

FRIENDS OF THE ELDERLY

England & Wales · Charity number 226064

Details

Status Registered

Legal form Charitable company

Company number [00133850](#)

Registered 1964-11-26

Register [View on the Charity Commission register](#)

Contact

Address Bradbury Centre
Smiles Place
Woking
Surrey
GU22 8BJ

Phone 02077308263

Email enquiries@fote.org.uk

Website www.fote.org.uk

Activities

Objects: TO ESTABLISH, ACQUIRE OR TAKE OVER, CONDUCT AND CARRY ON IN THE UNITED KINGDOM OR ELSEWHERE RESIDENTIAL AND NURSING HOMES, AND IN PARTICULAR RESIDENTIAL AND NURSING HOMES FOR THE POOR, NEEDY OR ELDERLY, CONVALESCENT HOMES FOR THE SICK OR INFIRM AND HOLIDAY OR OTHER HOMES FOR PERSONS OF ANY AGE AND EITHER SEX WHO FOR FINANCIAL REASONS OR OTHERWISE ARE IN NEED OF THE CARE AND ASSISTANCE PROVIDED IN SUCH HOMES, WITH POWER, BUT WITHOUT ANY OBLIGATION, TO CHARGE FEES OF SUCH AMOUNT AS THE SOCIETY SHALL IN ANY INDIVIDUAL CASE CONSIDER APPROPRIATE IN RESPECT OF THE ACCOMMODATION IN SUCH HOMES OF ANY PERSON ACCOMMODATED THERE WHO, IN THE OPINION OF THE SOCIETY, CAN REASONABLY BE REQUIRED TO PAY SUCH FEES FOR SUCH ACCOMMODATION. TO RELIEVE POVERTY SUFFERING AND DISTRESS AMONG THE ELDERLY, THE SICK, THE DISABLED OR OTHER GENUINELY NEEDY PERSONS REGARDLESS OF AGE OR SEX IN WHATEVER MANNER THE COMMITTEE OR GOVERNING BODY OF THE SOCIETY MAY DEEM APPROPRIATE. TO GIVE ASSISTANCE IN MONEY OR IN KIND TO THOSE WHO ARE GENUINELY NEEDY.

Activities: The charity offers residential, nursing and dementia care to older people in care homes on seven sites across England. We operate day care centres and a free-to-access grants service for individuals, and

work to combat the devastating effects of loneliness among older people. Our vision is for a society in which all older people have the opportunity to live fulfilled lives.

Classification

- **How:** Makes Grants To Individuals, Provides Buildings/facilities/open Space, Provides Services, Provides Advocacy/advice/information
- **What:** The Advancement Of Health Or Saving Of Lives, The Prevention Or Relief Of Poverty, Accommodation/housing
- **Who:** Elderly/old People

Geography

- Throughout England

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£22,049,000	£22,516,000	£37,522,000	451
2024-03-31	£22,762,000	£23,953,000	£38,225,000	491
2023-03-31	£21,841,000	£22,632,000	£38,393,000	482
2022-03-31	£19,648,000	£21,113,000	£40,067,000	486
2021-03-31	£20,341,000	£22,221,000	£39,977,000	548

Trustees

Name	Role	Appointed
Christopher John Maidment	Chair	2017-06-22
Craig Jeffrey Duncan		2024-05-23
David John Deacon		2021-02-18
Emily Jane Louise Makinson		2024-05-23
Lee Houghton		2024-05-23
Lindsay Anne Rees		2024-05-23
Louisa Clare Hogarty		2021-02-18
Martin Richard Beecroft		2021-02-18
Nicholas William James Avery		2024-05-23
Paul Guy Foster		2021-02-18
Sharon Prosser		2018-04-19

Linked charities

- CHICK AND HARMSWORTH CHARITY (226064-1)
- LUCY GRUNDY KELLETT (226064-10)
- ALICE LOUISA GRIGGS WIDOWS' FUND (226064-12)
- THE SIR THOMAS LIPTON CHARITY (226064-13)
- THE PENSION CHARITY OF WILLIAM LAMBE (226064-14)
- CHARITY OF JAMES MEW FOR POOR AND AFFLICTED MEN AND WOMEN (226064-15)
- THE HOUSE OF NUNN (226064-16)
- THE SMILES HOME (226064-17)
- HARRY LIVESEY CHARITY (226064-18)
- THE RETIRED NURSES NATIONAL HOME 1937 (226064-19)
- JANET LACEY PENSION FUND (226064-2)
- DR MACNAUGHTON PENSION FUND (226064-3)
- FREDERICK BYNG PENSION FUND (226064-4)
- COLLIN AND DAVIS CHARITY (226064-5)
- ST GEORGE'S HOUSE FUND (226064-6)
- ETHEL DE METZ SPYER ASSISTANCE FUND FOR GENTLEWOMEN (226064-7)
- WILLIAM EDMONDS FUND (226064-8)
- ELIZABETH ANN WALKER (226064-9)

FRIENDS OF THE ELDERLY

England & Wales - Charity number 226064

Accounts

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2024**

CONTENTS

Introduction from our Board Chair	3
Trustees' report	7
Independent auditors' report	30
Financial statements	
Consolidated statement of financial activities	34
Consolidated and Charity balance sheets	35
Consolidated statement of cash flows	36
Notes to the financial statements	37

Our year in overview

Supported over 1,300 older people in our communities.

Page 3

39% increase in the value of grants and allowances given to older people in financial need.



Page 3

Strategic changes implemented, with the end of Covid restrictions allowing delayed projects to recommence.



Page 5

Closure of one care home, due to the building no longer being fit for purpose.



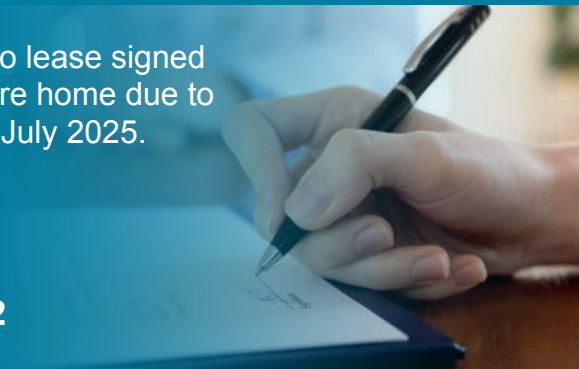
Page 5

Sale of one care home, as a fully operating care home, planned, with exchange of contracts taking place after year-end.



Page 6

Agreement to lease signed for a new care home due to be ready by July 2025.



Page 6 & 12

All homes remain at CQC inspection rating of Good or Outstanding, with the exception of one 'Requires Improvement' rating for the care home closed since year-end.



Page 8

Access to the Sir Thomas Lipton funds will support the Charity until its finances are fully recovered from the impacts of Covid, with £2.4m remaining.



Page 11

Net negative movement in funds of £168,000, but removing one-off and non-operating items the result was a £1.6m deficit.



Page 14

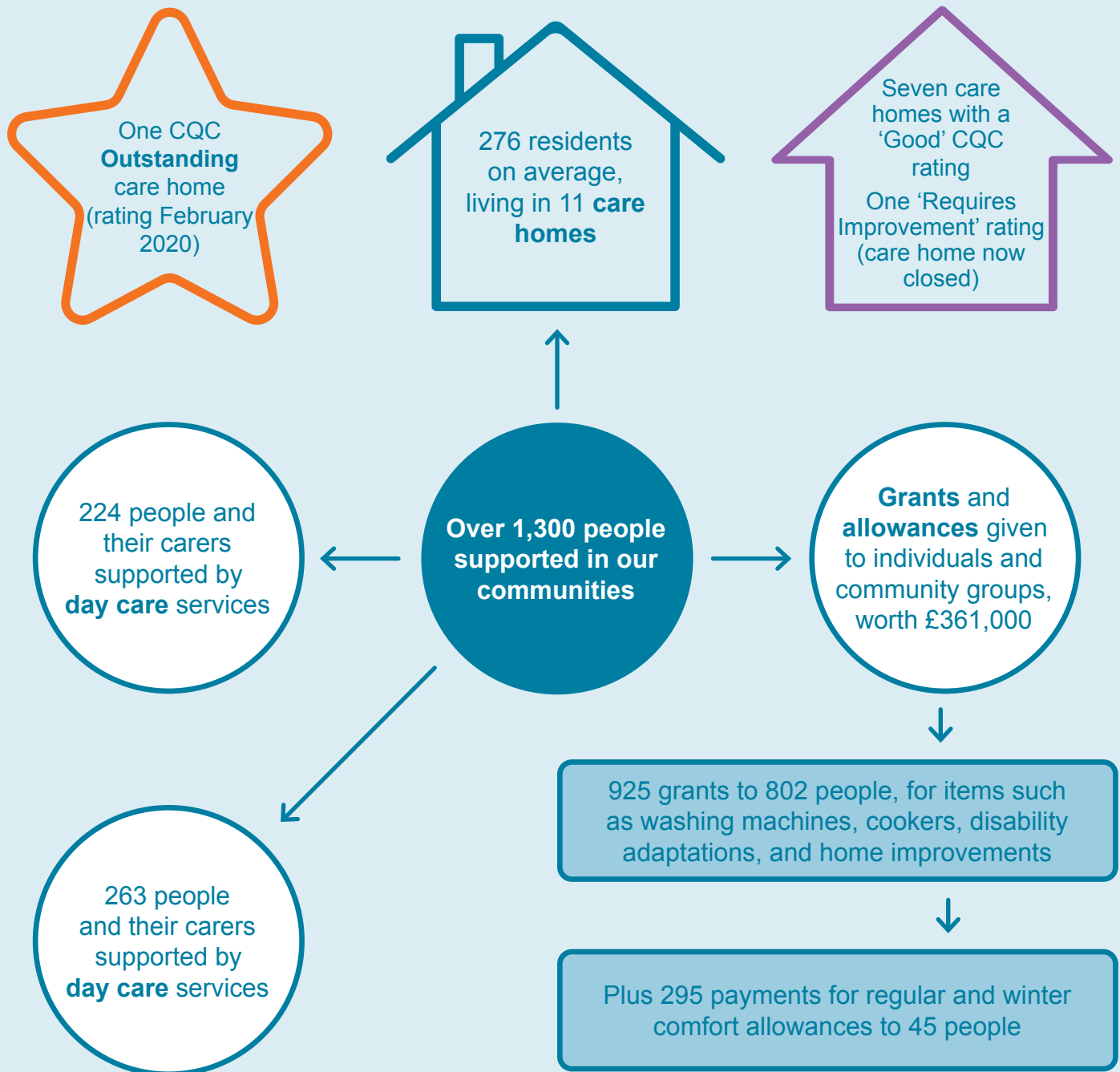
Care home occupancy fell in the year to 276 on average, potentially as economic uncertainty impacted family plans. Several care homes outperforming their pre-Covid position.



Page 14

Trustees' Report for the year ended 31 March 2024

People supported during the year



Supported by £752,000 in donations, legacies and pro bono services

“I love my day care service because...”

“I love everybody there.”

“The staff make me feel special and always give their help and time without question.”

“Everyone is friendly and I much appreciate all the care and thoughtfulness of all who obviously enjoy looking after us.”

“It’s a happy place.”

“Everyone is kind and nothing is too much trouble. If I have a problem, you will help me sort it out. It’s that nice I don’t want to go home.”

“We have fun.”

“Each day I look forward to coming to the day care centre and seeing people that I now call friends.”



“One word, fantastic. Oh, and beautiful staff. They all treat you well, are friendly and helpful. You’re listened to, respected and they support your needs.”

“Everyone expresses themselves in different ways so we all do different activities – arts and crafts, quizzes, Bingo! – and we have discos with DJ Tony. It’s lovely to meet and mix with different people and make friends.”

Introduction from our Board Chair

Welcome to Friends of the Elderly's annual report for the year ending 31 March 2024. I am delighted to share with you details of the impactful work that the charity has undertaken over the last year. Our focus continues to be on supporting older people to live fulfilled lives, whether they reside in our care homes, participate in activities at our day care services, or have been supported by our unique grants service. Caring for people continues to be at the heart of our charity's mission, as it has been for the past 119 years.

This year our homes and services have really developed their community relationships and have established many activities that build intergenerational connections, placing our care homes at the heart of their local communities. A lovely example was at our Luton based care home Little Bramingham Farm, where the home developed a partnership with YAWN, a local charity for young people who have learning disabilities. Our residents and the young people from YAWN have been able to work together to develop the care home's gardens, which has been an activity greatly enjoyed by all.

Our day care services are designed to promote social interaction and well-being. Everyone who attends is welcomed to join in daily activities tailored to their interests, whether it's gardening, musical movement, local outings, baking, chatting with friends, or enjoying quiet reading time. The positive feedback from our day care clients highlights how important this service is to the older people we support.

We take immense pride in the personalised care we provide at Friends of the Elderly; we believe that valuing each individual and their life experiences, choices and preferences is at the heart of providing good care. By actively listening to our residents and clients, we develop individualised care plans that honour their preferences and needs. Recognising the crucial role of friends and family, we encourage their involvement as well, and support all our residents to maintain those important connections with family and friends outside of the care home.

This level of personalised care would not be possible without our dedicated staff. I extend my heartfelt thanks to each team member for their commitment and hard work. We strive to make our staff feel valued and empowered, encouraging them to suggest ideas, solutions, and voice any concerns. Later in this report, you will find more information on our initiatives to support staff well-being, as well as our plans to further develop these initiatives.

Our unique grants service continues to offer crucial financial assistance to older people living in poverty and in need of support. In 2023-24, our Winter Appeal successfully raised £18,000 from generous donors. Combined with other donations, we were able to distribute grants totalling £58,000 to help those in need stay warm and safe over winter.

This year has also been one of transformation at the charity as we work towards enhancing our services while navigating the challenges within the care sector. We made the difficult decision to close our Bournemouth care home, the RNNH, due to the building's unsuitability for increasing care needs. Our priority was to ensure smooth transitions for the 25 residents, the annex's two tenants, and their families. The last residents moved to new homes in June 2024. We deeply appreciate the RNNH staff's unwavering support during this time.

Despite the closure, the compassion of the staff and the welcoming atmosphere at the RNNH were always evident. The RNNH was gifted to us in 2015 and our plan was always to replace the 1930s building with a purpose-built new care home at the other side of the site. However, we were held back by uncertainty over plans for the wider site around the care home. We do not have any current plans to rebuild on the site, but we remain open to future opportunities that align with our mission and further our charitable objects.

Introduction from Chair of Trustees (continued)

In September 2024, we exchanged on the sale of The Old Vicarage, our 52-bed care home in Oxfordshire, ensuring minimal disruption to residents and staff by selecting a new owner who shares our values and commitment to improvement.

Looking ahead, we are excited about our strategic decision to lease new care homes in order to provide care from modern, purpose-built buildings. Leasing allows us to avoid planning issues, move forward with our plans in good time, and to continue to provide the best care we can for older people.

In March 2024 we entered into an Agreement for Lease for a 66-bed care home in Reading that is currently being built. It is expected to be complete and ready to operate in July 2025. The new care home will provide good quality accommodation, with facilities that promote independence whilst having a layout that supports quality care. We are excited for the future.

Our longer-term strategic vision also includes developing our 42-acre site in Coulsdon. Despite setbacks in planning approval for independent living homes and a community hub, we are confident in our plans and continue to pursue them, with an appeal hearing scheduled to start in March 2025.

Financially, we reported a net negative movement in funds of £168,000, inclusive of one-off gains. Our endowment fund, with £2.4m remaining, continues to provide vital support during this period of change, ensuring a stable financial future.

Our trustees, who generously volunteer their time and expertise, have been instrumental in our progress. We would particularly like to thank two of our trustees who moved on in the year. We welcomed five new trustees in May 2024, bringing diverse skills and experiences. Additionally, we extend our gratitude to Steve Allen, our outgoing Chief Executive, for his decade of leadership. Steve has led Friends of the Elderly through a period of significant change, including navigating a path through the unprecedented impact of Covid-19. Mark Wilson, Chief Operating Officer, and Jennifer Griffiths, Finance Director will serve as Interim Co-Chief Executives as we conduct our search for a new Chief Executive.

Thank you to all our supporters for their continued support and belief in our mission. Together, we are making a significant difference to the lives of the older people we support, helping them to live well in their later years.

Chris Maidment
Chair

Who we are and what we do

At Friends of the Elderly, we have been supporting people for over 100 years. Today, we provide care home and day care services for older people, as well as grants for older people in financial need. Our priority is to help older people to live well in later life. We work with partners to increase our impact and put older people at the heart of their communities.

Our core values

- Promote **wellbeing**
- Strive for **excellence**
- Treat people with **respect**
- Keep everyone **safe**

Our aims

- Ensure older people have access to safe, high-quality care and support services.
- Ensure older people in our communities have access to social support, activity and opportunities to combat loneliness.
- Operate services sustainably and ethically to safeguard the charity's legacy, and its future.

Our strategic objectives

Achieve better outcomes for all

We will build local social support networks, making best use of the resources and assets in a local area and making sure that people who use our services have the opportunity to pursue their own interests and contribute to community life.

Provide outstanding care

We will deliver an outstanding service, one that is 'flexible and responsive to people's individual needs and preferences, finding creative ways to enable people to live a full life'. *
*(*Taken from the Care Quality Commission definition of Outstanding).*

Become an employer of choice

We will offer a working environment and culture that attracts and retains the best people who champion our vision, mission and values.

Deliver financial sustainability and accountability

We will have the right people and resources to deliver sufficient surplus to sustain the charity's activities, allow for investment in future growth, and maintain reserves to meet the needs of our strategic aims.

As a charity, any surplus income from our paid-for services is reinvested in our other charitable activities to enable us to reach more people. We also rely on the generosity of the public, trusts, foundations, and companies to deliver these often life-changing services.

Throughout this report we refer to Friends of the Elderly as the Charity, and Friends of the Elderly and its subsidiaries as the Group. The subsidiaries are listed on page 26, none of which have carried out charitable activities during the year.

Objective: achieve better outcomes for all

Feedback from our Day Care clients

Our Day Care Services support older people with a range of age-related conditions, including short-term memory loss and dementia. A total of 224 people and their families were supported during the year. Like our care homes, we tailor our daily activities to meet our clients' needs, based on their favourite pastimes, preferences, hobbies and things they enjoy taking part in.

Our Day Care teams asked our clients a question – ‘Why Do You Love Your Day Care?’ Their answers were then written on beautifully crafted paper hearts. A few of the answers given are shown on page 4. Shirley Bradley, our Head of Day Care Services, said: *“The answers we received demonstrate just how happy and content our clients are. We couldn't ask for more. Their responses were so heart-warming and heart-felt. All our Day Care Teams are so pleased that the clients are happy, know they are well-cared for and loved – and are enjoying life, every day.”*

Helping to keep older people warm

Our grants programme provides financial support to older people in financial crisis. We are one of the few charities with the infrastructure to quickly and efficiently respond to urgent requests for help. Our network of Referral Agents continues to expand, and our new monitoring processes provide us with valuable feedback, as one Referral Agent told us: *“You are simply amazing. Communication with your team has been fantastic and I cannot thank you enough for the support you gave to my client when everyone, social services included, declined any support to him. Thanks!”*

During colder winter months our focus becomes helping vulnerable older people stay warm and well at home. In 2023-24 we raised £18,084 from generous donations through our Winter Appeal, and along with more general donations we were able to pass on grants worth £58,000 for this purpose. One person who received a grant was Melissa*, age 73, who lives alone and had no way of replacing her rotting windows that were causing a bitterly cold draught. She received a grant for two new windows and said: *“The grant has made me feel relaxed and secure in my home. I am no longer worried about when the windows are going to fall out completely. The windows I have now are strong, they are going to see out the rest of my life.”*

Intergenerational communities

Many of our care home residents appreciate being part of their wider community, and enjoy interactions with their local communities, particularly across the generations. At Little Bramingham Farm, our care home in Luton, the team has combined with a local Musical Bumps group to introduce a new fun, interactive and engaging bi-weekly activity for the residents – Intergenerational Musical Bumps. This brings young and old generations together to make music, sing traditional songs and rhymes, with puppets, movement and action songs.

Emma Lawrance, the Registered Manager at Little Bramingham Farm, said: *“Our residents thoroughly enjoy their weekly Musical Bumps class and look forward to seeing the babies, toddlers and their families. It's wonderful to see the interactions taking place, our residents don't stop smiling the whole time. It is a beautiful way to create meaningful connections and enhance the quality of life for everyone involved.”*

(* name changed to protect identity)

Objective: provide outstanding care

Care quality

All of our care homes held a 'Good' rating from the Care Quality Commission (CQC) through the whole of the year, with the exception of the RNNH.

The RNNH received a 'Requires Improvement' rating in August 2023, following on from a 'Requires Improvement' rating at the previous inspection in December 2021. All items identified in 2021 had been fully resolved, however new areas for improvement were identified. The areas for improvement predominantly related to individual errors in documentation and reporting. We worked closely with the team at the RNNH and with the CQC to address all areas highlighted, resulting in the CQC reporting back that they were satisfied that these had been quickly addressed.

We monitor the quality of care in our homes through a programme of rigorous mock CQC inspections, carried out by third parties. The findings of these inspections, as well as our own internal audits and compliance reviews, are incorporated into ongoing improvement monitoring processes. Our care planning is recorded in electronic systems - improving accuracy, consistency and timeliness of information being entered. Care policies are provided by a specialist third party and incorporated into our in-house training. By ensuring that our teams have the right tools to do their work, and effective monitoring is in place to quickly identify and address any issues, our care staff and managers can concentrate on providing care to each individual resident that is centred around their wishes, needs and their personalities.

Excellence in dementia care

Through our Dementia Education Programme, Friends of the Elderly now has 66 trained Dementia Champions who work in our care homes and day care services. Our Dementia Champions focus on encouraging independence, giving reassurance, supporting and helping, inspiring communication, creativity and interactions, and providing high quality care with dignity that meets individual needs. The programme gives staff the skills and confidence to provide better care, resulting in improved job satisfaction.

Lucy Buckle, the Deputy Manager at New Copford Place, our care home in Essex, is one of our Dementia Champions. Lucy took her work further and personally fundraised to arrange a visit from Training 2 Care UK, the UK partners of the ground-breaking Virtual Dementia Tour® (VDT®).

In the Virtual Dementia Tour attendees experienced a detailed simulation of what it is like to live with dementia. Their vision, sense of touch, movement and sound were all distorted to mirror the experiences and physical feelings of a person living with dementia - through wearing bulky gloves, special goggles, shoe insoles and sound-distorting headphones.

Daniel Sabau, the Registered Manager at NCP, said: *"Each member of the care team at NCP is passionate about their work and we are all totally focused on supporting and caring for our residents. By taking part in the Virtual Dementia Tour, we all now have a deeper understanding and comprehension of what our residents who are living with dementia experience on a daily basis which helps us to ensure we make sure that each resident has the best experience we can possibly provide, every day,"*

Objective: become an employer of choice

Wellbeing

We made a Wellbeing Pledge in 2020, and a wellbeing survey identified six key themes for improvement. Our wellbeing action plan and our subsequent wellbeing surveys have been shaped around these themes. The six themes are: Reward and recognition; Communication; Leadership; Physical and mental health support; Inclusion and diversity; and Benefits.

There is still a long way to go, but with support from management and a continued drive with the various initiatives we have planned, we have made good progress towards our initial pledge. Examples of work on three of these areas is summarised below.

Wellbeing: Reward and recognition

In April 2023, we gave all staff a £1 an hour pay rise, irrespective of role or location. This means that the lowest paid staff had a pay rise of 10%, and although this meant a lower pay rise percentage for our higher-paid staff, we felt this was the fairest way to support all our staff with cost-of-living increases.

A monthly staff prize draw, with prizes of up to £100, provides a little fun and a talking-point.

Wellbeing: Communication

Our homes and services are geographically spread out. Staff enjoy hearing about the work in different areas and gain a sense of pride from the Charity's impact. We use 'Workplace', an app run by Meta, for teams to connect, particularly sharing resident and client activities. Unfortunately, this app is being discontinued so we are looking for alternative ways for staff to easily share news. We also launched the first staff newsletter this year, with positive initial feedback.

Wellbeing: Inclusion and Diversity

This is an area where the latest staff wellbeing survey highlighted further work was required. 18% of survey responders (22 people) felt they had been victims of prejudice, and only 60% of responders thought FotE demonstrates a strong commitment to meeting the needs of staff with disabilities. Where specific points raised in the survey were not given anonymously, these have been addressed individually.

Proposals being considered to address this include developing a staff council, with representatives from each service across a range of roles; a working group to identify the gaps to becoming Disability Confident; improving awareness and support for neurodiversity in the workplace; and creating an initiative about "The Reality of Care" discussing the challenges as well as the good side of care

Staff turnover

We were pleased that staff turnover in the year was 21.0%, or 23.1% for care homes alone. This compares positively with the care sector average for England of 28.3%, as reported by Skills for Care. Agency use in care homes fell by a third compared to the previous year. This is mostly due to the better staff retention and recruitment, although also partly due to lower occupancy in some care homes meaning fewer staff are needed on shift on occasion.

Objective: deliver financial sustainability and accountability

Operating results

Further information on our financial results is given on pages 13 to 20. We have recorded operating losses since the start of Covid-19 - first due to not taking new resident admissions for two months and higher operating costs, and later due to the longer-term impact on occupancy and the delay to some of our strategic plans. In the short-term we have sufficient funding from the Sir Thomas Lipton (STL) fund. The STL fund was previously endowed but the Charity Commission allowed us to access it to support our current care homes. The STL funds remaining as at 31 March 2024 were £2.4m.

As explained on page 5 of this report, we are selling The Old Vicarage (as an operating care home) and closed the RNNH, in September and June 2024 respectively. This removes our two loss-making care homes. Our Malvern site has also been under-performing since the pandemic, and we completed a management restructure in autumn 2023 and winter 2024 to improve the way the three homes on the site operate.

We are also marketing for sale a house on the edge of the site of one of our care homes, in Haslemere. This house was used for staff accommodation, but once separated from our care home is estimated to be worth in excess of £900,000. Its sale does not impact on the running of the care home or the grounds available to residents and their visitors.

While there are additional costs in the coming year (2024-25), in particular from the closure of the RNNH, these changes put us on a more stable financial footing for the future and provide funds for future reinvestment in our charitable services.

Further information on investing in our future is given on page 12.

Central support team – adapting to new ways of working

In March 2024, Friends of the Elderly was able to surrender the lease for its central London Ebury Street offices - the charity's home for more than 100 years. The location in Belgravia was an appropriate place to work for the original charity. Friends of the Poor – as it was then called – started in 1905 supporting people in the area local to Ebury Street, on the border between wealthy homes and areas of poverty. Fundraising events often took place in neighbouring homes of the upper classes, on occasion with royal guests. The five-storey Georgian town house – in fact two houses knocked into one – was far less suited to modern working, but the benefit of our below-market rent was too good to give up.

Covid-19 brought new flexible ways of working: even once lockdowns ended we continued to support members of the central and regional teams to work regularly at home when they were not visiting our services, meaning fewer desks and offices were needed; and our paperwork has gone digital.

Our head office has now moved to The Bradbury Centre, home to our Woking Day Centre and next door to the Bernard Sunley Care home. As well as providing an ongoing financial saving of around £100,000 per annum, our central support team will have more opportunity to mix with staff, residents and clients from our Woking services, promoting a better understanding of our work.

We received a £650,000 lease surrender premium in March 2024. Since the year-end, this has been partly spent on refurbishment works to adapt the Woking office space.

Future plans

Investing in the future: a new care home

Many of our care homes operate from buildings that were originally left to Friends of the Elderly as legacies, extended and improved over time. The buildings are often in glorious grounds and have a character all their own, providing a real home from home. However, we need to complement these care homes with new buildings that are designed for modern care. Leasing new care homes allows us to start this more quickly, rather than wait for costly and time-consuming planning applications. Leased care homes come with a cost – rent that increases in line with inflation each year – but in the early years this is no greater than interest on a loan that would be required if we built a new care home, and with less risk from a tried and tested model.

In March 2024 we were delighted to sign an Agreement to Lease a new care home in Calcott, on the outskirts of Reading. The 66-bed home will provide excellent facilities in a building design that helps us to provide good quality care - for example wide corridors, wet rooms, accessible gardens, and a variety of communal areas to support different activities. The location is also easily accessible for potential staff, and we hope to be part of a wider community. The care home is expected to be ready to use in summer 2025. We will start our marketing and recruitment work well in advance of the opening.

Making better use of our facilities to support our communities

We have four day care services near our care homes, but for the majority of our care homes there is no comparable local support for older people living in their own homes. Homecare services often only provide brief visits to make meals or give medication, leaving older people isolated. Our day care services provide company, community, and engaging activities. For this reason, we are looking to expand our day care services into our care homes and will run a pilot in the coming year. The number of attendees will depend on the communal space available in each care home and be balanced with the needs of our care home residents. This service can also support relatives to have a 'day off' if they are feeling tired from their caring responsibilities, or they just want to go out for lunch with friends and not worry. Unlike our existing day care services, we would be able to accept last minute bookings, subject to availability, and including a lunch club and half day options.

