and Trust's financial forecasts by comparing them to historical performance.

The Trust is in the process of negotiating additional funding to cover the financial requirements for 2020/21. These negotiations will be concluded later in the 2020/21 financial year (at least two months prior to the loan being required). The Trust will also assess the need for further funding for 2021/22 when negotiating its control total.

Our audit approach

Context

The Trust is the main provider of acute emergency and scheduled healthcare in Torbay and South Devon, operating from its the main site in Torquay. It also provides community services from a number of different locations. It is funded predominantly by local Clinical Commissioning Groups ("CCGs") and NHS England.

NHS Improvement has placed the Trust in Segment 4 of its Single Oversight Framework as at 31 March 2020. NHS Improvement's Single Oversight Framework is the framework for overseeing providers and identifying potential support needs. Segment 4 is described by NHS Improvement as 'Providers in special measures'.

Our audit for the year ended 31 March 2020 was planned and executed having regard to the fact that the Group's and Trust's operations and financial stability were largely unchanged in nature from the previous year. In light of this, our approach to the audit in terms of scoping and key audit matters was largely unchanged apart from one key audit matter that was new this year. This relates to the impact of COVID-19 on the Group and Trust.

The Trust and SDH Developments Limited are within the scope of our Group audit.

Our audit also involved forming a conclusion on the arrangements for securing economy, efficiency and effectiveness in the use of resources (the "3 Es"), in accordance with the Code of Audit Practice.

Overview

- Overall Group materiality: £10,000k (2019: £8,820k) which represents 2% of total revenue.
- Total revenue is made up of operating income from patient care activities and other operating income per the Statement of Comprehensive Income.

- The consolidated financial statements comprise the parent, Torbay and South Devon NHS Foundation Trust and its subsidiary (SDH Developments Limited).
- All work was performed by a single audit team who assessed the risks of material misstatement, taking into account the nature, likelihood and potential magnitude of a misstatement and determined the extent of testing we needed to perform over each balance in the financial statements
- The planning and interim work was conducted at the Trust's Headquarters in Torquay, which is where the Trust's finance function is based and performed the majority of our audit of the financial information remotely as COVID-19 affected the working arrangements for staff

- Going concern – Group and Trust (refer to Material uncertainty related to going concern above)
- Risk of fraud in revenue and expenditure recognition – Group and Trust
- Valuation of property, plant and equipment – Group and Trust
- COVID-19 – Group, Trust and arrangements for securing economy, efficiency and effectiveness in its use of resources

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and the conclusion on the arrangements for securing economy, efficiency, and effectiveness in the use of resources, and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the 'Material uncertainty relating to going concern' section above, and the matters described in the 'Arrangements for securing economy, efficiency and effectiveness in the use of resources' section below, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the Key audit matter*
Risk of fraud in revenue and expenditure recognition – Trust *See note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates relating to the recognition of income and expenditure.* We have focussed on this area because there is pressure on NHS bodies to meet or to exceed the financial targets set for them by regulators. In particular, there is additional pressure this year because the achievement of the key financial target triggers additional payments from the Provider Sustainability Fund. As a result of the national pressures, there is an incentive for management to manipulate the timing of recognition of both income and expenditure to defer costs to 2020/21 and to recognise income incurred in respect of 2020/21 in these financial statements. **Revenue** The Trust's principal source of income was from Clinical Commissioning Groups ("CCGs") and NHS England, which together accounted for over 95% of income during the year. Contracts are renegotiated annually and consist of standard monthly instalments, based on contract values. The payments are 'trued up' on a quarterly basis to reflect the actual activity of the Trust. . The value of the year end 'true up' is subject to judgement by the directors as actual validated activity levels which form the basis of income are not available for March ("month 12"). For 2019/20, as a result of COVID-19, this approach could not be applied due to the significant changes to services and activity. The Trust agreed with host commissioners to use the March 2019 estimate for March 2020 as this would provide certainty and minimise the financial impact. The Trust's next largest sources of income include research and development income and education and training income. These balances include multi-year contracts, where income is recognised in line with delivery of the contract or once performance criteria are satisfied. Due to the size of these sources of income and the incentives to manipulate income recognition, these sources of income are an area of focus. ***Expenditure*** Our work on expenditure focussed on the areas most susceptible to manipulation in order to reduce the Trust's reported deficit. These were primarily unrecorded liabilities and journals transactions, which could be used to impact upon the deficit reported by the Trust.	**Revenue** We tested a sample of income transactions and traced these to invoices or correspondence from commissioners and other bodies, and used our knowledge and experience of the industry to determine whether the income was recognised in the correct period. We also traced them to cash payments where the amounts had been settled. We performed completeness testing on the Trust's interface between the patient record system and financial ledger. ***Revenue: Other operating income*** We tested a sample of income transactions and traced these to invoices, contracts, and correspondence from other bodies. Our work did not identify any transactions or contracts that were indicative of manipulation in the timing of the recognition of income *Intra-NHS agreement of transactions and balances* To assist in addressing completeness for commissioners income (including NHS England) , we confirmed the value of debtors from these bodies to NHS Improvement (Monitor)'s mismatch reports, which provides the amounts recorded by NHS bodies as debtors and the corresponding creditors with NHS counterparties, to agree that the amounts matched. We noted no material differences. ***Expenditure*** We selected a sample of payments made by the Trust and invoices received during the two months from the period following the end of the financial year and traced these to supporting documentation and agreed that the expenditure had been recognised in accordance with the Trust's accounting policies and in the correct accounting period. We tested a sample of accruals at the year end and traced them to supporting documentation and agreed that they have been appropriately accounted for in accordance with the Trust's accounting policies. We traced provisions to supporting documentation to assess whether the amounts recorded were complete. ***Journals*** We focused our work on income and expenditure journals that are the most susceptible to manipulation. These were non-standard journal transactions, including those that credit non-NHS and other operating income and debit balance sheet accounts (other than for example accounts receivable and cash); and those that credit expenditure and debit balance sheet accounts (other than for example accounts payable). We selected a sample of manual and automated journal transactions that had been recognised in either income or expenditure focussing on non-standard journals as highlighted above. We tested journals throughout the year, tracing them to supporting documentation to check that their impact on the financial statements was appropriate. Our work did not identify any issues. Our work did not identify any transactions that were indicative of fraud in the recognition of income or expenditure, in particular to overstate income or understate expenditure

Valuation of property, plant and equipment - Trust

Management's accounting policies, key judgements and use of experts relating to the valuation of the Trust's estate are disclosed in note 1 to the financial statements. The Trust is regularly required to revalue its estate in line with the Department of Health and Social Care Group Accounting Manual.

Property, plant and equipment ("PPE") represents the largest asset balance in the Trust's statement of financial position, with a value of £197,765k. The Trust reassesses the value of its land and buildings each year, which involves applying a range of assumptions and the use of external expertise. The value of land, buildings and dwellings as at 31 March 2020 is £161,491k.

We focussed on this area because the value of the properties and the related movements in their fair values recognised in the financial statements are material. Additionally, the value of properties included in the financial statements is dependent on the reliability of the valuations obtained by the Trust, which are themselves dependent on:

- the accuracy of the underlying data provided to the valuer by the directors and used in the valuation; and
- assumptions made by the directors, including the likely location of a "modern equivalent asset"; and
- the selection and application of the valuation methodology applied by the valuer, including assumptions relating to build costs and the estimated useful life of the buildings.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2017 and RICS UK National Supplement commonly known together as the Red Book, the valuer has declared a 'material valuation uncertainty' in the valuation report as a result of COVID-19.

We confirmed that the valuer engaged by the Trust to perform the valuations had relevant professional qualifications and was a member of the Royal Institute of Chartered Surveyors ("RICS"). We confirmed that they were independent of the Trust.

We obtained and read the relevant sections of the valuation performed by the Trust's valuer. Using our own valuations expertise, we determined that the methodology and assumptions applied by the valuer were consistent with the market practice in the valuation of hospital buildings.

The value of the Trust's specialised operational properties in the financial statements is based upon the modern equivalent asset. The land is valued on its location and industrial land values.

We considered the assumptions and methodology made by the Trust. We consider the approach taken to be an acceptable basis for valuation.

We confirmed the accuracy of the information provided by the Trust to the external valuer by:

- checking that the portfolio of properties included in the valuation was consistent with the Trust's fixed asset register; and
- agreeing a sample of the gross internal areas used by the valuer to the Trust's estate's teams records for the properties valued;
- agreeing for a sample of properties that the Trust holds the legal title to the property;
- we inspected the repairs and maintenance expense codes to confirm that there had been no significant alterations to the existing value and use of assets, and to address the risk that capital expenditure had not been misclassified as repairs and maintenance spend; and
- physically inspecting a sample of assets.

We agreed that the values provided to the Trust by the valuer had been correctly included in the financial statements and that valuation movements were accounted for correctly and in accordance with the Trust's accounting policies.

We checked the disclosures made in the financial statements. The valuer has highlighted that it is too early to assess the impact of COVID-19 on the valuation. We read the disclosures on the material uncertainty in notes 1 and 15.

COVID-19 – Group, Trust and arrangements for securing economy, efficiency and effectiveness in its use of resources

During the course of the audit, both management and the engagement team considered the impact that the ongoing COVID-19 pandemic has had on the activities, suppliers and wider economy of the Group and Trust, and its financial statements.

Management's assessment is that no significant impact on outturn as operations only significantly changed in scope for the last 3 weeks of the year. However, due to the significance of the pandemic, the financial statements have recognised the impact as a disclosure in its Annual Report and as a non-adjusting post balance sheet event in the financial statements.

As a result of this, we determined that the impact of COVID-19 should be a key audit matter.

We performed the following procedures to address the impact that COVID-19 has on the financial statements:

- evaluated and challenged management's assessment of the pandemic and its impact on valuations and going concern. This included using our own valuations experts to consider the assumptions underpinning the Trust's valuation. Our work on evaluating management's going concern assessment is described in the "Material uncertainty relating to going concern" section above;
- performed sample testing of non-pay expenditure transactions posted after 31 March 2020 to address the heightened risk that transactions may have been posted to the wrong period due to changes in working practices with staff working remotely;
- inspected items recognised as COVID-19 related costs to ensure the classification as being reimbursable was appropriate;
- assessed the disclosures made by management and ensured that the impact of the pandemic was reflected in the Annual Report, and in the accounting policies and as a non-adjusting post balance sheet event in the financial statements;
- considered if any adjustments to the carrying value of assets and liabilities were required; and
- held regular discussions with the Director of Finance to understand the impact of the COVID-19 pandemic on the Trust.

We concluded that management's assessment of the impact of COVID-19 pandemic on the financial statements and the arrangements for securing economy, efficiency and effectiveness in its use of resources is reasonable as disclosed in note 1 to the financial statements.

Other than the matters noted in the 'Material Uncertainty relating to going concern' and 'Arrangements for securing economy, efficiency, and effectiveness in the use of resources' paragraphs, we determined that there were no further key audit matters relating to the financial statements of the Group and Trust and the Trust's arrangements for securing economy, efficiency, and effectiveness in the use of resources to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Trust and the Group, the accounting processes and controls, and the environment in which the Group operates.

The Trust comprises one single entity with books and records all retained at the head office in Torquay. The Group comprises the Trust and SDH Developments Limited. We performed full scope audit procedures on both the Trust and its subsidiary company. Due to the impact of COVID-19, the audit was primarily conducted remotely by working with Trust finance staff and other Trust employees who are based at Torbay and South Devon NHS Foundation Trust site in Torquay

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Trust financial statements
Overall materiality	£10,000k (2019: £8,820k)	£9,500k (2019: £8,379k)
How we determined it	2% of total revenue (2019: 2% of total revenue) Total revenue is made up of operating income from patient	2% of total revenue (2019: 2% of total revenue) Total revenue is made up of operating income from patient care activities and
Rationale for benchmark applied	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £288k to £9,500k. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300k (Group audit) (2019: £300k) and £300k (Trust audit) (2019: £300k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Performance Report and the Accountability Report, we also considered whether the disclosures required by the NHS Foundation Trust Annual Reporting Manual 2019/20 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Code of Audit Practice require us also to report certain opinions and matters as described below.

Performance Report and Accountability Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Performance Report and Accountability Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

In light of the knowledge and understanding of the Group and the Trust and their environment obtained in the course of the audit, we did not identify any material misstatements in the Performance Report or Accountability Report.

In addition, the parts of the Remuneration and Staff reports to be audited have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Accountability Report set out on page 86, the directors are responsible for the preparation of the financial statements in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the Group's and Trust'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 directors either intend to liquidate the Group and Trust or to cease operations, or have no realistic alternative but to do so.

The Trust is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

We are required under Schedule 10 (1) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our work in accordance with the Code of Audit Practice, having regard to the criterion determined by the Comptroller and Auditor General as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based our on risk assessment, we undertook such work as we considered necessary.

Use of this report

This report, including the opinions, has been prepared for and only for the Council of Governors of Torbay and South Devon NHS Foundation Trust as a body in accordance with paragraph 24 of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code of Audit Practice we are required to report, by exception, if we conclude we are not satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Adverse opinion

As a result of the matters set out in the Basis for adverse opinion section immediately below, we have concluded that the Trust has not put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2020.