Another plan to support our local communities is to pilot a bathing service to people living outside of our care homes. Many homes are not equipped to support people with limited mobility to have a relaxed bath or shower, and so we would like to provide our facilities and bathing assistance to older people living independently or with family members.

We also plan to extend our care home respite care offer. Usually, respite is for a week or more, but we plan to provide short-term respite or emergency respite care of as little as one night. Caregivers themselves often face challenges in managing their own well-being while providing care around the clock, and may have their own health issues. There is very little support for emergency short stay respite in social care.

Developing our grants service

Our plans include reviewing our evaluation questionnaire to ensure we are asking the most appropriate questions. Where we have given higher level grants of up to £1,000, we will monitor the impact they have had, and review the current £400 grant limit. We plan to undertake targeted outreach to new Referral Agents, based on areas of highest deprivation in England and Wales, and consult with Referral Agents to ensure that we are offering them a service which is as effective and simple to use as possible.

Fundraising activities

Although the Charity has a high value of net assets, the majority of these are invested in care home properties and equipment and the working capital needed for our services, or are funds endowed for specific purposes. Fundraising income allows us to further enhance the lives of older people.

Donations, legacies, and the value of pro bono services received totalled £752,000 in the year (2022-23, £2.0m, including a one-off £1.0m for grant-making over the next 10 years). The generosity of all our supporters is very much appreciated.

Donations come from trusts, foundations and businesses, and individual donations.

The Charity subscribes to the voluntary Fundraising Regulator scheme. We have not received any complaints in this accounting period relating to fundraising practices (2022-23: none). We have in place a policy on fundraising in respect of vulnerable people. We do not employ professional fundraisers to carry out fundraising on our behalf. We also ensure our fundraising practices comply with General Data Protection Regulation (GDPR) policies and procedures.

Grant making

Our grants programme provides financial help in the form of grants and regular allowances – a lifeline to older people with nobody else to turn to. Generous donations from individuals, trusts and companies help us to fund the grants and the related administration.

We currently have four types of grant available: Home Essentials, Digital Connection, Financial Support, and Essential Living Costs. Between them, they cover a wide variety of things including mobility and disability adaptations, broadband costs and IT equipment, replacing essential appliances, and repairing heating systems. We are experiencing increased demand for help with affording simple but vital day to day items, like medicine and transport to medical appointments, bedding and clothing.

Our online grants portal streamlines the process for applications, which are made on behalf of older people by Referral Agents, reduces errors and avoids missing information. We gave 1,220 grants and allowances in total in the year with a value of £361,000 (2022-23: 1,070 grants and allowances of £260,000).

When considering whether to provide a grant, we obtain evidence of the recipient's financial situation to ensure they meet our criteria and consider the impact the grant will make. Wherever possible, we signpost applicants to other potential sources of funding.

Financial Review

Financial results

The Charity recorded a net negative movement in funds of £168,000 (2022-23: a negative movement in funds £1.7m). However, the underlying operating deficit was £1.6m (2022:23 operating deficit of £1.8m), once we remove one-off or non-operational items:

	2023-24	2022-23
	£	£
Reported result	(168,000)	(1,674,000)
of which:		
<i>Non-operating items</i>		
Investment market gains/(losses)	1,033,000	(873,000)
Lease surrender premium net gain	631,000	-
<i>One-off items</i>		
Redundancy provision (RNNH)	(112,000)	-
Asset impairment/ disposal (RNNH, Ebury Street)	(146,000)	-
Exceptional donation for future use	-	1,000,000
Underlying operating deficit	(1,574,000)	(1,801,000)

The redundancy provision is for redundancies announced in March 2024 at the care home which closed in June 2024.

Our care home operations have the most significant impact on the Charity's operating results. The operating deficit arises due to lower care home occupancy in certain homes, with an average of 276 residents in the year (2022-23: 289). Care home resident enquiries and admissions were high in summer and autumn 2022, and occupancy returned briefly to our break-even point before the usual winter dip in occupancy. Enquiries then fell sharply in spring 2024, in common with the care sector generally. We think this may have been due to economic pressures, high increases in care fees due to inflation, and an uncertain housing sales environment causing families to pause and reconsider their options.

The majority of our care homes have returned to - or improved on - their pre-Covid financial results, and their income covers their costs and their share of central costs. However, in 2023-24 we had challenges at three care homes in particular. This included the RNNH, which closed in June 2024. At other care homes we have been addressing the local issues, but change often brings short-term disruption and higher costs.

While inflationary cost increases were a challenge in the year, we missed the highest energy prices due to the timing of our fixed rate contracts. However, energy costs remain nearly double the rates from before the worldwide energy cost crisis, and we have needed to pass this on to residents through fee increases.

As we reported last year, we have been able to access funds from our linked charity, the Sir Thomas Lipton Charity (STL). We withdrew £1.5m of STL's investments in the year to fund the operating losses. As at 31 March 2024, £2.4m of the STL funds remain (within restricted funds).

Financial Review (continued)

Results by activity

The graph below shows the result by activity before central support costs are allocated.



While care home performance has improved by nearly £1.0m on the previous year, the reported care home result is still negative after allocation of central support costs.

‘Community services’ relates to day care services. The average number of daily clients fell from 47 in 2022-23 to 42 in 2023-24. This fall was largely due to a lack of Local Authority referrals, as council budgets came under pressure.

The value of grants given increased from £259,000 to £361,000, as we spent funds donated in previous years. In addition we incurred grants administration team costs of £115,000. The costs of the grants themselves are covered by generous donations and investment income from endowments given to the Charity for this purpose. In recent years we have received increased donations that specifically support the costs of the grants administration team, and this is very much welcome. With individual grants being relatively small amounts, the cost of the grants administration team may appear relatively high per one pound given. This is necessary to ensure the right people are receiving the right grants, as well as often helping grant recipients by identifying other ways we can provide financial support, or signposting them to other services via the third party referrers who process applications.

Fundraising income in the year was £752,000. This appears to be a significant fall compared to 2022-23 (£2.0m of income), but 2022-23 included a £1.0m one-off donation for future grant-giving. The figure shown in the graph is net of fundraising team costs.

Central support costs of £4.1m were 8.5% higher than the previous year (£3.8m). A number of cost savings were offset by: high inflation; one-off costs relating to Ebury Street clearance and removal costs; professional and legal fees regarding the Agreement for Lease for the planned new care home; and additional money invested in care home marketing to address low enquiries earlier in the year.

Financial Review (continued)

Investments

Investment income shown in the graph on the previous page includes income from rental accommodation (the majority of which is staff accommodation). Excluding rental income and bank interest, investment income was £466,000 (2022-23 £523,000).

Investments comprise a mixture of endowed, restricted, and unrestricted assets. The income from endowed funds is spent in accordance with the restrictions placed on the endowment, and principally relates to funds for grants and for care home upkeep.

We recorded actual (realised) gains on investment withdrawals of £49,000 in the year (2022-23: realised losses of £143,000). Unrealised gains from market value changes as at 31 March 2024 were £985,000 (2023: unrealised losses of £730,000). Between March and June 2024 the market value of investments increased by a further £48,000 (0.4%).

The trustees employ separate investment fund managers on a discretionary basis to manage the portfolio of investments. Their work is undertaken within broad investment parameters and principles set by the trustees which take into account acceptable levels of risk and the balance between income and capital requirements. Investment managers during the year were Legal & General Investment Management (LGIM) and CCLA Investment Management Ltd (CCLA).

Investment performance 2023-24

	CCLA	LGIM		Total
		Investment funds	Cash funds	
	£'000	£'000	£'000	£'000
Balance at 1 April 2023	8,724	5,099	45	13,868
Additions	500	-	-	500
Disposals (carrying value)	(1,456)	(420)	-	(1,876)
Unrealised gains on revaluation	706	277	2	985
Balance at 31 March 2024	8,474	4,956	47	13,477
Investment income	247	217	2	466
Realised gains/ (losses) on disposal	54	(5)	-	49
Income return 2023-24	3%	4%	4%	3%
Capital return 2023-24	9%	5%	4%	8%
Cumulative capital return over 5 years	30%	10%	-	21%
Cumulative target return (RPI + 3%) over 5 years				55%

The Charity's investment strategy is to target a capital return of 3% plus RPI on a rolling five-year basis, and annual investment income of 3%. The funds the Charity invests in have strategies which align with this aim as closely as possible, but do not match it exactly. Over the 2022-23 financial year, high inflation and economic volatility meant the target capital return increased significantly while the investments returned capital losses. CCLA was above our target capital return until this time, and closed the gap to the target during 2023-24, but remains below target based on the last five years. The LGIM funds have a portfolio structure that does not match so well with our investment strategy, but it does deliver higher income returns than target.

Investment managers provide quarterly reports and attend an annual meeting with trustees to review performance. The Charity's investment policy does not allow any investment that is known to conflict with our aims or values. This is managed through the appointment and review of investment managers, and by the investment strategies of the two funds.

Financial Review (continued)

Investment property

Properties classified as investment property are those which are capable of being let to third parties. These are houses on care home sites, or on the edge of care home sites, held for strategic reasons. They are carried on the balance sheet at an estimate of their market value, being £2.8m as at 31 March 2024 (2023: £2.8m).

Investment properties are revalued by the trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value. Investment properties were last formally valued in 31 March 2022, using local estate agents and comparing to sold prices of the most comparable properties. The trustees have determined that there is no material change in value between March 2022 and March 2024.

Tangible fixed assets – risk of impairment

Assets are reviewed annually for indicators of impairment. Where homes are performing below their potential, there is a risk that the carrying value of our care home properties is higher than their realisable value. Their 'realisable value' is the higher of 'fair value' (the amount a property could be sold for, either as a going concern or otherwise) less costs of sale; or 'value in use' (replacement cost of the asset discounted for its current age and condition). To assess the market value of each of our care homes, we have referred to full or desktop valuations carried out by property valuation specialists during the financial year, and considered other factors such as past formal valuations, and the potential for occupancy recovery. An impairment charge of £74,000 for fixtures and fittings expected to be disposed of at the RNNH was booked in the year (2022-23: no impairment charges). There was no impairment charge for the RNNH freehold land and building, as the carrying value had been impaired to the underlying value of the land in a previous year.

Pension schemes

The Charity operates a defined benefit pension scheme which closed to new members and future accruals in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £18,000 (2022: net surplus of £37,000). This is an asset that cannot be recognised on the Group's balance sheet. The Charity currently pays annual contributions of £10,000 to the scheme. The investments of the pension scheme are matched to the risks associated with the liabilities.

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £9,000 (2023: £24,000) is the net present value of future deficit contributions payable to the schemes.

Funds

The Charity holds the following types of funds:

- **Restricted funds** are held and used in line with the wishes of the donors of those funds. The trustees of the Charity do not have discretion in the use of these funds.
- **Endowment funds** are held to generate income that is used per the wishes of the original donor. For permanent endowments, the capital value of these funds needs to be maintained. An expendable endowment fund is a fund that must be invested to produce income; however, it can be converted into an income fund and spent.

Financial Review (continued)

- **Unrestricted funds** can be used for any purposes in accordance with the Charity's objects, but also provide funding for future investment, and financial support in the event of unforeseen or significant changes in the Charity's activities or results. This includes designated funds, the pension reserve (representing the pension provision), and general reserves which represent the remainder of unrestricted funds.
- **Designated funds** comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition, or operation of any residential homes; and the costs of any extra care development, net of related borrowings.

The split of net assets into fund category is shown below. 'Group' balances comprise the Charity and its subsidiaries Potential Limited and Friends of the Elderly Trading Limited.

	Group 2024 £'000	Group 2023 £'000	Charity 2024 £'000	Charity 2023 £'000
Restricted funds	4,773	6,072	4,773	6,072
Endowments	9,599	9,587	9,599	9,587
<i>Unrestricted funds:</i>				
Designated funds	18,712	18,571	18,864	18,693
General reserves - revaluation reserve	2,495	2,495	2,495	2,495
General reserves - other	2,655	1,692	2,664	1,700
Pension reserve	(9)	(24)	(9)	(24)
<i>Total unrestricted funds</i>	<u>23,853</u>	<u>22,734</u>	<u>24,014</u>	<u>22,864</u>
Total charity funds	<u>38,225</u>	<u>38,393</u>	<u>38,386</u>	<u>38,523</u>

Reserves policy

Our reserves policy focuses on the level of general reserves. We need to hold general reserves so that we can maintain continuity of our services in the event of a decrease in income or unexpected expenditure. The reserves policy is reviewed by trustees on an annual basis.

General reserves are unrestricted funds that have not been designated for particular purposes by the trustees. They include the revaluation reserve, arising on valuation of investment properties above their original cost. The reasons for holding an appropriate level of general reserves are to:

- maintain adequate working capital, particularly during a time of redevelopment of the residential portfolio;
- ensure sufficient funds are available to allow the Charity to honour its commitments to its service users and beneficiaries; and
- ensure that regular, efficient, grant-making can continue.

Financial Review (continued)

The trustees have set a target level of reserves after considering key financial risks, in particular the financial risk linked with a long period of low occupancy and also building on the Charity's experience of operating through the pandemic. This gives a target range of general reserves of between £3.0m and £4.35m (excluding investment properties). The target range is unchanged since March 2023, with inflation offsetting the reduction in risk from closure of one care home. While £3.0m is the minimum needed to meet working capital requirements until such time as a major strategic change could be made, a higher reserves balance of £4.35m would allow for future re-investment in our services.

Charity reserves	2024	2023
	£'000	£'000
Target general reserves - maximum	4,350	4,350
Target general reserves - minimum	3,000	3,000
General reserves reported	5,159	4,195
General reserves less investment property	<u>2,323</u>	<u>1,359</u>

General reserves are shown above excluding investment property (at carrying value), because these are houses on care home sites that cannot be sold quickly (access and legal separation from the care home land title would be required), and one of these houses cannot be sold separately to the care home itself (although it can be let to third parties and so meets the Charity's accounting policy definition of investment property). Excluding this, general reserves are below the minimum target at the end of the year.

'Free' reserves, further excluding tangible and intangible fixed assets as well as investment property, are £2.2m (2023: £1.1m). This fluctuates due to working capital requirements and market gains and losses on investments in stocks and shares.

Although general reserves appear to be below target, this does not take into account the £2.4m of funds held within restricted funds that are available to support future care home operations, which are held in restricted funds until withdrawn. This means our real position of accessible funds is in excess of the current 'maximum', and gives the Charity the financial resilience and the time to recover care home occupancy and improve financial results.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans, and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2026, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

In 2020 and 2022, the Charity Commission approved two separate applications from the Charity to release endowed capital of STL to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee.

Financial Review (continued)

The Charity can access funds as long as they are used to support the original beneficiaries of STL – nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2024, £2.4m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid that the biggest impact on our finances is having to continue to operate through a general ‘crisis’ in social care, rather than the potential of an isolated issue at one care home resulting in closure.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario. The adverse scenarios also include the impact should the sale of The Old Vicarage not complete – although contracts were exchanged in September 2024, no such transaction is certain until legal completion.

Going concern – conclusions

The scenarios used to stress-test management forecasts show at what level of depleted care home occupancy the Charity would need to sell assets (such as investment property) to continue as a going concern until at least March 2026. The Charity has significant assets, which mitigates concerns from a going concern perspective. One house on the edge of a care home site is being marketed for sale at the time of preparing this report, and the sales proceeds could be diverted from their intended purpose should adverse events occur

The trustees consider that there are no material uncertainties about the Charity’s and Group’s ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

Principal risks and uncertainties

The trustees hold overall ownership of risks. Trustees, in conjunction with the Senior Leadership Team (SLT) and the Senior Management Team (SMT), have identified and reviewed the major risks to which the Group is exposed, and systems are in place to manage such risks.

The trustees have a policy to embed effective risk management throughout the Group such that risks are identified, mitigated, and communicated, and good risk management practice is shared across the organisation. Risks are allocated between the three board committees. The Risk Register, including amendments from the committees, is reviewed by the board of trustees annually. The Audit and Risk Committee performs more detailed examination of key risk areas and management responses. Day-to-day management of risk is delegated to the Chief Executive, the SLT, the SMT, and registered managers.

The main risks and the mitigating actions are shown on the pages that follow.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
<p>Safeguarding failure</p> <p>Abuse or negligence by staff, volunteers or third parties.</p>	<ul style="list-style-type: none"> • A permanent Standards and Performance (SAP) team, including responsibility for quality assurance and internal audit. • Safeguarding policies and their application annually reviewed by independent external experts. Staff and volunteer safeguarding training. Safeguarding Adults Sub-Committee meets quarterly, led by an independent Chair. • Policies to investigate complaints raised by people who draw on our services. Whistleblowing procedures for staff and volunteers. • Subscriptions to a full suite of policies and procedures from a third-party platform, which are written and reviewed by specialists and kept up to date by an internal review panel.
<p>Financial failure – increased risk as a result of current low occupancy</p>	<ul style="list-style-type: none"> • Access to capital of £2.4m approved by the Charity Commission. • Budgeting and re-forecasting, with scenario planning, reviewed by board of trustees to identify if and when further mitigating actions are required. Key Performance Indicators and Management Information provided quarterly to SLT and trustees. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 18-19), and the level of general reserves against target is monitored at least annually.
<p>Significant pandemic or infectious disease outbreak at a care home or a service</p>	<ul style="list-style-type: none"> • Local written response plan for each care home and service. Charity-level response and business continuity plans. Covid lessons learnt incorporated into plans. • Policies on actions to take during such an outbreak • A significant network of connections and key relationships to draw upon and share current and emerging best practice, including active membership of the National Care Forum and Care England. • Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. Liaison with Integrated Care Boards and community health teams. Several months' stock of Personal Protective Equipment held at a central location
<p>Failure to comply with legislation or regulatory requirements</p>	<ul style="list-style-type: none"> • Care quality policies, procedures and protocols established and kept under review. • Quality assurance programme embedded and ongoing to monitor compliance and completion of actions from previous assessments. Individual lessons learned from each regulatory inspection captured and disseminated.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
Failure to comply with legislation or regulatory requirements (continued)	<ul style="list-style-type: none">• Assurance processes in place for regulatory areas including governance, data and cyber security, and health and safety.
Premises are unusable or dangerous (in the short-term) Due to serious damage (e.g., fire or flooding) or other unexpected problems (e.g. adverse weather).	<ul style="list-style-type: none">• Business continuity plans are in place. Insurance policies are in place.• Comprehensive property compliance system in place, overseen by central Estates and Facilities team.• Primary Authority Partnership actively maintained with Surrey Fire and Rescue Service. Fire awareness and evacuation training for staff. Annual Fire Risk Assessments carried out by external risk management specialists with action plans implemented.• Health and Safety obligations overseen by SAP team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Employees and volunteers

Equal opportunities

Friends of the Elderly strives to treat all staff equally and be a diverse and inclusive workplace, where everyone can be themselves and everyone accepts each other's differences; a charity where everyone is equal but definitely not the same.

Our ambition is to ensure equality and celebrate diversity, all of us working together to create an inclusive workplace, which attracts and retains the best people; people who care and can make a difference. We are committed to listening, learning, and improving our workplace. We ask all our staff, and provide them with the opportunity, to make a personal commitment to educate themselves and engage in conversations with colleagues, so that we can all learn, share our stories, and treat everyone equally.

Our Equality, Diversity and Inclusion Policy sets out our approach to ensure that all our staff can work in an environment that is free from harassment and discrimination and receive equal treatment, regardless of any protected characteristics. The policy applies to all aspects of employment within the Charity, including recruitment, pay and conditions, training, appraisals, promotion, conduct at work, disciplinary and grievance procedures, work-related events, and termination of employment.

We encourage applications from people with disabilities, aiming to develop their skills, and taking every reasonable measure to adapt our premises and working conditions to enable people with disabilities to work or volunteer with us.

Employees and volunteers (continued)

Key management personnel

Key management personnel comprise the Group's SLT, the SMT, and trustees, although trustees are not remunerated other than the payment of reasonable expenses.

Pay and remuneration for the Charity's key management personnel are set by reference to internal and external benchmarks. Internal benchmarks align pay with the level of responsibility, while external benchmarks consider published data for comparable roles in comparable-sized organisations. Changes to pay are approved by the Chief Executive, other than those relating to the Chief Executive and SLT which are approved by the Board of Trustees on the recommendation of the Remuneration and Employment Committee.

Any significant changes in structure or amount of key management personnel pay and remuneration (either in total or for an individual) are considered by the Remuneration and Employment Committee for recommendation to the Board.

Staff and volunteer engagement

There are many formal and informal arrangements for keeping staff up-to-date and able to engage with matters of concern to them as employees:

- All managers hold regular, structured meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop. Regular meetings are held both within and across managers from different teams.
- 'Workplace', the secure internal communications tool from Facebook, is reaching more staff and helps keep teams connected and aware of the wider activities of the Charity.
- Volunteers are informed of Charity updates both informally via their service manager on a regular basis, and with a Charity-wide newsletter. A Volunteering Handbook provides information, advice, and guidance on safeguarding.

The trustees consider employee interests as a key factor in decision-making. On some occasions the trustees need to make decisions that are in the best interests of the Charity, even though this may have a negative impact on some employees, in which case action is taken to manage or mitigate this.

Engagement with stakeholders

Our stakeholders include (but are not limited to) care home residents, day care clients, their families and friends, employees and volunteers, grant recipients and their referral organisations, donors, local communities, suppliers and contractors, regulators and professional associations, and other business partners.

These stakeholders are all different in terms of the communication and engagement required of the Charity. Our social media keep a range of stakeholders and supporters abreast of day-to-day activities in our services. There is also a monthly newsletter, which is emailed to subscribers, published on social media, and given to relevant service users, families and friends. Each service provides more specific information to their stakeholders through local newsletters, resident meetings, family meetings, and stories in the local media.

Engagement with stakeholders (continued)

The Charity's internal Marketing and Communications team provides support in preparing communications on specific topics.

Key suppliers are identified and have one or more individual contacts within the Charity for communication and escalation of any queries or problems.

The Charity's Safeguarding Adults Sub-Committee includes representatives from people who use our services and their families. Residents and their families are consulted about any substantial changes to our services.

Promoting the success of the charity

The Charity is required to explain how it has complied with its duties under Section 172(1) of the Companies Act 2016. For a charitable company this requirement means that trustees must act in the way they consider, in good faith, to be most likely to achieve the Charity's charitable purposes, and to explain how they have complied with these duties.

The Charity's aims are its charitable objects. Our strategy sets out how we will achieve these, including strategic objectives. Our aims and objectives are set out on page 7, and a summary of the number of people supported is on page 3.

The Charity's decision-making process is a good example of the way in which the trustees act in a way that aligns the Charity's longer-term strategy with shorter-term decisions, while taking account of charitable purposes and key stakeholders.

The Charity has a formal project management process, through which the SLT may assess which decisions or project proposals (due to size, value or impact) are taken to the trustees for approval. As part of the project process, there are decision-making criteria, including the strategic fit, impact on beneficiaries, alternative partners, impact on staff and other stakeholders, internal skills and capacity, data security implications, and governance considerations. As part of the wider project process, this ensures that each trustee acts in the way that they consider will be most likely to promote the success of the Charity to achieve its charitable purposes. The decision to close The RNNH was made by trustees in line with this project proposal process, in particular considering the impact on residents, staff and families, and the risks of both closure and continuing to operate the care home.

Health and safety

The health and safety of our staff and the people to whom we provide care and support services are of primary importance. During the year, health and safety risk assessments and audits were completed by an external specialist team, overseen by our in-house Standards and Performance and Estates and Facilities teams.

A Health and Safety Sub-Committee meets quarterly. It comprises SMT members and representatives from our different service areas and Central Office, chaired by the Charity's Chief Executive, providing a forum for staff issues and any concerns to be raised. Our external risk management specialist contractors attend meetings and report on any issues arising from visits to services and other locations. Training is provided to all staff as appropriate to their role. The Health and Safety Sub-Committee reports to the Audit and Risk Committee quarterly, keeping trustees updated on health and safety matters across the organisation, including compliance, regulation, policies and procedures, issues, and actions.

Carbon emission reporting

Energy is a major cost for the Charity. We gather information on energy use to comply with regulation, but also to help us measure energy efficiency measures and help to reduce our impact on climate change. Our energy use in the year to 31 March 2024 and the previous year was as follows:

	Energy consumption kWh		Greenhouse gas emissions	
	2023-24	2022-23	2023-24	2022-23
Gas	7,102,413	7,449,848	1,434	1,490
Electricity	1,714,247	1,769,820	328	342
Transport	91,367	90,726	20	21
Total	8,908,027	9,310,394	1,782	1,853
Per full time employee	23,018	24,437	4.6	4.9
Per care home resident	32,275	32,105	6.5	6.4

The calculation method conversion of the data for reporting is the UK Government GHG Conversion Factors for Company Reporting (version 2.0).

Where possible, care home equipment is upgraded to improve efficiency, such as LED lighting or modern heating boilers and optimised controls for lighting and plant rooms. Where appropriate, we continue to upgrade care home sites to operate Building Management Systems (computer-based systems to control and monitor energy use). Continued improvements of this nature reduce energy consumption and improve energy performance. In 2023-24 and 2024-25 energy fixed price contracts have been chosen to remove uncertainty and allow for financial planning.

The Charity plans to establish an energy management strategy, including technical solutions, staff engagement, supply chain, future property design, and monitoring and communication – towards a net-zero future as part of its approach to the Environmental, Social and Governance agenda. Future new buildings will make large strides towards the Charity's overall energy efficiency.

Governance report

The Charity's constitution

The Charity was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964.

The governing document of the Charity is its Memorandum and Articles of Association.

The Charity is governed by trustees, who are members of a Board of Trustees and who are also directors of the company for Companies Act purposes. All trustees are unremunerated, save for reasonable expenses, for the work they do as trustees of the Charity. The trustees are listed on page 29.

Group structure

Friends of the Elderly is the parent company for a number of subsidiaries. These different entities together are referred to as the Friends of the Elderly Group (the Group) and consolidated results for the Group are shown in these accounts. The Group includes the following subsidiaries:

Governance report (continued)

- **The Retired Nurses National Home (the RNNH).** The RNNH charity was dormant during the year. The care home it operated was transferred to Friends of the Elderly on 31 March 2019, along with other assets and liabilities. The care home continued to be run under the objects of this charity, which was originally established for the care of retired nurses, until its closure in June 2024. Friends of the Elderly is the sole company member and appoints the RNNH's trustees.
- The beneficial ownership of the RNNH's endowed care home rests with the charity **The Retired Nurses National Home 1937**. In 2019, this charity was linked to Friends of the Elderly, as part of the integration process.
- **Potential Limited.** This is the Charity's property development company and is a limited company. It is wholly owned by the Charity, but also has its own Board of Directors who are officers or directors of Friends of the Elderly.
- **Friends of the Elderly Trading Limited.** This limited company is currently dormant but has been retained for possible future use.

Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Charity's defined benefit pension scheme, which was closed in 1996, has its own trustee board. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts. Any deficit arising on the scheme is included as a liability of the Charity, but a scheme surplus is not recognised as an asset of the Charity, as the surplus does not belong to the Charity.

Trustees and their support

To ensure that the Charity's trustees govern this Group structure effectively, a number of processes, procedures and support systems are in place:

- Trustees are appointed by the Board of Trustees of the Charity. They are also directors for the purpose of company law.
- Trustees are appointed for a term of three years, which is usually renewed for a further three years. After the completion of six years, trustees are eligible for re-election on an annual basis for a maximum of three further years.
- All new trustees take part in a formal induction programme and regular training.
- The trustees meet at least four times a year. Board committees scrutinise and oversee matters relating to audit and risk, resources and investment, service delivery, board nominations, and remuneration and employment.
- Board meetings and committee meetings were adapted to respond to the Covid-19 pandemic and Charity response, including virtual meetings using Microsoft Teams and support for trustees to join, for those unfamiliar with the technology. Additional board meetings were held in the early months to keep trustees up-to-date, and to obtain board approvals as appropriate for decisions and key policies.
- The board carries out an annual self-evaluation exercise, including skills audit, with an independent evaluation every three years.
- Trustees have applied the Charity Governance Code, however application is not a one-off event and requires continual commitment to the principles of the Code.

Trustees and their support (continued)

- One example of continuous improvement relating to the Charity Governance Code is the safeguarding review carried out by a third party in the year, with actions undertaken to address the findings overseen by the board-appointed Safeguarding Adults Sub-Committee who then report to the board.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Senior Leadership Team and the Senior Management Team, supported by heads of department.

The Charity has a dedicated full-time Charity Secretary whose team ensures that governance is given a high priority and provides support to trustees to help them to carry out their duties effectively. The Charity holds professional indemnity insurance in respect of all trustees, committee members, and staff.

Public benefit

The Charities Act 2006 requires a charity's purpose to be for the public benefit. Trustees must report on how they have carried out their charity's charitable purposes for the public benefit in the reporting year. A charity's purpose is what it has been set up to achieve – the aims of Friends of the Elderly are explained on page 7, along with the strategic objectives through which the aims will be achieved.

Pages 8 to 11 of this report explain the Charity's activities and achievements in the year, and link these to the furtherance of the Charity's strategic objectives. The trustees confirm they have taken into account the guidance produced by the Charity Commission on public benefit and are able to state that all of the relevant activities of the Group are carried out for the public benefit.

Basis of preparation

The annual report for the year ended 31 March 2024 is presented together with the consolidated financial statements of the Charity and its subsidiaries (together the Group). The strategic report for the Group is incorporated into the trustees' report.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', and FRS 102.

The trustees' report also includes the administrative information on page 29.

Statement of trustees' responsibilities

The trustees (who are also directors of Friends of the Elderly for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

Statement of trustees' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

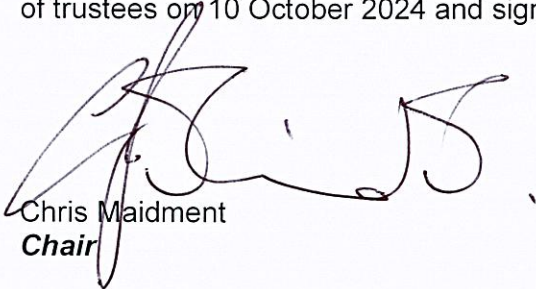
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

So far as each of the trustees is aware at the time the report is approved:

- there is no relevant audit information of which the Group's auditors are unaware, and
- the trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 10 October 2024 and signed on its behalf by:



Chris Maidment
Chair

Registered Charity no. 226064
Registered Company no. 133850

Administrative information

Charity name

Friends of the Elderly

Registered office

The Bradbury Centre
Smiles Place
Woking, Surrey
GU22 8BJ

Registration numbers

Charity No. 226064
Company No. 133850

Company Secretary

Soo Smith

Trustees

Nick Avery (*appointed 23 May 2024*) 1
Martin Beecroft 4
Sonia Campbell 4
Rob Chapman 1
Emily DeAbaitua 1 (*to 18 October 2023*)
David Deacon 1
Craig Duncan (*appointed 23 May 2024*) 3
Paul Foster 1, 3
Rikki Garcia 2, 3 (*to 31 March 2024*)
Louisa Hogarty 2, 4
Lee Houghton (*appointed 23 May 2024*) 4
Chris Maidment (*Chair*) 2
Emily Makinson (*appointed 23 May 2024*) 3
Simon J. Passman (*Vice Chair*) 2, 3
Sharon Prosser 4
Lindsay Rees (*appointed 23 May 2024*) 4

1. *Member of Audit and Risk Committee*
2. *Member of Chair's, Nominations, and Remuneration and Employment Committees*
3. *Member of Resources and Investment Committee*
4. *Member of Service Delivery Committee*

Senior Leadership Team

Steve Allen (*Chief Executive*) (*to 31 August 2024*)
Jennifer Griffiths (*Finance Director, and Interim Co Chief Executive from 1 September 2024*)
Soo Smith (*Charity Secretary*)
Mark Wilson (*Chief Operating Officer, and Interim Co Chief Executive from 1 September 2024*)

Senior Management Team

Janet Hawthorn (*Standards and Performance Director*)
Cheryl Rothschild (*Care Homes Director*)

Statutory auditors

Saffery LLP
71 Queen Victoria Street
London EC4V 4BE

Bankers

HSBC plc
89 Buckingham Palace Road
Belgravia
London SW1W 0QL

Investment managers

Legal & General Investment
Management
One Coleman Street
London EC2R 5AA

CCLA Investment Management
Limited
80 Cheapside
London EC2V 6DZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

Independent auditors' report to the members of Friends of the Elderly

Opinion

We have audited the financial statements of Friends of the Elderly (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2024 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditors' report to the members of Friends of the Elderly (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Directors' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 27 to 28, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report to the members of Friends of the Elderly (continued)

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company'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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include the Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities (including the Care Quality Commission) to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

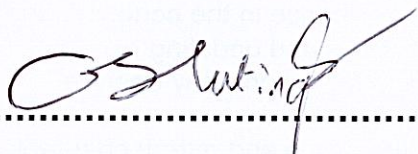
Independent auditors' report to the members of Friends of the Elderly (continued)

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Cara Turtington (Senior Statutory Auditor)
for and on behalf of Saffery LLP
Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London, EC4V 4BE

Date: 24 October 2024

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

**Consolidated statement of financial activities for the year ended
31 March 2024 (incorporating the consolidated income and expenditure account)**

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2024 £'000	Total Funds 2023 £'000
Income from:						
<i>Donations and legacies</i>	4	-	-	-	-	1,000
Exceptional income						1,031
Other donations and legacies		338	414	-	752	2,031
		<u>338</u>	<u>414</u>	<u>-</u>	<u>752</u>	<u>-</u>
<i>Income from charitable activities:</i>	8					
Residential care		20,037	-	-	20,037	18,405
Community services		703	-	-	703	760
		<u>20,740</u>	<u>-</u>	<u>-</u>	<u>20,740</u>	<u>19,165</u>
Investment Income	5	290	348	1	639	638
Other income	6	631	-	-	631	7
Total		<u>21,999</u>	<u>762</u>	<u>1</u>	<u>22,762</u>	<u>21,841</u>
Expenditure on:						
<i>Raising funds:</i>	8					
Fundraising costs		280	54	-	334	266
Investment management costs		115	-	-	115	81
		<u>395</u>	<u>54</u>	<u>-</u>	<u>449</u>	<u>347</u>
<i>Charitable activities:</i>	8					
Residential care		20,926	812	-	21,738	20,812
Community services		1,016	30	-	1,046	1,023
Community engagement		-	3	-	3	3
Grants and allowances		150	421	-	571	447
Other expenditure	6	146	-	-	146	-
		<u>22,238</u>	<u>1,266</u>	<u>-</u>	<u>23,504</u>	<u>22,285</u>
Total		<u>22,633</u>	<u>1,320</u>	<u>-</u>	<u>23,953</u>	<u>22,632</u>
Net (expenditure) before gains/(losses) on investments	9	(634)	(558)	1	(1,191)	(791)
Net gains/(losses) on investments	15	271	285	477	1,033	(873)
Net income/ (expenditure)		(363)	(273)	478	(158)	(1,664)
Other recognised gains/(losses)						
Actuarial (losses) on defined benefit pension scheme	20	(10)	-	-	(10)	(10)
Transfers between funds	22	1,492	(1,026)	(466)	-	-
Net movement in funds		1,119	(1,299)	12	(168)	(1,674)
Reconciliation of funds:						
Total funds brought forward	22	22,734	6,072	9,587	38,393	40,067
Total funds carried forward	22	23,853	4,773	9,599	38,225	38,393

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2023 by fund are disclosed in note 2.

The notes on pages 37 to 66 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2024

		Group 2024 £'000	Group 2023 £'000	Charity 2024 £'000	Charity 2023 £'000
Fixed assets	<i>Notes</i>				
Intangible assets	13	42	30	42	30
Tangible assets	14	21,776	21,943	21,928	22,065
Investments	15	16,313	16,704	16,323	16,714
Total fixed assets		<u>38,131</u>	<u>38,677</u>	<u>38,293</u>	<u>38,809</u>
Current assets					
Debtors	16	2,806	1,904	2,774	1,894
Cash at bank and in hand		2,511	2,549	2,457	2,541
Total current assets		<u>5,317</u>	<u>4,453</u>	<u>5,231</u>	<u>4,435</u>
Creditors					
Amounts falling due within 1 year	17	(3,891)	(3,382)	(3,806)	(3,366)
Net current assets/ (liabilities)		<u>1,426</u>	<u>1,071</u>	<u>1,425</u>	<u>1,069</u>
Total assets less current liabilities		<u>39,557</u>	<u>39,748</u>	<u>39,718</u>	<u>39,878</u>
Creditors					
Amounts falling due after more than one year	18	(1,211)	(1,331)	(1,211)	(1,331)
Provisions for liabilities	19	(112)	-	(112)	-
Net assets excluding pension liabilities		<u>38,234</u>	<u>38,417</u>	<u>38,395</u>	<u>38,547</u>
Defined benefit pension scheme liability	20	(9)	(24)	(9)	(24)
Total net assets		<u>38,225</u>	<u>38,393</u>	<u>38,386</u>	<u>38,523</u>
The funds of the charity:					
Restricted funds	22	4,773	6,072	4,773	6,072
Endowments	22	9,599	9,587	9,599	9,587
<i>Unrestricted funds:</i>					
Designated funds	22	18,712	18,571	18,864	18,693
General reserves - revaluation reserve	22	2,495	2,495	2,495	2,495
General reserves - other	22	2,655	1,692	2,664	1,700
Pension reserve	22	(9)	(24)	(9)	(24)
Total unrestricted funds		<u>23,853</u>	<u>22,734</u>	<u>24,014</u>	<u>22,864</u>
Total charity funds	22	<u>38,225</u>	<u>38,393</u>	<u>38,386</u>	<u>38,523</u>

The notes on pages 37 to 66 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net expenditure for the year is £137,000, which includes net gains on investments of £1,033,000 (2022-23: net expenditure of £1,653,000, including net gains on losses of £873,000).

The financial statements were approved by the Board of Trustees on 10 October 2024 and were signed on their behalf by:


Chris Maidment, Chair

Consolidated statement of cash flows for the year ended 31 March 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Cash flows from operating activities:					
Net cash (used in) operating activities	24		<u>(1,662)</u>		<u>(1,591)</u>
Cash flows from investing activities:					
Dividends, interest and rents from investments		639		638	
Interest payable		(101)		(68)	
Purchase of intangible fixed assets		(21)		(1)	
Purchase of property, plant and equipment		(834)		(1,207)	
Purchase of investments		(500)		(14)	
Proceeds from sale of investments		1,925		2,350	
Proceeds from lease surrender		631		-	
Proceeds from sale of property, plant and equipment		9		7	
Proceeds from sale of services		-		100	
Net cash provided by investing activities			<u>1,748</u>		<u>1,805</u>
Cash flows from financing activities:					
Repayments of borrowings		(124)		(134)	
Receipt of endowment		-		1,000	
Net cash used in financing activities			<u>(124)</u>		<u>866</u>
Change in cash and cash equivalents in the year			(38)		1,080
Cash and cash equivalents at the beginning of the year			2,549		1,469
Cash and cash equivalents at the end of the year			<u>2,511</u>		<u>2,549</u>
Cash and cash equivalents comprise the following:					
Cash			<u>2,511</u>		<u>2,549</u>

Analysis of net debt

	At 1 April 2023 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2024 £'000
Cash and cash equivalents				
Cash	2,549	(38)	-	2,511
Borrowings				
Debt due within one year	(137)	124	(120)	(133)
Debt due after one year	(1,331)	-	120	(1,211)
	<u>(1,468)</u>	<u>124</u>	<u>-</u>	<u>(1,344)</u>
Net funds	<u>1,081</u>	<u>86</u>	<u>-</u>	<u>1,167</u>

Analysis of net debt for the prior year

	At 1 April 2022 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2023 £'000
Cash and cash equivalents				
Cash	1,469	1,080	-	2,549
Borrowings				
Debt due within one year	(148)	134	(123)	(137)
Debt due after one year	(1,454)	-	123	(1,331)
	<u>(1,602)</u>	<u>134</u>	<u>-</u>	<u>(1,468)</u>
Net (debt)/ funds	<u>(133)</u>	<u>1,214</u>	<u>-</u>	<u>1,081</u>

Notes to the financial statements for the year ended 31 March 2024

1. Principal accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Friends of the Elderly meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value except where otherwise stated in the relevant accounting policy notes.

Friends of the Elderly is a registered charity (number 226064) and a registered company (number 133850) limited by guarantee incorporated in England and Wales. The registered office is The Bradbury Centre, Smiles Place, Woking, Surrey GU22 8BJ.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements. In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans, and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2026, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

In 2020 and 2022, the Charity Commission approved two separate applications from the Charity to release endowed capital of STL to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. The Charity can access funds as long as they are used to support the original beneficiaries of STL – nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2024, £2.4m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid that the biggest impact on our finances is having to continue to operate through a general 'crisis' in social care, rather than the potential of an isolated issue at one care home resulting in closure. Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario. The adverse scenarios also include the impact should the sale of The Old Vicarage not complete – although contracts were exchanged in September 2024, no such transaction is certain until legal completion.

Going concern – conclusions

The scenarios used to stress-test management forecasts show at what level of depleted care home occupancy the Charity would need to sell assets (such as investment property) to continue as a going concern until at least March 2026. The Charity has significant assets, which mitigates concerns from a going concern perspective. One house on the edge of a care home site is being marketed for sale at the time of preparing this report, and the sales proceeds could be diverted from their intended purpose should adverse events occur

1. Principal accounting policies (continued)

Going concern – conclusions (continued)

The trustees consider that there are no material uncertainties about the Charity's and Group's ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

(b) Consolidation

The financial statements consolidate the results of Potential Ltd, the Retired Nurses National Home (the RNNH), and Friends of the Elderly Trading Ltd, all of which are wholly owned subsidiaries of Friends of the Elderly (the Charity).

(c) Fund accounting

Unrestricted funds are those funds that are readily available for the use of the Charity, as the Charity's trustees see fit. These are made up of general reserves, designated funds, and a pension reserve.

General reserves are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition or operation of any residential care homes, and the costs of any extra care development, net of related borrowings.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aims and uses of the various restricted funds are set out in the notes to the financial statements. Restricted funds in the Group balance sheet also include the reserves of a subsidiary where its objects are more specific than those of the parent charity.

Endowment funds are restricted funds and comprise properties used for specific purposes and investments where only the income generated can be expended. The aims and uses of these funds are set out in the notes to the financial statements. Investment income and investment gains or losses are allocated to the appropriate fund.

Expendable endowment funds are included within endowed funds. They differ from permanent endowments in that the capital can be spent as well as the income, subject to specific restrictions. Capital spent is shown as a transfer to restricted funds, with the expenditure then being recorded as restricted fund expenditure.

(d) Income

Resident, service user and statutory fees, grants, management fees and investment income are accounted for when receivable. Income received in advance of the related services being performed is deferred.

Legacies are accounted for when it is probable that they will be received. Receipt is normally probable when: there has been grant of probate; the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and any conditions attached to the legacy are either within the control of the Charity or have been met.

1. Principal accounting policies (continued)

(d) Income (continued)

Donations are accounted for when received and related gift aid when receivable.

Income includes grants receivable from the government, including Covid-19 support for the Adult Social Care sector. Government grant income and related expenditure are recognised gross. When there are conditions attached with the expenditure, the income is recognised to the extent that these conditions have been fulfilled and the charity has entitlement to the income. The related expenditure is also in restricted funds, but within charitable activities.

(e) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

Any redundancy or other costs relating to termination of employment are recognised when the employee or group of employees are informed of the relevant consultation process and the redundancy is sufficiently probable.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(f) Support costs

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include management and administration costs incurred in Central Office, costs incurred by staff with regional responsibilities and governance costs which support the Group's charitable activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

(g) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably. An equivalent amount of expenditure is also recognised when the service or facility is used.

In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised. The contribution made to the Charity by volunteers is discussed in more detail in the trustees' report.

(h) Intangible fixed assets and amortisation

Intangible assets are capitalised at cost, including any incidental external expenses of acquisition or construction. Amortisation is charged so as to write off the full cost of the assets less their residual values on a straight-line basis over the following expected useful economic lives:

Computer software: 3 years

1. Principal accounting policies (continued)

(i) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition. Depreciation is not charged on freehold land or on expenditure on assets in course of construction or not yet in use.

Depreciation on other tangible fixed assets is charged on a straight-line basis so as to write off the full cost or valuation less their estimated residual values over their expected useful economic lives at the following rates:

Leasehold buildings (over 50 years):	50 years
Leasehold buildings (under 50 years):	Over term of lease
Fixtures and fittings:	3 to 10 years
Office and domestic equipment:	3 to 10 years
Motor vehicles:	4 years
Computer equipment:	3 years

Depreciation on freehold and long leasehold property is charged so as to write off the full cost or valuation of individual components less their estimated residual values on a straight-line basis over the following expected useful economic lives:

Structure and external fabric:	50 years
Roofs:	50 years
Lifts:	15 years
Bathrooms:	15 years
Central heating systems:	25 years
Kitchens:	15 years
Windows and doors:	25 years
Electrical wiring:	25 years

Residual values for care home structure and external fabric is based on sector information on the marketable value of older care homes, and inflated when past data is used. Residual values for other assets are deemed to be nil.

Interest costs relating to borrowings for property development are capitalised, up until the date the asset comes into use.

(j) Impairment of fixed assets

Assets are reviewed annually for indicators of impairment. Indicators would include: evidence of obsolescence or physical damage to the asset, evidence that an asset's market value has declined significantly, or evidence from internal reporting that the economic performance (cash flows and operating results) of an asset is, or will be, worse than expected.

Where there is an indicator of impairment, an impairment review is performed to identify the recoverable amount of an asset. If the recoverable amount of an asset is less than its carrying value, and this is considered to be a permanent impairment, then an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Its fair value is the asset's market value either as a going concern or if sold for alternative use. Value in use is calculated the replacement cost of the asset discounted to reflect its current age and condition (the depreciated replacement cost).

1. Principal accounting policies (continued)

(k) Investment properties

Investment properties are properties that are within or adjacent to the Charity's care homes which are capable of being rented out to third parties.

Investment properties are capitalised at valuation and are not depreciated. The difference between historical cost and valuation is included within the revaluation reserve. Investment properties are generally revalued every three years, with an annual review undertaken as to whether there are any indicators of material changes in value.

(l) Other investments

Investments in stocks and shares are valued at the mid-market price ruling at the balance sheet date. Unlisted investments comprise investments in managed funds and are valued at the market price per unit of the fund at the balance sheet date. This gives rise to unrealised gains or losses which are included in the statement of financial activities. Realised gains or losses on disposal arise on the difference between the sales proceeds and carrying value which are also included in the statement of financial activities.

Investments in subsidiaries are held at cost, less any provision for impairment.

(m) Debtors

Trade and other debtors are recognised at the settlement amount due, less an allowance for any doubtful debts. Prepayments are valued at the amount prepaid net of any discounts due.

(n) Resident deposits

Care home residents may pay a deposit on admission to a care home, which is fully refundable on departure less any amounts owed at that date. Resident deposits received are included within unrestricted cash but are held within a separate bank account. Resident deposits are also included within creditors. Receipts and payments of resident deposits are not reflected in the income and expenditure of the Group.

(o) Cash at bank and in hand

Cash at bank and cash in hand include cash and any deposits with a short maturity of three months or less from the date of opening of the deposit or similar account. It includes cash within the investment portfolio that is not held for reinvestment.

(p) Creditors and provisions

Creditors and provisions are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(q) Financial instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at the amortised cost using the effective interest method, less impairment.

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, with subsequent changes in fair value recognised in the statement of financial activities

1. Principal accounting policies (continued)

(q) Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, and loans from third parties are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instruments include bank loans. These are subsequently carried at amortised cost using the effective interest rate method.

(r) Operating leases

Rentals under operating leases are charged to the statement of financial activities as they fall due.

(s) Pension schemes

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved.

The pension liabilities and assets are recorded in line with FRS102, with a valuation undertaken by an independent actuary. FRS102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities.

The value of benefits accrued is used to determine the pension charge in the statement of financial activities and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate income/ expenditure categories.

The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members, is recognised in the statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the balance sheet.

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Contributions are charged to the statement of financial activities as they become payable.

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes. It is not possible for the Charity to obtain sufficient information to enable it to account for these schemes as defined benefit schemes. Therefore, it accounts for the schemes as if they were defined contribution schemes and recognises only the present value of future deficit recovery contributions as a provision. This provision forms part of unrestricted funds.

Where pension scheme costs are charged to the statement of financial activities in relation to service during the year, the costs are allocated to the relevant activities and funds (unrestricted or restricted) in the same way as costs relating to the relevant employees. Where pension scheme costs are incurred in relation to past employment, these costs are allocated to unrestricted expenditure within the relevant activity of the employees (some of whom may be former employees).

1. Principal accounting policies (continued)

(s) Key judgements and estimates

There are additional uncertainties with recent volatility in the UK economy, with the potential to impact on judgements and estimates at year-end, or to result in future material changes in asset values. This includes changes in the care sector, care home development and resale market, residential property market, and stock markets. The trustees have considered up to date information and data from a range of sources, where they impact on key judgements and estimates, up to the date of approval of the financial statements.

The review of impairment indicators and assessment of impairment loss

Impairment indicators include the financial performance of a service (in particular, individual care homes) compared to expectations, any recent third-party valuations compared to carrying value, and the basis of those valuations compared to any more recent results. The risk of impairment of the Charity's fixed assets, including care homes and related fixtures and fittings, is increased as a result of the losses being made by the Charity.

Where there are impairment indicators for individual care homes, the recoverable value of the home is assessed. The fair value of the home, less costs to sell, is considered, where we have third party information on its market value, updated to reflect recent operating result of the care home. This is compared to the value in use based on depreciated replacement cost. The key estimate in depreciated replacement cost is the cost to build an equivalent asset. Depending on the nature of the building, either general market information is used, or more specific guidance is obtained from care sector experts.

If an impairment is considered to be permanent, then an impairment loss is recognised. If it is considered to be temporary – with a reasonable expectation that it will reverse within a set period of time - then no impairment charge is booked but future performance is monitored to compare against the basis of the original conclusion.

Further risk relates to planning application costs, in particular for the Coulsdon Integrated Retirement Community application that was refused by the council in June 2023, with the planning appeal public inquiry adjourned in March 2024. We are confident of the strength of our application and the public inquiry is to be re-started with a new planning inspector, starting in March 2025. We are confident that the project still has value, therefore no impairment is considered necessary (see note 14).

Impairment charges of £74,000 were recognised in the year (2023: none) in relation to fixtures and fittings in the RNNH, as it is due to close. The net book value of the freehold building had been written down to the underlying value of the land in a prior year, so no impairment charges in relation to the building were required.

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are: discount rates; inflation rates; mortality assumptions and life expectancies; and expected return on scheme assets. These assumptions are reviewed and approved by the trustees, based on information provided by the scheme actuaries. The area of estimation for the multi-employer pension schemes is the discount rate applied to future contributions. The future contributions are now less than £3,000 per annum, payable for a further three years, so this discount rate is no longer a key judgement.

Tangible fixed assets and depreciation

Note 1(h) sets out the basis of depreciation. Key judgements are the useful economic lives of assets, and the residual value of structure and external fabric of freehold and long leasehold properties at the end of their lives. Useful economic lives are based on known replacement timelines for individual elements of a property, such as central heating systems, lifts, and bathrooms.

1. Principal accounting policies (continued)

(t) Key judgements and estimates (continued)

Useful economic lives are based on experience of our older care homes. Residual values for the fabric and structure of care homes are based on sector information on the marketable value of older care homes.

Investment property valuations

Investment properties are revalued by trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value in other years. In March 2022 local estate agent valuations were obtained, with adjustments for the costs to separate legal title and access. In March 2024, the trustees considered whether there were any indicators of material changes in condition of the properties or changes in value based on house market indices.

2. Consolidated statement of financial activities by fund 2023

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2023 £'000
Income from:					
<i>Donations and legacies</i>					
	4				
Exceptional income		-	-	1,000	1,000
Other donations and legacies		452	579	-	1,031
		452	579	1,000	2,031
<i>Income from charitable activities:</i>					
	8				
Residential care		18,405	-	-	18,405
Community services		760	-	-	760
		19,165	-	-	19,165
Investment Income	5	222	415	1	638
Other income	6	7	-	-	7
Total		19,846	994	1,001	21,841
Expenditure on:					
<i>Raising funds:</i>					
	8				
Fundraising costs		230	36	-	266
Investment management costs		81	-	-	81
		311	36	-	347
<i>Charitable activities:</i>					
	8				
Residential care		19,998	792	22	20,812
Community services		1,016	7	-	1,023
Community engagement		-	3	-	3
Grants and allowances		148	299	-	447
		21,162	1,101	22	22,285
Total		21,473	1,137	22	22,632
Net (expenditure)/ income before	9	(1,627)	(143)	979	(791)
Net (losses)/ gains on investments	15	(153)	(299)	(421)	(873)
Net (expenditure)/ income		(1,780)	(442)	558	(1,664)
Other recognised gains/(losses)					
Realised gains on sale of fixed assets			-		-
Actuarial (losses) on defined benefit pension	20	(10)	-	-	(10)
Transfers between funds	22	2,275	(1,975)	(300)	-
Net movement in funds		485	(2,417)	258	(1,674)
Reconciliation of funds:					
Total funds brought forward	22	22,249	8,489	9,329	40,067
Total funds carried forward	22	22,734	6,072	9,587	38,393

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2024:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	419	-	-
Total expenditure	(417)	-	-
Net movement in funds	2	-	-
Profits distributed to the Charity	(3)	-	-
Net assets at 31 March 2024	1	10	-

Summary of results for the year ended 31 March 2023:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	174	-	-
Total expenditure	(171)	-	-
Net movement in funds	3	-	-
Net assets at 31 March 2023	2	10	-

Potential Limited is a wholly-owned subsidiary of Friends of the Elderly and undertakes development work for the Group. Its company registration number is 3353988.

Friends of the Elderly Trading Limited is dormant. Its company registration number is 3557337.

Friends of the Elderly became the sole member of the Retired Nurses National Home (the RNNH) on 31 March 2015. The RNNH's activities, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019 as part of a group merger. This transfer included the care home in Bournemouth that was owned and operated by the RNNH.

4. Donations and legacies

	2024	2023
	£'000	£'000
Donations	464	1,746
Legacies	226	235
Pro-bono services	54	36
Total excluding government grants	744	2,017
<i>Government grants (note 7)</i>		
Covid-19 Adult Social Care	8	14
	<u>752</u>	<u>2,031</u>

5. Investment income

	2024	2023
	£'000	£'000
Dividends from investments	466	523
Investment property rental income	101	107
Interest receivable	72	8
	<u>639</u>	<u>638</u>

6. Other income and other expenditure

Other income

	2024	2023
	£'000	£'000
Gain on disposal of fixed assets	-	7
Gain on lease surrender	631	-
	<u>631</u>	<u>7</u>

The Charity received a lease surrender premium of £650,000 on 28 March 2024 for the surrender of its head office lease. The gain reported is net of costs of arranging the lease surrender.

Other expenditure

Other expenditure within charitable activities includes:

	2024	2023
	£'000	£'000
Impairment charge	74	-
Loss on disposal of fixed assets	72	-
	<u>146</u>	<u>-</u>

The impairment charge relates to fixtures and fittings of a care home where closure was announced in March 2024, for assets we do not expect to be able to move to other care homes or sell. The loss on disposal of fixed assets relates primarily to leasehold improvements on the lease that was surrendered in the year.

7. Government grants

	2024	2023
	£'000	£'000
Recorded within restricted income from donations and legacies		
Covid-19 Adult Social Care grants	8	14
	<u>8</u>	<u>14</u>

Adult Social Care grants relating to Covid-19 emergency funding include a Workforce Capacity Fund. These funds are administered and distributed by local authorities. All grant conditions have been met for income recognised during the year.

8. Analysis of income and expenditure by charitable activity

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2024	2024	2024	2024	2024	2024
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	20,037	703	-	-	-	20,740
Government grants	8	-	-	-	-	8
Other attributable fundraising income	33	18	7	279	407	744
Attributable investment income	287	-	-	61	291	639
Total income	20,365	721	7	340	698	22,131
Direct expenditure	18,099	795	3	115	285	19,297
Grant-funding of activities	-	-	-	361	-	361
Total income less direct expenditure	2,266	(74)	4	(136)	413	2,473
Attributable support costs:						
Governance	413	28	-	23	18	482
Operations, quality and training	898	50	-	9	4	961
Property	162	4	-	-	13	179
Finance, HR and IT	1,572	83	-	30	24	1,709
Marketing and communications	336	77	-	10	77	500
Strategic and executive	258	9	-	23	28	318
Total attributable support costs	3,639	251	-	95	164	4,149
Total expenditure	21,738	1,046	3	571	449	23,807
Net surplus/ (deficit)	(1,373)	(325)	4	(231)	249	(1,676)

Fundraising and investment income that is restricted to specific charitable activities is shown as attributable to that activity in the table above. Unrestricted fundraising and investment income is shown in the raising funds column.

This excludes other income and other expenditure (note 6).