Basis for Adverse Opinion and Key Audit Matter

The Group and the Trust recorded a deficit for 2019/20 and is also forecasting a deficit for both 2020/21 and 2021/22. The forecast is based on a number of assumptions and there is significant uncertainty in the financial plan for 2020/21 as a result of the COVID-19 pandemic and its impact on the Group and Trust. The Group and Trust recognise that the deficit, combined with the assumptions made relating to likely levels of income and their ability to deliver against their Cost Improvement Programme, creates uncertainty over their future funding needs. The Group and Trust have assumed financial support will be received from the Department of Health and Social Care during the course of 2020/21 in order to meet ongoing liabilities where required and to continue to provide healthcare services. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

We note that:

- the Trust did not achieve its planned control target for 2019/20 and revised the outturn position during year to increase the outturn deficit;
- the Trust did not meet its savings target for 2019/20;
- the Trust is forecasting an operating deficit for 2020/21;

the Trust has not agreed a control target for 2020/21 in light of how funding for the year is uncertain;

the Trust does not formal arrangements agreed for the repaying a loan due in full in September 2020; and

cash flow forecasts suggest that further funding will be required for the Trust to meet its liabilities in 2020/21.

In considering the Trust's arrangements we understood the Trust's 2019/20 results and 2020/21 and 2021/22 financial plans, including cash flows and assumptions underpinning the potential for future financing needs.

Other matters on which we report by exception

We are required to report to you if:

the statement given by the directors on page 30, in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for patients, regulators, and other stakeholders to assess the Group's and Trust's performance, business model, and strategy is materially inconsistent with our knowledge of the Group and Trust acquired in the course of performing our audit.

the section of the Annual report on page 34, as required by provision C.3.9 of the NHS Foundation Trust Code of Governance, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019/20 or is misleading or inconsistent with our knowledge acquired in the course of performing our audit. We have not considered whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

we have referred a matter to Monitor under Schedule 10 (6) of the National Health Service Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

we have issued a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006.

we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Code of Audit Practice

Heather Ancient (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

25-Jun-20

Statement of Comprehensive Income for the year ended 31 March 2020

	Note	Group Year Ended 2019/20 £000	Year Ended 2018/19 £000
Operating income from patient care activities	3	447,606	391,510
Other operating income	4	52,603	49,536
Operating expenses	5	(511,485)	(432,577)
Operating (deficit) / surplus from continuing operations		**(11,276)**	**8,469**
Finance income	10	158	102
Finance expenses	11	(3,647)	(3,419)
PDC dividends payable		(3,171)	(2,972)
Net finance costs		**(6,660)**	**(6,289)**
Other losses, net	12	(74)	(12)
Corporation tax expense		(32)	(22)
(Deficit) / Surplus for the year from continuing operations		**(18,042)**	**2,146**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations of property, plant and equipment	18	4,230	2,902
Total comprehensive (expense) / income for the year		**(13,812)**	**5,048**
(Deficit) / Surplus for the period attributable to:			
Torbay and South Devon NHS Foundation Trust		(18,042)	2,146
TOTAL		**(18,042)**	**2,146**
Total comprehensive (expense) / income for the year attributable to:			
Torbay and South Devon NHS Foundation Trust		(13,812)	5,048
TOTAL		**(13,812)**	**5,048**

Statement of Financial Position as at 31 March 2020

	Notes	Group 31 March 2020 £000	Group 31 March 2019 £000	Trust 31 March 2020 £000	Trust 31 March 2019 £000
Non-current assets					
Intangible assets	14	12,122	11,911	12,122	11,911
Property, plant and equipment	15 & 16	197,765	189,468	197,594	189,276
Investments in associates (and joint ventures)	19	65	35	65	35
Receivables	21	1,917	1,109	2,364	1,593
Total non-current assets		**211,869**	**202,523**	**212,145**	**202,815**
Current assets					
Inventories	20	10,277	9,456	9,669	8,856
Receivables	21	29,883	29,947	29,728	29,913
Non-current assets for sale and assets in disposal groups	22	687	613	687	613
Cash and cash equivalents	23	10,137	2,206	9,400	1,836
Total current assets		**50,984**	**42,222**	**49,484**	**41,218**
Current liabilities					
Trade and other payables	24	(48,054)	(34,707)	(47,385)	(34,423)
Borrowings	26	(37,828)	(8,325)	(37,828)	(8,325)
Provisions	28	(404)	(433)	(404)	(433)
Other liabilities	25	(835)	(835)	(835)	(835)
Total current liabilities		**(87,121)**	**(44,300)**	**(86,452)**	**(44,016)**
Total assets less current liabilities		**175,732**	**200,445**	**175,177**	**200,017**
Non-current liabilities					
Borrowings	26	(66,120)	(81,115)	(66,120)	(81,115)
Provisions	28	(5,388)	(4,400)	(5,388)	(4,400)
Total non-current liabilities		**(71,508)**	**(85,515)**	**(71,508)**	**(85,515)**
Total assets employed		**104,224**	**114,930**	**103,669**	**114,502**
Financed by					
Public dividend capital		67,615	64,509	67,615	64,509
Revaluation reserve		46,089	41,869	46,089	41,869
Income and expenditure reserve		(9,480)	8,552	(10,035)	8,124
Total taxpayers' equity		**104,224**	**114,930**	**103,669**	**114,502**

The notes on pages 134 to 185 form part of these accounts

Signed

Name **Liz Davenport**

Position **Chief Executive**

Date **24 June 2020**

Statement of Changes in Equity for the year ended 31 March 2020

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**64,509**	**41,869**	**8,552**	**114,930**
Deficit for the year	0	0	(18,042)	**(18,042)**
Revaluations of property, plant and equipment	0	4,230	0	**4,230**
Transfer on disposal of assets	0	(10)	10	**0**
Public dividend capital received	3,106	0	0	**3,106**
Taxpayers' and others' equity at 31 March 2020	**67,615**	**46,089**	**(9,480)**	**104,224**

Statement of Changes in Equity for the year ended 31 March 2019

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**62,826**	**39,027**	**8,089**	**109,942**
Prior year impact of implementing IFRS 15 on 1 April 2018	**0**	**0**	**(1,634)**	**(1,634)**
Prior year impact of implementing IFRS 9 on 1 April 2018	**0**	**0**	**(109)**	**(109)**
Surplus for the year	0	0	2,146	**2,146**
Revaluations of property, plant and equipment	0	2,902	0	**2,902**
Transfer on disposal of assets	0	(60)	60	**0**
Public dividend capital received	1,683	0	0	**1,683**
Taxpayers' and others' equity at 31 March 2019	**64,509**	**41,869**	**8,552**	**114,930**

Statement of Changes in Equity for the year ended 31 March 2020

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**64,509**	**41,869**	**8,124**	**114,502**
Deficit for the year	0	0	(18,169)	**(18,169)**
Revaluations	0	4,230	0	**4,230**
Transfer on disposal of assets	0	(10)	10	**0**
Public dividend capital received	3,106	0	0	**3,106**
Taxpayers' and others' equity at 31 March 2020	**67,615**	**46,089**	**(10,035)**	**103,669**

Statement of Changes in Equity for the year ended 31 March 2019

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**62,826**	**39,027**	**7,776**	**109,629**
Impact of implementing IFRS 9 on 1 April 2018	0	0	(109)	**(109)**
Impact of implementing IFRS 15 on 1 April 2018	0	0	(1,634)	**(1,634)**
Surplus for the year	0	0	2,031	**2,031**
Revaluations	0	2,902	0	**2,902**
Transfer on disposal of assets	0	(60)	60	**0**
Public dividend capital received	1,683	0	0	**1,683**
Taxpayers' and others' equity at 31 March 2019	**64,509**	**41,869**	**8,124**	**114,502**

Information on reserves

Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as the public dividend capital dividend.

Revaluation reserve
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Income and expenditure reserve
The balance of this reserve is the accumulated surpluses and deficits of the trust.

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Statement of Cash Flows
for the year ended 31 March 2020

	Note	Group Year ended 2019/20 £000	Group Year Ended 2018/19 £000	Trust Year Ended 2019/20 £000	Trust Year ended 2018/19 £000
Cash flows from operating activities					
Operating (deficit) / surplus		(11,276)	8,469	(11,463)	8,311
Non-cash income and expense:					
Depreciation and amortisation	5	13,258	9,200	13,237	9,184
Net impairments	6.1	(8)	(4,136)	(8)	(4,136)
Income recognised in respect of capital donations		(774)	(1,314)	(774)	(1,314)
Increase / (Decrease) in receivables and other assets		(396)	(3,275)	(275)	(3,450)
Increase in inventories		(821)	(1,192)	(813)	(1,118)
Increase in payables and other liabilities		14,391	1,483	14,030	1,368
Increase in provisions		982	97	982	97
Tax paid		(8)	0	0	0
Net cash flows from operating activities		**15,348**	**9,332**	**14,916**	**8,942**
Cash flows from investing activities					
Interest received		158	102	186	132
Sale of financial assets / investments		(30)	0	(30)	0
Purchase of intangible assets		(3,323)	(3,612)	(3,323)	(3,612)
Purchase of Property, Plant and Equipment		(10,559)	(8,907)	(10,559)	(8,907)
Sales of Property, Plant and Equipment		320	3	320	3
Receipt of cash donations to purchase assets		85	1,314	85	1,314
Net cash flows used in investing activities		**(13,349)**	**(11,100)**	**(13,321)**	**(11,070)**
Cash flows from financing activities					
Public dividend capital received		3,106	1,683	3,106	1,683
Movement on loans from DHSC		11,326	3,595	11,326	3,595
Other capital receipts *		0	0	37	36
Capital element of finance lease rental payments		(410)	(109)	(410)	(109)
Capital element of PFI obligations		(893)	(783)	(893)	(783)
Interest paid on DHSC loans		(1,753)	(1,604)	(1,753)	(1,604)
Interest element of finance leases		(89)	(33)	(89)	(33)
Interest element of PFI obligations		(1,790)	(1,798)	(1,790)	(1,798)
PDC dividend paid		(3,565)	(3,145)	(3,565)	(3,145)
Net cash flows from / (used in) financing activities		**5,932**	**(2,194)**	**5,969**	**(2,158)**
Increase / (decrease) in cash and cash equivalents		**7,931**	**(3,962)**	**7,564**	**(4,286)**
Cash and cash equivalents at 1 April - b/f		**2,206**	**6,168**	**1,836**	**6,122**
Cash and cash equivalents at 31 March	23	**10,137**	**2,206**	**9,400**	**1,836**

* Other Capital Receipts for the Trust totalling £37,000 (2018/19 £36,000) represents the value of loan principal repayment received from the Trust's wholly owned subsidiary company, SDH Developments Ltd

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

Note 1.1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Note 1.1.2 Going concern

These financial statements have been prepared on a going concern basis.

International Accounting Standard IAS) 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without transfer of its services to another entity within the public sector.

In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1. The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the COVID-19 outbreak which has had profound effects upon the operations of Health Services throughout the UK. As a consequence NHS finances have been significantly impacted at a National and local level.

The Board has also based its Going Concern assessment on guidance from NHS England and NHS Improvement.

Continuity of service

It is critical that the Trust has certainty regarding cash inflows over the next few months due to the impact of COVID-19. To facilitate this NHS England and NHS Improvement will make block payments to all NHS Providers for the first four months of 2020/21 (to July 2020) guaranteeing a minimum level of income. This covers all services directly commissioned by regional teams and specialised commissioning hubs.

The NHS Long Term Plan includes financial settlement which puts the NHS on a sustainable footing by moving away from a system where provider deficits are the norm.

As is the case with many other Trusts, the Trust is reliant on cash funding from the Department of Health and Social Care to continue its operations, and has had interim revenue support loans totalling £14.7m for 2019/20. These have been drawn down in line with forecasts. Interim capital loans totalling £3.0m have also been drawn down during 2019/20. With accrued interest, the total liability of these interim loans totals £17.8m as at 31st March 2020.

Liquidity

The Board of Directors has a reasonable expectation that the Trust will have access to adequate resources to continue to deliver the full range of mandatory services for the foreseeable future.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans, as at 31 March 2020, will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £17.8m are classified as current liabilities within these financial statements.

The Trust has £26.3m in DHSC revenue related loans and £41.9m in DHSC capital loans, at 31 March 2020, of which £17.8m relate to Interim loans that DHSC have confirmed will be converted to PDC during 2020/21

In addition to the above DHSC loans, the Trust has a Revolving Working Capital Facility loan (RWCF) of £11m which is due for repayment in full during September 2020. The Trust has received assurance from NHSE/I that this will be either converted into another loan facility or into PDC, but this was not explicitly covered by the Department of Health announcement on 2 April 2020.

Note 1.1.2 Going concern (continued)

Although the Trust has a savings plan for 2020/21, a 'route to cash' has not been developed for a number of schemes

Net current liabilities at 31 March 2020 are recorded as £36.1m. Excluding the £17.8m of Interim Revenue loans from this position reduces the net current liability to £18.3m. If the RWCF is also converted to PDC, net current liabilities would equate to £7.3m.

For 2020/21, for those organisations that have agreed a Revenue Control Total with NHSE/I, the Financial Recovery Fund (FRF), will be the sole source of financial support for NHS providers and CCGs that are otherwise unable to live within their means. Organisations' entitlement to FRF will continue to depend on full-year financial performance and, where financial trajectories are not achieved, any FRF that has been paid but not earnt will be converted to DHSC financing (PDC).

Future revenue support will also be available for organisations that have been unable to agree a Revenue Control Total with NHSE/I, that is, providers in financial distress. This support will be provided as PDC (rather than loans) and does not require principal repayment but carries a dividend payable at the current PDC rate (3.5%).

The changes in the cash regime from 1 April 2020 alongside the short term Covid-19 measures provide a degree of assurance regarding future revenue funding despite the Trust's historic performance in relation to achievement of planned cost reductions.

This in turn provides reassurance over the Trust's ability to continue as a Going Concern.

In further support of this conclusion, and recognising the heighted 'Going Concern' uncertainty generated by Covid-19, NHS England and NHS Improvement issued a joint statement on 27 May 2020 which incorporates the following paragraph, reaffirming 'continuity of service' and government funding:

In March 2020 we announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. In May 2020 we issued revised financial management guidance to CCGs for the corresponding period. We are not yet able to definitively announce the contracting arrangements that will be in place for the rest of 2020/21 and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this.

Conclusion

The Trust recognises that the recurrent deficit alongside its ability to achieve planned cost reductions indicate that there is a material uncertainty which may cast significant doubt about the Trust's ability to continue as a Going Concern. The financial statements do not include the adjustments that would result if the Group or the Trust were unable to continue as a going concern. However, the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this.

While the Trust is planning a revenue deficit position again during 2020/21, it does so with the full knowledge of the above as the Trust has not received any notice of discontinuation or notice of transfer of its services to another entity, and accordingly it intends to prepare its accounts on a going concern basis.

Note 1.2 Critical judgements and sources of Estimation uncertainty in applying accounting policies

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are detailed below:

Modern equivalent asset valuation of property - key sources of estimation uncertainty

As detailed in accounting policy note 1.8 'Property, plant and equipment - valuation', the Trust has applied a Modern Equivalent Asset approach to valuing its Land and specialised buildings and buildings excluding dwellings. The significant estimate being depreciated replacement value, using modern equivalent methodology - both on an alternative site basis and construction methodology. The result of this valuation, based on estimates provided by a suitably qualified professional in accordance with HM Treasury guidance, is disclosed in note 18 to the financial statements. Future revaluations of the Trust's property may result in further material changes to the carrying values of non-current assets.

Note 1.2 Critical judgements and sources of Estimation uncertainty in applying accounting policies (continued)

Impairments and the estimated lives of assets - key sources of estimation uncertainty

As detailed in accounting policy notes 1.8 and 1.9, 'Property, Plant and Equipment - Measurement' and 'Intangibles - Measurement', the Trust is required to review property, plant and equipment and intangibles for impairments and the accuracy of estimated useful lives. In between formal valuations by qualified surveyors (property, plant and equipment - buildings and buildings excluding dwellings), management make judgements about the condition of assets and review their estimated lives.

Provision for expected credit loss of contract receivables - critical accounting judgement

Management will use their judgement to decide when to write-off receivables or to provide against the probability of not being able to collect debt. There are significant judgements in recognition of revenue from care of patients and clients and in provisioning for disputes with commissioners, clients and customers.

Provisions - critical accounting judgement

Management will use their judgement to decide when to make provisions for probable legal and constructive obligations of uncertain timing or amount as at the reporting date. These are based on estimates using relevant and reliable information as is available at the time the financial statements are prepared. These provisions are estimates of the actual costs of future cash flows and are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

The carrying amounts to the Trust's provisions are detailed in note 28 to the financial statements.

Income from non-contracted and specialised activity

A proportion of the Trust's income is from non-contracted and specialised activity. The last month's activity data was not available at the time that the accounts were prepared. Therefore an estimated accrual for the income was calculated, based on the non-contracted income and specialised income activity in period 11.

Partially completed spells

Income related to 'partially completed spells' is accrued based on the number of occupied bed days per category, and an estimated average cost per bed day per care category.

Note 1.3 Consolidation

Subsidiary

The Group financial statements consolidate the financial statements of the Trust and its subsidiary undertaking made up to 31 March 2020.
Subsidiary entities are those over which the trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position. In accordance with the NHS Foundation Trust Annual Reporting Manual a separate income statement for the parent (the Trust) has not been prepared.

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year
Where subsidiaries' accounting policies are not aligned with those of the trust (including where they report under UK FRS 102) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

The Trust is the Corporate Trustee of Torbay South Devon NHS Charitable Fund (Registered Charity 1052232). Under International Accounting Standards the Charitable Fund is considered to be a subsidiary of the Trust. The financial results of the Charity have not been consolidated into the Trust's Financial Statements. The reason for not consolidating is that it is not thought to be helpful to reader of the Trust accounts and the Trust has elected not to consolidate on the grounds of immateriality.

Joint ventures

Joint ventures are arrangements in which the trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Note 1.4 Segmental Reporting

The Trust reports its expenditure to the Trust Board using a segmental reporting analysis. The analysis is at clinical and non-clinical level. The Trust Board do not use this analysis for decision making purposes. The analysis is simply presented to describe variances to planned spend. In line with accounting standards the same expenditure analysis is presented in these accounts. Please refer to note 2.

Note 1.5 Income

Note 1.5.1 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The effect of re-admissions is built into the baseline contracts and is not adjusted in year and therefore is reflected in the contractual values stated.

The Trust agrees CQUIN schemes with Commissioners. The CQUIN schemes affect how care is provided to patients and are not distinct performance obligations in their own right, instead they form part of the transaction price for performance of obligations under the contract.

Revenue from research contracts

Where research contracts fall under IFRS15, revenue is recognised as and when performance obligations are satisfied.. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

NHS injury cost recovery scheme

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration

Note 1.5.2 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

Apprenticeship service income

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5.3 Other income

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.6 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs
NHS Pension Scheme
Past and present employees are covered by the provisions of the two NHS Pension Scheme. Both schemes are unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme are not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they are defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period, The contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the trust commits itself to the retirement, regardless of the method of payment.

Note 1.7 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.8 Property, plant and equipment

Note 1.8.1 Recognition

Property, plant and equipment is capitalised where:

• it is held for use in delivering services or for administrative purposes
• it is probable that future economic benefits will flow to, or service potential be provided to, the trust
• it is expected to be used for more than one financial year
• the cost of the item can be measured reliably
• the item has cost of at least £5,000, or
• collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control or form part of the initial equipping and setting-up cost of a new building, or refurbishment of a ward or unit.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, then these components are treated as separate assets and depreciated over their own economic lives.

Note 1.8.2 Measurement

Valuation
All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements of the services being provided.

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An Mea basis assumes that the asset will be replaced with a modern equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the trust's Private Finance Initiative 9PFI) schemes where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the Trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Note 1.8.2 Measurement (continued)

Valuations of the Land and non specialised buildings and specialised buildings are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The latest full revaluation of the Trust's specialised building was undertaken in 2018/19 with a prospective valuation date of 31 March 2019. Full physical valuations take place every 5 years.

Subsequent expenditure
Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation
Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as ‘held for sale’ ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Revaluation gains and losses
Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating expense.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of ‘other comprehensive income’.

Impairments
In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.
Other impairments are treated as revaluation losses. Reversals of ‘other impairments’ are treated as revaluation gains.

Note 1.8.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable i.e.:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Note 1.8.4 Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Note 1.8.5 Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM* , are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

Note 1.8.6 Useful Economic lives of property, plant and equipment

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Buildings, excluding dwellings	6	70
Dwellings	36	48
Plant & machinery	2	25
Transport equipment	3	7
Information technology	2	15
Furniture & fittings	2	10

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.9 Intangible assets

Note 1.9.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the trust and where the cost of the asset can be measured reliably.

Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where it meets the requirements set out IAS 38.

Software

Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, e.g. application software, is capitalised as an intangible asset.

Note 1.9.2 Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value.

Intangible assets held for sale are measured at the lower of their carrying amount or “fair value less costs to sell”.

Amortisation
Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Note 1.9.3 Useful economic life of intangible assets

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Software licences	3	13

Note 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The Trust has a number of separate stock control systems and consequently cost of inventories is measured by either using on a first in, first out (FIFO) method or the weighted average cost method.

Work in progress comprises goods in intermediate stages of production.

Note 1.11 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

Note 1.12 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.13 Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, i.e., when receipt or delivery of the goods or services is made.

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Note 1.13 Financial instruments and financial liabilities - continued

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Financial assets are classified as subsequently measured at amortised cost,

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

The Trust undertakes a regular review of its aged debt analysis to ensure that invoices are settled in a prompt manner and to ensure that any debts that show signs of being disputed are escalated appropriately. If as a consequence of an investigation the likelihood of debt recovery is remote, a provision for a potential credit loss is made. A provision for a credit loss for is applied to NHS Recovery Unit debts as advised by NHSI. The Trust also applies a provision for expected credit losses against its Adult Social Care debtors.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Expected credit losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.14 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Note 1.14.1 The trust as lessee

Finance leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Operating leases
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings
Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

Note 1.14.2 The trust as lessor

Finance leases
Amounts due from lessees under finance leases are recorded as receivables at the amount of the trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Operating leases
Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Note 1.15 Provisions

The trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020.

Post-Employment Benefits Discount Rates	Rate	Prior year rate
Real Rate	Minus 0.50%	0.29%

Clinical negligence costs
NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 29 but is not recognised in the trust's accounts.

Non-clinical risk pooling
The trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any "excesses" payable in respect of particular claims are charged to operating expenses when the liability arises.

Note 1.16 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 30 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 30, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.17 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated assets (including lottery funded assets),
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.18 Value added tax

Most of the activities of the trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.19 Corporation tax

The Trust is a Health Service Body within the meaning of s986 Corporation Taxes Act 2010. Accordingly it is not liable to corporation tax. The Trust is also exempt from tax on chargeable gains under S271(3) of Chargeable Gains Act 1992.

There is however a power of HM Treasury to submit an order to Parliament, which will dis-apply the corporation tax emption in relation to particular activities of a NHS Foundation Trust (s987 Corporation Taxes Act 2010). Accordingly, the Trust is potentially within the scope of corporation tax in respect of activities to be specified in the order which are not related to, the provision of healthcare, and where the profits there from exceed £50,000 per annum. Until the order is approved by Parliament, the trust has no corporation tax liability.

Note 1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. However, where held, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM* .

Note 1.21 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.22 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

Note 1.23 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 14 Regulatory Deferral Accounts – Not EU-endorsed. Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable to DHSC bodies

IFRS 16 Leases - will replace *IAS 17 Leases* , *IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted (continued)

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2022, but not yet adopted by the FReM: early adoption is not therefore permitted. It has not been possible to assess the impact of this standard as it is impracticable to do so.

Note 2 Operating Segments

Note 2.1 Operating Segments 2019/20 (Group)

Operating Segments	South Devon System	Torbay System	Shared Operations	Shared Corporate	Total	Reconciliation to Statement of Comprehensive Income			
Nature of services provided	Acute and Community healthcare services	Acute, Community healthcare and social care services	Largely clinical support services	Largely non clinical support services		Operating income	Other Operating income	Operating expenses	Non-operating items
	£000	£000	£000	£000	£000	£000		£000	£000
Pay costs - as reported to Board *	(105,201)	(93,046)	(7,205)	(63,961)	(269,413)	0	0	(269,413)	0
Non Pay costs - as reported to Board	(31,317)	(152,476)	(2,843)	(42,186)	(228,822)	0	0	(228,822)	0
Financing Costs - depreciation and amortisation	0	0	0	(13,258)	**(13,258)**	0	0	(13,258)	0
Financing Income - net reversal of impairment	0	0	0	8	**8**	0	0	8	0
Financing Income - interest income	0	0	0	158	**158**	0	0	0	158
Financing Costs - interest expense	(1,790)	0	0	(1,857)	**(3,647)**	0	0	0	(3,647)
Financing Costs - PDC dividend expense	0	0	0	(3,171)	**(3,171)**	0	0	0	(3,171)
Financing Costs - net losses on disposal of assets	0	0	0	(74)	**(74)**	0	0	0	(74)
Financing Costs - corporation tax expense	0	0	0	(32)	**(32)**	0	0	0	(32)
Financing Costs - as reported to Board	(1,790)	0	0	(18,226)	(20,016)	0	0	(13,250)	(6,766)
Income - as reported to Board	166,693	238,465	4,648	90,403	500,209	447,606	52,603	0	0
Surpluses / (Deficits) for the year reported to Board	28,385	(7,057)	(5,400)	(33,970)	(18,042)	447,606	52,603	(511,485)	(6,766)

***** Pay costs exclude capitalised costs totalling £1,715k, as disclosed in Note 7 to the Accounts

The operating segments disclosed above are those reported monthly to the Trust Board, which is considered to be the Chief Operating Decision Maker (as defined by IFRS 8).

The information presented to the Trust Board during 2019/20 used the above segmental reporting analysis solely for the purposes of describing variations (i.e. over and under spends) to the budgeted plans as required by NHS Improvement. The above segmental information is however not used by the Trust Board for investment decisions. Budgeting and investment decisions are considered at a whole 'system' level (i.e. the impact is considered at both Trust wide and Commissioner level). Investment decisions are not purely financially driven and the complexity of the information provided to the Trust Board to support the decision making will vary depending upon the nature and scale of the investments being proposed.