The analysis for 2023 is as follows:

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2023	2023	2023	2023	2023	2023
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	18,405	760	-	-	-	19,165
Government grants	14	-	-	-	-	14
Other attributable fundraising income	304	6	5	1,210	492	2,017
Attributable investment income	356	-	-	59	223	638
Total income	19,079	766	5	1,269	715	21,834
Direct expenditure	17,411	792	3	105	248	18,559
Grant-funding of activities	-	-	-	259	-	259
Total income less direct expenditure	1,668	(26)	2	905	467	3,016
Attributable support costs:						
Governance	293	19	-	16	8	336
Operations, quality and training	898	55	-	10	7	970
Property	159	5	-	-	5	169
Finance, HR and IT	1,542	87	-	23	22	1,674
Marketing and communications	369	46	-	9	23	447
Strategic and executive	140	19	-	25	34	218
Total attributable support costs	3,401	231	-	83	99	3,814
Total expenditure	20,812	1,023	3	447	347	22,632
Net surplus/ (deficit)	(1,733)	(257)	2	822	368	(798)

8. Analysis of income and expenditure by charitable activity (continued)

Support costs and costs of governance are apportioned between charitable activities and the activities for raising funds. The basis of apportionment is as follows:

Function	Basis of apportionment
Governance costs	Apportioned in proportion to overall support costs allocation
Operations, Quality and Training	Specific teams relate to different charitable operations, other costs are apportioned based on management estimate
Property	Apportioned based on management estimate
Finance and Information Technology	Apportioned based on the proportion of total expenditure
Human Resources	Apportioned based on headcount
Marketing and communications	Apportioned based on management estimate
Strategy and Executive	Apportioned based on management estimate

9. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2024	2023
	£'000	£'000
Staff costs (Note 10)	16,621	15,509
Amortisation of intangible fixed assets (Note 13)	9	49
Depreciation of tangible fixed assets (Note 14)	864	951
Impairment of tangible fixed assets (note 6)	74	-
Auditors' remuneration - Audit of the Charity (current year)	43	42
Auditors' remuneration - Audit of subsidiary undertakings	2	2
Auditors' remuneration - Other Services	30	3
Professional indemnity insurance	2	2
Loss/(gain) on disposal of fixed assets	72	(7)
(Gain) on lease surrender	(631)	-
Pension scheme net finance charge	1	-
Operating lease rentals	135	143

The professional indemnity insurance is in respect of all trustees, committee members and staff.

10. Staff costs

	2024	2023
	£'000	£'000
Staff costs were as follows:		
Salaries	12,262	10,857
Social security costs	1,047	900
Pension costs - excluding change to pension provision	647	571
Pension costs - change to pension provision (note 20)	(15)	(13)
	<u>13,941</u>	<u>12,315</u>
Agency - Care	1,199	1,780
Agency - Non-Care	1	10
Contract staff costs	1,480	1,404
Agency and contract costs	<u>2,680</u>	<u>3,194</u>

10. Staff costs (continued)

The following costs were incurred in relation to redundancies and are included within the staff costs total above. There were no ex-gratia payments.

	2024	2023
	£'000	£'000
Redundancy payments made	35	-
Redundancy future payments provided for	91	-
	<u>126</u>	<u>-</u>

The number of staff whose emoluments (not including employer pension contributions) plus taxable benefits amounted to over £60,000 during the year were as follows:

	2024	2023
	No.	No.
£60,001 - £70,000	10	7
£70,001 - £80,000	1	2
£80,001 - £90,000	3	2
£90,001 to £100,000	1	2
£140,001 to £150,000	<u>1</u>	<u>-</u>

Key management personnel

The total emoluments (including employer pension contributions) paid to key management personnel are set out below. Key management personnel comprise the senior management team and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2023: none).

	2024	2023
	£'000	£'000
Total emoluments	<u>670</u>	<u>588</u>
	No.	No.
Average number of Senior Management Team	<u>6</u>	<u>6</u>

Emoluments include an element of deferred pay for one employee for 2020-21 to 2023-24.

11. Staff numbers

The average number of employees (headcount) and full time equivalent (FTE) for the year were as follows:

Employee numbers	2024	2023	2024	2023
	Headcount	Headcount	FTE	FTE
	No.	No.	No.	No.
Care staff	423	416	327	322
Support staff	68	66	60	59
	<u>491</u>	<u>482</u>	<u>387</u>	<u>381</u>

12. Related party transactions

Trustees

The trustees received no remuneration for their services (2023: £nil). During the year ended 31 March 2024, no expenses were paid to any trustee for costs incurred in the course of their duties as trustee of the Charity (2023: £nil).

No donations were made by a related party of any trustee to the Group during the year (2023: £nil). Expenses waived by trustees during the year were not material (2023: not material).

Key management personnel

There are no related party transactions with key management personnel to report for the year ended 31 March 2024 (2023: none).

Intercompany transactions

The Charity had the following transactions with Group companies during the year:

	2024	2023
	£'000	£'000
Amounts charged/ (credited) to Potential		
Management fee	25	7
Property development costs recharged (capitalised within the Charity)	(388)	(161)
	<u>(363)</u>	<u>(154)</u>

The Charity had the following year-end balances with Group companies:

	2024	2023
	£'000	£'000
Amounts due to Potential	(193)	(15)
Amounts due to Friends of the Elderly Trading Limited	(5)	(5)
	<u>(198)</u>	<u>(20)</u>

13. Intangible fixed assets

Computer software

	£'000
Cost	
At 1 April 2023	585
Additions	21
Disposals	-
At 31 March 2024	<u>606</u>
Amortisation	
At 1 April 2023	555
Charge for the year	9
Eliminated on disposal	-
At 31 March 2024	<u>564</u>
Net book value 31 March 2024	<u>42</u>
Net book value 31 March 2023	<u>30</u>

14. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2023	27,622	156	10,009	37,787
Additions	498	-	355	853
Disposals	-	(156)	(472)	(628)
At 31 March 2024	<u>28,120</u>	<u>-</u>	<u>9,892</u>	<u>38,012</u>
Depreciation				
At 1 April 2023	7,553	120	8,171	15,844
Charge for the year	256	2	606	864
Impairment charge	-	-	74	74
Eliminated on disposal	-	(122)	(424)	(546)
At 31 March 2024	<u>7,809</u>	<u>-</u>	<u>8,427</u>	<u>16,236</u>
Net book value 31 March 2024	<u>20,311</u>	<u>-</u>	<u>1,465</u>	<u>21,776</u>
Net book value 31 March 2023	<u>20,069</u>	<u>36</u>	<u>1,838</u>	<u>21,943</u>
(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2023	27,881	156	10,015	38,052
Additions	528	-	355	883
Disposals	-	(156)	(472)	(628)
At 31 March 2024	<u>28,409</u>	<u>-</u>	<u>9,898</u>	<u>38,307</u>
Depreciation				
At 1 April 2023	7,690	120	8,177	15,987
Charge for the year	256	2	606	864
Impairment charge	-	-	74	74
Eliminated on disposal	-	(122)	(424)	(546)
At 31 March 2024	<u>7,946</u>	<u>-</u>	<u>8,433</u>	<u>16,379</u>
Net book value 31 March 2024	<u>20,463</u>	<u>-</u>	<u>1,465</u>	<u>21,928</u>
Net book value 31 March 2023	<u>20,191</u>	<u>36</u>	<u>1,838</u>	<u>22,065</u>

Tangible fixed assets include assets in the course of construction, which are not depreciated until they are in use, but which are assessed annually for any impairment risks.

	Group		Charity	
	2024	2023	2024	2023
Assets in the course of construction	£'000	£'000	£'000	£'000
Cost and net book value	<u>2,079</u>	<u>1,653</u>	<u>2,171</u>	<u>1,711</u>

14. Tangible fixed assets (continued)

Assets in the course of construction include cost and net book value relating to the Coulsdon planning application, and a successful planning application for an extension at New Copford Place.

Borrowing costs of £19,000 (2023: £14,000) were capitalised in the year as part of assets in the course of construction. This is interest on the 15-year term loan disclosed in note 18. The loans (note 18) are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

Long-leasehold property is classified as finance leases. The short-leasehold lease was surrendered on 28 March 2024. There were no lease payments due for these properties other than one peppercorn if demanded. Amounts capitalised under short leasehold property were property improvements.

15. Fixed asset investments

(a) Group	Investment Property £'000	Investments Unlisted £'000	Total £'000
<u>Cost or valuation</u>			
At 1 April 2023	2,836	13,868	16,704
Additions	-	500	500
Disposals (carrying value)	-	(1,876)	(1,876)
Unrealised gains on revaluation	-	985	985
At 31 March 2024	<u>2,836</u>	<u>13,477</u>	<u>16,313</u>
Cost at 31 March 2024	<u>341</u>	<u>10,882</u>	<u>11,223</u>

b) Charity	Investment Property £'000	Investments Unlisted £'000	Investment in Subsidiaries £'000	Total £'000
<u>Cost or valuation</u>				
At 1 April 2023	2,836	13,868	10	16,714
Additions	-	500	-	500
Disposals (carrying value)	-	(1,876)	-	(1,876)
Unrealised gains on revaluation	-	985	-	985
At 31 March 2024	<u>2,836</u>	<u>13,477</u>	<u>10</u>	<u>16,323</u>
Cost at 31 March 2024	<u>341</u>	<u>10,882</u>	<u>10</u>	<u>11,233</u>

Realised gains on disposals (Charity and Group) in the year were £48,000 (2023: realised losses of £143,000).

'Investments in subsidiaries' relates to two trading companies – Potential Limited; and Friends of the Elderly (Trading) Limited, which is dormant. Summary results for the subsidiaries can be found in note 3.

Investment properties are properties which are held for strategic reasons, but which are capable of being rented to third parties or of being sold separate to adjacent care homes.

16. Debtors

	Group		Charity	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Trade debtors	1,794	1,031	1,794	1,031
Other debtors	82	176	50	166
Prepayments and accrued income	930	697	930	697
	<u>2,806</u>	<u>1,904</u>	<u>2,774</u>	<u>1,894</u>

17. Creditors: amounts falling due within one year

	Group		Charity	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Trade creditors	1,163	926	885	896
Amounts due to subsidiary undertakings	-	-	198	19
Other creditors	438	315	433	310
Resident deposits	1,119	1,109	1,119	1,109
Taxation and social security	288	276	288	276
Accruals	750	619	750	619
Loans: Amounts Due Within One Year	133	137	133	137
	<u>3,891</u>	<u>3,382</u>	<u>3,806</u>	<u>3,366</u>

18. Creditors: amounts falling due after more than one year

	Group and Charity	
	2024	2023
	£'000	£'000
Secured bank loan:		
Falling due within more than one year but less than five years	641	639
Falling due after five years	<u>570</u>	<u>692</u>
Total amounts falling due after one year:	1,211	1,331
Amounts falling due within one year (Note 17)	<u>133</u>	<u>137</u>
Total of all loans	<u>1,344</u>	<u>1,468</u>

The loans are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

The loans are basic financial instruments carried at amortised cost. £879,000 of the debt has an interest rate at 1.75% above the Bank of England's sterling base rate, with a 20-year term ending in 2031. £465,000 of debt has an interest rate at 3.0% above the Bank of England's sterling base rate, with a 15-year term ending in 2034.

19. Provisions

	Group and Charity	
	2024	2023
	£'000	£'000
Provision for redundancy and related costs of closure	112	-
	<u>112</u>	<u>-</u>

Provision movement in the year was as follows:

	Group and Charity	
	2024	2023
	£'000	£'000
Provisions at 1 April	-	-
Charged in year	112	-
Provisions at 31 March	<u>112</u>	<u>-</u>

20. Pension schemes

The Charity and Group operate or contribute to a number of pension schemes, both defined contribution schemes and defined benefit pension schemes. The liability recognised in respect of defined benefit pension schemes is as follows:

Defined benefit pension scheme liability by Scheme	Group and Charity	
	2024	2023
	£'000	£'000
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(1)	(14)
Career Average Revalued Earnings (CARE) Pension Scheme	(8)	(10)
	<u>(9)</u>	<u>(24)</u>

Reconciliation of opening and closing provision by Scheme

	FotE Closed 2024	SVSPS Scheme 2024	CARE Scheme 2024	Total 2024
	£'000	£'000	£'000	£'000
Provision at 1 April 2023	-	(14)	(10)	(24)
Interest expense	-	-	(1)	(1)
Contributions paid	10	12	2	24
Remeasurement - impact of changes in assumptions	-	-	-	-
Remeasurement - amendments to the contribution schedule	-	1	1	2
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	2	-	-	2
- Return on assets excluding interest income	(31)	-	-	(31)
- Change in the effect of asset ceiling	19	-	-	19
Provision at 31 March 2024	<u>-</u>	<u>(1)</u>	<u>(8)</u>	<u>(9)</u>

20. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme for 2023:

	FotE Closed Scheme 2023 £'000	SVSPS Scheme 2023 £'000	CARE Scheme 2023 £'000	Total 2023 £'000
Provision at 1 April 2022	-	(24)	(13)	(37)
Interest expense	-		-	-
Contributions paid	10	11	2	23
Remeasurement - impact of changes in assumptions	-	(1)	1	-
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	183	-	-	183
- Return on assets excluding interest income	(228)	-	-	(228)
- Change in the effect of asset ceiling	35	-	-	35
Provision at 31 March 2023	-	(14)	(10)	(24)

20(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by the Charity and amounted to £623,000 in the year (2023: £547,000).

20(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)

The Charity operates the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) (the Scheme), a UK registered trust-based pension scheme that provides defined benefits. No benefits have been accrued since 30 September 1996.

Pension benefits are linked to members' final pensionable salaries and service to 30 September 1996 (or date of leaving if earlier). The Scheme trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of members:

- Deferred members: former employees or current employees of the Charity who have accrued benefits in the Scheme but are not yet in receipt of a pension.
- Pensioner members: in receipt of pension.

The Scheme trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation was performed by the Scheme actuary for the trustees as at 30 September 2021. The valuation revealed a funding surplus of £39,000 (2018 valuation: shortfall of £2,000). No further recovery plan payments are required by the Charity, however the Charity has agreed to continue to pay £830 a month from April 2022 (prior to this the Charity paid £1,250 per month). All the administration and operating expenses of the Scheme, including the Pension Protection Fund (PPF) levy, will continue to be met directly by the Charity.

The pension scheme surplus as at 31 March 2024 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

20. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

The amounts recognised and the balance sheet positions, for 2024 and 2023, are as follows:

	Group and Charity: 2024			Group and Charity: 2023		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,038	(1,001)	37	1,472	(1,400)	72
Limit on recognition of assets	(37)	-	(37)	(72)	-	(72)
Scheme surplus recognised at 1 April	1,001	(1,001)	-	1,400	(1,400)	-
Benefits paid	(128)	128	-	(250)	250	-
Employer contributions	10	-	10	10	-	10
<i>Amounts charged to Statement of Financial Activities:</i>						
Interest income/ (cost)	47	(47)	-	34	(34)	-
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	2	2	-	183	183
- Return on assets excluding interest income	(31)	-	(31)	(228)	-	(228)
- Change in the effect of asset ceiling	19	-	19	35	-	35
<i>Total amounts charged to Statement of Financial Activities</i>	35	(45)	(10)	(159)	149	(10)
Fair value at 31 March (less surplus not recognised)	918	(918)	-	1,001	(1,001)	-

The fair value of the assets of the scheme was:

	Group and Charity			
	2024	2024	2023	2023
	£'000	% of total plan	£'000	% of total plan
Trustees bank account/ net current assets	12	1.3%	8	0.8%
Annuities	796	85.0%	787	75.8%
Gilts fund	128	13.7%	230	22.2%
Diversified fund	-	0.0%	13	1.3%
Total	936	100.0%	1,038	100.0%

The return on the assets was:

	Group and Charity	
	2024	2023
	Market value	Market value
	£'000	£'000
Interest income	47	34
Return on assets less interest income	(31)	(228)
Total return on assets	16	(194)

20. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

Actuarial assumptions

	Group and Charity	
	2024	2023
Discount rate	4.80% pa	4.80% pa
RPI inflation	3.40% pa	3.40% pa
CPI inflation	2.40% pa	2.40% pa
Revaluation of deferred pensions	2.40% pa	2.40% pa

Mortality assumptions

	Group and Charity	
	2024	2023
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S3PA CMI_2022_M/F [1.25%] (yob)	100% of S3PA CMI_2021_M/F [1.25%] (yob)

Life expectancies (in years)

	2024		2023	
	Males	Females	Males	Females
For an individual aged 60	26.0	28.8	26.6	29.3
At age 60 for an individual aged 40	27.6	30.3	28.2	30.7

20(c) Multi-employer pension schemes

The Charity participates in two multi-employer pension schemes: the Scottish Voluntary Sector Pension Scheme (SVSPS) and the Career Average Revalued Earnings Pension Scheme (CARE).

These schemes are defined benefit schemes in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore, it accounts for the schemes as defined contribution schemes. The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The schemes are classified as 'last-man standing arrangements'. Therefore, the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. Recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the Charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

20. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

SVSPS

The SVSPS provides benefits to some 95 non-associated employers.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. This actuarial valuation was certified on 21 December 2021 and showed assets of £153.3m, liabilities of £160.0m and a deficit of £6.7m (at the previous 2017 valuation the deficit was £25.9m). To eliminate this funding shortfall, the trustees and the participating employers have agreed that contributions will be paid, in combination from all employers, to the scheme of £1.5m per annum until 31 May 2024 (increasing by 3% each year on 1 April), of which the Charity's contributions were £11,000 per annum, with a total of £2,000 future contributions payable as at 31 March 2024.

CARE

The CARE scheme provides benefits to some 37 non-associated employers.

A full actuarial valuation for the scheme was carried out as at 30 September 2022. This actuarial valuation showed assets of £49.6m, liabilities of £57.1m and a deficit of £7.5m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.7m per annum until March 2027 (increasing by 3% each year on 1 April), of which the Charity's contributions are £2,600 per annum, rising to £2,800 in 2026-27.

Discount rates

	Group and Charity	
	2024	2023
Discount rate: SVSPS	4.90%	5.40%
Discount rate: CARE	4.95%	5.18%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

21. Analysis of net assets between funds

Fund balances at 31 March 2024, represented by:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	42	-	-	42
Tangible assets	19,958	-	1,818	21,776
Investments	5,960	2,973	7,380	16,313
Current assets	3,116	1,800	401	5,317
Current liabilities	(3,891)	-	-	(3,891)
Non-current liabilities	(1,332)	-	-	(1,332)
	<u>23,853</u>	<u>4,773</u>	<u>9,599</u>	<u>38,225</u>

21. Analysis of net assets between funds (continued)

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	42	-	-	42
Tangible assets	20,110	-	1,818	21,928
Investments	5,970	2,973	7,380	16,323
Current assets	3,030	1,800	401	5,231
Current liabilities	(3,806)	-	-	(3,806)
Non-current liabilities	(1,332)	-	-	(1,332)
	<u>24,014</u>	<u>4,773</u>	<u>9,599</u>	<u>38,386</u>

Fund balances at 31 March 2023 were:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	30	-	-	30
Tangible assets	20,125	-	1,818	21,943
Investments	5,689	4,246	6,769	16,704
Current assets	1,584	1,869	1,000	4,453
Current liabilities	(3,339)	(43)	-	(3,382)
Non-current liabilities	(1,355)	-	-	(1,355)
	<u>22,734</u>	<u>6,072</u>	<u>9,587</u>	<u>38,393</u>

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	30	-	-	30
Tangible assets	20,247	-	1,818	22,065
Investments	5,699	4,246	6,769	16,714
Current assets	1,566	1,869	1,000	4,435
Current liabilities	(3,323)	(43)	-	(3,366)
Non-current liabilities	(1,355)	-	-	(1,355)
	<u>22,864</u>	<u>6,072</u>	<u>9,587</u>	<u>38,523</u>

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2024

22. Movement in funds

Fund movements for the Group for the year ended 31 March 2024:

(a) Group	As at 1 April 2023 £	Net income/ (expenditure) £	Other gains and (losses) £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2024 £
Unrestricted funds:								
Designated funds	18,571	-	-	(571)	620	92	-	18,712
General reserves:								
Revaluation reserve	2,495	-	-	-	-	-	-	2,495
Other reserve	1,692	(659)	271	571	(620)	(92)	1,492	2,655
Pension reserve	(24)	25	(10)	-	-	-	-	(9)
Total unrestricted funds	22,734	(634)	261	-	-	-	1,492	23,853
Restricted funds:								
Funds for residential care homes	264	(3)	-	-	-	-	-	261
Sir Thomas Lipton Memorial Home fund	3,703	-	256	-	-	-	(1,510)	2,449
Funds restricted to RNNH	6	(354)	-	-	-	-	366	18
Funds for grants and allowances	947	(81)	28	-	-	-	105	999
Funds for residents' subsidies	680	(112)	1	-	-	-	25	594
Community services	29	(12)	-	-	-	-	-	17
Community projects	46	4	-	-	-	-	(12)	38
Other restricted funds	397	-	-	-	-	-	-	397
Total restricted funds	6,072	(558)	285	-	-	-	(1,026)	4,773
Endowed funds:								
Expendable endowment - TGF	1,000	-	-	-	-	-	(100)	900
Expendable endowment - RNNH	379	-	(4)	-	-	-	(366)	9
Total expendable endowment	1,379	-	(4)	-	-	-	(466)	909
Permanent endowment:								
Endowed property - RNNH	1,583	-	-	-	-	-	-	1,583
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,141	1	172	-	-	-	-	2,314
Funds for residents' subsidies	3,165	-	224	-	-	-	-	3,389
Funds for grants and allowances	1,084	-	85	-	-	-	-	1,169
Total permanent endowment	8,208	1	481	-	-	-	-	8,690
Total endowed funds	9,587	1	477	-	-	-	(466)	9,599
Total funds	38,393	(1,191)	1,023	-	-	-	-	38,225

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2024

22. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2024:

(b) Charity	As at 1 April 2023 £	Net income/ (expenditure) £	Other gains and (losses) £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2024 £
Unrestricted funds:								
Designated funds	18,693	-	-	(571)	650	92	-	18,864
General reserves:								
Revaluation reserve	2,495	-	-	-	-	-	-	2,495
Other reserve	1,700	(628)	271	571	(650)	(92)	1,492	2,664
Pension reserve	(24)	25	(10)	-	-	-	-	(9)
Total unrestricted funds	22,864	(603)	261	-	-	-	1,492	24,014
Restricted funds:								
Funds for residential care homes	264	(3)	-	-	-	-	-	261
Sir Thomas Lipton Memorial Home fund	3,703	-	256	-	-	-	(1,510)	2,449
Funds restricted to RNNH	6	(354)	-	-	-	-	366	18
Funds for grants and allowances	947	(81)	28	-	-	-	105	999
Funds for residents' subsidies	680	(112)	1	-	-	-	25	594
Community services	29	(12)	-	-	-	-	-	17
Community projects	46	4	-	-	-	-	(12)	38
Other restricted funds	397	-	-	-	-	-	-	397
Total restricted funds	6,072	(558)	285	-	-	-	(1,026)	4,773
Endowed funds:								
Expendable endowment - TGF	1,000	-	-	-	-	-	(100)	900
Expendable endowment - RNNH	379	-	(4)	-	-	-	(366)	9
Total expendable endowment	1,379	-	(4)	-	-	-	(466)	909
Permanent endowment:								
Endowed property - RNNH	1,583	-	-	-	-	-	-	1,583
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,141	1	172	-	-	-	-	2,314
Funds for residents' subsidies	3,165	-	224	-	-	-	-	3,389
Funds for grants and allowances	1,084	-	85	-	-	-	-	1,169
Total permanent endowment	8,208	1	481	-	-	-	-	8,690
Total endowed funds	9,587	1	477	-	-	-	(466)	9,599
Total funds	38,523	(1,160)	1,023	-	-	-	-	38,386

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2024

22. Movement in funds (continued)

Fund movements for the Group for the year ended 31 March 2023:

(a) Group	As at 1 April 2022	Net income/ (expenditure)	Other gains and (losses)	Depreciation movement	Net capital expenditure	Loan movement	Funds Transferred	As at 31 March 2023
	£	£	£	£	£	£	£	£
Unrestricted funds:								
Designated funds	18,033	-	-	(643)	1,073	108	-	18,571
General reserves:								
Revaluation reserve	2,495	-	-	-	-	-	-	2,495
Other reserve	1,758	(1,650)	(153)	643	(1,073)	(108)	2,275	1,692
Pension reserve	(37)	23	(10)	-	-	-	-	(24)
Total unrestricted funds	22,249	(1,627)	(163)	-	-	-	2,275	22,734
Restricted funds:								
Funds for residential care homes	234	285	-	-	-	-	(255)	264
Sir Thomas Lipton Memorial Home fund	6,013	-	(260)	-	-	-	(2,050)	3,703
Funds restricted to RNNH	12	(302)	(4)	-	-	-	300	6
Funds for grants and allowances	1,003	(30)	(35)	-	-	-	9	947
Funds for residents' subsidies	747	(92)	-	-	-	-	25	680
Community services	30	(1)	-	-	-	-	-	29
Community projects	48	(3)	-	-	-	-	1	46
Other restricted funds	402	-	-	-	-	-	(5)	397
Total restricted funds	8,489	(143)	(299)	-	-	-	(1,975)	6,072
Endowed funds:								
Expendable endowment - TGF	-	1,000	-	-	-	-	-	1,000
Expendable endowment - RNNH	736	-	(57)	-	-	-	(300)	379
Total expendable endowment	736	1,000	(57)	-	-	-	(300)	1,379
Permanent endowment:								
Endowed property - RNNH	1,605	(22)	-	-	-	-	-	1,583
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,270	1	(130)	-	-	-	-	2,141
Funds for residents' subsidies	3,335	-	(170)	-	-	-	-	3,165
Funds for grants and allowances	1,148	-	(64)	-	-	-	-	1,084
Total permanent endowment	8,593	(21)	(364)	-	-	-	-	8,208
Total endowed funds	9,329	979	(421)	-	-	-	(300)	9,587
Total funds	40,067	(791)	(883)	-	-	-	-	38,393

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2024

22. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2023:

(b) Charity	As at 1 April 2022	Net income/ (expenditure)	Other gains and (losses)	Depreciation movement	Net capital expenditure	Loan movement	Funds Transferred	As at 31 March 2023
	£	£	£	£	£	£	£	£
Unrestricted funds:								
Designated funds	18,140	-	-	(643)	1,088	108	-	18,693
General reserves:								
Revaluation reserve	2,495	-	-	-	-	-	-	2,495
Other reserve	1,770	(1,639)	(153)	643	(1,088)	(108)	2,275	1,700
Pension reserve	(37)	23	(10)	-	-	-	-	(24)
Total unrestricted funds	22,368	(1,616)	(163)	-	-	-	2,275	22,864
Restricted funds:								
Funds for residential care homes	234	285	-	-	-	-	(255)	264
Sir Thomas Lipton Memorial Home fund	6,013	-	(260)	-	-	-	(2,050)	3,703
Funds restricted to RNNH	12	(302)	(4)	-	-	-	300	6
Funds for grants and allowances	1,003	(30)	(35)	-	-	-	9	947
Funds for residents' subsidies	747	(92)	-	-	-	-	25	680
Community services	30	(1)	-	-	-	-	-	29
Community projects	48	(3)	-	-	-	-	1	46
Other restricted funds	402	-	-	-	-	-	(5)	397
Total restricted funds	8,489	(143)	(299)	-	-	-	(1,975)	6,072
Endowed funds:								
Expendable endowment - TGF	-	1,000	-	-	-	-	-	1,000
Expendable endowment - RNNH	736	-	(57)	-	-	-	(300)	379
Total expendable endowment	736	1,000	(57)	-	-	-	(300)	1,379
Permanent endowment:								
Endowed property - RNNH	1,605	(22)	-	-	-	-	-	1,583
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,270	1	(130)	-	-	-	-	2,141
Funds for residents' subsidies	3,335	-	(170)	-	-	-	-	3,165
Funds for grants and allowances	1,148	-	(64)	-	-	-	-	1,084
Total permanent endowment	8,593	(21)	(364)	-	-	-	-	8,208
Total endowed funds	9,329	979	(421)	-	-	-	(300)	9,587
Total funds	40,186	(780)	(883)	-	-	-	-	38,523

22. Movement in funds (continued)

Designated funds – nature of funds

Designated funds are unrestricted funds set aside by trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings, used exclusively for construction, acquisition or operation of residential homes or extra care developments.

Restricted funds – nature of funds

- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations specific to certain care homes.
- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.
- Funds for residents' subsidies provide income to subsidise the care of residents.
- Funds for community services are donations or grants received for specific branches within community services.
- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.
- All funds that were within the RNNH prior to the merger on 31 March 2019 remain restricted, or endowed, within the Charity, other than where subsequently spent in accordance with the terms of the relevant restriction.
- The Sir Thomas Lipton Memorial Home fund arises from the proceeds of the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property of the Sir Thomas Lipton Charity. The Sir Thomas Lipton Charity is a linked charity of Friends of the Elderly, with Friends of the Elderly being the sole trustee. Its charitable objects are the relief of people who are in need by reason of age, infirmity or financial hardship by the provision of care and accommodation, with priority given to those who have worked in health or social care roles. There were also endowed funds for the upkeep of the original home.