Note 2.2 Operating Segments 2018/19 (Group)

Restated *

Operating Segments	South Devon System	Torbay System	Shared Operations	Shared Corporate	Total	Reconciliation to Statement of Comprehensive Income			
Nature of services provided	Acute and Community healthcare services	Acute, Community healthcare and social care services	Largely clinical support services	Largely non clinical support services		Operating income	Other Operating income	Operating expenses	Non-operating items
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay costs - as reported to Board **	**(99,072)**	**(81,387)**	**(6,430)**	**(47,511)**	**(234,400)**	**0**	**0**	**(234,400)**	**0**
Non Pay costs - as reported to Board	**(31,450)**	**(122,972)**	**(1,915)**	**(36,776)**	**(193,113)**	**0**	**0**	**(193,113)**	**0**
Financing Costs - depreciation and amortisation	0	0	0	(9,200)	**(9,200)**	0	0	(9,200)	0
Financing Income - net reversal of impairment	0	0	0	4,136	**4,136**	0	0	4,136	0
Financing Income - interest income	0	0	0	102	**102**	0	0	0	102
Financing Costs - interest expense	(1,798)	0	0	(1,621)	**(3,419)**	0	0	0	(3,419)
Financing Costs - PDC dividend expense	0	0	0	(2,972)	**(2,972)**	0	0	0	(2,972)
Financing Costs - net losses on disposal of assets	0	0	0	(12)	**(12)**	0	0	0	(12)
Financing Costs - corporation tax expense	0	0	0	(22)	**(22)**	0	0	0	(22)
Financing Costs - as reported to Board	**(1,798)**	**0**	**0**	**(9,589)**	**(11,387)**	**0**	**0**	**(5,064)**	**(6,323)**
Income - as reported to Board	**145,461**	**201,016**	**3,506**	**91,063**	**441,046**	**391,510**	**49,536**	**0**	**0**
Surpluses / (Deficits) for the year reported to Board	**13,141**	**(3,343)**	**(4,839)**	**(2,813)**	**2,146**	**391,510**	**49,536**	**(432,577)**	**(6,323)**

* **Restatement** - The operating segmental reporting analysis to the Trust Board was changed by the Trust on 1st April 2019. The above analysis is a restatement of the transactions posted to the Statement of Comprehensive Income during 2018/19 using the new segments effective from 1st April 2019.

****** Pay costs exclude capitalised costs totalling £1,690k, as disclosed in Note 7 to the Accounts

Note 3 Operating income from patient care activities (Group)

Note 3.1 Income from patient care activities (by nature)

	2019/20 £000	2018/19 £000
Acute services		
Elective income	41,190	39,567
Non elective income	70,515	63,071
First outpatient income	28,655	27,541
Follow up outpatient income	26,977	25,752
A & E income	11,477	9,755
High cost drugs income from commissioners (excluding pass-through costs)	19,729	18,790
Other NHS clinical income *	77,753	52,535
Community services		
Community services income from CCGs and NHS England	97,844	85,645
Income from other sources (e.g. local authorities)	60,927	63,824
All services		
Private patient income	1,149	1,084
Agenda for Change pay award central funding **	0	3,322
Additional pension contribution central funding ***	10,803	0
Other clinical income	587	624
Total income from activities	**447,606**	**391,510**

* Other NHS clinical income includes income that is not driven by PBR activity. Included within this category is income the Trust receives as lead provider for Children's Family Health Devon services £22,461k (2018/19 £0k); Other variable activity services such as Critical Care and Pathology Services £21,123k (2018/19 £21,081k); Block and other contract adjustments £34,169k (2018/19 £31,454k).

** Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff into individual services

*** The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administrative charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £000	2018/19 £000
NHS England	54,169	43,006
Clinical commissioning groups	327,244	278,502
NHS Foundation Trusts	0	0
NHS Trusts	2,582	1,159
Local authorities	50,545	53,733
Department of Health and Social Care	0	3,322
NHS other	0	349
Non-NHS: private patients	1,007	969
Non-NHS: overseas patients (chargeable to patient)	142	115
NHS injury scheme *	529	497
Non NHS: other **	11,388	9,858
Total income from activities	**447,606**	**391,510**
Of which:		
Related to continuing operations	447,606	391,510
Related to discontinued operations	0	0

* NHS Injury Scheme Income is subject to a provision for doubtful debts of 21.79% (2018/19 21.89%) to reflect expected rates of collection

** Non NHS Other Income is comprised mostly of Adult Social Care Client Contributions; Adult Social Care costs being means tested.

Note 3.3 Overseas visitors (relating to patients charged directly by the provider) (Group)

	2019/20 £000	2018/19 £000
Income recognised this year	142	115
Cash payments received in-year	77	65
Amounts added to provision for impairment of receivables	0	0
Amounts written off in-year	49	18

Note 4 Other operating income (Group)

	2019/20 £000	2018/19 £000
Other Operating income from contracts with customers:		
Research and development (contract)	1,374	1,137
Education and training (excluding notional apprenticeship levy income)	9,399	8,313
Non-patient care services to other bodies	5,409	4,664
Sustainability and transformation fund income	5,720	5,487
Other income (recognised in accordance with IFRS15)	27,958	27,045
Other non-contract operating income:		
Education and training - notional income apprenticeship fund	752	462
Charitable and other contributions to expenditure	482	426
Donations of physical assets (non cash)	689	0
Cash donations for the purchase of capital assets	85	1,314
Rental revenue from operating leases	735	688
Total other operating income	**52,603**	**49,536**
Of which:		
Related to continuing operations	52,603	49,536
Related to discontinued operations	0	0

Other income (recognised in accordance with IFRS 15) includes £20.0m of sales (2018/19 £19.5m) from the Trust's Pharmacy Manufacturing Unit. Other income (recognised in accordance with IFRS 15) also includes £1.7m (2018/19 £1.7m) from hosting the Audit South West - Internal Audit Counter Fraud and Consultancy Services

Note 4.1 Additional information on contract revenue (IFRS 15) recognised in the period (Group)

	2019/20 £000	2018/19 £000
Revenue recognised in the reporting period that was included within contract liabilities at the end of the previous period	835	835
Revenue recognised from performance obligations satisfied (or partially satisfied in previous periods)	0	0

Note 4.2 Transaction price allocated to remaining performance obligations (Group)

	31 March 2020 £000	31 March 2019 £0
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year	0	0
after one year, not later than five years	0	0
after five years	0	0
	0	**0**

Note 4.2 Transaction price allocated to remaining performance obligations (Group) - continued

The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts with the trust recognises revenue directly corresponding to work done to date is not disclosed.

Note 4.3 Income from activities arising from commissioner requested services (Group)

Under the terms of its provider licence, the trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2019/20 £000	2018/19 £000
Income from services designated as commissioner requested services	435,067	386,480
Income from services not designated as commissioner requested services	12,539	5,030
Total	**447,606**	**391,510**

Note 4.4 Profits and losses on disposal of property, plant and equipment (Group)

A disposal of an 'Asset held for sale' property took place during 2019/20, the disposal proceeds generating £303,000 of cash. After revaluation of the property a small gain of £4,000 was generated. No disposal of buildings or dwellings took place during 2018/19. As at 31st March 2020 the Trust was actively marketing another property and also a section of land for sale. In 2019/20 the Trust disposed of a number of other Property, Plant and Equipment items mostly Plant and Equipment items, the net loss of which was £78,000 (2018/19 loss of £12,000)

Note 5 Operating expenses (Group)

	2019/20 £000	2018/19 £000
Purchase of healthcare from NHS and DHSC bodies	12,225	2,123
Purchase of healthcare from non-NHS and non-DHSC bodies	42,175	37,752
Purchase of social care	58,307	51,165
Staff and executive directors costs	258,862	224,238
Remuneration of non-executive directors	183	176
Supplies and services - clinical (excluding drugs costs)	27,243	25,681
Supplies and services - general	4,908	4,663
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	33,694	32,163
Inventories written down	79	38
Consultancy costs	8	357
Establishment	2,932	2,678
Premises	20,309	15,204
Transport (including patient travel)	3,073	2,620
Depreciation on property, plant and equipment	11,384	8,261
Amortisation on intangible assets	1,874	939
Net impairments	(8)	(4,136)
Movement in credit loss allowance: contract receivables / contract assets	2,329	389
Movement in credit loss allowance: all other receivables and investments	0	0
Increase/(decrease) in other provisions	413	526
Change in provisions discount rate(s)	341	(74)
Audit fees payable to the external auditor		
audit services- statutory audit	117	61
other auditor remuneration (external auditor only)	2	0
Internal audit costs *	344	332
Clinical negligence	6,454	7,004
Legal fees	131	258
Insurance	145	111
Research and development - staff costs	1,431	1,351
Research and development - non staff costs	38	44
Education and training - staff costs	8,776	8,479
Education and training - non staff costs	1,637	1,751
Education and training - notional expenditure funded from apprenticeship fund	752	462
Rentals under operating leases	1,335	1,404
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) on IFRS basis	984	936
Grossing up consortium arrangements	1,290	1,449
Other	7,718	4,172
Total	**511,485**	**432,577**
Of which:		
Related to continuing operations	511,485	432,577
Related to discontinued operations	0	0

*** Internal Audit costs.** The costs reported above represent the pay costs of the Internal Audit and Counter Fraud services the Trust has received the benefit of during the financial years. The Trust is part of a Peninsular wide Internal Audit and Counter Fraud consortium, where resources are shared with other and recharged to other NHS organisations. For accounting purposes, Torbay and South Devon NHS Foundation Trust operates as the lead consortium member. The Trust employs a proportion of the Audit and Counter Fraud consortiums staff. The value of charges made to the Trust by other organisations is shown as a 'Grossing up consortium arrangements' cost in operating expenditure and the value of charges made by the Trust as Lead Consortium member is recorded on 'Other income' within Other Operating Income.

Note 5.1 Other auditor remuneration (Group)

	2019/20 £000	2018/19 £000
Other auditor remuneration paid to the external auditor:		
Other assurance services	2	0
Total	**2**	**0**

Other assurance services £2k (2018/19 relates to work undertaken on the Quality Report).

Note 5.2 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £1m (2018/19: £1m).

Note 6 Net impairments (Group)

Note 6.1 Net Impairments total (Group)

	Note	2019/20 £000	2018/19 £000
Net impairments charged / (credited) to operating (deficit) / surplus resulting from:			
Loss or damage from normal operations		41	0
Over specification of assets		75	0
Abandonment of assets in the course of construction *		680	0
Changes in market price	6.2	(827)	(4,178)
Other	6.3	23	42
Total net impairments credited to operating surplus		**(8)**	**(4,136)**

* Abandonment of assets in the course of construction totalling £680k (2018/19 £0k) relates to two Intangible assets, namely an IT scheme the Trust was developing to help facilitate the introduction of paperless medical records and also the write off of set-up costs associated with a new Children's Health and Family Devon service that the Trust started to run on 1st April 2019.. The IT scheme write off amounted to £404k. It has been written off as the Trust has been unable to secure funding to deliver the complete scheme and there is now a greater collaboration approach across the Devon catchment area to use common IT systems to facilitate more effective care. The set-up costs associated with the Children's Health and Family Devon service totalled £276k. These costs have been written off as there is now some uncertainty as to the future revenue surpluses that will be generated from this contract and therefore on the grounds of prudence, the set-up costs which were mostly comprised of internal project management time, have been impaired.

Note 6.2 Changes to market price (Group)

	2019/20 £000	2018/19 £000
Net impairments credited to operating (deficit) / surplus resulting from:		
Revaluation of Trust's Buildings and Dwelling assets	(427)	(4,120)
Revaluation of Land	(400)	(58)
	(827)	**(4,178)**

2019/20 - The Trust commissioned the District Valuation Office in 2019/20 to provide an updated valuation of the Trust's properties as at 31st March 2020. The valuation exercise consisted of a combination of physical inspection of the more significant value assets brought into use during the year, a desktop review of more minor schemes and also application of BCIS and local indexation factors. As also undertaken during 2018/19, in line with accounting standards, the assets available for sale were valued at the lower of existing use value or alternative use value; assets surplus to requirements but available for sale were valued at the higher of existing use value or alternative use value; specialised building and dwelling assets in use were valued at depreciated replacement cost and non specialised building assets were valued at open market value. The review increased the value of PPE Land, Buildings and Buildings excluding Dwellings by a net £5,057k. Of the increase in value £4,230k has been credited to the Trust's revaluation reserve and a net £827k has been credited to Operating Expenditure as a Reversal of Impairment.

2018/19 - The Trust commissioned the District Valuation Office in 2018/19 to perform a physical inspection of all of the Trust's properties to enable a full revaluation of the Trust's land, buildings and dwelling assets to be provided. Namely; valuation of land and buildings that were surplus to Trust needs and were available for sale; valuation of land and building assets not currently available for sale and a valuation of land, buildings and dwellings in use as at 31st March 2019.

	2019/20 £000	2018/19 £000
Note 6.3 Other		
Revaluation of surplus assets available for sale - Assets held for Sale	23	42
	23	**42**

Note 7 Employee benefits (Group)

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	206,732	186,076
Social security costs	18,632	16,913
Apprenticeship levy	989	911
Pension cost - employer's contributions to NHS pensions	24,799	22,722
Pension cost - employer's contributions paid by NHSE on provider's behalf *	10,803	0
Pension cost - other	87	70
Temporary staff (including agency)	9,086	9,398
Total gross staff costs	**271,128**	**236,090**
Costs capitalised as part of assets	1,715	1,690

* The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administrative charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts

Note 7.1 Retirements due to ill-health (Group)

During 2019/20 there were 3 early retirements from the trust agreed on the grounds of ill-health (none in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £99k (£0k in 2018/19).

The cost of these ill-health retirements would be borne by the NHS Business Services Authority - Pensions Division.

Note 8 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The employer contribution rate for 2019/20 was 20.6%.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgement from the Court of Appeal in December 2018, the Government announced a pause to that part of the valuation process pending continuing legal process.

Note 9 Operating leases (Group)

Note 9.1 Torbay and South Devon NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Torbay and South Devon NHS Foundation Trust is the lessor.