In July 2020 and March 2022, the Charity Commission made two orders, allowing Friends of the Elderly to spend the permanent endowment as income to further the objects of the Sir Thomas Lipton Charity. This was as the result of a request made by Friends of the Elderly. This provides Friends of the Elderly with sufficient resources to address the ongoing operational challenges following Covid-19, and to face any further unexpected hurdles in the recovery of the care sector. As a result of this order, the Sir Thomas Lipton Funds are held within restricted funds, instead of endowed funds, since 31 March 2022.

Endowed funds – nature of funds

The 'TGF' expendable endowment is funds received from the Ted Gostling Foundation in March 2023 for spending on grants for older people in financial need over the following ten years.

Other endowments generate income for the restricted funds described above.

22. Movement in funds (continued)

Fund transfers in the year

- A transfer of £1,510,000 from restricted funds to unrestricted funds represents the investment withdrawals from the Sir Thomas Lipton funds to support care home operations as the Charity recovers from the impact of Covid-19.
- A transfer of £366,000 was made from an expendable endowment to a restricted fund to support operating losses of the Retired Nurses National Home.
- A transfer of £100,000 for the Ted Gostling Foundation expendable endowment to restricted funds, representing the annual amount allocated for grant-giving.
- The interest charge on a loan from a restricted fund to unrestricted funds, of £25,000, is shown as a fund transfer. Other small transfers relate to movement of small balances outside of their original classification but still within the scope of the original restriction.

23. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2024	2023
	£'000	£'000
Land and buildings		
Within one year	5	82
Within 2 to 5 years	-	311
> 5 years	-	975
	<u>5</u>	<u>1,368</u>
Other		
Within one year	15	53
Within 2 to 5 years	14	2
	<u>29</u>	<u>55</u>
Total	<u>34</u>	<u>1,423</u>

As at 31 March 2024 there was £24,000 (2023: £nil) of capital expenditure contracted for but not provided in the financial statements.

In March 2024 an Agreement to Lease was signed in relation to a care home that is to be built. The lease will start when the building is ready to occupy, which is expected to be in summer 2025.

24. Reconciliation of net movement in funds to net cash flow from operating activities

	2024	2023
	£'000	£'000
Net movement in funds	(168)	(1,674)
Unrealised and realised (gains)/losses on investments	(1,033)	873
Receipt of endowment	-	(1,000)
Net gain on lease surrender	(631)	
Net losses/(gains) on disposal of fixed assets	72	(7)
Actuarial losses on pension schemes	10	10
Investment income	(639)	(638)
Interest payable	82	54
Depreciation on tangible assets	864	951
Impairment of tangible assets	74	-
Amortisation on intangible assets	9	49
Difference between pension contributions and net costs	(25)	(23)
(Increase)/decrease in debtors	(902)	(98)
Increase/(decrease) in creditors	513	(88)
Increase/(decrease) in provisions	112	-
Net cash used in operating activities	(1,662)	(1,591)

25. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	2024	2023
	£'000	£'000
Financial assets measured at fair value through the SoFA	13,477	13,868

Financial assets measured at fair value through the statement of financial activities comprise listed and unlisted investments.

26. Post balance sheet events

The RNNH care home closed in June 2024. This was announced in March 2024, and redundancy-related costs are provided for as at 31 March 2024.

Contracts for the sale of The Old Vicarage, as an operating care home, were exchanged in September 2024. The date of completion is dependent on the Care Quality Commission registration process for the new provider.

There are no other events after the financial year-end that require adjusting or reporting.

27. Taxation

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

28. Members

At 31 March 2024 there were 9 members (2023: 11 members) who each pledge to pay £1 on winding up.

29. Ultimate controlling party

Friends of the Elderly has no parent undertaking. In the opinion of the members, the Charity does not have a controlling party.

Telephone 020 7730 8263
Website www.fote.org.uk

President

HRH Princess Alexandra

Vice Presidents

Mr Robin Aisher OBE (to June 2023)
Mrs Joan Orford

Patrons

Sir Michael Perry GBE
Mr Kerry Rubie MBE

FRIENDS OF THE ELDERLY

England & Wales - Charity number 226064

Accounts

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2023**

CONTENTS

Chief Executive's introduction	3
Trustees' report	5
Independent auditors' report	30
Financial statements	
Consolidated statement of financial activities	34
Consolidated and Charity balance sheets	35
Consolidated statement of cash flows	36
Notes to the financial statements	37

Our year in overview

1,700

Supported over 1,700 older people in our communities

Page 5

1,070

grants and allowances given to older people in financial need.



Page 5

Grant-giving service adapted to support older people struggling through high energy costs.



Page 7

‘Good’

One new ‘Requires Improvement’ CQC inspection rating, but an inspection of the same care home later in the year yielded a ‘Good’ CQC rating overall, after improvements to quality and compliance monitoring were made in all our care homes.



Page 8

The Charity’s Dementia Education Programme was **‘RUNNER UP’** in the Dementia Care Team of the Year category in the national Caring UK awards.

Page 8

Following high care staff vacancies earlier in the year, this gap was reduced by

47% ↓

through successful recruitment.

Page 9

The planning application for an Integrated Retirement Community in Coulsdon was refused, work has started on an appeal against the decision.

Page 10

Access to the Sir Thomas Lipton funds will support the Charity until its finances are fully recovered from the impacts of Covid.

Page 10

£1.67M DEFICIT

A deficit recorded of £1.67m. Excluding investment market losses of £873,000 and the one-off donation for future grant-giving of £1.0m, the underlying operating loss was £1.8m. This was due to lower care home occupancy.



Page 12

£1,000,000

A £1.0m donation received from a trust to pay for 10 years of future grant-giving.



Page 12

A £500,000 refurbishment of the Bernard Sunley care home was carried out, supported by a **£250,000** donation.



Page 10



Care home occupancy improved through the year, as Covid restrictions remaining in care homes were removed and care sector confidence returned.

Page 13

Chief Executive's introduction

Welcome to our 2022-23 report.

Firstly, I must reflect on the death during the year of our Patron, Her Majesty Queen Elizabeth II. Her Majesty was our Patron since her Coronation in 1953, and even before this, as a young Princess, she visited war veterans at an event organised by Friends of the Elderly (then Friends of the Poor). We are very grateful for the support of Her Majesty and other members of the Royal Family over the years. Our care home residents, day care clients, and our staff joined the rest of the nation in mourning Her Majesty's death. I would also like to record our condolences for our Patrons, the Rt. Hon. Baroness Boothroyd, and Robin Aisher, both of whom passed away recently. We are grateful for the support of all our Patrons.

I am pleased that this year saw a gradual move towards a post-pandemic world. However, we still had to manage Covid regulations in our care homes for much of the year, and the pandemic's impact on staff wellbeing and our finances will no doubt continue to be felt for some time to come. It was only in December 2022 that care home staff were legally able to remove their facemasks at work. Whilst we have been proud to comply with the highest safety standards throughout the pandemic, facemasks were not only uncomfortable for staff, they were also a barrier to communication with some residents, so this was a huge relief. The Covid testing regime for staff and residents was also finally relaxed by the government in April 2023. Our care homes did have several Covid outbreaks, but the impact on the health and wellbeing of our residents and staff was much less than in the early days of the pandemic.

We also recognise that the pressures of working through Covid had impacted on some areas of our care homes' compliance, particularly documentation and training on our recently upgraded electronic care plan system. One of our care homes, The Lawn, received a Care Quality Commission (CQC) 'Requires Improvement' rating following an inspection in June 2022. This followed a 'Requires Improvement' rating at the Retired Nurses National Home (RNNH) in December 2021. Both CQC reports included positive feedback on the quality of care from residents and relatives; however, we recognised the shortcomings identified. Following The Lawn's inspection, we engaged a third party to carry out rigorous mock CQC inspections on all our care homes and used this as the foundation for an enhanced oversight regime for all our care homes, which has now been embedded internally. We are sorry that the homes did not always meet the high standards that residents and their families expect.

The Lawn was re-inspected by the CQC in February 2023 and received a 'Good' overall rating, as did another of our care homes inspected in that month. *The RNNH was re-inspected by the CQC in August 2023 and we were disappointed that it again received a 'Requires Improvement' CQC rating due to some individual errors in documentation and reporting, which have quickly been addressed. The RNNH is our only care home with a 'Requires Improvement' CQC rating, with one care home having an 'Outstanding' rating and all others rated 'Good'.*

In other areas of our work, our grants team were able to expand their reach with continued support from trusts and individual donors. Our grant-giving service made 9% more payments than in the previous year, with 658 one-off grants as well as 412 regular allowances. These grants make a big impact on the lives of older people in financial need: perhaps a carpet or a new sofa so that someone can invite friends around (particularly valuable following the social isolation of many older people during Covid); a new washing machine; or towards a mobility scooter. This year we responded to increasing demand for grants for basic everyday items like food, toiletries, clothing, medicine and travel to medical appointments by introducing a new 'Essential Living Costs' grant stream.

Chief Executive's introduction (continued)

We thank all our donors for their support – with our finances still tight after Covid this has allowed us to reach more grant beneficiaries and improve the services offered to our current residents and day care clients.

We were delighted to receive a £1.0m donation from The Ted Gostling Foundation (previously The Edward Gostling Foundation) in March 2023 that provides funding for grants over a period of ten years. This is recorded in the financial statements as income on the date of receipt as an expendable endowment. We also received a further £210,000 towards our grant-making, as well as one trust specifically funding a part-time post in our grants administration team. Another generous donation this year was £250,000 from The Band Trust towards the cost of a major refurbishment at The Bernard Sunley care home.

The Charity has recorded a large deficit in the year of £1.7m. Of this loss, £873,000 relates to investment market losses from the turbulent economy – we do experience regular short-term swings in investment values, and this compares to £1.0m gains in the year before; but most of our investments are held for the long-term. The operating deficit resulted from lower numbers of care home residents than before Covid, but this improved as the year progressed, and many new residents came to our care homes – likely following Covid restrictions being permanently removed and confidence in the care sector returning. Like most of the care sector, we also started the financial year with high staff vacancies, meaning higher-cost agency staff were needed, but this also improved as the year progressed, with good recruitment meaning that care staff vacancies fell by 47% in the year.

This is our third year of operating deficits caused by the impact of Covid, and our first year without any additional government funding. As we explain elsewhere in this report, the Charity Commission approved two applications in 2020 and 2022 for the Charity to access an endowed fund to support care home finances. £2.0m of cash was withdrawn from this fund during 2022-23, and £3.7m of these funds remain as at March 2023, which is sufficient to support the Charity as finances continue to recover.

Shortly after the financial year-end, we were disappointed by the refusal of the planning application for our Integrated Retirement Community in Coulsdon. This is the first site for our future vision of a care village with retirement housing to support later living, alongside a care home, with strong links to the local community. The London Borough of Sutton took three years from the date of our planning application to make a planning decision. We are disappointed with the basis of the refusal, including the advice given to councillors by officers, and we remain confident that we will be successful when we challenge this decision through the appeal process.

At the heart of Friends of the Elderly are people – the care home residents, day care clients, and grant beneficiaries we care for and support, but also our staff, trustees and volunteers, and those whose dedication supports our work behind the scenes, who each day bring commitment and compassion to the care we provide. We are also grateful to all the individuals, companies, charitable trusts and foundations who have donated or raised funds for us in the year. I have mentioned some of the larger donations above, but we have also had many people raising money by running the London Marathon, sponsoring walks, or donating to our Winter Appeal. Thank you to all of those involved with the Charity for your ongoing support.

Steve Allen
Chief Executive

Trustees' Report for the year ended 31 March 2023

People supported during the year



☆☆☆
One CQC
'OUTSTANDING'
care home
(rating February 2020)

One
**'REQUIRES
IMPROVEMENT'**
rating
remains

Seven care homes
with **'GOOD'**
CQC rating by
March 2023



🐷
1,070
grants and allowances
given to individuals,
worth £260,000



☆
A
9%
increase in the
number of grants
given

658
one-off grants for
items such as washing
machines, cookers,
disability adaptations,
and cost of living
support

Over
1700
people supported in
our communities



❄️
412
payments for
regular and
winter comfort
allowances

374
people and
their carers
supported by
day care
services

🏠
290
residents on average,
living in 11
care homes



Supported by
£2,031,000
in donations, legacies and
pro bono services

Who we are and what we do

At Friends of the Elderly, we have been supporting people for over 100 years. We support older people to live well. We do this through our care homes, day centres, and grants programme. We work with partners to increase our impact and put older people at the heart of their communities.

Our core values

- Promote **wellbeing**
- Strive for **excellence**
- Treat people with **respect**
- Keep everyone **safe**

Our aims

- Ensure older people have access to safe, high-quality care and support services.
- Ensure older people in our communities have access to social support, activity and opportunities to combat loneliness.
- Operate services sustainably and ethically to safeguard the charity's legacy, and its future.

Our strategic objectives

Achieve better outcomes for all

We will build local social support networks, making best use of the resources and assets in a local area and making sure that people who use our services have the opportunity to pursue their own interests and contribute to community life.

Provide outstanding care

We will deliver an outstanding service, one that is 'flexible and responsive to people's individual needs and preferences, finding creative ways to enable people to live a full life'. *
*(*Taken from the Care Quality Commission definition of Outstanding).*

Become an employer of choice

We will offer a working environment and culture that attracts and retains the best people who champion our vision, mission and values.

Deliver financial sustainability and accountability

We will have the right people and resources to deliver sufficient surplus to sustain the charity's activities, allow for investment in future growth, and maintain reserves to meet the needs of our strategic aims.

As a charity, all surplus income from our paid-for services is reinvested into our other charitable activities to enable us to reach more people. We also rely on the generosity of the public, trusts, foundations, and companies to deliver these often life-changing services.

Throughout this report we refer to Friends of the Elderly as the Charity, and Friends of the Elderly and its subsidiaries as the Group. The subsidiaries are listed on page 26, none of which have carried out charitable activities during the year.

Objective: achieve better outcomes for all

Grant-giving adapts to changing need

During the year we gave one-off grants to 658 older people with a financial need, compared to 562 in 2021-22. We offer a wide variety of grants for household essentials including white goods, flooring, digital connections, disability adaptations and even funeral costs. This year we responded to the cost-of-living crisis by giving more grants towards heating costs and introducing a grant stream for everyday essentials such as clothing, medicine and food.

For example Prue*, a retired midwife who was struggling to afford to heat her home, was given a grant of £400. She said: "I was so happy to be awarded a grant for £400 to help me heat my home over the winter, it's really helped. Goodness knows what I would have done otherwise. The grant eased my worries and anxiety. I am so grateful for your help. The heating is on and I don't have to wake up in a freezing cold bedroom and house and suffer the nasty, cold morning arthritis pains."

In March 2023, The Ted Gostling Foundation gave a donation of £1.0m as funding towards our grant-making over the next ten years. This helps secure our longer-term plans to continue to increase the number of older people in financial need that we support. Our new monitoring and evaluation processes ensure we are meeting the ever-changing needs of the older people we support, and our updated processes have strengthened relationships with our referral partner organisations. All this ultimately means we can make a real difference to older people living in poverty.

(* name changed to protect identity)

Welcoming back our local communities

One particular downside of Covid restrictions was that our care homes and day centres were not able to engage so easily with their local communities. As Covid restrictions started to relax (and for care services this was later than in the wider community), our residents and clients were delighted to welcome back local visiting groups.

The Cub Scouts visiting the Retired Nurses National Home (RNNH) was one such highlight. They had been regular visitors in 2019 and were able to return to the home in the summer of 2022. The home's Registered Manager, Alan Johnston, said: "It was a delight to welcome them back, and they spent an evening in the garden with residents toasting marshmallows, playing games and singing campfire songs together ... we discussed the Pack returning and I mentioned they could use the garden to do activities. We then decided that the RNNH garden would be the perfect place for the Cub Scouts to do their Gardener Activity Badge."

After much planning, the Cub Scouts came in September and started work on the care home's Forget-Me-Not Garden, the Rose Garden, and raised flower bed area, alongside residents giving them all a chance to chat and share stories. Later in the morning the Caring Canines Group and their owners stopped by and shared a refreshment break with the residents and Cub Scouts. The residents had a wonderful time, playing and interacting with the dogs, as did the Cub Scouts before returning to their gardening duties.

Other returning visitors included the Mercia Minis Club who had chosen our Malvern Day Centre as their charity of the year in 2019. In April 2022, they brought several classic, pristine Minis to our Malvern site, and presented a cheque for £515. The clients of the day centre, which supports people living with dementia, enjoyed looking at and talking about the Minis. The classic cars brought back many memories of our clients' younger days, and a reminder of the film 'The Italian Job'.

Objective: provide outstanding care

Care quality

As we explained in last year's report, we were disappointed to receive Care Quality Commission (CQC) inspection ratings of 'Requires Improvement' at the Retired Nurses National Home (RNNH) in December 2021, and at The Lawn in July 2022. At both homes it was evident that some compliance standards had slipped due to the pressures of working through Covid, but the CQC reports also identified many areas of good practice, for example that residents and their families felt staff were 'kind and caring'. We are, nevertheless, sorry that these homes did not always meet the high standards that residents and their families expect.

In the summer of 2022, we introduced an enhanced care home audit and monitoring regime, starting with mock CQC inspections by a specialist third party for all our care homes. These comprehensive inspections and the results of ongoing audits form the basis of live improvement plans tailored to each home, that are actively monitored, with lessons learnt discussed across all our care homes.

In February 2023, the CQC re-inspected The Lawn care home and rated it 'Good' overall. The Charity's Malvern care home also received a 'Good' rating overall from a CQC inspection in February 2023, having previously received a 'Requires Improvement' rating in March 2019. The RNNH was re-inspected in August 2023, and again received a 'Requires Improvement' rating - the areas identified in the December 2021 CQC inspection had been fully resolved, however new areas for improvement were identified. We take the findings of this inspection very seriously and are working closely with the team at RNNH and with CQC to address all areas highlighted. We are committed to working through all actions necessary to bring RNNH to the same high standard as our other care homes.

Excellence in dementia care

We were delighted that Friends of the Elderly's Dementia Education Programme, developed in partnership with the Association for Dementia Studies at the University of Worcester, was the runner up in the Dementia Care Team of the Year category in the national Caring UK awards in December 2022.

This is a great achievement for everyone involved in the programme, and in particular our Dementia Champions in our care homes and day care services who support older people living with dementia so compassionately.

Since our Dementia Champions programme began in October 2018, 66 members of our teams have trained as Dementia Champions and a further 30 have completed the Dementia Leadership programme. Both these programmes are continuing in 2023-24.

Nursing care

In July 2022, we ended our registration for nursing care at The Old Vicarage care home in Oxfordshire. The home now provides residential and residential dementia care, instead of residential, nursing and nursing dementia care. This decision was taken because of the difficulty recruiting nurses in the home's rural location, in the context of a national shortage of nursing staff in the social care sector.

All nursing residents were able to stay at the care home, supported instead by local district nurses. No redundancies at the care home were necessary; more staff were trained to manage medication; and others trained to become shift leaders. We appreciate this brought some concerns for residents and their families and friends, so we sought to keep them updated throughout the change process.

Objective: become an employer of choice

Pay and reward

In response to the cost-of-living crisis that escalated during the financial year, the trustees approved a one-off unbudgeted payment to all staff in December 2022. This was £275 per staff member (pro-rated down for those with part-time contracts), at a total cost of £100,000.

April 2022 pay rises had been above inflation at the time they were decided, with an average increase of 6% for care staff. We also gave our lowest-paid staff an increase of 9% to meet our objective of paying all staff at least the UK Living Wage as published by the Living Wage Foundation. In April 2023, we gave all staff a £1 an hour pay rise, irrespective of role or location. This means that the lowest paid staff had a pay rise of 10%, and although we are aware that this means a lower pay rise percentage for our higher-paid staff, we felt this was the fairest way to support all our staff with cost-of-living increases.

We also re-opened our staff welfare fund, previously used for staff struggling financially as a result of Covid. Staff facing financial hardship were able to make an application to the fund for additional one-off support.

Employee support

To strengthen our wellbeing provision, we signed up to a new and more comprehensive Employee Assistance Programme. This offers expert advice and compassionate guidance 24 hours-a-day, covering a range of issues. Services include life support in general (access to counselling and a pathway to structured therapy sessions); legal information (such as debt management, property or neighbour disputes; bereavement support; and medical information (from qualified nurses, offering practical information and advice). It also includes a service which helps managers deal with important issues such as workplace conflict, holding difficult conversations, or communicating change.

As well as communicating this to all staff, we have encouraged our managers to be advocates for this service, to signpost team members who may be struggling, or to carry out informal or formal referrals.

Recruitment

Recruitment for care home staff became an increasing challenge after the employment market opened up in summer 2021 as Covid restrictions were relaxed, leading to increased agency use from winter 2022.

During the year, we increased our focus on recruitment, including building on new ideas from our retained recruitment partner on advertising and attracting a more diverse pool of applicants. In conjunction with an easing of the number of national job vacancies, we consequently saw care home vacancies fall by 47% between March 2022 and March 2023. Our use of agency staff in our care homes fell by 37% in the same period, and a 50% reduction in agency use comparing April 2023 to April 2022, once our new recruits were fully trained.

Objective: deliver financial sustainability and accountability

Financial stability

In July 2020, the Charity Commission approved the release of up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. In December 2021, faced with unknown future pressures from the Omicron Covid-19 variant, and as it became clear the financial impact on care homes would last longer than envisaged, we made a further application to the Charity Commission to make the remainder of the STL capital available if required. This was approved, meaning a further £4.5m was made available. This secures the Charity's financial future through difficult times.

Withdrawals of £2.0m were made in 2022-23 to support operating losses and capital expenditure, following withdrawals of £1.5m in previous years. After accounting for investment market gains and losses on those funds invested, £3.7m remains available from STL funds as at 31 March 2023.

Building for the future

Over the past few years, we have been working towards our vision of a network of care villages, connected to the community, each including a care home and accommodation for rent or purchase for independent living. These are now referred to as Integrated Retirement Communities (IRCs). We made a planning application for the first of these at our Coulsdon site in May 2020. In June 2023, the London Borough of Sutton considered the planning application for the first time and refused it. We are confident in the need for a scheme of this type and in the strength of our planning application. We are working with specialist advisers on an appeal that will provide the opportunity for us to address inconsistencies in the advice given by the local planning authority's officers to its councillors, leading to the decision.

Investment in our care homes

Our total capital expenditure for the year was £1.2m, compared to £600,000 in the previous year. The largest project was the full refurbishment of 38 wet rooms at our care home in Woking, The Bernard Sunley. Along with bedroom decoration and new furniture, this total cost was £500,000. We were extremely grateful that The Band Trust donated £250,000 towards these works. As well as being more attractive for visitors, the new wet rooms are more accessible for residents with limited mobility, and easier to clean.

Accountability to our service users

In summer 2022, we carried out a care home resident survey that was completed by 46 residents and 94 families, friends, or resident advocates. The questions were themed around the key lines of enquiry used by the CQC. Questions asked of the residents included how strongly they agreed or disagreed with the following: "Staff know about my background, likes, hopes and needs", and: "There are a good range of indoor and outdoor activities to choose from." Questions for families and friends included: "If the resident has communication challenges, I am or have been consulted on their likes and dislikes", and: "If I have any concerns and complaints, staff always take them seriously, investigate them thoroughly and respond to them in good time."

While the results were generally positive, the survey did highlight a few themes and areas to address in individual care homes. Some of the findings were addressed through the Charity's Safeguarding Adults Sub-Committee, and others through Managers' meetings, and individual care home improvement plans that are monitored through regular meetings.

Future plans

Continued operational challenges

We were pleased to see an increase in care home resident numbers during 2022-23, as confidence in the care sector returned, and our focus on marketing and converting enquiries paid off. Care home occupancy increased by 15% between April and October 2022 (with October being the usual seasonal peak). October's occupancy was at our break-even point for the first time since March 2020. With recruitment success in the autumn having a positive impact on the use of costly agency staff from January 2023 onwards, we considered we were well placed to build on this success and return to our pre-Covid position during 2023-24.

Inflation has of course been a challenge, although our energy contracts signed before the worst of the cost increases have softened that impact during 2022-23. We took the difficult decision to increase our care home fees for existing residents by 11.25% in April 2023, reflecting the inflationary cost pressures. We are not alone, with the care home sector as a whole increasing fees to recover these additional costs.

Unfortunately, during spring 2023 our resident admissions fell from their previous high level. This has had a negative impact on occupancy and on 2023-24 results against budget to date. Other care home providers have reported similar concerns, and believe it likely that the challenging economy, difficult house market, and the shock factor of increased care home fees in the sector as a whole, may all be playing a part.

We have again reviewed our marketing strategies and care home enquiry management and were pleased to see an improvement in admissions from June 2023 onwards.

Our continued difficulty in recovering our financial results after Covid reinforces our need to continue with our strategy of delivering Integrated Retirement Communities and adding modern care homes, in suitable locations, to our care home portfolio.

Care sector changes

We reported last year that we expected, within the year, to have new challenges relating to the Government's care funding reforms, planned changes in legislation relating to social care, and new statutory guidance.

We participated in the fair cost of care exercises carried out by each Local Authority (LA). In the majority of areas, the fair cost of care calculated is well in excess of the fees being paid to care homes by the LAs. We are disappointed that this has not translated into increased funding for and from LAs, and once again the majority of LAs have given below-inflation fee increases in April 2023, or no increases at all. Furthermore, the Government's proposed funding reform has been postponed, with no clear timeline for implementation. We continue to have low numbers of LA residents – either those subsidised by some of the endowments we have for this purpose, or residents who have been full fee-payers for many years. We will continue to watch for changes in legislation and local government funding, and plan accordingly.

Fundraising activities

Although the Charity has a high value of net assets, the majority of these are invested in care home properties and equipment and the working capital needed for our services, or are funds endowed for specific purposes. Fundraising income allows us to further enhance the lives of older people.

Donations, legacies, and the value of pro bono services received totalled £2.0m in the year (2021-22, £686,000). This includes two large one-off donations: £1.0m from The Ted Gostling Foundation for grant-making over the next ten years, and £250,000 from The Band Trust towards wet room refurbishment at The Bernard Sunley care home. The generosity of all our supporters has been very much appreciated.

Donations come from trusts, foundations and businesses, fundraising events by our local communities or supporters, and individual donations.

The Charity subscribes to the voluntary Fundraising Regulator scheme. We have not received any complaints in this accounting period relating to fundraising practices. We have in place a policy on fundraising in respect of vulnerable people. We do not employ professional fundraisers to carry out fundraising on our behalf. We also ensure our fundraising practices comply with General Data Protection Regulation (GDPR) policies and procedures.

Grant making

Our grants programme provides financial help in the form of one-off grants and regular allowances – a lifeline to older people with nobody else to turn to. Generous donations from individuals, trusts and companies help us to fund the grants and the related administration.

We currently have four types of grants available: Home Essentials, Digital Connection, Financial Support, and Essential Living Costs. Between them, they cover things like mobility adaptations, broadband costs, replacing essential appliances, and unexpected bills.

Our online grants portal streamlines the process for applications, which are made on behalf of older people by third party referrers, reduces errors and avoids missing information. We gave 1,070 grants and allowances in total in the year with a value of £260,000 (2021-22: 982 grants and allowances of £222,000).

When considering whether to provide a grant, we obtain evidence of the recipient's financial situation to ensure they meet our criteria, and consider the impact the grant will make. Wherever possible, we signpost applicants to other potential sources of funding.

Financial Review

Financial results

The Charity recorded a deficit of £1.7m (2021-22: a surplus of £90,000). The underlying operating loss was £1.8m (2021:22 operating loss of £1.5m). A large loss was budgeted as we continued to recover from the impacts of Covid on care home demand. This was the first financial year after Covid with minimal additional government support, with adult social care grants of £14,000 received in the year compared to £796,000 in 2021-22.

The underlying operating loss is the result after excluding investment losses of £873,000 (2021-22: investment and investment property gains of £1.6m), small pension actuarial losses, and a one-off donation for future grant-giving of £1.0m.

Financial results (continued)

The main financial pressures in the year were from the number of care home residents in our homes, and staff vacancies. Our resident numbers fell significantly during Covid, particularly as we did not take any new admissions in the early months in order to keep our residents as safe as possible. We started the financial year with care home occupancy that was not enough to cover the costs of running our homes. We also started the financial year with high care staff vacancies, a situation shared by the care sector as whole and the national employment market. Both these factors improved over the course of the financial year, with care home numbers increasing by 15% between April and October 2022 (October being our usual seasonal peak), and recruitment success reducing our care home staff vacancies by 47% between April 2022 and March 2023.

As we reported last year, and on page 10 of this report, we have been able to access funds from our linked charity, the Sir Thomas Lipton Charity (STL). We withdrew £2.0m of STL's investments in the year to fund the operating losses. As at 31 March 2023, £3.7m of the STL funds remain (within restricted funds).

As discussed elsewhere in this report in more detail, we were supported by donations and legacies of £2.0m (2021-22: £686,000, excluding government grants). As well as the £1.0m donation for future grant-making we received a very welcome £250,000 towards the refurbishment of wet rooms at the Bernard Sunley care home which was completed in April 2023.