	2019/20 £000	2018/19 £000
Operating lease revenue		
Minimum lease receipts	735	688
Total	**735**	**688**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease receipts due:		
- not later than one year;	0	703
Total	**0**	**703**

The Trust has entered into a lease agreement with Devon Partnership Trust (DPT). The Lease agreement enables DPT to rent part of the Torbay Hospital site from the Trust for a period of 17 years - Lease expired 31st March 2020. The rental income payable under the agreement was recalculated on an annual basis throughout the 17 year lease period. The income receivable was calculated from the sum of two components. The first component being an opportunity cost payable to the Trust of £90,000 per annum and the second component being the forecast capital charges the Trust will incur in respect of the leased asset. In 2019/20 this income totalled £648,000 (2018/19 £688,000). The balance of operating lease income totalled £0k in 2019/20 (2018/19 £15,000). The Trust and DPT are currently in negotiation to extend this lease but at the balance sheet date no formal agreement had been made.

Note 9.2 Torbay and South Devon NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Torbay and South Devon NHS Foundation Trust is the lessee.

	2019/20 £000	2018/19 £000
Operating lease expense		
Minimum lease payments	1,224	1,292
Contingent rents	111	112
Total	**1,335**	**1,404**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease payments due:		
- not later than one year;	976	1,055
- later than one year and not later than five years;	1,068	1,744
- later than five years.	178	226
Total	**2,222**	**3,025**
Future minimum sublease payments to be received	2,222	3,025

Included in these commitments is £0.4m (2018/19 £0.7m) for Regent House, a building in Regent Close, Torquay, which has a 15 year lease expiring in 2021 with rent reviews every 5 years. The Trust also acts as an agent for members of staff leasing vehicles through a salary sacrifice scheme and the lease commitments of £0.8m (2018/19 £0.5m) are not included in the figures disclosed above.

Note 10 Finance income (Group)

Finance income represents interest received on assets and investments in the period.

	2019/20 £000	2018/19 £000
Interest on bank accounts	158	102
Total	**158**	**102**

Note 11 Finance expenses (Group)

Finance expenses represents interest and other charges involved in the borrowing of money or asset financing

	2019/20 £000	2018/19 £000
Interest expense:		
Loans from the Department of Health and Social Care	1,797	1,585
Finance leases	83	23
Main finance costs on PFI schemes obligations	1,230	1,288
Contingent finance costs on PFI schemes obligations	560	510
Total interest expense	**3,670**	**3,406**
Unwinding of discount on provisions	(23)	13
Total finance costs	**3,647**	**3,419**

Note 12 Other losses, net (Group)

	2019/20 £000	2018/19 £000
Gains on disposal of assets	4	3
Losses on disposal of assets	(78)	(15)
Total losses, net on disposal of assets	**(74)**	**(12)**

Note 13 Trust income statement and statement of comprehensive income

In accordance with Section 408 of the Companies Act 2006, the trust is exempt from the requirement to present its own income statement and statement of comprehensive income. The trust's deficit for the period was £18,169k (2018/19 surplus of £2,031k). The trust's total comprehensive expense for the period was £13,939k (2018/19: Income of £4,933k).

Note 14 Intangible assets - Group and Trust

Note 14.1 Intangible assets - 2019/20

Group and Trust	Software licences £000	Licences & trademarks £000	Development expenditure £000	Intangible assets under construction £000	Charitable fund intangible assets £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**13,676**	**1,137**	**0**	**4,823**	**0**	**19,636**
Additions	1,157	0	0	1,661	0	**2,818**
Impairments	(680)	0	0	0	0	**(680)**
Reclassifications	4,091	0	0	(4,138)	0	**(47)**
Disposals / derecognition	(11)	(6)	0	0	0	**(17)**
Valuation / gross cost at 31 March 2020	**18,233**	**1,131**	**0**	**2,346**	**0**	**21,710**
Accumulated Amortisation at 1 April 2019 - brought forward	**7,725**	**0**	**0**	**0**	**0**	**7,725**
Provided during the year	1,874	0	0	0	0	**1,874**
Disposals / derecognition	(11)	0	0	0	0	**(11)**
Accumulated Amortisation at 31 March 2020	**9,588**	**0**	**0**	**0**	**0**	**9,588**
Net book value at 31 March 2020	**8,645**	**1,131**	**0**	**2,346**	**0**	**12,122**
Net book value at 31 March 2019	**5,951**	**1,137**	**0**	**4,823**	**0**	**11,911**

Note 14.2 Intangible assets - 2018/19

Group and Trust	Software licences £000	Licences & trademarks £000	Development expenditure £000	Intangible assets under construction £000	Charitable fund intangible assets £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	**11,608**	**873**	**0**	**3,115**	**0**	**15,596**
Additions	890	0	0	3,149	0	**4,039**
Impairments	0	0	0	0	0	**0**
Reclassifications	1,248	264	0	(1,441)	0	**71**
Disposals / derecognition	(70)	0	0	0	0	**(70)**
Valuation / gross cost at 31 March 2019	**13,676**	**1,137**	**0**	**4,823**	**0**	**19,636**
Accumulated Amortisation at 1 April 2018 - as previously stated	**6,856**	**0**	**0**	**0**	**0**	**6,856**
Provided during the year	939	0	0	0	0	**939**
Disposals / derecognition	(70)	0	0	0	0	**(70)**
Accumulated Amortisation at 31 March 2019	**7,725**	**0**	**0**	**0**	**0**	**7,725**
Net book value at 31 March 2019	**5,951**	**1,137**	**0**	**4,823**	**0**	**11,911**
Net book value at 31 March 2018	**4,752**	**873**	**0**	**3,115**	**0**	**8,740**

Note 15 Property, plant and equipment - Group

Note 15.1 Property, plant and equipment - 2019/20

Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	**7,708**	**145,307**	**4,228**	**7,667**	**56,926**	**1,431**	**20,839**	**4,794**	**248,900**
Additions	0	3,257	8	9,457	2,412	0	31	13	**15,178**
Impairments	0	(1,781)	0	0	(116)	0	0	0	**(1,897)**
Reversals of impairments	400	2,206	2	0	0	0	0	0	**2,608**
Revaluations	0	(1,735)	3	0	0	0	0	0	**(1,732)**
Reclassifications	0	2,320	14	(6,624)	2,655	0	1,681	1	**47**
Transfers to/ from assets held for sale	(400)	0	0	0	0	0	0	0	**(400)**
Disposals / derecognition	0	0	0	0	(1,009)	(15)	(631)	(4)	**(1,659)**
Valuation/gross cost at 31 March 2020	**7,708**	**149,574**	**4,255**	**10,500**	**60,868**	**1,416**	**21,920**	**4,804**	**261,045**
Accumulated depreciation at 1 April 2019 - brought forward	**0**	**20**	**0**	**0**	**36,580**	**763**	**17,484**	**4,585**	**59,432**
Provided during the year	0	5,774	214	0	3,969	135	1,250	42	**11,384**
Revaluations	0	(5,748)	(214)	0	0	0	0	0	**(5,962)**
Disposals / derecognition	0	0	0	0	(979)	(15)	(576)	(4)	**(1,574)**
Accumulated depreciation at 31 March 2020	**0**	**46**	**0**	**0**	**39,570**	**883**	**18,158**	**4,623**	**63,280**
Net book value at 31 March 2020	**7,708**	**149,528**	**4,255**	**10,500**	**21,298**	**533**	**3,762**	**181**	**197,765**
Net book value at 31 March 2019	**7,708**	**145,287**	**4,228**	**7,667**	**20,346**	**668**	**3,355**	**209**	**189,468**

Note 15 Property, plant and equipment - Group

Note 15.2 Property, plant and equipment - 2018/19

Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	**7,505**	**139,831**	**4,026**	**3,433**	**55,409**	**1,426**	**19,826**	**4,758**	**236,214**
Additions	0	1,492	1	6,588	2,274	0	905	24	**11,284**
Impairments	0	(1,136)	0	0	0	0	0	0	**(1,136)**
Reversals of impairments	58	5,254	2	0	0	0	0	0	**5,314**
Revaluations	145	(1,330)	163	0	0	0	0	0	**(1,022)**
Reclassifications	0	1,196	36	(2,354)	865	23	151	12	**(71)**
Disposals / derecognition	0	0	0	0	(1,622)	(18)	(43)	0	**(1,683)**
Valuation/gross cost at 31 March 2019	**7,708**	**145,307**	**4,228**	**7,667**	**56,926**	**1,431**	**20,839**	**4,794**	**248,900**
Accumulated depreciation at 1 April 2018 - as previously stated	**0**	**6**	**0**	**0**	**34,859**	**626**	**16,784**	**4,488**	**56,763**
Provided during the year	0	3,841	97	0	3,329	155	742	97	**8,261**
Revaluations	0	(3,827)	(97)	0	0	0	0	0	**(3,924)**
Disposals / derecognition	0	0	0	0	(1,608)	(18)	(42)	0	**(1,668)**
Accumulated depreciation at 31 March 2019	**0**	**20**	**0**	**0**	**36,580**	**763**	**17,484**	**4,585**	**59,432**
Net book value at 31 March 2019	**7,708**	**145,287**	**4,228**	**7,667**	**20,346**	**668**	**3,355**	**209**	**189,468**
Net book value at 31 March 2018	**7,505**	**139,825**	**4,026**	**3,433**	**20,550**	**800**	**3,042**	**270**	**179,451**

Note 15.3 Property, plant and equipment financing - 2019/20

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	7,708	126,098	4,255	7,446	15,935	67	3,686	157	**165,352**
Finance leased	0	0	0	3,054	2,675	466	0	0	**6,195**
On-SoFP PFI contracts and other service concession arrangements	0	17,443	0	0	0	0	0	0	**17,443**
Owned - government granted	0	0	0	0	8	0	0	0	**8**
Owned - donated	0	5,987	0	0	2,680	0	76	24	**8,767**
NBV total at 31 March 2020	**7,708**	**149,528**	**4,255**	**10,500**	**21,298**	**533**	**3,762**	**181**	**197,765**

Note 15.4 Property, plant and equipment financing - 2018/19

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	7,708	124,970	4,228	6,166	17,118	105	3,258	181	**163,734**
Finance leased	0	0	0	1,501	0	563	0	0	**2,064**
On-SoFP PFI contracts and other service concession arrangements	0	14,772	0	0	0	0	0	0	**14,772**
Owned - government granted	0	0	0	0	9	0	0	0	**9**
Owned - donated	0	5,545	0	0	3,219	0	97	28	**8,889**
NBV total at 31 March 2019	**7,708**	**145,287**	**4,228**	**7,667**	**20,346**	**668**	**3,355**	**209**	**189,468**

Note 16 Property, plant and equipment - Trust

Note 16.1 Property, plant and equipment - 2019/20

Trust	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	**7,708**	**145,307**	**4,228**	**7,667**	**56,718**	**1,431**	**20,839**	**4,794**	**248,692**
Additions	0	3,257	8	9,457	2,412	0	31	13	**15,178**
Impairments	0	(1,781)	0	0	(116)	0	0	0	**(1,897)**
Reversals of impairments	400	2,206	2	0	0	0	0	0	**2,608**
Revaluations	0	(1,735)	3	0	0	0	0	0	**(1,732)**
Reclassifications	0	2,320	14	(6,624)	2,655	0	1,681	1	**47**
Transfers to/ from assets held for sale	(400)	0	0	0	0	0	0	0	**(400)**
Disposals / derecognition	0	0	0	0	(1,009)	(15)	(631)	(4)	**(1,659)**
Valuation/gross cost at 31 March 2020	**7,708**	**149,574**	**4,255**	**10,500**	**60,660**	**1,416**	**21,920**	**4,804**	**260,837**
Accumulated depreciation at 1 April 2019 - brought forward	**0**	**20**	**0**	**0**	**36,564**	**763**	**17,484**	**4,585**	**59,416**
Provided during the year	0	5,774	214	0	3,948	135	1,250	42	**11,363**
Revaluations	0	(5,748)	(214)	0	0	0	0	0	**(5,962)**
Disposals / derecognition	0	0	0	0	(979)	(15)	(576)	(4)	**(1,574)**
Accumulated depreciation at 31 March 2020	**0**	**46**	**0**	**0**	**39,533**	**883**	**18,158**	**4,623**	**63,243**
Net book value at 31 March 2020	**7,708**	**149,528**	**4,255**	**10,500**	**21,127**	**533**	**3,762**	**181**	**197,594**
Net book value at 31 March 2019	**7,708**	**145,287**	**4,228**	**7,667**	**20,154**	**668**	**3,355**	**209**	**189,276**

Note 16 Property, plant and equipment - Trust

Note 16.2 Property, plant and equipment - 2018/19

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**7,505**	**139,831**	**4,026**	**3,225**	**55,409**	**1,426**	**19,826**	**4,758**	**236,006**
Additions	0	1,492	1	6,588	2,274	0	905	24	**11,284**
Impairments	0	(1,136)	0	0	0	0	0	0	**(1,136)**
Reversals of impairments	58	5,254	2	0	0	0	0	0	**5,314**
Revaluations	145	(1,330)	163	0	0	0	0	0	**(1,022)**
Reclassifications	0	1,196	36	(2,146)	657	23	151	12	**(71)**
Disposals / derecognition	0	0	0	0	(1,622)	(18)	(43)	0	**(1,683)**
Valuation/gross cost at 31 March 2019	**7,708**	**145,307**	**4,228**	**7,667**	**56,718**	**1,431**	**20,839**	**4,794**	**248,692**
Accumulated depreciation at 1 April 2018 - as previously stated	**0**	**6**	**0**	**0**	**34,859**	**626**	**16,784**	**4,488**	**56,763**
Provided during the year	0	3,841	97	0	3,313	155	742	97	**8,245**
Revaluations	0	(3,827)	(97)	0	0	0	0	0	**(3,924)**
Disposals / derecognition	0	0	0	0	(1,608)	(18)	(42)	0	**(1,668)**
Accumulated depreciation at 31 March 2019	**0**	**20**	**0**	**0**	**36,564**	**763**	**17,484**	**4,585**	**59,416**
Net book value at 31 March 2019	**7,708**	**145,287**	**4,228**	**7,667**	**20,154**	**668**	**3,355**	**209**	**189,276**
Net book value at 31 March 2018	**7,505**	**139,825**	**4,026**	**3,225**	**20,550**	**800**	**3,042**	**270**	**179,243**