The £1.0m donation towards grant-making for the period 2023 to 2033 was received shortly before the end of the financial year. In April 2023, the part of the funding for 2024 and later was placed partly in higher interest deposit accounts, and partly in investments.

High inflation was a factor during the year, impacting on the costs of most goods and services, and in particular on food. However, our existing energy price contracts meant that the impact of high energy costs has not yet been fully felt. We were also aware that our staff were struggling with the unexpected rise in the cost of living – a one-off payment was made to all staff in December 2022, as discussed further on page 9.

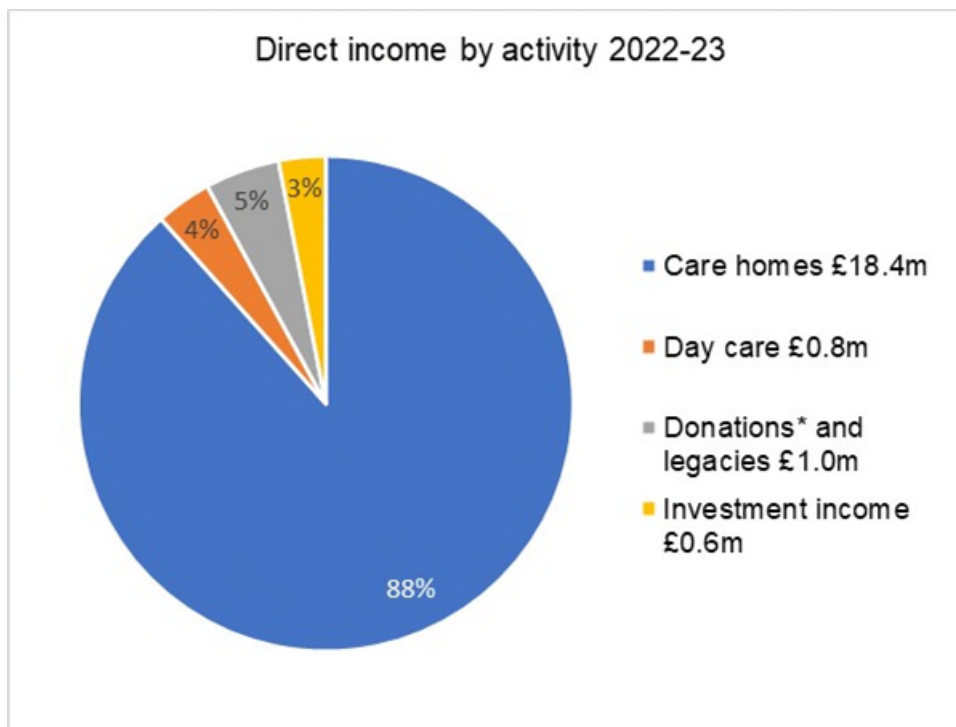
Changes after the year-end

The 2023-24 financial year started with the benefit of the improvement in care home occupancy during 2022-23 and low agency use, with the Charity on track to break even. However, care home admissions fell in spring 2023, meaning further operating losses are expected during 2023-24. As explained above, there are significant funds available to continue to support the Charity while we continue to focus on additional marketing and enquiry management to ensure we attract new residents to our care homes. New resident admissions – both permanent and respite – increased from June 2023.

Financial results (continued)

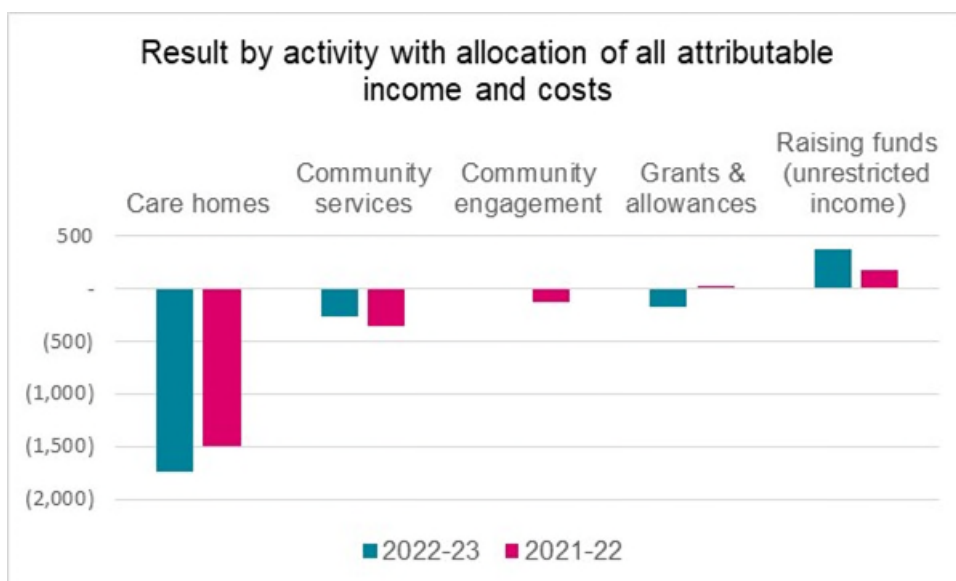
Results by activity

The pie chart below shows direct income by activity – this illustrates how care homes are the greatest part of the Charity’s income.



* Donations are shown excluding the £1.0m received for grant-giving over the next ten years.

The graph below shows the net result by activity after allocating all attributable income (including restricted donations and restricted investment income, but excluding the £1.0m donation for future grant-giving) and all attributable costs, including central support costs. This information is also given in note 8 to the financial statements.



Financial results (continued)

Residential care homes had a slightly worse result than the previous year, as 2021-22 included £0.7m of government grants for care homes. The factors impacting on occupancy and staff costs, as well as the improvements during 2022-23, are discussed on page 13.

Community services in 2021-22 included homecare services that were sold to a new provider in May 2021. In 2022-23 this reflects only day care services.

The result for grants and allowances is shown after allocation of all fundraised and investment income received specifically for grants or the cost of grants administration. The one-off donation of £1.0m for future grant-giving is excluded from this graph as it would be misleading.

The figure for raising funds represents the unrestricted donations and legacies, and unrestricted investment income, as the restricted income has been allocated to the relevant activities. This is net of the costs of fundraising and investment management. This provides a welcome contribution to the Charity for the purchase of items or additional activities that enhance the lives of our beneficiaries, or wider financial support for the Charity.

Support costs in both 2022-23 and 2021-22 were £3.8m, with cost reductions achieved in 2022-23 that offset the impact of inflation.

Grants and allowances

Direct grants and allowances provided to beneficiaries were £260,000, an increase of £38,000 on 2021-22.

The grants given were funded by donations from trusts and individuals of £210,000 (note 8 to the financial statements also includes the £1.0m donation received for future grant-making), and through donations from prior years, and investment income from endowments given for this purpose.

£49,000 of the donations received were to contribute towards the costs of the team who administer the grants, or more general overheads, including an additional part-time role specially funded by one trust. The grants team costs were £105,000 (2021-22 £89,000), including this additional role. With individual grants being relatively small amounts, the cost of the team may appear relatively high per one pound given, but this is necessary to ensure the right people are receiving the right grants, as well as often helping grant recipients by identifying other ways we can provide financial support, or signposting them to other services via the third party referrers who process applications. The remainder of the costs of administering these grants are borne by the Charity's general reserves.

Investments

Investments comprise a mixture of endowed, restricted, and unrestricted assets. The income from endowed funds is spent in accordance with the restrictions placed on the endowment, and principally relates to funds for grants and for care home upkeep.

As markets fluctuated over the year, we recorded actual (realised) losses on investment withdrawals of £143,000 in the year (2021-22: realised gains of £44,000). This is a loss compared to the carrying value in March 2022, but in each case there was a gain compared to the original investment costs. Unrealised losses from market values as at 31 March 2023 were £730,000 (2022: unrealised gains of £1.0m, and unrealised gains on investment property valuations of £0.5m).

Financial results (continued)

Between March and June 2023 the market value of investments fell by a further 0.5%.

The trustees employ separate investment fund managers on a discretionary basis to manage the portfolio of investments. Their work is undertaken within broad investment parameters and principles set by the trustees which take into account acceptable levels of risk and the balance between income and capital requirements. Investment managers during the year were Legal & General Investment Management (LGIM) and CCLA Investment Management Ltd (CCLA).

Investment performance 2022-23

	CCLA	LGIM		Total
		Investment funds	Cash funds	
	£'000	£'000	£'000	£'000
Balance at 1 April 2022	9,779	7,254	44	17,077
Additions	9	5	-	14
Disposals (carrying value)	(721)	(1,772)	-	(2,493)
Unrealised losses on revaluation	(343)	(388)	1	(730)
Balance at 31 March 2023	8,724	5,099	45	13,868
Investment income	276	247	-	523
Realised losses on disposal	(21)	(122)	-	(143)
Capital return	(4%)	(8%)	-	(5%)
Income return	3%	4%	-	3%
Cumulative capital return over 5 years	29%	7%	-	17%
Cumulative target return (RPI + 3%) over 5 years				52%

The Charity's investment strategy is to target a capital return of 3% plus RPI on a rolling five-year basis, and annual investment income of 3%. The funds the Charity invests in have strategies which align with this aim as closely as possible, but do not match it exactly.

Over the 2022-23 financial year, high inflation and economic volatility mean the target capital return has increased significantly while the investments returned capital losses. CCLA was above our target capital return for the four years to March 2022, but now both investment managers are below target. Given the uncertain economic environment, the trustees have deferred considering any changes to the investment strategy until autumn 2023. The target income return for the year was met.

Investment managers provide quarterly reports and attend an annual meeting with trustees to review performance.

The Charity's investment policy does not allow any investment that is known to conflict with our aims or values. This is managed through the appointment and review of investment managers, and by the investment strategies of the two funds.

Financial Review (continued)

Investment property

Properties classified as investment property are those which are capable of being let to third parties. These are houses on care home sites, or on the edge of care home sites, held for strategic reasons. They are carried on the balance sheet at an estimate of their market value, being £2.8m as at 31 March 2023 (2022: £2.8m).

Investment properties are revalued by the trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value. Investment properties were last formally valued in 31 March 2022, using local estate agents and comparing to sold prices of the most comparable properties. The trustees have determined that there is no material change in value between March 2022 and March 2023. However, it is possible that continued reductions in residential property values will mean there is a material reduction in value by March 2024, in which case an adjustment to the carrying values will be made at that time.

Tangible fixed assets – risk of impairment

Assets are reviewed annually for indicators of impairment. The fact that many of our care homes continue to operate at a loss, as the impact of Covid is reversed, means there is a risk that the carrying value of our care home properties is higher than their realisable value. Their 'realisable value' is the higher of 'fair value' (the amount a property could be sold for, either as a going concern or otherwise) less costs of sale; or 'value in use' (the replacement cost of the asset discounted to reflect its current age and condition).

To assess the market value of each of our care homes, we have referred to full or desktop valuations carried out by property valuation specialists during and after the year-end, and considered other factors such as past formal valuations, and the potential for occupancy recovery. No impairment charges were deemed necessary (2021-22: £74,000 impairment charge recorded for one care home).

Pension schemes

The Charity operates a defined benefit pension scheme which closed to new members and future accruals in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £37,000 (2022: net surplus of £72,000). This is an asset that cannot be recognised on the Group's balance sheet. The Charity currently pays annual contributions of £10,000 to the scheme.

The investments of the pension scheme are matched to the risks associated with the liabilities.

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £24,000 (2022: £37,000) is the net present value of future deficit contributions payable to the schemes.

Financial Review (continued)

Funds

The split of net assets into fund category is shown below. 'Group' balances comprise the Charity and its subsidiaries Potential Limited and Friends of the Elderly Trading Limited.

	Group	Group	Charity	Charity
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Restricted funds	6,072	8,489	6,072	8,489
Endowments	9,587	9,329	9,587	9,329
<i>Unrestricted funds:</i>				
Designated funds	18,571	18,033	18,693	18,140
General reserves - revaluation reserve	2,495	2,495	2,495	2,495
General reserves - other	1,692	1,758	1,700	1,770
Pension reserve	(24)	(37)	(24)	(37)
<i>Total unrestricted funds</i>	<u>22,734</u>	<u>22,249</u>	<u>22,864</u>	<u>22,368</u>
Total charity funds	<u>38,393</u>	<u>40,067</u>	<u>38,523</u>	<u>40,186</u>

- **Restricted funds** are held and used in line with the wishes of the donors of those funds. The trustees of the Charity do not have discretion in the use of these funds.
- **Endowment funds** are held to generate income that is used per the wishes of the original donor. For permanent endowments, the capital value of these funds needs to be maintained. An expendable endowment fund is a fund that must be invested to produce income; however, it can be converted into an income fund and spent.
- **Unrestricted funds** can be used for any purposes in accordance with the Charity's objects, but also provide funding for future investment, and financial support in the event of unforeseen or significant changes in the Charity's activities or results. This includes designated funds, the pension reserve (representing the pension provision), and general reserves which represent the remainder of unrestricted funds.
- **Designated funds** comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition, or operation of any residential homes; and the costs of any extra care development, net of related borrowings.

Reserves policy

Our reserves policy focuses on the level of general reserves. We need to hold general reserves so that we can maintain continuity of our services in the event of a decrease in income or unexpected expenditure. The reserves policy is reviewed by trustees on an annual basis.

General reserves are unrestricted funds that have not been designated for particular purposes by the trustees. They include the revaluation reserve, arising on valuation of investment properties above their original cost. The reasons for holding an appropriate level of general reserves are to:

Financial Review (continued)

- maintain adequate working capital, particularly during a time of redevelopment of the residential portfolio;
- ensure sufficient funds are available to allow the Charity to honour its commitments to its service users and beneficiaries; and
- ensure that regular, efficient, grant-making can continue.

The trustees have set a target level of reserves after considering key financial risks, in particular the financial risk linked with a long period of low occupancy and also building on the Charity's experience of operating through the pandemic. This gives a target range of general reserves of between £3.0m and £4.35m (excluding investment properties). The target range at March 2022 was £2.5m to £3.5m. While £3.0m is the minimum needed to meet working capital requirements until such time as a major strategic change could be made, a higher reserves balance of £4.35m would allow for future re-investment in our services.

Charity reserves	2023
	£'000
Target general reserves - maximum	4,350
Target general reserves - minimum	3,000
General reserves reported	4,195
General reserves less investment property	<u>1,359</u>

General reserves are shown above excluding investment property (at carrying value), because these are houses on care home sites that cannot be sold quickly (access and legal separation from the care home land title would be required), and one of these houses cannot be sold separately to the care home itself (although it can be let to third parties and so meets the Charity's accounting policy definition of investment property). Excluding this, general reserves are below the minimum target at the end of the year.

'Free' reserves, further excluding tangible and intangible fixed assets as well as investment property, are £1.1m (2022: £1.1m). This fluctuates due to working capital requirements and market gains and losses on investments in stocks and shares.

Although general reserves appear to be below target, this does not take into account the £3.7m of funds held within restricted funds that are available to support future care home operations, which are held in restricted funds until withdrawn. This means our real position of accessible funds is in excess of the current 'maximum', and gives the Charity the financial resilience and the time to recover care home occupancy and improve financial results.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans, and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2025, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

Financial Review (continued)

In 2020 and 2022, the Charity Commission approved two separate applications from the Charity to release endowed capital of STL to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee.

The Charity can access funds as long as they are used to support the original beneficiaries of STL – nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2023, £3.7m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid that the biggest impact on our finances is having to continue to operate through a general ‘crisis’ in social care, rather than the potential of an isolated issue at one care home resulting in closure.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario.

Going concern – conclusions

The scenarios used to stress-test management forecasts show at which level of depleted care home occupancy the Charity would need to sell assets (such as investment property) to continue as a going concern until at least March 2025. The Charity has significant assets, which mitigates concerns from a going concern perspective. Options for the sale of investment properties are being considered by the board as part of contingency planning.

The trustees consider that there are no material uncertainties about the Charity’s and Group’s ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

Principal risks and uncertainties

The trustees hold overall ownership of risks. Trustees, in conjunction with the Senior Leadership Team (SLT) and the Senior Management Team (SMT), have identified and reviewed the major risks to which the Group is exposed, and systems are in place to manage such risks.

The trustees have a policy to embed effective risk management throughout the Group such that risks are identified, mitigated, and communicated, and good risk management practice is shared across the organisation. Risks are allocated between the three board committees. The Risk Register, including amendments from the committees, is reviewed by the board of trustees annually. The Audit and Risk Committee performs more detailed examination of key risk areas and management responses. Day-to-day management of risk is delegated to the Chief Executive, the SLT, the SMT, and registered managers.

The main risks and the mitigating actions are shown on the pages that follow.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
<p>Safeguarding failure</p> <p>Abuse or negligence by staff, volunteers or third parties.</p>	<ul style="list-style-type: none"> • A permanent Standards and Performance (SAP) team, including responsibility for quality assurance and internal audit. • Safeguarding policies and their application annually reviewed by independent external experts. Staff and volunteer safeguarding training. Safeguarding Adults Sub-Committee meets quarterly, led by an independent Chair. • Policies to investigate complaints raised by people who draw on our services. Whistleblowing procedures for staff and volunteers. • Subscriptions to a full suite of policies and procedures from a third-party platform, which are written and reviewed by specialists and kept up to date by an internal review panel.
<p>Financial failure – increased risk as a result of current low occupancy</p>	<ul style="list-style-type: none"> • Access to capital of £3.7m approved by the Charity Commission. • Budgeting and re-forecasting, with scenario planning, reviewed by board of trustees to identify if and when further mitigating actions are required. Key Performance Indicators and Management Information provided quarterly to SLT and trustees. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 18-19), and the level of general reserves against target is monitored at least annually.
<p>Significant pandemic outbreak at a care home or a service</p>	<ul style="list-style-type: none"> • Local written response plan for each care home and service. Charity-level response and business continuity plans. • A significant network of connections and key relationships to draw upon and share current and emerging best practice, including active membership of the National Care Forum and Care England. • Project team ready to ensure Government (UK Health Security Agency), Care Quality Commission and Local Authority/ local public health team latest guidance is incorporated into Charity policies and addressed. • Several months' stock of Personal Protective Equipment held at a central location
<p>Failure to comply with legislation or regulatory requirements</p>	<ul style="list-style-type: none"> • Care quality policies, procedures and protocols established and kept under review. • Quality assurance programme embedded and ongoing to monitor compliance and completion of actions from previous assessments. Individual lessons learned from each regulatory inspection captured and disseminated.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
Failure to comply with legislation or regulatory requirements (continued)	<ul style="list-style-type: none">• Assurance processes in place for regulatory areas including governance, data and cyber security, and health and safety.
Other infectious disease outbreak at Group premises	<ul style="list-style-type: none">• Policies on actions to take during such an outbreak.• Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. Liaison with Integrated Care Boards and community health teams.
Premises are unusable or dangerous (in the short-term)	<ul style="list-style-type: none">• Business continuity plans are in place. Insurance policies are in place.• Comprehensive property compliance system in place, overseen by central Estates and Facilities team.• Primary Authority Partnership actively maintained with Surrey Fire and Rescue Service. Fire awareness and evacuation training for staff. Annual Fire Risk Assessments carried out by external risk management specialists with action plans implemented.• Health and Safety obligations overseen by SAP team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Due to serious damage (e.g., fire or flooding) or other unexpected problems (e.g. adverse weather).

Employees and volunteers

Equal opportunities

Friends of the Elderly strives to treat all staff equally and be a diverse and inclusive workplace, where everyone can be themselves and everyone accepts each other's differences; a charity where everyone is equal but definitely not the same.

Our ambition is to ensure equality and celebrate diversity, all of us working together to create an inclusive workplace, which attracts and retains the best people; people who care and can make a difference. We are committed to listening, learning, and improving our workplace. We ask all our staff, and provide them with the opportunity, to make a personal commitment to educate themselves and engage in conversations with colleagues, so that we can all learn, share our stories, and treat everyone equally.

Our Equality, Diversity and Inclusion Policy sets out our approach to ensure that all our staff can work in an environment that is free from harassment or discrimination and receive equal treatment, regardless of any protected characteristics. The policy applies to all aspects of employment within the Charity, including recruitment, pay and conditions, training, appraisals, promotion, conduct at work, disciplinary and grievance procedures, work-related events, and termination of employment.

We encourage applications from people with disabilities, aiming to develop their skills, and taking every reasonable measure to adapt our premises and working conditions to enable people with disabilities to work or volunteer with us.

Employees and volunteers (continued)

Key management personnel

Key management personnel comprise the Group's SLT, the SMT, and trustees, although trustees are not remunerated other than the payment of reasonable expenses.

Pay and remuneration for the Charity's key management personnel are set by reference to internal and external benchmarks. Internal benchmarks align pay with the level of responsibility, while external benchmarks consider published data for comparable roles in comparable-sized organisations. Changes to pay are approved by the Chief Executive, other than those relating to the Chief Executive and SLT which are approved by the Board of Trustees on the recommendation of the Remuneration and Employment Committee.

Any significant changes in structure or amount of key management personnel pay and remuneration (either in total or for an individual) are considered by the Remuneration and Employment Committee for recommendation to the Board.

Staff and volunteer engagement

There are many formal and informal arrangements for keeping staff up-to-date and able to engage with matters of concern to them as employees:

- All managers hold regular, structured meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop. Regular meetings are held both within and across managers from different teams.
- 'Workplace', the secure internal communications tool from Facebook, is reaching more staff and helps keep teams connected and aware of the wider activities of the Charity.
- Volunteers are informed of Charity updates both informally via their service manager on a regular basis, and with a Charity-wide newsletter. A Volunteering Handbook provides information, advice, and guidance on safeguarding.

The trustees consider employee interests as a key factor in decision-making. On some occasions the trustees need to make decisions that are in the best interests of the Charity, even though this may have a negative impact on some employees, in which case action is taken to manage or mitigate this.

Engagement with stakeholders

Our stakeholders include (but are not limited to) care home residents, day care clients, their families and friends, employees and volunteers, grant recipients and their referral organisations, donors, local communities, suppliers and contractors, regulators and professional associations, and other business partners.

These stakeholders are all different in terms of the communication and engagement required of the Charity. Our social media keeps a range of stakeholders and supporters abreast of day-to-day activities in our services. There is also a quarterly newsletter, which is emailed to subscribers, published on social media, and given to relevant service users, families and friends. Each service provides more specific information to their stakeholders through local newsletters, resident meetings, family meetings, and stories in the local media.

Engagement with stakeholders (continued)

The Charity's internal Marketing and Communications team provides support in preparing communications on specific topics – for example, in this financial year, keeping families informed about changes to the provision of nursing care at The Old Vicarage, and the multiple reasons behind our care home fees increase.

Key suppliers are identified and have one or more individual contacts within the Charity for communication and escalation of any queries or problems.

The Charity's Safeguarding Adults Sub-Committee includes representatives from people who use our services and their families. Residents and their families are consulted about any substantial changes to our services.

Promoting the success of the charity

The Charity is required to explain how it has complied with its duties under Section 172(1) of the Companies Act 2016. For a charitable company this requirement means that trustees must act in the way they consider, in good faith, to be most likely to achieve the Charity's charitable purposes, and to explain how they have complied with these duties.

The Charity's aims are its charitable objects. Our strategy sets out how we will achieve these, including strategic objectives. Our aims and objectives are set out on page 6.

The Charity's decision-making process is a good example of the way in which the trustees act in a way that aligns the Charity's longer-term strategy with shorter-term decisions, while taking account of charitable purposes and key stakeholders.

The Charity has a formal project management process, developed in partnership with Bayes Business School, City, University of London, through which the SLT may assess which decisions or project proposals (due to size, value or impact) are taken to the trustees for approval. As part of the project process, there are decision-making criteria, including the strategic fit, impact on beneficiaries, alternative partners, impact on staff and other stakeholders, internal skills and capacity, data security implications, and governance considerations. As part of the wider project process, this ensures that each trustee acts in the way that they consider will be most likely to promote the success of the Charity to achieve its charitable purposes. An example of the use of decision-making criteria in the year was the decision to end nursing care at The Old Vicarage, ensuring that the impact on residents, families and staff were taken into account, as well as considering the impact on the Charity's longer-term strategy.

Health and safety

The health and safety of our staff and the people to whom we provide care and support services are of primary importance. During the year, health and safety risk assessments and audits were completed by an external specialist team, overseen by our in-house Standards & Performance and Estates & Facilities teams.

A Health and Safety Sub-Committee meets quarterly. It comprises SMT members and representatives from our different service areas and Central Office, chaired by the Charity's Chief Executive, providing a forum for staff issues and any concerns to be raised. Our external risk management specialist contractors attend meetings and report on any issues arising from visits to services and other locations. Training is provided to all staff as appropriate to their role. The Health and Safety Sub-Committee reports to the Audit and Risk Committee quarterly, keeping trustees updated on health and safety matters across the organisation, including compliance, regulation, policies and procedures, issues, and actions.

Carbon emission reporting

Energy is a major cost for the Charity. We gather information on energy use to comply with regulation, but also to help us measure energy efficiency measures and help to reduce our impact on climate change. Our energy use in the year to 31 March 2023 and the previous year was as follows:

	Energy consumption kWh		Greenhouse gas emissions	
	2022-23	2021-22	2022-23	2021-22
Gas	7,449,848	6,531,393	1,490	1,325
Electricity	1,769,820	1,405,295	342	298
Transport	90,726	50,642	21	13
Total	9,310,394	7,987,330	1,853	1,636
Per full time employee	24,437	20,800	5	4
Per care home resident	32,105	29,045	6	6

The calculation method for total energy consumption is the Energy Institute ESOS Toolkit 'B'.

Where possible, care home equipment is upgraded to improve efficiency, such as LED lighting or modern heating boilers and optimised controls for lighting and plant rooms. Where appropriate, we continue to upgrade care home sites to operate Building Management Systems (computer-based systems to control and monitor energy use). Continued improvements of this nature reduce energy consumption and improve energy performance. The Charity's electricity and gas prices are fixed until September 2024.

The Charity plans to establish an energy management strategy, including technical solutions, staff engagement, supply chain, future property design, and monitoring and communication – towards a net-zero future as part of its approach to the Environmental, Social and Governance agenda. Future new buildings will make large strides towards the Charity's overall energy efficiency.

Governance report

The Charity's constitution

The Charity was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964.

The governing document of the Charity is its Memorandum and Articles of Association.

The Charity is governed by trustees, who are members of a Board of Trustees and who are also directors of the company for Companies Act purposes. All trustees are unremunerated, save for reasonable expenses, for the work they do as trustees of the Charity. The trustees are listed on page 29.

Group structure

Friends of the Elderly is the parent company for a number of subsidiaries. These different entities together are referred to as the Friends of the Elderly Group (the Group) and consolidated results for the Group are shown in these accounts. The Group includes the following subsidiaries:

Governance report (continued)

- **The Retired Nurses National Home (the RNNH).** The RNNH charity was dormant during the year. The care home it operated was transferred to Friends of the Elderly on 31 March 2019, along with other assets and liabilities. The care home continues to be run under the objects of this charity, which was originally established for the care of retired nurses. Friends of the Elderly is the sole company member and appoints the RNNH's trustees.
- The beneficial ownership of the RNNH's endowed care home rests with the charity **The Retired Nurses National Home 1937**. In 2019, this charity was linked to Friends of the Elderly, as part of the integration process.
- **Potential Limited.** This is the Charity's property development company and is a limited company. It is wholly owned by the Charity, but also has its own Board of Directors who are officers or directors of Friends of the Elderly.
- **Friends of the Elderly Trading Limited.** This limited company is currently dormant but has been retained for possible future use.

Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Charity's defined benefit pension scheme, which was closed in 1996, has its own trustee board. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts. Any deficit arising on the scheme is included as a liability of the Charity, but a scheme surplus is not recognised as an asset of the Charity.

Trustees and their support

To ensure that the Charity's trustees govern this Group structure effectively, a number of processes, procedures and support systems are in place:

- Trustees are appointed by the Board of Trustees of the Charity. They are also directors for the purpose of company law.
- Trustees are appointed for a term of three years, which is usually renewed for a further three years. After the completion of six years, trustees are eligible for re-election on an annual basis for a maximum of three further years.
- All new trustees take part in a formal induction programme and regular training.
- The trustees meet at least four times a year. Board committees scrutinise and oversee matters relating to audit and risk, resources and investment, service delivery, board nominations, and remuneration and employment.
- Board meetings and committee meetings were adapted to respond to the Covid-19 pandemic and Charity response, including virtual meetings using Microsoft Teams and support for trustees to join, for those unfamiliar with the technology. Additional board meetings were held in the early months to keep trustees up-to-date, and to obtain board approvals as appropriate for decisions and key policies.
- The board carries out an annual self-evaluation exercise, including skills audit, with an independent evaluation every three years.
- Trustees have applied the Charity Governance Code, however application is not a one-off event and requires continual commitment to the principles of the Code.

Trustees and their support (continued)

- One example of continuous improvement relating to the Charity Governance Code is the safeguarding review carried out by a third party in the year, with actions undertaken to address the findings overseen by the board-appointed Safeguarding Adults Sub-Committee who then report to the board.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Senior Leadership Team and the Senior Management Team, supported by heads of department.

The Charity has a dedicated full-time Charity Secretary whose team ensures that governance is given a high priority and provides support to trustees to help them to carry out their duties effectively. The Charity holds professional indemnity insurance in respect of all trustees, committee members, and staff.

Public benefit

The Charities Act 2006 requires a charity's purpose to be for the public benefit. Trustees must report on how they have carried out their charity's charitable purposes for the public benefit in the reporting year. A charity's purpose is what it has been set up to achieve – the aims of Friends of the Elderly are explained on page 6, along with the strategic objectives through which the aims will be achieved.

Pages 7 to 10 of this report explain the Charity's activities and achievements in the year, and link these to the furtherance of the Charity's strategic objectives. The trustees confirm they have taken into account the guidance produced by the Charity Commission on public benefit and are able to state that all of the relevant activities of the Group are carried out for the public benefit.

Basis of preparation

The annual report for the year ended 31 March 2023 is presented together with the consolidated financial statements of the Charity and its subsidiaries (together the Group). The strategic report for the Group is incorporated into the trustees' report.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', and FRS 102.

The trustees' report also includes the administrative information on page 29.

Statement of trustees' responsibilities

The trustees (who are also directors of Friends of the Elderly for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and

expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

Statement of trustees' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

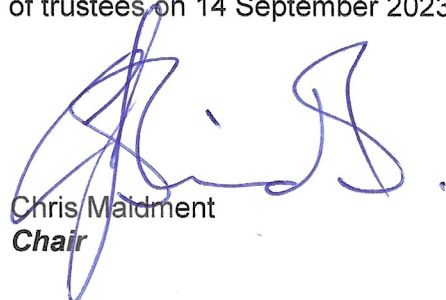
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

So far as each of the trustees is aware at the time the report is approved:

- there is no relevant audit information of which the Group's auditors are unaware, and
- the trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 14 September 2023 and signed on its behalf by:



Chris Maldment
Chair

Registered Charity no. 226064
Registered Company no. 133850

Administrative information

Charity name

Friends of the Elderly

Registered office

40-42 Ebury Street
London SW1W 0LZ

Registration numbers

Charity No. 226064
Company No. 133850

Company Secretary

Soo Smith

Trustees

Martin Beecroft 3
Sonia Campbell 3
Rob Chapman 1,2
Emily DeAbaitua 1
David Deacon 1
Paul Foster 4
Rikki Garcia 2, 3
Louisa Hogarty 3
Chris Maidment 2 (*Chair*)
Simon J. Passman (*Vice Chair*) 2, 4
Sharon Prosser 4

1. *Member of Audit and Risk Committee*
2. *Member of Chair's, Nominations, and Remuneration and Employment Committees*
3. *Member of Service Delivery Committee*
4. *Member of Resources and Investment Committee*

Senior Leadership Team

Steve Allen (*Chief Executive*)
Jennifer Griffiths (*Finance Director*)
Soo Smith (*Charity Secretary*)
Mark Wilson (*Chief Operating Officer*)

Senior Management Team

Janet Hawthorn (*Standards and Performance Director*)
Rosemary Naylor (*Care Homes Director*) (*to December 2022*)
Cheryl Rothschild (*Care Homes Director*) (*from December 2022*)

Statutory auditors

Saffery LLP
71 Queen Victoria Street
London EC4V 4BE

Bankers

HSBC plc
89 Buckingham Palace Road
Belgravia
London SW1W 0QL

Investment managers

Legal & General Investment
Management
One Coleman Street
London EC2R 5AA

CCLA Investment Management
Limited
80 Cheapside
London EC2V 6DZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

Independent auditors' report to the members of Friends of the Elderly

Opinion

We have audited the financial statements of Friends of the Elderly (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2023 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditors' report to the members of Friends of the Elderly (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Directors' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 27 to 28, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report to the members of Friends of the Elderly (continued)

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company'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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include the Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities (including the Care Quality Commission) to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

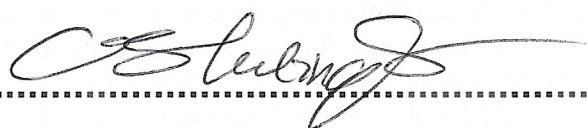
Independent auditors' report to the members of Friends of the Elderly (continued)

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Cara Turtington (Senior Statutory Auditor)
for and on behalf of Saffery LLP
Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London, EC4V 4BE

Date: *25 October 2023*

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

**Consolidated statement of financial activities for the year ended
31 March 2023 (incorporating the consolidated income and expenditure account)**

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2023 £'000	Total Funds 2022 £'000
Income from:						
<i>Donations and legacies</i>	4					
Exceptional income		-	-	1,000	1,000	-
Other donations and legacies		452	579	-	1,031	1,482
		<u>452</u>	<u>579</u>	<u>1,000</u>	<u>2,031</u>	<u>1,482</u>
<i>Income from charitable activities:</i>	8					
Residential care		18,405	-	-	18,405	16,371
Community services		760	-	-	760	742
		<u>19,165</u>	<u>-</u>	<u>-</u>	<u>19,165</u>	<u>17,113</u>
Investment Income	5	222	415	1	638	649
Other income	6	7	-	-	7	404
Total		<u>19,846</u>	<u>994</u>	<u>1,001</u>	<u>21,841</u>	<u>19,648</u>
Expenditure on:						
<i>Raising funds:</i>	8					
Fundraising costs		230	36	-	266	246
Investment management costs		81	-	-	81	103
		<u>311</u>	<u>36</u>	<u>-</u>	<u>347</u>	<u>349</u>
<i>Charitable activities:</i>	8					
Residential care		19,998	792	22	20,812	19,039
Community services		1,016	7	-	1,023	1,147
Community engagement		-	3	-	3	139
Grants and allowances		148	299	-	447	365
Other expenditure	6	-	-	-	-	74
		<u>21,162</u>	<u>1,101</u>	<u>22</u>	<u>22,285</u>	<u>20,764</u>
Total		<u>21,473</u>	<u>1,137</u>	<u>22</u>	<u>22,632</u>	<u>21,113</u>
Net (expenditure)/ income before (losses)/gains on investments	9	(1,627)	(143)	979	(791)	(1,465)
Net (losses)/ gains on investments	15	(153)	(299)	(421)	(873)	1,570
Net (expenditure)/ income		<u>(1,780)</u>	<u>(442)</u>	<u>558</u>	<u>(1,664)</u>	<u>105</u>
Other recognised gains/(losses)						
Actuarial (losses) on defined benefit pension scheme	19	(10)	-	-	(10)	(15)
Transfers between funds	21	2,275	(1,975)	(300)	-	-
Net movement in funds		<u>485</u>	<u>(2,417)</u>	<u>258</u>	<u>(1,674)</u>	<u>90</u>
Reconciliation of funds:						
Total funds brought forward	21	22,249	8,489	9,329	40,067	39,977
Total funds carried forward	21	<u>22,734</u>	<u>6,072</u>	<u>9,587</u>	<u>38,393</u>	<u>40,067</u>

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2022 by fund are disclosed in note 2.

The notes on pages 37 to 66 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2023

		Group 2023 £'000	Group 2022 £'000	Charity 2023 £'000	Charity 2022 £'000
Fixed assets	<i>Notes</i>				
Intangible assets	13	30	78	30	78
Tangible assets	14	21,943	21,673	22,065	21,780
Investments	15	16,704	19,913	16,714	19,923
Total fixed assets		38,677	41,664	38,809	41,781
Current assets					
Debtors	16	1,904	1,906	1,894	1,897
Cash at bank and in hand		2,549	1,469	2,541	1,466
Total current assets		4,453	3,375	4,435	3,363
Creditors					
Amounts falling due within 1 year	17	(3,382)	(3,481)	(3,366)	(3,467)
Net current assets/ (liabilities)		1,071	(106)	1,069	(104)
Total assets less current liabilities		39,748	41,558	39,878	41,677
Creditors					
Amounts falling due after more than one year	18	(1,331)	(1,454)	(1,331)	(1,454)
Net assets excluding pension liabilities		38,417	40,104	38,547	40,223
Defined benefit pension scheme liability	19	(24)	(37)	(24)	(37)
Total net assets		38,393	40,067	38,523	40,186
The funds of the charity:					
Restricted funds	21	6,072	8,489	6,072	8,489
Endowments	21	9,587	9,329	9,587	9,329
<i>Unrestricted funds:</i>					
Designated funds	21	18,571	18,033	18,693	18,140
General reserves - revaluation reserve	21	2,495	2,495	2,495	2,495
General reserves - other	21	1,692	1,758	1,700	1,770
Pension reserve	21	(24)	(37)	(24)	(37)
Total unrestricted funds		22,734	22,249	22,864	22,368
Total charity funds	21	38,393	40,067	38,523	40,186

The notes on pages 37 to 66 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net expenditure for the year is £1,653,000, which includes net losses on investments of £873,000 (2021-22: net income of £95,000, including net gains on investments of £1,570,000).

The financial statements were approved by the Board of Trustees on 14 September 2023 and were signed on their behalf by:


Chris Maidment, Chair

Consolidated statement of cash flows for the year ended 31 March 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities:					
Net cash (used in) operating activities	23		<u>(1,591)</u>		<u>(1,438)</u>
Cash flows from investing activities:					
Dividends, interest and rents from investments		638		649	
Interest payable		(68)		(33)	
Purchase of intangible fixed assets		(1)		(16)	
Purchase of property, plant and equipment		(1,207)		(569)	
Purchase of investments		(14)		-	
Proceeds from sale of investments		2,350		1,043	
Proceeds from sale of property, plant and equipment		7		46	
Proceeds from sale of services		100		287	
Net cash provided by investing activities			<u>1,805</u>		<u>1,407</u>
Cash flows from financing activities:					
Repayments of borrowings		(134)		(149)	
Receipt of endowment		1,000		-	
Net cash used in financing activities			<u>866</u>		<u>(149)</u>
Change in cash and cash equivalents in the year			1,080		(180)
Cash and cash equivalents at the beginning of the year			1,469		1,649
Cash and cash equivalents at the end of the year			<u>2,549</u>		<u>1,469</u>
Cash and cash equivalents comprise the following:					
Cash			<u>2,549</u>		<u>1,469</u>

Analysis of net debt

	At 1 April 2022 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2023 £'000
Cash and cash equivalents				
Cash	1,469	1,080	-	2,549
Borrowings				
Debt due within one year	(148)	134	(123)	(137)
Debt due after one year	(1,454)	-	123	(1,331)
	<u>(1,602)</u>	<u>134</u>	<u>-</u>	<u>(1,468)</u>
Net (debt)/ funds	<u>(133)</u>	<u>1,214</u>	<u>-</u>	<u>1,081</u>

Analysis of net debt for the prior year

	At 1 April 2021 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2022 £'000
Cash and cash equivalents				
Cash	1,649	(180)	-	1,469
Borrowings				
Debt due within one year	(141)	149	(156)	(148)
Debt due after one year	(1,610)	-	156	(1,454)
	<u>(1,751)</u>	<u>149</u>	<u>-</u>	<u>(1,602)</u>
Net debt	<u>(102)</u>	<u>(31)</u>	<u>-</u>	<u>(133)</u>

Notes to the financial statements for the year ended 31 March 2023

1. Principal accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Friends of the Elderly meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value except where otherwise stated in the relevant accounting policy notes.

Friends of the Elderly is a registered charity (number 226064) and a registered company (number 133850) limited by guarantee incorporated in England and Wales. The registered office is 40-42 Ebury Street, London SW1W 0LZ.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements. In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans, and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2025, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

In 2020 and 2022, the Charity Commission approved two separate applications from the Charity to release endowed capital of STL to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. The Charity can access funds as long as it supports the original beneficiaries of STL – nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2023, £3.7m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid that the biggest impact on our finances is having to continue to operate through a general ‘crisis’ in social care, rather than an isolated issue at one care home resulting in closure. Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario.

Going concern – conclusions

The scenarios used to stress-test management forecasts show at which level of care home occupancy the Charity would need to sell assets (such as investment property) to continue as a going concern until at least March 2025. The Charity has significant assets, which mitigates concerns from a going concern perspective. Options for the sale of investment properties are being considered by the board as part of contingency planning.

1. Principal accounting policies (continued)

Going concern – conclusions (continued)

The trustees consider that there are no material uncertainties about the Charity's and Group's ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

(b) Consolidation

The financial statements consolidate the results of Potential Ltd, the Retired Nurses National Home (the RNNH), and Friends of the Elderly Trading Ltd, all of which are wholly owned subsidiaries of Friends of the Elderly (the Charity).

(c) Fund accounting

Unrestricted funds are those funds that are readily available for the use of the Charity, as the Charity's trustees see fit. These are made up of general reserves, designated funds, and a pension reserve.

General reserves are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition or operation of any residential care homes, and the costs of any extra care development, net of related borrowings.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aims and uses of the various restricted funds are set out in the notes to the financial statements. Restricted funds in the Group balance sheet also include the reserves of a subsidiary where its objects are more specific than those of the parent charity.

Endowment funds are restricted funds and comprise properties used for specific purposes and investments where only the income generated can be expended. The aims and uses of these funds are set out in the notes to the financial statements. Investment income and investment gains or losses are allocated to the appropriate fund.

Expendable endowment funds are included within endowed funds. They differ from permanent endowments in that the capital can be spent as well as the income, subject to specific restrictions. Capital spent is shown as a transfer to restricted funds, with the expenditure then being recorded as restricted fund expenditure.

(d) Income

Resident, service user and statutory fees, grants, management fees and investment income are accounted for when receivable. Income received in advance of the related services being performed is deferred.

Legacies are accounted for when it is probable that they will be received. Receipt is normally probable when: there has been grant of probate; the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and any conditions attached to the legacy are either within the control of the Charity or have been met.

1. Principal accounting policies (continued)

(d) Income (continued)

Donations are accounted for when received and related gift aid when receivable.

Income includes grants receivable from the government, including Covid-19 support for the Adult Social Care sector and the Coronavirus job retention scheme. Government grant income and related expenditure are recognised gross. When there are conditions attached with the expenditure, the income is recognised to the extent that these conditions have been fulfilled and the charity has entitlement to the income.

Coronavirus Job Retention Scheme funding is allocated as income to the relevant charitable activities, and where received in relation to central support roles it is allocated between charitable activities on the same basis as central support costs allocation. Grants with performance-related criteria are included within donations and legacies and allocated to restricted funds. The related expenditure is also in restricted funds, but within charitable activities.

(e) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

Any redundancy or other costs relating to termination of employment are recognised when the employee or group of employees are informed of the relevant consultation process.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(f) Support costs

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include management and administration costs incurred in Central Office, costs incurred by staff with regional responsibilities and governance costs which support the Group's charitable activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

(g) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably. An equivalent amount of expenditure is also recognised when the service or facility is used.

In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised. The contribution made to the Charity by volunteers is discussed in more detail in the trustees' report.

(h) Intangible fixed assets and amortisation

Intangible assets are capitalised at cost, including any incidental external expenses of acquisition or construction. Amortisation is charged so as to write off the full cost of the assets less their residual values on a straight-line basis over the following expected useful economic lives:

Computer software: 3 years

1. Principal accounting policies (continued)

(i) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition. Depreciation is not charged on freehold land or on expenditure on assets in course of construction or not yet in use.

Depreciation on other tangible fixed assets is charged on a straight-line basis so as to write off the full cost or valuation less their estimated residual values over their expected useful economic lives at the following rates:

Leasehold buildings (over 50 years):	50 years
Leasehold buildings (under 50 years):	Over term of lease
Fixtures and fittings:	3 to 10 years
Office and domestic equipment:	3 to 10 years
Motor vehicles:	4 years
Computer equipment:	3 years

Depreciation on freehold and long leasehold property is charged so as to write off the full cost or valuation of individual components less their estimated residual values on a straight-line basis over the following expected useful economic lives:

Structure and external fabric:	50 years
Roofs:	50 years
Lifts:	15 years
Bathrooms:	15 years
Central heating systems:	25 years
Kitchens:	15 years
Windows and doors:	25 years
Electrical wiring:	25 years

Residual values for care home structure and external fabric is based on sector information on the marketable value of older care homes. Residual values for other assets are deemed to be nil.

Interest costs relating to borrowings for property development are capitalised, up until the date the asset comes into use.

(j) Impairment of fixed assets

Assets are reviewed annually for indicators of impairment. Indicators would include: evidence of obsolescence or physical damage to the asset, evidence that an asset's market value has declined significantly, or evidence from internal reporting that the economic performance (cash flows and operating results) of an asset is, or will be, worse than expected.

Where there is an indicator of impairment, an impairment review is performed to identify the recoverable amount of an asset. If the recoverable amount of an asset is less than its carrying value, and this is considered to be a permanent impairment, then an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Its fair value is the asset's market value either as a going concern or if sold for alternative use. Value in use is calculated the replacement cost of the asset discounted to reflect its current age and condition (the depreciated replacement cost).

1. Principal accounting policies (continued)

(k) Investment properties

Investment properties are properties that are within or adjacent to the Charity's care homes which are capable of being rented out to third parties.

Investment properties are capitalised at valuation and are not depreciated. The difference between historical cost and valuation is included within the revaluation reserve. Investment properties are generally revalued every three years, with an annual review undertaken as to whether there are any indicators of material changes in value.

(l) Other investments

Investments in stocks and shares are valued at the mid-market price ruling at the balance sheet date. Unlisted investments comprise investments in managed funds and are valued at the market price per unit of the fund at the balance sheet date. This gives rise to unrealised gains or losses which are included in the statement of financial activities. Realised gains or losses on disposal arise on the difference between the sales proceeds and carrying value which are also included in the statement of financial activities.

Investments in subsidiaries are held at cost, less any provision for impairment.

(m) Debtors

Trade and other debtors are recognised at the settlement amount due, less an allowance for any doubtful debts. Prepayments are valued at the amount prepaid net of any discounts due.

(n) Resident deposits

Care home residents may pay a deposit on admission to a care home, which is fully refundable on departure less any amounts owed at that date. Resident deposits received are included within unrestricted cash but are held within a separate bank account. Resident deposits are also included within creditors. Receipts and payments of resident deposits are not reflected in the income and expenditure of the Group.

(o) Cash at bank and in hand

Cash at bank and cash in hand include cash and any deposits with a short maturity of three months or less from the date of opening of the deposit or similar account. It includes cash within the investment portfolio that is not held for reinvestment.

(p) Creditors and provisions

Creditors and provisions are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(q) Financial instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at the amortised cost using the effective interest method, less impairment.

1. Principal accounting policies (continued)

(q) Financial instruments (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, with subsequent changes in fair value recognised in the statement of financial activities.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, and loans from third parties are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instruments include bank loans. These are subsequently carried at amortised cost using the effective interest rate method.

(r) Operating leases

Rentals under operating leases are charged to the statement of financial activities as they fall due.

(s) Pension schemes

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved.

The pension liabilities and assets are recorded in line with FRS102, with a valuation undertaken by an independent actuary. FRS102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities.

The value of benefits accrued is used to determine the pension charge in the statement of financial activities and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate income/ expenditure categories.

The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members, is recognised in the statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the balance sheet.

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Contributions are charged to the statement of financial activities as they become payable.

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes. It is not possible for the Charity to obtain sufficient information to enable it to account for these schemes as defined benefit schemes. Therefore, it accounts for the schemes as if they were defined contribution schemes and recognises only the present value of future deficit recovery contributions as a provision. This provision forms part of unrestricted funds.

1. Principal accounting policies (continued)

(s) Pension Schemes (continued)

Where pension scheme costs are charged to the statement of financial activities in relation to service during the year, the costs are allocated to the relevant activities and funds (unrestricted or restricted) in the same way as costs relating to the relevant employees. Where pension scheme costs are incurred in relation to past employment, these costs are allocated to unrestricted expenditure within the relevant activity of the employees (some of whom may be former employees).

(t) Key judgements and estimates

There are additional uncertainties and risks as a result of Covid-19 and more recently changes to the UK economy, with the potential to impact on judgements and estimates at year-end, or to result in future material changes in asset values. This includes changes in the care sector, care home development and resale market, residential property market, and stock markets.

The trustees have considered up to date information and data from a range of sources, where they impact on key judgements and estimates, up to the date of approval of the financial statements.

The review of impairment indicators and assessment of impairment loss

Impairment indicators include the financial performance of a service (in particular, individual care homes) compared to expectations, any recent third-party valuations compared to carrying value, and the basis of those valuations compared to any more recent results. The risk of impairment of the Charity's fixed assets, including care homes and related fixtures and fittings, is increased as a result of the losses being made by the Charity.

Where there are impairment indicators for individual care homes, the recoverable value of the home is assessed. The fair value of the home, less costs to sell, is considered, where we have third party information on its market value, updated to reflect recent operating result of the care home. This is compared to the value in use based on depreciated replacement cost.

The key estimate in depreciated replacement cost is the cost to build an equivalent asset. Depending on the nature of the building, either general market information is used, or more specific guidance is obtained from care sector experts.

If an impairment is considered to be permanent, then an impairment loss is recognised. If it is considered to be temporary – with a reasonable expectation that it will reverse within a set period of time - then no impairment charge is booked but future performance is monitored to compare against the basis of the original conclusion.

Further risk relates to planning application costs, in particular for the Coulsdon Integrated Retirement Community application that was refused by the council in June 2023. We are confident of the strength of our application and are making arrangements to appeal, and we are confident that the project still has value, therefore no impairment is considered necessary (see note 14).

No impairment charges were recognised in the year (2022: £74,000).

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are: discount rates; inflation rates; mortality assumptions and life expectancies; and expected return on scheme assets. These assumptions are reviewed and approved by the trustees, based on information provided by the scheme actuaries. The key judgement of the multi-employer pension schemes is the discount rate applied to future contributions. This discount rate is reviewed and approved by the trustees, based on information provided by the scheme administrators, and reflects the time period of future contributions. The key judgement of the multi-employer pension schemes is the discount rate applied to future contributions. This discount rate is reviewed and approved by the trustees, based on information provided by the scheme administrators, and reflects the time period of future contributions.

1. Principal accounting policies (continued)

(t) Key judgements and estimates (continued)

Tangible fixed assets and depreciation

Note 1(h) sets out the basis of depreciation. Key judgements are the useful economic lives of assets, and the residual value of structure and external fabric of freehold and long leasehold properties at the end of their lives. Useful economic lives are based on known replacement timelines for individual elements of a property, such as central heating systems, lifts, and bathrooms. Useful economic lives are based on experience of our older care homes. Residual values for the fabric and structure of care homes are based on sector information on the marketable value of older care homes.

Investment property valuations

Investment properties are revalued by trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value in other years. In March 2022 local estate agent valuations were obtained, with adjustments for the costs to separate legal title and access. In March 2023, the trustees considered whether there were any indicators of material changes in value based on house market indices. While the market values are have fallen since March 2022, the trustees do not consider that this is a material change in value.

2. Consolidated statement of financial activities by fund 2022

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2022 £'000
Income from:					
Donations and legacies	4	269	1,213	-	1,482
<i>Income from charitable activities:</i>	8				
Residential care		16,371	-	-	16,371
Community services		742	-	-	742
		17,113	-	-	17,113
Investment Income	5	195	453	1	649
Other income	6	404	-	-	404
Total		17,981	1,666	1	19,648
Expenditure on:					
<i>Raising funds:</i>	8				
Fundraising costs		190	56	-	246
Investment management costs		103	-	-	103
		293	56	-	349
<i>Charitable activities:</i>	8				
Residential care		17,384	1,619	36	19,039
Community services		1,072	75	-	1,147
Community engagement		138	1	-	139
Grants and allowances		117	248	-	365
Other expenditure	6	69	5	-	74
		18,780	1,948	36	20,764
Total		19,073	2,004	36	21,113
Net (expenditure) before gains on investments	9	(1,092)	(338)	(35)	(1,465)
Net gains on investments	15	679	19	872	1,570
Net income/ (expenditure)		(413)	(319)	837	105
Other recognised gains/(losses)					
Actuarial losses on defined benefit pension	19	(15)	-	-	(15)
Transfers between funds	21	1,026	6,298	(7,324)	-
Net movement in funds		598	5,979	(6,487)	90
Reconciliation of funds:					
Total funds brought forward	21	21,651	2,510	15,816	39,977
Total funds carried forward	21	22,249	8,489	9,329	40,067

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2023:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	174	-	-
Total expenditure	(171)	-	-
Net movement in funds	3	-	-
Net assets at 31 March 2023	2	10	-

Summary of results for the year ended 31 March 2022:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	88	-	-
Total expenditure	(86)	-	-
Net movement in funds	2	-	-
Net (liabilities)/ assets at 31 March 2022	(1)	10	-

Potential Limited is a wholly-owned subsidiary of Friends of the Elderly and undertakes development work for the Group. Its company registration number is 3353988.

Friends of the Elderly Trading Limited is dormant. Its company registration number is 3557337.

Friends of the Elderly became the sole member of the Retired Nurses National Home (the RNNH) on 31 March 2015. The RNNH's activities, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019 as part of a group merger. This transfer included the care home in Bournemouth that was owned and operated by the RNNH.

4. Donations and legacies

	2023	2022
	£'000	£'000
Donations	1,746	531
Legacies	235	99
Pro-bono services	36	56
Total excluding government grants	2,017	686
<i>Government grants (note 7)</i>		
Covid-19 Adult Social Care	14	796
	2,031	1,482

5. Investment income

	2023	2022
	£'000	£'000
Dividends from investments	523	535
Investment property rental income	107	111
Interest receivable	8	3
	<u>638</u>	<u>649</u>

6. Other income and other expenditure

Other income

	2023	2022
	£'000	£'000
Gain on disposal of fixed assets	7	17
Gain on sale of homecare services	-	387
	<u>7</u>	<u>404</u>

The Charity's home care services were sold to a third party in May 2021. All relevant staff were given the opportunity to transfer to the new operator through a Transfer of Undertakings (Protection of Employment) (TUPE). No fixed assets were included within the sales agreement. Consideration for the sale was as follows:

	2023	2022
	£'000	£'000
Consideration for sale received in year	-	300
Deferred consideration received after the year-end	-	100
Costs of sale	-	(13)
Gain on sale of homecare services	<u>-</u>	<u>387</u>

Other expenditure

Other expenditure within charitable activities includes:

	2023	2022
	£'000	£'000
Impairment charge	-	74
	<u>-</u>	<u>74</u>

The impairment charge in the prior year relates to one care home, to write its net assets down to its recoverable value.

7. Government grants

	2023	2022
	£'000	£'000
Recorded within restricted income from donations and legacies		
Covid-19 Adult Social Care grants	14	796
Recorded within unrestricted income from charitable activities		
Coronavirus Job Retention Scheme	-	40
	<u>14</u>	<u>836</u>

7. Government grants (continued)

Adult Social Care grants relating to Covid-19 emergency funding include a Workforce Capacity Fund (2022: additionally an Infection Control Fund and a Rapid Testing Fund). These funds are administered and distributed by local authorities. The funds are received on condition that they are spent on specific types of costs, with regular reporting required to the majority of the local authorities concerned. Any funds not spent under the relevant conditions would need to be returned. All grant conditions have been met for income recognised during the year.

The Coronavirus Job Retention Scheme was also known as the furlough scheme. The related staff costs in 2022 were recognised in full within expenditure.

8. Analysis of income and expenditure by charitable activity

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2023	2023	2023	2023	2023	2023
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	18,405	760	-	-	-	19,165
Government grants	14	-	-	-	-	14
Other attributable fundraising income	304	6	5	1,210	492	2,017
Attributable investment income	356	-	-	59	223	638
Total income	19,079	766	5	1,269	715	21,834
Direct expenditure	17,411	792	3	105	248	18,559
Grant-funding of activities	-	-	-	259	-	259
Total income less direct expenditure	1,668	(26)	2	905	467	3,016
Attributable support costs:						
Governance	293	19	-	16	8	336
Operations, quality and training	898	55	-	10	7	970
Property	159	5	-	-	5	169
Finance, HR and IT	1,542	87	-	23	22	1,674
Marketing and communications	369	46	-	9	23	447
Strategic and executive	140	19	-	25	34	218
Total attributable support costs	3,401	231	-	83	99	3,814
Total expenditure	20,812	1,023	3	447	347	22,632
Net surplus/ (deficit)	(1,733)	(257)	2	822	368	(798)

Fundraising and investment income that is restricted to specific charitable activities is shown as attributable to that activity in the table above. Unrestricted fundraising and investment income is shown in the raising funds column.

This excludes other income and other expenditure (note 6).