Note 16.3 Property, plant and equipment financing - 2019/20

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	7,708	126,098	4,255	7,446	15,764	67	3,686	157	**165,181**
Finance leased	0	0	0	3,054	2,675	466	0	0	**6,195**
On-SoFP PFI contracts and other service concession arrangements	0	17,443	0	0	0	0	0	0	**17,443**
Owned - government granted	0	0	0	0	8	0	0	0	**8**
Owned - donated	0	5,987	0	0	2,680	0	76	24	**8,767**
NBV total at 31 March 2020	**7,708**	**149,528**	**4,255**	**10,500**	**21,127**	**533**	**3,762**	**181**	**197,594**

Note 16.4 Property, plant and equipment financing - 2018/19

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	7,708	124,970	4,228	6,166	16,926	105	3,258	181	**163,542**
Finance leased	0	0	0	1,501	0	563	0	0	**2,064**
On-SoFP PFI contracts and other service concession arrangements	0	14,772	0	0	0	0	0	0	**14,772**
Owned - government granted	0	0	0	0	9	0	0	0	**9**
Owned - donated	0	5,545	0	0	3,219	0	97	28	**8,889**
NBV total at 31 March 2019	**7,708**	**145,287**	**4,228**	**7,667**	**20,154**	**668**	**3,355**	**209**	**189,276**

Note 17 Donations of property, plant and equipment and intangibles (Group)

The Trust has benefitted from the receipt of Charitable Donations of Property, Plant and Equipment during 2019/20 £774,000 (2018/19 total of £1,314,000). No restrictions have been placed on the use of these Charitable Donations by the donors.

The categorisation of the additions was as follows: - Buildings excluding dwellings £707,000 (2018/19 £8,000) and Plant Machinery £67,000 (2018/19 £1,306,000).

Note 18 Revaluations of property, plant and equipment and intangibles (Group)

As described in note 6 to the Accounts 'Impairment of Assets', the Trust commissioned the District Valuation Office to undertake a full revaluation during the course of 2019/20, namely: -

Provision of a **v**aluation for land and buildings that were surplus to Trust needs and were available for sale; provision of a valuation of land and building assets not currently available for sale and a valuation of land, and provision for buildings and dwellings in use as at 31st March 2020. In line with accounting standards, the assets available for sale were valued at the lower of existing use value or alternative use value; assets surplus to requirements but available for sale were valued at the higher of existing use value or alternative use value; specialised building and dwelling assets in use were valued at depreciated replacement cost and non specialised building assets were valued at open market value.

The overall net impact of the above revaluations has been to increase the value of the Trust's Property, Plant and Equipment items by £5,057k. Of this increase a net £827k has been credited to operating expenditure as a 'Reversal of Impairment' and the balance of £4,230k has been credited to the revaluation reserve.

Note 19 Investments in Associates (and joint ventures)

The Trust's principal subsidiary undertakings and investments as included in the consolidation as at the reporting date are set out in these financial statements.

The reporting data of the financial statements for the subsidiary is the same as for these group financial statements - 31 March 2020.

SDH Developments Ltd

The company is registered in the UK, company no. 08385611 with a share capital comprising one share £1 owned by the Trust. The company commenced trading on 1st July 2013 as an Outpatients Dispensing service in Torbay Hospital and a significant proportion of the company's revenue is inter group trading with the Trust which is eliminated upon the consolidation of these group financial statements. The subsidiary company reported a £127,000 post tax profit in the year ending 31st March 2020 (2018/19 £115,000). Its gross and net assets at 31st March 2020 were £2,220,000 (2018/19 £1,846,000) and £831,000 (2018/19 £431,000) respectively. The management of the subsidiary company produce their own tax computations, supported with professional advice which due to ethical standards the auditors can no longer produce. There has been no significant change in the trading risks during the course of this year.

Investments in associates and joint ventures outside of the government accounting boundary

	Group and Trust	
	2019/20	2018/19
	£000	£000
Carrying value at 1 April - brought forward	**35**	**35**
Additions	30	0
Carrying value at 31 March	**65**	**35**

During 2016/17 the Trust invested £35,000 in a Limited Liability Partnership trading as 'Health and Care Innovations LLP'. A further £30,000 investment was made by the Trust during 2019/20. The Trust holds a 50% equity stake in the business. The principal purpose of the LLP is to develop, produce and market healthcare related educational videos. On the grounds of materiality the Trust has not consolidated the results of the LLP into these financial statements.

During 2018/19 the Trust together with a Partner formed a LLP named 'SDH Innovations Partnership LLP'. The Trust holds a 50% equity stake in the business, namely share capital of £1 nominal value. The principal purpose of the LLP is a vehicle to support the development of new healthcare facilities with a Strategic Estates Partner. On the grounds of materiality the Trust has not consolidated the results of the LLP into these financial statements.

Note 20 Inventories

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Drugs	2,255	1,991	1,647	1,391
Consumables	2,989	3,000	2,989	3,000
Energy	36	35	36	35
Other	4,997	4,430	4,997	4,430
Total inventories	**10,277**	**9,456**	**9,669**	**8,856**
of which:				
Held at fair value less costs to sell	0	0	0	0

Inventories recognised in expenses for the year were £43,727k (2018/19: £41,826k). Write-down of inventories recognised as expenses for the year were £79k (2018/19: £38k).

Note 21 Receivables

Note 21.1 Receivables total

	Note	Group 31 March 2020 £000	Group 31 March 2019 £000	Trust 31 March 2020 £000	Trust 31 March 2019 £000
Current					
Contract receivables (IFRS15) : invoiced *		17,783	13,671	17,783	13,671
Contract receivables (IFRS 15) : not yet invoiced / non-invoiced **		9,263	11,992	9,300	12,032
Allowance for impaired contract receivables / assets		(3,041)	(1,268)	(3,041)	(1,268)
Prepayments (non-PFI)		4,041	4,452	4,041	4,452
PDC dividend receivable		348	0	348	0
VAT receivable		758	507	566	433
Other receivables		731	593	731	593
Total current trade and other receivables		**29,883**	**29,947**	**29,728**	**29,913**
Non-current					
Contract receivables (IFRS 15) : not yet invoiced / non-invoiced * & **		665	606	665	606
Finance lease receivables	27.1	503	503	503	503
Clinician pension tax provision reimbursement funding from NHS England ***		749	0	749	0
Other receivables		0	0	447	484
Total non-current trade and other receivables		**1,917**	**1,109**	**2,364**	**1,593**
Of which receivables from NHS and DHSC group bodies:					
Current		11,157	14,233	11,157	14,233
Non-current		992	244	992	244

*** Contract receivables (IFRS15) : invoiced,** includes Adult Social Care Debt of £4,416,000 (2018/19 £4,089,000).

**** Contract receivables (IFRS15) : not yet invoiced / non invoiced.** includes NHS Injury Unit receivables £1,315,000 (2018/19 £1,256,000)

***** Clinician pension tax provision reimbursement funding from NHS England,** relates to monies due to offset the potential liability the Trust is exposed to in underwriting the tax liabilities Clinicians are facing relating to increases in their Pensions above and above their Annual Allowances. Please refer to 'Provisions' - note 28 to these financial statements for further analysis**.**

Note 21 Trade receivables and other receivables

Note 21.2 Allowance for credit losses - 2019/20

	Group and Trust		
	Contract receivables and contract assets £000	All other receivables £000	Total £000
Allowances as at 1 April 2019	**1,268**	**0**	1,268
New allowances arising	2,693	0	2,693
Reversals of allowances	(364)	0	(364)
Utilisation of allowances (write offs)	(556)	0	(556)
Allowance at 31 March 2020	**3,041**	**0**	**3,041**
Loss recognised in expenditure	**2,329**	**0**	**2,329**

Note 21.3 Allowance for credit losses - 2018/19

	Group and Trust		
	Contract receivables and contract assets £000	All other receivables £000	Total £000
Allowances as at 1 April 2018	**0**	**934**	934
Impact of implementing IFRS9 (and IFRS 15) on 1 April 2018 *	1,043	(934)	109
New allowances arising	416	0	416
Reversals of allowances	(27)	0	(27)
Amounts utilised	(164)	0	(164)
Allowance at 31 March 2019	**1,268**	**0**	**1,268**
Loss recognised in expenditure	**389**	**0**	**389**

* IFRS 9 and IFRS 15 were adopted without restatement therefore this analysis was prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

Note 21.4 Credit quality of financial assets (continued)

The Trust undertakes a regular review of its aged debt analysis to ensure that invoices are settled in a prompt manner and to ensure that any debts that show signs of being disputed are escalated appropriately. If as a consequence of an investigation the likelihood of debt recovery is remote, a provision for a potential bad debt is made. As described in Note 3.2 Operating Income, a general provision for expected credit losses is applied to NHS Recovery Unit debts as advised by NHSI. The Trust also applies a general provision for expected credit losses against its Adult Social Care debtors. This general provision is based upon long standing historical experience of recovering these type of debts.

The Trust has reviewed the value of its non impaired debts beyond their settlement dates and has concluded that these debts are likely to be recoverable.

Note 22 Non-current assets held for sale and assets in disposal groups

	Group and Trust	
	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**613**	**655**
Assets classified as available for sale in the year	400	0
Assets sold in year	(303)	0
Impairment of assets held for sale	(23)	(42)
NBV of non-current assets for sale and assets in disposal groups at 31 March	**687**	**613**

During the course of the 2019/20 one 'Available for Sale Asset' was disposed of. A further two assets are classified as available for sale as at 31 March 2020. One is a property and the other is a surplus piece of Land. The property is vacant and both assets are being actively marketed as for sale. The Trust anticipates that the disposals will take place during the next twelve months

Note 23 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
At 1 April	**2,206**	**6,168**	**1,836**	**6,122**
Net change in year	7,931	(3,962)	7,564	(4,286)
At 31 March	**10,137**	**2,206**	**9,400**	**1,836**
Broken down into:				
Cash at commercial banks and in hand	781	422	44	52
Cash with the Government Banking Service	9,356	1,784	9,356	1,784
Total cash and cash equivalents as in SoFP and SoCF	**10,137**	**2,206**	**9,400**	**1,836**

The Trust has a committed Working Capital Loan Facility at £11.0m in place with the Independent Trust Financing Facility. As at 31 March 2020, the Trust had used £11.0m of this facility (31 March 2019 £10.5m)

Note 24 Trade and other payables

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Trade and other payables	10,360	7,685	10,360	7,685
Capital payables	1,638	2,660	1,638	2,660
Accruals	18,676	11,764	19,168	11,704
Receipts in advance (including payments on account)	7,425	2,554	7,425	2,554
Social security costs	5,156	4,886	5,156	4,886
Other taxes payable	56	32	0	0
PDC dividend payable	0	46	0	46
Other payables *	4,743	5,080	3,638	4,888
Total current trade and other payables	**48,054**	**34,707**	**47,385**	**34,423**
Of which payables to NHS and DHSC group bodies:				
Current	6,381	4,968	6,381	4,968

****** Other Payables includes £3,412,000 (2018/19 £3,175,000) outstanding pension contributions as at 31 March.

Note 25 Other liabilities

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income : contract liabilities	835	835
Total other current liabilities	**835**	**835**

The deferred income relates to Maternity Care Pathway income received in advance from the Trust's commissioners.

Note 26 Borrowings

		Group and Trust	
	Note	31 March 2020 £000	31 March 2019 £000
Current			
Loans from DHSC	26.3	35,911	7,136
Obligations under finance leases	27.2	1,063	295
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	33.1	854	894
Total current borrowings		**37,828**	**8,325**
Non-current			
Loans from DHSC	26.3	43,331	60,736
Obligations under finance leases	27.2	5,023	1,760
Obligations under PFI, LIFT or other service concession contracts	33.1	17,766	18,619
Total non-current borrowings		**66,120**	**81,115**

Note 26 Borrowings - continued

Note 26.1 Borrowings - Reconciliation of liabilities arising from financing activities 2019/20

	Total from financing activities £000	DHSC loans £000	Finance Leases £000	PFI obligations £000
Carrying value at 1 April 2019	89,440	67,872	2,055	19,513
Financing cash flows - principal *	10,023	11,326	(410)	(893)
Financing cash flows - interest (for liabilities measured at cost) - excludes contingent rent	(3,072)	(1,753)	(89)	(1,230)
Additions *	4,447		4,447	0
Interest charge arising in year (application of effective interest rate)	3,110	1,797	83	1,230
Carrying value at 31 March 2020	**103,948**	**79,242**	**6,086**	**18,620**

* - Additions for DHSC cash flows are netted off within 'Financing cash flows principal'

Note 26.2 Borrowings - Reconciliation of liabilities arising from financing activities 2018/19

	Total from financing activities £000	DHSC loans £000	Finance Leases £000	PFI obligations £000
Carrying value at 1 April 2018	85,015	64,046	673	20,296
Impact of applying IFRS 9 as at 1 April 2018	250	250	0	0
Financing cash flows - principal *	2,703	3,595	(109)	(783)
Financing cash flows - interest (for liabilities measured at cost) - excludes contingent rent	(2,925)	(1,604)	(33)	(1,288)
Additions *	1,501		1,501	0
Interest charge arising in year (application of effective interest rate)	2,896	1,585	23	1,288
Carrying value at 31 March 2019	**89,440**	**67,872**	**2,055**	**19,513**

* - Additions for DHSC cash flows are netted off within 'Financing cash flows principal'

Note 26 Borrowings - continued

Note 26.3 Loans from DHSC

The interest rates and terms of the Loans from DHSC are as follows: -

	Group and Trust								
	Total principal and interest outstanding at 31 March 2020 £000	Interest Rate %	Interest outstanding at 31st March 2020 and repayable within one year £000	Loan principal due within one year £000	Total current liability as at 31st March 2020 £000	Loan principal repayments due after more than one year at 31 March 2020 £000	Duration of Loan Years	Date of final loan repayment £000	Total outstanding at 31 March 2019 £000
Loans for Capital Developments									
Backlog Maintenance 2011/12	6,009	3.41%	59	540	599	5,410	20	Dec 2030	6,553
Backlog Maintenance 2012/13	6,343	1.90%	5	527	532	5,811	20	Mar 2032	6,870
Pharmacy Manufacturing Freehold	5,554	2.99%	6	411	417	5,137	20	Sep 2033	5,966
Pharmacy Manufacturing Fit-out	4,730	3.14%	6	1,887	1,893	2,837	12	Sep 2022	6,620
Critical Care Unit and Hospital Front Entrance	10,673	2.34%	91	706	797	9,876	20	Nov 2034	11,383
Linear Accelerator Bunker and associated enabling works	2,842	2.34%	24	188	212	2,630	20	Nov 2034	3,032
Replacement Linear Accelerator	1,665	1.66%	10	331	341	1,324	10	Feb 2024	1,998
Car Parking Facilities	1,077	1.66%	7	214	221	856	10	Nov 2024	1,293
Theatre Ventilation works *	3,001	0.78%	1	3,000	3,001	0	1	Sept 2020	0
Sub-total; Capital loans	**41,894**		**209**	**7,804**	**8,013**	**33,881**			**43,715**
Other Loans									
Working Capital Facility	11,556	1.47%	6	2,100	2,106	9,450	10	Sep 2025	13,657
Revolving Working Capital Facility	11,000	3.50%	0	11,000	11,000	0	5	Sept 2020	10,500
Interim Revenue Facilities *	14,792	3.50%	61	14,731	14,792	0	1	Sep 2020	0
Sub-total; Other loans	**37,348**		**67**	**27,831**	**27,898**	**9,450**			**24,157**
Total	**79,242**		**276**	**35,635**	**35,911**	**43,331**			**67,872**

	31 March 2020			31 March 2019
	Total £000	Interest £000	Principal £000	Total £000
of which payable within: -				
- not later than one year;	**35,911**	**276**	**35,635**	**7,136**
- later than one year and not later than five years;	**27,616**	**0**	**27,616**	**27,616**
- later than five years.	**15,715**	**0**	**15,715**	**33,120**

* During 2019/20, the Trust accessed another two types of new loan facilities provided by DHSC. One of these was an Interim Revenue Loan facility to part support the Trusts Revenue Deficit position in 2019/20, the net amount drawn down totalled £14,731k. The other facility accessed was an Emergency Interim Capital Loan application to support essential Theatre Ventilation replacement works totalling £3,000k. In early April 2020, DHSC announced that both of these new interim facilities together with the outstanding interest would be converted to Public Dividend capital on 30th September 2020, hence both loans have been classified as being repayable within one year. Further details of this are described in note 37, 'Events after the Reporting Date' to these financial statements. There were no other loan drawdowns from DHSC within 2019/20. Loan repayments and interest payments on DHSC debt were paid on their due dates.

Note 27 Finance leases

Note 27.1 Finance Lease as a lessor

Future lease receipts due under finance lease agreements where the trust is the lessor:

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Gross lease receivables	**2,837**	**2,896**
of which those receivable:		
- not later than one year;	59	59
- later than one year and not later than five years;	238	238
- later than five years.	2,540	2,599
Unearned interest income	(2,334)	(2,393)
Net lease receivables	**503**	**503**
of which those receivable:		
- not later than one year;	0	0
- later than one year and not later than five years;	2	2
- later than five years.	501	501
The unguaranteed residual value accruing to the lessor	0	0
Contingent rents recognised as income in the period	0	0

The finance lease receivables relates to the lease of three properties to the South West Ambulance Service NHS Foundation Trust, two of which expire in 2090 and one in 2071, and the lease of part of the Torbay Hospital Annexe site to South Devon College which expires in 2063.

Note 27.2 Finance Lease as a lessee

Obligations under finance leases where the trust is the lessee.

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Gross lease liabilities	**6,641**	**2,307**
of which liabilities are due:		
- not later than one year;	1,253	375
- later than one year and not later than five years;	4,682	1,445
- later than five years.	706	487
Finance charges allocated to future periods	(555)	(252)
Net lease liabilities	**6,086**	**2,055**
of which payable:		
- not later than one year;	1,063	295
- later than one year and not later than five years;	4,332	1,289
- later than five years.	691	471
Total of future minimum sublease payments to be received at the reporting date	**0**	**0**
Contingent rent recognised as an expense in the period	0	0

The finance lease repayables' relate to the lease of vehicles (including the Trust's Patient Trust Ambulance fleet), IT equipment and medical equipment.

Note 28 Provisions

	Group and Trust				
Group and Trust	Pensions : early departure costs	Pensions : Injury benefits	Legal claims	Clinician Pension Tax reimbursement	Total
	£000	£000	£000	£000	£000
At 1 April 2019	**1,091**	**3,557**	**185**	**0**	**4,833**
Change in the discount rate	341	0	0	0	**341**
Arising during the year	(218)	615	123	749	**1,269**
Utilised during the year	(115)	(345)	(80)	0	**(540)**
Reversed unused	(63)	0	(25)	0	**(88)**
Unwinding of discount	(5)	(18)	0	0	**(23)**
At 31 March 2020	**1,031**	**3,809**	**203**	**749**	**5,792**
Expected timing of cash flows:					
- not later than one year;	**84**	**117**	**203**	**0**	**404**
- later than one year and not later than five years;	**452**	**515**	**0**	**57**	**1,024**
- later than five years.	**495**	**3,177**	**0**	**692**	**4,364**
- Sub-total; more than one year	**947**	**3,692**	**0**	**749**	**5,388**
Total	**1,031**	**3,809**	**203**	**749**	**5,792**

The provision entitled 'pensions early departure costs' has two components. The provision for early retirement and injury benefit payments to staff have been based on information from NHS Pensions. The principal uncertainty relating to this is the life expectancy of the beneficiaries.

The provision entitled 'legal claims' relates to personal injury claims received from employees and members of the public. These claims have been quantified according to the guidance received from the NHSLA and the relevant insurance companies. Due to the inherent uncertainty of this type of claim it has been assumed that any of the claims dealt with by the insurance companies will be settled and paid during the year ending 31 March 2020. The potential liability has been split into two parts with one part being provided for and the second part included in Contingencies at Note 30.

The provision entitled 'Clinician Pension Tax reimbursement' relates to a potential liability that the Trust will face to underwrite the tax liability faced by clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold. The Trust will make a contractually binding commitment to pay clinicians in this position a corresponding amount on retirement, ensuring that they are fully compensated in retirement for the effect of the 2019/20 Scheme Pays deduction on their income from the NHS Pension Scheme in retirement. Due to the timescale for pension tax annual allowance (AA) charges and the scheme pays nominations, there is no data of the 'actual' nominations for the 2019-20 tax year available; the deadline for initial nomination is 31 July 2021, with the ability to make changes up to 31 July 2024. Therefore the estimated liability has been calculated in line with Department of Health guidelines. The Trust's liability to these costs have been underwritten by NHS England and therefore a corresponding Receivable has been included in note 21 to these financial statements

Note 29 Clinical negligence liabilities

At 31 March 2020, £74,576k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Torbay and South Devon NHS Foundation Trust (31 March 2019: £70,908k).

Note 30 Contingent assets and (liabilities)

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Value of contingent (liabilities)		
NHS Resolution legal claims	(118)	(86)
Employment tribunal and other related litigation	(416)	0
Other	(1,677)	(1,838)
Gross value of contingent (liabilities)	**(2,211)**	**(1,924)**
Amounts recoverable against liabilities	0	0
Net value of contingent (liabilities)	**(2,211)**	**(1,924)**
Net value of contingent assets	**0**	**0**

Personal Injury Claims

The Trust receives a number of personal injury claims from employees and members of the public. The NHS Resolution administer the scheme and provide details of the liability and likely value of claims. The value of the claims which have been assessed as being unlikely to succeed for which no provision has been made in the accounts is £118,000 (2018/19 £86,000).

Employment tribunal and other related litigation

The Trust has included a contingent liability in respect of the legal case 'Flowers and others v East of England Ambulance Trust [2019] EWCA Civ947'. The Court of Appeal ruled that under section 13.9 of the Agenda for Change contract, employees are entitled to have non-guaranteed and voluntary overtime taken into account when calculating holiday pay. The East of England Ambulance Trust has applied for permission to appeal to the Supreme Court against the ruling. As there is the possibility that the Supreme Court will overturn the ruling, no provision for these costs have provided for.

Centre for Health & Care Professions - South Devon College

The Trust entered into a lessor finance lease with 'Devon Studio School', now named 'Centre for Health & Care Professions' which was subsequently novated to South Devon College on 1st September 2017 to enable the School/College to use part of the Trust's Torbay Hospital Annexe site as an educational facility. The Secretary of State for Education has loaned the School/College a sum of money to invest in the site. This external investment does not form part of the Trust's Statement of Financial Position, but the value of the buildings now leased to the College have been classified in the Trust's accounts as a finance lease. The lease is for a 50 year period, with a break point at year 30. If during the course of the primary lease period (i.e. the first 30 years) South Devon College (or successor organisation) was to cease the delivery of education (for whatever reason), then the Trust would be obliged to pay a sum to the Secretary of State for the capital invested by he Department of Education. The potential sum payable diminishes over time but at 31 March 2020 the potential liability would be £1.7m (2018/19 £1.8m). No provision for this potential liability has been made, as the likelihood of this liability crystallising is considered remote.

Note 31 Contractual capital commitments

	Group & Trust	
	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	2,796	2,498
Intangible assets	49	38
Total	**2,845**	**2,536**

Note 32 Other financial commitments

The group / trust is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made:

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
not later than 1 year	4,972	2,265	4,906	2,219
after 1 year and not later than 5 years	0	0	0	0
paid thereafter	0	0	0	0
Total	**4,972**	**2,265**	**4,906**	**2,219**

Note 33 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has two PFI contracts for two Community Hospital facilities, namely Dawlish Community Hospital and Newton Abbot Community Hospital. Both contracts meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, and are therefore accounted for as 'on-Statement of Financial Position'

Dawlish Hospital

Dawlish Hospital has a value of £494,000 at 31st March 2020 (31st March 2019 £603,000)

The Trust entered into an agreement under the Private Finance Initiative (PFI) arrangements for the construction of a new community hospital in Dawlish. The contract for the arrangement runs from 22nd June 1999 with a term of 25 years.

On 1 April 2002 this arrangement passed to Teignbridge Primary Care Trust (a predecessor body of Northern, Eastern and Western Devon CCG). On 1 April 2013 it passed to Torbay and Southern Devon Health and Care NHS Trust. On 1 October 2015 it returned to the Trust through the transfer of absorption of Torbay and Southern Devon Health and Care NHS Trust.

From the commencement of the contract a service fee of £241,00 was payable each year subject to indexation based upon RPI.

For the twelve month period 2019-20 that the Trust operated the scheme the unitary payment was £1,092,000 (2018-19 1,024,000)

Arrangement - The contract is for the provision of services for maintenance, domestics and catering staff for the hospital. The ownership of the equipment and content rests with the Trust. The arrangement works on the principal of 'no hospital, no fee'. The provision of services is managed through service level agreements, which have measurable targets and are subject to regular monitoring.

Terms of Arrangement - The unitary payment is comprised of two elements, an Availability fee which is fixed for the duration of the contract and a Service fee which is subject to indexation based upon the movement in the 'Retail Prices Index (RPIX) All items, excluding mortgage interest payments'. Services are subject to market testing approximately every 5 years, and increases and decreases in costs from these regular market testing exercises are passed through to the Trust. At the end of the project term the Trust may allow the lease to expire with no compensation payable, or the parties may agree commercial terms for an extension of the agreement for a further 10 years, or have an option to acquire the leasehold interest and collapse the entire Lease structure by paying open market value for the land and buildings. In the event of re-financing of the PFI the Trust is entitled to receive half of the refinancing cash flow benefits.

Newton Abbot Hospital

On 11th April 2007 Devon Primary Care Trust (now reconfigured and named Northern, Eastern and Western Devon Clinical Commissioning Group) entered into an agreement under the Private Finance Initiative (PFI) arrangement for the construction of a new community hospital at Jetty Marsh, Newton Abbot. The capital value of the scheme was £21,980,000

The construction of the hospital was completed on 18th December 2008. From that date the unitary payment was £2,103,669 each year subject to annual RPI indexation movement for a period of 30 years. For the twelve month period in 2019-20 the unitary payment was £2,842,000 (2018-19 £2,773,000). Newton Abbot Hospital has a value of £16,949,000 at 31st March 2020 (31st March 2019 £14,169,000).

Arrangement - The contract is for the provision of maintenance services for this hospital. The ownership of the equipment between the parties is specified in the Agreement. The arrangement works on the basis of a reduction in the payments for failure to deliver to the agreed service levels. The provision of services is managed through service level agreements which have measurable targets and are subject to regular monitoring.

Terms of Arrangement - The unitary payment is comprised of two elements, an Availability fee which is fixed for the duration of the contract and a Service fee which is subject to indexation based upon the movement in the 'Retail Prices Index (RPI) All items'. At the end of the project term the Agreement will terminate with no compensation payable. In the event of re-financing of the PFI the Trust is entitled to receive half of the re-financing cash flow benefits.

Note 33 On-SoFP PFI, LIFT or other service concession arrangements, continued

Note 33.1 Imputed finance lease obligations

The following are obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

	Group and Trust			
	31 March 2020			31 March 2019
	Dawlish	Newton Abbot	Total	Total
	£000	£000	£000	£000
Gross PFI, LIFT or other service concession liabilities	**2,847**	**27,204**	**30,051**	**32,175**
Of which liabilities are due				
- not later than one year;	655	1,360	2,015	2,123
- later than one year and not later than five years;	2,192	5,637	7,829	8,754
- later than five years.	0	20,207	20,207	21,298
Finance charges allocated to future periods	(659)	(10,772)	(11,431)	(12,662)
Net PFI, LIFT or other service concession arrangement obligation	**2,188**	**16,432**	**18,620**	**19,513**
- not later than one year;	415	439	854	894
- later than one year and not later than five years;	1,773	2,282	4,055	4,608
- later than five years.	0	13,711	13,711	14,011

Note 33.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

Total future obligations under these on-SoFP schemes are as follows:

	Group and Trust			
	31 March 2020			31 March 2019
	Dawlish	Newton Abbot	Total	Total
	£000	£000	£000	£000
Total future payments committed in respect of the PFI service concession arrangements	5,013	68,464	73,477	77,334
Of which liabilities are due:				
- not later than one year;	1,146	2,913	4,059	3,922
- later than one year and not later than five years;	3,867	12,399	16,266	16,815
- later than five years.	0	53,152	53,152	56,597

Note 33.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	Group and Trust			
	31 March 2020			31 March 2019
	Dawlish	Newton Abbot	Total	Total
	£000	£000	£000	£000
Unitary payment payable to service concession operator	**1,092**	**2,842**	**3,934**	**3,797**
Consisting of:				
- Interest charge	278	952	1,230	1,288
- Repayment of finance lease liability	338	555	893	783
- Service element and other charges to operating expenditure	387	311	698	664
- Capital lifecycle maintenance	0	267	267	280
- Revenue lifecycle maintenance	89	197	286	272
- Contingent rent	0	560	560	510
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	0	0	0	0
Total amount paid to service concession operator	**1,092**	**2,842**	**3,934**	**3,797**

Note 34 Financial instruments

Note 34.1 Financial risk management

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another enterprise.

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

The financial assets and liabilities of the Trust are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Trust. Credit risk arises from deposits with banks as well as credit exposures to the Trust's commissioners and other receivables. Surplus operating cash is only invested with UK based Clearing banks. The Trust's cash assets are held with National Westminster Bank plc., the Office of the Government Banking Service and Citibank only. An analysis of the ageing of receivables and provision for impairment can be found at note 21, trade and other receivables.

Because of the continuing service provider relationship that the Trust has with local clinical commissioning groups and the way those clinical commissioning groups are financed, the Trust is not exposed to the degree of credit risk faced by many other business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies.

Liquidity risk

Liquidity risk is the possibility that the Trust might not have funds available to meet its commitments to make payments. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The Trust's net operating costs are incurred largely under annual service agreements with local clinical commissioning groups, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from internally generated funds. The Trust is not, therefore, exposed to significant liquidity risks.

The Trust has secured ten Independent Trust Financing Facility (ITFF) Loans and another two DHSC Interim Loans, details of which are disclosed in note 26 to the accounts. These loans were used to enable the Trust to invest in replacement infrastructure of Torbay Hospital, namely investment in backlog maintenance; enabled the expansion of the Trusts Pharmacy Manufacturing Unit (PMU); construction of a new Critical Care Unit and Hospital Front Entrance; improvement of Car Parking Facilities and continuation of the Trust's Radiotherapy service, supporting the implementation of the Trust's care model (working capital facility), replacing critical Theatre ventilation components as well as supporting the Trust's revenue deficit position in 2019/20. Interest on these loans are fixed. The loan principal repayment and interest rates on these loans are disclosed in note 26.

During 2015/16 the Trust acquired two Private Finance Initiative (PFI) contracts, in respect of Newton Abbot and Dawlish community hospitals. Further details of the contracts are given in Note 33. The unitary payments for the Newton Abbot contract are subject to annual indexation in accordance with RPI (excluding mortgage interest payments). However, the associated risk is not judged to be significant, as these payments are equivalent to less than 1% of Trust turnover. With regard to the Dawlish contract, the availability fee is fixed and the service fee is subject to periodic market testing (meaning that the cost should be no greater than if the contract did not exist and the services were purchased externally).

Market Risk

Market risk is the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements. The Trust's transactions are almost all undertaken in sterling and so it is not exposed to foreign exchange risk. It holds no significant investments other than short-term bank deposits. Other than cash balance, the Trust's financial assets and liabilities carry nil or fixed rates of interest and the Trust's income and operating cash flows are substantially independent of changes in market interest rates. Therefore, the Trust is not exposed to significant interest-rate risk.

Note 34.2 Carrying values of financial assets

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Group 31 March 2020		Group 31 March 2019	
	Held at amortised cost £000	Total book value £000	Held at amortised cost £000	Total book value £000
Carrying value of financial assets as at 31 March under IFRS 9				
Receivables (excluding non financial assets)	25,904	25,904	25,571	25,571
Other investments / financial assets	752	752	648	648
Cash and cash equivalents	10,137	10,137	2,206	2,206
Total	**36,793**	**36,793**	**28,425**	**28,425**

	Trust 31 March 2020		Trust 31 March 2019	
	Held at amortised cost £000	Total book value £000	Held at amortised cost £000	Total book value £000
Carrying value of financial assets as at 31 March under IFRS 9				
Receivables (excluding non financial assets)	26,389	26,389	26,095	26,095
Other investments / financial assets	752	752	648	648
Cash and cash equivalents	9,400	9,400	1,836	1,836
Total	**36,541**	**36,541**	**28,579**	**28,579**

Note 34.3 Carrying values of financial liabilities

	Group		Trust	
	Held at amortised cost		Held at amortised cost	
Other financial liabilities	31st March 2020 £000	31st March 2019 £000	31st March 2020 £000	31st March 2019 £000
Liabilities as per SoFP				
Loans from the Department of Health and Social Care	79,242	67,872	79,242	67,872
Obligations under finance leases	6,086	2,055	6,086	2,055
Obligations under PFI, LIFT and other service concession contracts	18,620	19,513	18,620	19,513
Trade and other payables excluding non financial liabilities	32,005	24,014	31,392	23,730
Provisions under contract	203	185	203	185
Total	**136,156**	**113,639**	**135,543**	**113,355**

Note 34.4 Maturity of financial liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
In one year or less	70,036	32,524	69,423	32,240
In more than one year but not more than two years	9,178	18,577	9,178	18,577
In more than two years but not more than five years	22,114	22,615	22,114	22,615
In more than five years	34,828	39,923	34,828	39,923
Total	**136,156**	**113,639**	**135,543**	**113,355**

Note 34.5 Fair Values

The book value of assets and liabilities (excluding loans from the Department of Health and Social Care) due after 12 months is estimated to be the same as the fair value of the assets and liabilities.

The fair value of Loans from the Department of Health and Social Care should be classed as being held at Current Value. They are however currently reflected at Amortised Cost. The valuations of these loans are again estimated to be the fair value of these loans.

Note 35 Losses and special payments

Group and trust	2019/20 Total number of cases Number	2019/20 Total value of cases £000	2018/19 Total number of cases Number	2018/19 Total value of cases £000
Losses				
Cash losses	7	2	3	1
Fruitless payments	0	0	0	0
Bad debts and claims abandoned	128	322	170	260
Stores losses and damage to property	0	0	0	0
Total losses	**135**	**324**	**173**	**261**
Special payments				
Ex-gratia payments	19	3	17	8
Total special payments	**19**	**3**	**17**	**8**
Total losses and special payments	**154**	**327**	**190**	**269**
Compensation payments received		0		0

Note 36 Related parties

Torbay and South Devon NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. The Foundation Trust forms part of the Government's 'Whole Government Accounting' framework along with other NHS and Local Authority bodies. The Trust's ultimate parent is HM Government

Note 36.1 Related parties - Senior Management

During 2019/20 and 2018/19 the Trust transacted with related parties on whose Boards the Trust's non-executive directors and directors had similar chair or non-executive roles, or other interests. The value of transactions entered into were as follows: -

	Income		Receivables	
	2019/20 £000	2018/19 £000	31 March 2020 £000	31 March 2019 £000
Age UK Torbay	1	0	0	0
South Devon College	126	76	260	271
	127	**76**	**260**	**271**

	Expenditure		Payables	
	2019/20 £000	2018/19 £000	31 March 2020 £000	31 March 2019 £000
Age UK Torbay	192	97	0	0
Ogwell Grange Ltd	23	5	0	0
South Devon College	7	24	0	0
Volunteering in Health	0	0	0	0
	222	**126**	**0**	**0**

Note 36 Related parties continued

Note 36.2 Related Parties -Whole Government Accounting

During the year the Trust has had a significant number of transactions with Clinical Commissioning Groups, NHS England, other NHS Foundation Trusts and NHS Trusts. In addition the Trust has had a number of material transactions with other Government Departments. The principal related partied are noted below: -

	Income		Receivables	
	2019/20	2018/19	31 March 2020	31 March 2019
	£000	£000	£000	£000
NHS Foundation Trusts	8,469	7,869	1,046	1,196
NHS Trusts	8,386	8,800	1,563	2,244
NHS Devon CCG *	327,856	-	910	-
NHS South Devon and Torbay CCG *	-	272,435	-	2,810
NHS Northern, Eastern and Western CCG *	-	6,777	-	245
NHS England - South West	39,759	38,035	6,304	107
Other DHSC Organisations	22,256	24,814	1,217	7,862
Torbay Council	47,122	51,437	154	471
Devon County Council	3,124	2,522	1,736	600
Other Local and Central Government bodies	2,323	2,010	1,056	611
	459,295	**414,699**	**13,986**	**16,146**

	Expenditure		Payables	
	2019/20	2018/19	31 March 2020	31 March 2019
	£000	£000	£000	£000
NHS Resolution	6,675	7,252	7	0
Other DHSC Organisations	20,303	7,634	6,323	4,907
NHS Pension Scheme	35,602	22,722	3,527	3,175
HMRC and National Insurance Fund	19,653	17,846	5,213	4,918
Torbay Council	1,988	1,689	86	63
Devon County Council	4,289	3,861	867	854
Other Local and Central Government bodies	1,495	1,370	175	153
	90,005	**62,374**	**16,198**	**14,070**

* - On 1st April 2019, NHS Devon CCG was formed when NHS South Devon and Torbay CCG and NHS Northern, Eastern and Western CCG merged

The Trust also receives charitable contributions from a number of generous charitable and other bodies. These are channelled through Torbay and South Devon NHS Charitable Fund, for which the Foundation Trust is Corporate Trustee. The registered number of the charity is 1052232, the registered office is Regent House, Regent Close, Torquay TQ2 7AN. During the year, the Trust received revenue contributions of £1,272,000 (2018/19: £1,234,000) and capital of £85,000 (2018/19: £1,314,000) from the charity. The charity had reserves of £915,000 as at 31st March 2020 and recorded a decrease in funds of £370,000 during the year ended 31st March 2020. The balance of receivable due from the charity at 31st March 2020 was £813,000 (31st March 2019 £641,000).

Key Management personnel - Key management includes directors, both executive and non-executive. The compensation paid or payable in aggregate to key management for employment services is shown in the Annual Report. None of the key management personnel received an advance from the Trust. The Trust has not entered into any guarantees of any kind on behalf of key management personnel. There were no amounts owing to key management personnel at the beginning or end of the financial year.

Note 37 Events after the reporting date

37.1 Reforms to NHS Cash Regimes

On 2 April 2020 reforms to the NHS Cash and Capital regimes for the 2020/21 financial year were announced as effective from 1 April 2020, including New Public Dividend Capital (PDC) to be issued at 30 September 2020 to 'extinguish' interim revenue and interim capital loans and any outstanding interest on these facilities at 31 March 2020.

- All interim revenue and interim capital loans will be frozen at 31 March 2020 and interest will cease from that date.
- Amounts due for loan principal and accrued interest will be calculated and reconciled to audited accounts for the year ended 31 March 2020.
- PDC in the equivalent amount will be issued alongside an Memorandum of Understanding to repay the loans and outstanding interest on 30 September 2020.
- DHSC and NHSEI will carry out a review of the PDC rate as it applies across the NHS financial architecture during 2020/21 financial year.

This is treated as a non-adjusting event after the reporting period.

The potential impact on the Trust is:

- £17,793k of DHSC interim revenue and capital loans classified as current liabilities in the Statement of Financial Position and reflected in note 26.3 of the financial statements to be converted to PDC.
- the increase in PDC Dividend Payable in 2020/21 as a consequence of this adjustment will be broadly offset by a reduction in loan interest payable and therefore the impact upon the Trust's Statement of Comprehensive Income will be immaterial.