8. Analysis of income and expenditure by charitable activity (continued)

The analysis for 2022 is as follows:

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2022	2022	2022	2022	2022	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	16,371	742	-	-	-	17,113
Government grants	742	54	-	-	-	796
Other attributable fundraising income	23	2	8	328	325	686
Attributable investment income	399	-	-	54	196	649
Total income	17,535	798	8	382	521	19,244
Direct expenditure	15,744	838	103	89	249	17,023
Grant-funding of activities	-	-	-	222	-	222
Total income less direct expenditure	1,791	(40)	(95)	71	272	1,999
Attributable support costs:						
Governance	279	26	3	12	8	328
Operations, quality and training	855	107	20	12	26	1,020
Property	207	15	-	-	18	240
Finance, HR and IT	1,552	95	9	20	23	1,699
Marketing and communications	338	49	-	4	14	405
Strategic and executive	64	17	4	6	11	102
Total attributable support costs	3,295	309	36	54	100	3,794
Total expenditure	19,039	1,147	139	365	349	21,039
Net surplus/ (deficit)	(1,504)	(349)	(131)	17	172	(1,795)

This excludes other income and other expenditure (note 6).

The restatement in the 2022 analysis is to reclassify the grants delivery team costs of £89,000 within direct expenditure. This covers the cost of the team who receive, evaluate and approve the grants, with direct contact with the referral agencies and the grant recipients. We consider this should be recognised as a direct part of the charitable activity of giving grants and allowances, and not a support cost.

Support costs and costs of governance are apportioned between charitable activities and the activities for raising funds. The basis of apportionment is as follows:

Function	Basis of apportionment
Governance costs	Apportioned in proportion to overall support costs allocation
Operations, Quality and Training	Specific teams relate to different charitable operations, other costs are apportioned based on management estimate
Property	Apportioned based on management estimate
Finance and Information Technology	Apportioned based on the proportion of total expenditure
Human Resources	Apportioned based on headcount
Marketing and communications	Apportioned based on management estimate
Strategy and Executive	Apportioned based on management estimate

9. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2023	2022
	£'000	£'000
Staff costs (Note 10)	15,509	14,335
Amortisation of intangible fixed assets (Note 13)	49	50
Depreciation of tangible fixed assets (Note 14)	951	958
Impairment of tangible fixed assets (note 6)	-	74
Auditors' remuneration - Audit of the Charity (current year)	42	35
Auditors' remuneration - Audit of subsidiary undertakings	2	2
Auditors' remuneration - Other Services	3	3
Professional indemnity insurance	2	2
Surplus on sale of fixed assets	7	17
Surplus on sale of homecare services	-	387
Pension scheme net finance charge	-	1
Operating lease rentals	143	138

The professional indemnity insurance is in respect of all trustees, committee members and staff.

10. Staff costs

	2023	2022
	£'000	£'000
Staff costs were as follows:		
Salaries	10,857	10,404
Social security costs	900	868
Pension costs - excluding change to pension provision	571	556
Pension costs - change to pension provision (note 21)	(13)	(75)
	<u>12,315</u>	<u>11,753</u>
Agency - Care	1,780	1,269
Agency - Non-Care	10	9
Contract staff costs	1,404	1,304
Agency and contract costs	<u>3,194</u>	<u>2,582</u>

The following costs were incurred in relation to redundancies and are included within the staff costs total above. There were no ex-gratia payments, which would represent any redundancy payments above the statutory minimum.

	2023	2022
	£'000	£'000
Redundancy payments	<u>-</u>	<u>6</u>

The number of staff whose emoluments plus taxable benefits amounted to over £60,000 during the year were as follows:

	2023	2022
	No.	No.
£60,001 - £70,000	7	6
£70,001 - £80,000	2	2
£80,000 - £90,000	2	1
£90,000 to £100,000	2	2

10. Staff costs (continued)

Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2022: none).

	2023	2022
	£'000	£'000
Total emoluments	588	561
	No.	No.
Average number of Senior Management Team	6	6

11. Staff numbers

The average number of employees (headcount) and full time equivalent (FTE) for the year were as follows:

Employee numbers	2023		2022	
	Headcount	FTE	Headcount	FTE
	No.	No.	No.	No.
Care staff	416	322	419	320
Support staff	66	59	67	64
	<u>482</u>	<u>381</u>	<u>486</u>	<u>384</u>

12. Related party transactions

Trustees

The trustees received no remuneration for their services (2022: £nil). During the year ended 31 March 2023, no expenses were paid to any trustee for costs incurred in the course of their duties as trustee of the Charity (2022: £nil).

No donations were made by a related party of any trustee to the Group during the year (2022: £nil). Expenses waived by trustees during the year were not material (2022: not material).

Key management personnel

There are no related party transactions with key management personnel to report for the year ended 31 March 2023 (2022: none).

Intercompany transactions

The Charity had the following transactions with Group companies during the year:

	2023	2022
	£'000	£'000
Amounts charged/ (credited) to Potential		
Management fee	7	1
Property development costs recharged (capitalised within the Charity)	(161)	(81)
	<u>(154)</u>	<u>(80)</u>

12. Related party transactions (continued)

The Charity had the following year-end balances with Group companies:

	2023	2022
	£'000	£'000
Amounts due to Potential	(15)	(39)
Amounts due to Friends of the Elderly Trading Limited	(5)	(5)
	<u>(20)</u>	<u>(44)</u>

13. Intangible fixed assets

	Group and Charity
Computer software	
Cost	£'000
At 1 April 2022	778
Additions	1
Disposals	(194)
At 31 March 2023	<u>585</u>
Amortisation	
At 1 April 2022	700
Charge for the year	49
Eliminated on disposal	(194)
At 31 March 2023	<u>555</u>
Net book value 31 March 2023	<u>30</u>
Net book value 31 March 2022	<u>78</u>

14. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2022	26,992	156	9,494	36,642
Additions	675	-	546	1,221
Disposals	(45)	-	(31)	(76)
At 31 March 2023	<u>27,622</u>	<u>156</u>	<u>10,009</u>	<u>37,787</u>
Depreciation				
At 1 April 2022	7,334	116	7,519	14,969
Charge for the year	264	4	683	951
Eliminated on disposal	(45)	-	(31)	(76)
At 31 March 2023	<u>7,553</u>	<u>120</u>	<u>8,171</u>	<u>15,844</u>
Net book value 31 March 2023	<u>20,069</u>	<u>36</u>	<u>1,838</u>	<u>21,943</u>
Net book value 31 March 2022	<u>19,658</u>	<u>40</u>	<u>1,975</u>	<u>21,673</u>

14. Tangible fixed assets (continued)

(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2022	27,236	156	9,503	36,895
Additions	690	-	546	1,236
Disposals	(45)	-	(34)	(79)
At 31 March 2023	<u>27,881</u>	<u>156</u>	<u>10,015</u>	<u>38,052</u>
Depreciation				
At 1 April 2022	7,471	116	7,528	15,115
Charge for the year	264	4	683	951
Eliminated on disposal	(45)	-	(34)	(79)
At 31 March 2023	<u>7,690</u>	<u>120</u>	<u>8,177</u>	<u>15,987</u>
Net book value 31 March 2023	<u>20,191</u>	<u>36</u>	<u>1,838</u>	<u>22,065</u>
Net book value 31 March 2022	<u>19,765</u>	<u>40</u>	<u>1,975</u>	<u>21,780</u>

Tangible fixed assets include assets in the course of construction, which are not depreciated until they are in use, but which are assessed annually for any impairment risks.

	Group		Charity	
	2023	2022	2023	2022
Assets in the course of construction	£'000	£'000	£'000	£'000
Cost	<u>1,653</u>	<u>1,921</u>	<u>1,711</u>	<u>1,960</u>
Net book value	<u>1,653</u>	<u>1,561</u>	<u>1,711</u>	<u>1,592</u>

The 2022 costs and net book value include planning application costs for Moulford, Oxfordshire. This is not included in the 2023 assets in the course of construction balance, as no revised planning application is to be submitted. The remaining net book value relates to work carried out as part of the planning process that still has value to the site, and is included in the fixed assets relating to the care home.

Assets in the course of construction include cost and net book value relating to the Coulsdon planning application. The planning application was refused in June 2023, and the Charity believes it has a strong basis for appeal, therefore no impairment has been considered necessary at this time.

Borrowing costs of £14,000 (2022: £6,000) were capitalised in the year as part of assets in the course of construction. This is interest on the 15-year term loan disclosed in note 18. The loans (note 18) are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

Long-leasehold property is classified as finance leases. There are no lease payments due for these properties other than one peppercorn if demanded. Amounts capitalised under short leasehold property are property improvements. The lease itself is classified as an operating lease.

15. Fixed asset investments

(a) Group	Investment Property £'000	Investments Unlisted £'000	Total £'000	
<u>Cost or valuation</u>				
At 1 April 2022	2,836	17,077	19,913	
Additions	-	14	14	
Disposals (carrying value)	-	(2,493)	(2,493)	
Unrealised (losses) on revaluation	-	(730)	(730)	
At 31 March 2023	<u>2,836</u>	<u>13,868</u>	<u>16,704</u>	
Cost at 31 March 2023	<u>341</u>	<u>11,960</u>	<u>12,301</u>	

b) Charity	Investment Property £'000	Investments Unlisted £'000	Investment in Subsidiaries £'000	Total £'000
<u>Cost or valuation</u>				
At 1 April 2022	2,836	17,077	10	19,923
Additions	-	14	-	14
Disposals (carrying value)	-	(2,493)	-	(2,493)
Unrealised (losses) on revaluation	-	(730)	-	(730)
At 31 March 2023	<u>2,836</u>	<u>13,868</u>	<u>10</u>	<u>16,714</u>
Cost at 31 March 2023	<u>341</u>	<u>11,960</u>	<u>10</u>	<u>12,311</u>

Realised losses on disposals in the year were £143,000 (2022: realised gains of £37,000).

'Investments in subsidiaries' relates to two trading companies – Potential Limited; and Friends of the Elderly (Trading) Limited, which is dormant. Summary results for the subsidiaries can be found in note 3.

Investment properties are properties which are held for strategic reasons, but which are capable of being rented to third parties or of being sold separate to adjacent care homes.

16. Debtors

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	1,031	743	1,031	743
Other debtors	176	161	166	152
Prepayments and accrued income	697	1,002	697	1,002
	<u>1,904</u>	<u>1,906</u>	<u>1,894</u>	<u>1,897</u>

17. Creditors: amounts falling due within one year

	Group		Charity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	926	843	896	790
Amounts due to subsidiary undertakings	-	-	19	44
Other creditors	315	393	310	388
Resident deposits	1,109	904	1,109	904
Taxation and social security	276	248	276	248
Accruals	619	945	619	945
Loans: Amounts Due Within One Year	137	148	137	148
	<u>3,382</u>	<u>3,481</u>	<u>3,366</u>	<u>3,467</u>

18. Creditors: amounts falling due after more than one year

	Group and Charity	
	2023 £'000	2022 £'000
Secured bank loan:		
Falling due within more than one year but less than five years	639	632
Falling due after five years	692	822
Total amounts falling due after one year:	<u>1,331</u>	<u>1,454</u>
Amounts falling due within one year (Note 17)	137	148
Total of all loans	<u>1,468</u>	<u>1,602</u>

The loans are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

The loans are basic financial instruments carried at amortised cost. £977,000 of the debt has an interest rate at 1.75% above the Bank of England's sterling base rate, with a 20-year term ending in 2031. £491,000 of debt has an interest rate at 3.0% above the Bank of England's sterling base rate, with a 15-year term ending in 2034.

19. Pension schemes

The Charity and Group operate or contribute to a number of pension schemes, both defined contribution schemes and defined benefit pension schemes. The liability recognised in respect of defined benefit pension schemes is as follows:

Defined benefit pension scheme liability by Scheme	Group and Charity	
	2023 £'000	2022 £'000
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(14)	(24)
Career Average Revalued Earnings (CARE) Pension Scheme	(10)	(13)
	<u>(24)</u>	<u>(37)</u>

19. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme

	FoTE Closed 2023 £'000	SVSPS Scheme 2023 £'000	CARE Scheme 2023 £'000	Total 2023 £'000
Provision at 1 April 2022	-	(24)	(13)	(37)
Interest expense	-		-	-
Contributions paid	10	11	2	23
Remeasurement - impact of changes in assumptions	-	(1)	1	-
Remeasurement - amendments to the contribution schedule	-	-	-	-
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	183	-	-	183
- Return on assets excluding interest income	(228)	-	-	(228)
- Change in the effect of asset ceiling	35	-	-	35
Provision at 31 March 2023	-	(14)	(10)	(24)

Reconciliation of opening and closing provision by Scheme for 2022:

	FoTE Closed Scheme 2022 £'000	SVSPS Scheme 2022 £'000	CARE Scheme 2022 £'000	Total 2022 £'000
Provision at 1 April 2021	-	(96)	(16)	(112)
Interest expense	-	(1)	-	(1)
Contributions paid	15	17	2	34
Remeasurement - impact of changes in assumptions	-	-	1	1
Remeasurement - amendments to the contribution schedule	-	56	-	56
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	91	-	-	91
- Return on assets excluding interest income	(61)	-	-	(61)
- Change in the effect of asset ceiling	(45)	-	-	(45)
Provision at 31 March 2022	-	(24)	(13)	(37)

19(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by the Charity and amounted to £547,000 in the year (2022: £523,000).

19(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)

The Charity operates the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) (the Scheme), a UK registered trust-based pension scheme that provides defined benefits. No benefits have been accrued since 30 September 1996.

Pension benefits are linked to members' final pensionable salaries and service to 30 September 1996 (or date of leaving if earlier). The Scheme trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

19. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

There are two categories of members:

- Deferred members: former employees or current employees of the Charity who have accrued benefits in the Scheme but are not yet in receipt of a pension.
- Pensioner members: in receipt of pension.

The Scheme trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation was performed by the Scheme actuary for the trustees as at 30 September 2021. The valuation revealed a funding surplus of £39,000 (2018 valuation: shortfall of £2,000). No further recovery plan payments are required by the Charity, however the Charity has agreed to continue to pay £830 a month from April 2022 (prior to this the Charity paid £1,250 per month). All the administration and operating expenses of the Scheme, including the Pension Protection Fund (PPF) levy, will continue to be met directly by the Charity.

The pension scheme surplus as at 31 March 2023 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

The amounts recognised and the balance sheet positions, for 2023 and 2022, are as follows:

	Group and Charity: 2023			Group and Charity: 2022		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,472	(1,400)	72	1,641	(1,614)	27
Limit on recognition of assets	(72)	-	(72)	(27)	-	(27)
Scheme surplus recognised at 1 April	1,400	(1,400)	-	1,614	(1,614)	-
Benefits paid	(250)	250	-	(149)	149	-
Employer contributions	10	-	10	15	-	15
<i>Amounts charged to Statement of Financial Activities:</i>						
Interest income/ (cost)	34	(34)	-	26	(26)	-
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	183	183	-	91	91
- Return on assets excluding interest income	(228)	-	(228)	(61)	-	(61)
- Change in the effect of asset ceiling	35	-	35	(45)	-	(45)
<i>Total amounts charged to Statement of Financial Activities</i>	(159)	149	(10)	(80)	65	(15)
Fair value at 31 March (less surplus not recognised)	1,001	(1,001)	-	1,400	(1,400)	-

The fair value of the assets of the scheme was:

	Group and Charity			
	2023	2023	2022	2022
	£'000	% of total plan assets	£'000	% of total plan assets
Trustees bank account/ net current assets	8	0.8%	3	0.2%
Annuities	787	75.8%	967	65.7%
Gilts fund	230	22.2%	414	28.1%
Diversified fund	13	1.3%	88	6.0%
Total	1,038	100.0%	1,472	100.0%

19. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

The return on assets was:

	Group and Charity	
	2023	2022
	Market value £'000	Market value £'000
Interest income	34	26
Return on assets less interest income	(228)	(61)
Total return on assets	(194)	(35)

Actuarial assumptions

	Group and Charity	
	2023	2022
Discount rate	4.80% pa	2.70% pa
RPI inflation	3.40% pa	4.20% pa
CPI inflation	2.40% pa	3.20% pa
Revaluation of deferred pensions	2.40% pa	3.20% pa

Mortality assumptions

	Group and Charity	
	2023	2022
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S3PA CMI_2021_M/F [1.25%] (yob)	100% of S3PA CMI_2021_M/F [1.25%] (yob)

Life expectancies (in years)

	2023		2022	
	Males	Females	Males	Females
For an individual aged 60	26.6	29.3	26.6	29.2
At age 60 for an individual aged 40	28.2	30.7	28.1	30.7

19(c) Multi-employer pension schemes

The Charity participates in two multi-employer pension schemes: the Scottish Voluntary Sector Pension Scheme (SVSPS) and the Career Average Revalued Earnings Pension Scheme (CARE).

These schemes are defined benefit schemes in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore, it accounts for the schemes as defined contribution schemes. The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The schemes are classified as 'last-man standing arrangements'. Therefore, the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. Recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

19. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the Charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SVSPS

The SVSPS provides benefits to some 95 non-associated employers.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. This actuarial valuation was certified on 21 December 2021 and showed assets of £153.3m, liabilities of £160.0m and a deficit of £6.7m (at the previous 2017 valuation the deficit was £25.9m). To eliminate this funding shortfall, the trustees and the participating employers have agreed that contributions will be paid, in combination from all employers, to the scheme of £1.5m per annum until 31 May 2024 (increasing by 3% each year on 1 April), of which the Charity's contributions are £11,000 per annum.

CARE

The CARE scheme provides benefits to some 37 non-associated employers.

A full actuarial valuation for the scheme was carried out as at 30 September 2019. This actuarial valuation showed assets of £79.0m, liabilities of £93.9m and a deficit of £14.9m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.5m per annum until September 2027 (increasing by 3% each year on 1 April), of which the Charity's contributions are £2,300 per annum, rising to £2,700 pa over the six-year period.

Discount rates

	Group and Charity	
	2023	2022
Discount rate: SVSPS	5.40%	2.30%
Discount rate: CARE	5.18%	2.55%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

20. Analysis of net assets between funds

Fund balances at 31 March 2023, represented by:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	30	-	-	30
Tangible assets	20,125	-	1,818	21,943
Investments	5,689	4,246	6,769	16,704
Current assets	1,584	1,869	1,000	4,453
Current liabilities	(3,339)	(43)	-	(3,382)
Non-current liabilities	(1,355)	-	-	(1,355)
	<u>22,734</u>	<u>6,072</u>	<u>9,587</u>	<u>38,393</u>

20. Analysis of net assets between funds (continued)

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	30	-	-	30
Tangible assets	20,247	-	1,818	22,065
Investments	5,699	4,246	6,769	16,714
Current assets	1,566	1,869	1,000	4,435
Current liabilities	(3,323)	(43)	-	(3,366)
Non-current liabilities	(1,355)	-	-	(1,355)
	<u>22,864</u>	<u>6,072</u>	<u>9,587</u>	<u>38,523</u>

Fund balances at 31 March 2022 were:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	78	-	-	78
Tangible assets	19,688	145	1,840	21,673
Investments	5,832	6,594	7,487	19,913
Current assets	1,437	1,936	2	3,375
Current liabilities	(3,295)	(186)	-	(3,481)
Non-current liabilities	(1,491)	-	-	(1,491)
	<u>22,249</u>	<u>8,489</u>	<u>9,329</u>	<u>40,067</u>

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	78	-	-	78
Tangible assets	19,795	145	1,840	21,780
Investments	5,842	6,594	7,487	19,923
Current assets	1,425	1,936	2	3,363
Current liabilities	(3,281)	(186)	-	(3,467)
Non-current liabilities	(1,491)	-	-	(1,491)
	<u>22,368</u>	<u>8,489</u>	<u>9,329</u>	<u>40,186</u>

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2023

21. Movement in funds

Fund movements for the Group for the year ended 31 March 2023:

(a) Group	As at 1 April 2022 £	Net income/ (expenditure) £	Other gains and (losses) £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2023 £
Unrestricted funds:								
Designated funds	18,033	-	-	(643)	1,073	108	-	18,571
General reserves:								
Revaluation reserve	2,495	-	-	-	-	-	-	2,495
Other reserve	1,758	(1,650)	(153)	643	(1,073)	(108)	2,275	1,692
Pension reserve	(37)	23	(10)	-	-	-	-	(24)
Total unrestricted funds	22,249	(1,627)	(163)	-	-	-	2,275	22,734
Restricted funds:								
Funds for residential care homes	234	285	-	-	-	-	(255)	264
Sir Thomas Lipton Memorial Home fund	6,013	-	(260)	-	-	-	(2,050)	3,703
Funds restricted to RNNH	12	(302)	(4)	-	-	-	300	6
Funds for grants and allowances	1,003	(30)	(35)	-	-	-	9	947
Funds for residents' subsidies	747	(92)	-	-	-	-	25	680
Community services	30	(1)	-	-	-	-	-	29
Community projects	48	(3)	-	-	-	-	1	46
Other restricted funds	402	-	-	-	-	-	(5)	397
Total restricted funds	8,489	(143)	(299)	-	-	-	(1,975)	6,072
Endowed funds:								
Expendable endowment - TGF	-	1,000	-	-	-	-	-	1,000
Expendable endowment - RNNH	736	-	(57)	-	-	-	(300)	379
Total expendable endowment	736	1,000	(57)	-	-	-	(300)	1,379
Permanent endowment:								
Endowed property - RNNH	1,605	(22)	-	-	-	-	-	1,583
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,270	1	(130)	-	-	-	-	2,141
Funds for residents' subsidies	3,335	-	(170)	-	-	-	-	3,165
Funds for grants and allowances	1,148	-	(64)	-	-	-	-	1,084
Total permanent endowment	8,593	(21)	(364)	-	-	-	-	8,208
Total endowed funds	9,329	979	(421)	-	-	-	(300)	9,587
Total funds	40,067	(791)	(883)	-	-	-	-	38,393

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2023

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2023:

(b) Charity	As at 1 April 2022 £	Net income/ (expenditure) £	Other gains and (losses) £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2023 £
Unrestricted funds:								
Designated funds	18,140	-	-	(643)	1,088	108	-	18,693
General reserves:								
Revaluation reserve	2,495	-	-	-	-	-	-	2,495
Other reserve	1,770	(1,639)	(153)	643	(1,088)	(108)	2,275	1,700
Pension reserve	(37)	23	(10)	-	-	-	-	(24)
Total unrestricted funds	22,368	(1,616)	(163)	-	-	-	2,275	22,864
Restricted funds:								
Funds for residential care homes	234	285	-	-	-	-	(255)	264
Sir Thomas Lipton Memorial Home fund	6,013	-	(260)	-	-	-	(2,050)	3,703
Funds restricted to RNNH	12	(302)	(4)	-	-	-	300	6
Funds for grants and allowances	1,003	(30)	(35)	-	-	-	9	947
Funds for residents' subsidies	747	(92)	-	-	-	-	25	680
Community services	30	(1)	-	-	-	-	-	29
Community projects	48	(3)	-	-	-	-	1	46
Other restricted funds	402	-	-	-	-	-	(5)	397
Total restricted funds	8,489	(143)	(299)	-	-	-	(1,975)	6,072
Endowed funds:								
Expendable endowment - TGF	-	1,000	-	-	-	-	-	1,000
Expendable endowment - RNNH	736	-	(57)	-	-	-	(300)	379
Total expendable endowment	736	1,000	(57)	-	-	-	(300)	1,379
Permanent endowment:								
Endowed property - RNNH	1,605	(22)	-	-	-	-	-	1,583
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,270	1	(130)	-	-	-	-	2,141
Funds for residents' subsidies	3,335	-	(170)	-	-	-	-	3,165
Funds for grants and allowances	1,148	-	(64)	-	-	-	-	1,084
Total permanent endowment	8,593	(21)	(364)	-	-	-	-	8,208
Total endowed funds	9,329	979	(421)	-	-	-	(300)	9,587
Total funds	40,186	(780)	(883)	-	-	-	-	38,523

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2023

21. Movement in funds (continued)

Fund movements for the Group for the year ended 31 March 2022:

(a) Group	As at 1 April 2021	Net income/ (expenditure)	Other gains and (losses)	Depreciation movement	Net capital expenditure	Loan movement	Funds Transferred	As at 31 March 2022
	£	£	£	£	£	£	£	£
Unrestricted funds:								
Designated funds	18,309	-	-	(823)	409	138	-	18,033
General reserves:								
Revaluation reserve	1,991	-	504	-	-	-	-	2,495
Other reserve	1,463	(1,182)	175	823	(409)	(138)	1,026	1,758
Pension reserve	(112)	90	(15)	-	-	-	-	(37)
Total unrestricted funds	21,651	(1,092)	664	-	-	-	1,026	22,249
Restricted funds:								
Funds for residential care homes	221	13	-	-	-	-	-	234
Sir Thomas Lipton Memorial Home fund	-	-	-	-	-	-	6,013	6,013
Funds restricted to RNNH	211	(461)	2	-	-	-	260	12
Funds for grants and allowances	852	134	17	-	-	-	-	1,003
Funds for residents' subsidies	725	(3)	-	-	-	-	25	747
Community services	49	(19)	-	-	-	-	-	30
Community projects	45	3	-	-	-	-	-	48
Other restricted funds	407	(5)	-	-	-	-	-	402
Total restricted funds	2,510	(338)	19	-	-	-	6,298	8,489
Endowed funds:								
Expendable endowment - RNNH	967	-	29	-	-	-	(260)	736
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,933	-	455	-	-	-	(6,388)	-
Endowed property - RNNH	1,641	(36)	-	-	-	-	-	1,605
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,806	1	139	-	-	-	(676)	2,270
Funds for residents' subsidies	3,150	-	185	-	-	-	-	3,335
Funds for grants and allowances	1,084	-	64	-	-	-	-	1,148
Total permanent endowment	14,849	(35)	843	-	-	-	(7,064)	8,593
Total endowed funds	15,816	(35)	872	-	-	-	(7,324)	9,329
Total funds	39,977	(1,465)	1,555	-	-	-	-	40,067

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2023

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2022:

(b) Charity	As at 1 April 2021 £	Net income/ (expenditure) £	Other gains and (losses) £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2022 £
Unrestricted funds:								
Designated funds	18,410	-	-	(823)	415	138	-	18,140
General reserves:								
Revaluation reserve	1,991	-	504	-	-	-	-	2,495
Other reserve	1,476	(1,177)	175	823	(415)	(138)	1,026	1,770
Pension reserve	(112)	90	(15)	-	-	-	-	(37)
Total unrestricted funds	21,765	(1,087)	664	-	-	-	1,026	22,368
Restricted funds:								
Funds for residential care homes	221	13	-	-	-	-	-	234
Sir Thomas Lipton Memorial Home fund	-	-	-	-	-	-	6,013	6,013
Funds restricted to RNNH	211	(461)	2	-	-	-	260	12
Funds for grants and allowances	852	134	17	-	-	-	-	1,003
Funds for residents' subsidies	725	(3)	-	-	-	-	25	747
Community services	49	(19)	-	-	-	-	-	30
Community projects	45	3	-	-	-	-	-	48
Other restricted funds	407	(5)	-	-	-	-	-	402
Total restricted funds	2,510	(338)	19	-	-	-	6,298	8,489
Endowed funds:								
Expendable endowment - RNNH	967	-	29	-	-	-	(260)	736
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,933	-	455	-	-	-	(6,388)	-
Endowed property - RNNH	1,641	(36)	-	-	-	-	-	1,605
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for residential care homes	2,806	1	139	-	-	-	(676)	2,270
Funds for residents' subsidies	3,150	-	185	-	-	-	-	3,335
Funds for grants and allowances	1,084	-	64	-	-	-	-	1,148
Total permanent endowment	14,849	(35)	843	-	-	-	(7,064)	8,593
Total endowed funds	15,816	(35)	872	-	-	-	(7,324)	9,329
Total funds	40,091	(1,460)	1,555	-	-	-	-	40,186

21. Movement in funds (continued)

Designated funds – nature of funds

Designated funds are unrestricted funds set aside by trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings, used exclusively for construction, acquisition or operation of residential homes or extra care developments.

Restricted funds – nature of funds

- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations specific to certain care homes.
- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.
- Funds for residents' subsidies provide income to subsidise the care of residents.
- Funds for community services are donations or grants received for specific branches within community services.
- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.
- All funds that were within the RNNH prior to the merger on 31 March 2019 remain restricted, or endowed, within the Charity, other than where subsequently spent in accordance with the terms of the relevant restriction.
- The Sir Thomas Lipton Memorial Home fund arises from the proceeds of the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property of the Sir Thomas Lipton Charity. The Sir Thomas Lipton Charity is a linked charity of Friends of the Elderly, with Friends of the Elderly being the sole trustee. Its charitable objects are the relief of people who are in need by reason of age, infirmity or financial hardship by the provision of care and accommodation, with priority given to those who have worked in health or social care roles. There were also endowed funds for the upkeep of the original home.

In July 2020 and March 2022, the Charity Commission made two orders, allowing Friends of the Elderly to spend the permanent endowment as income to further the objects of the Sir Thomas Lipton Charity. This was as the result of a request made by Friends of the Elderly. This provides Friends of the Elderly with sufficient resources to address the ongoing challenges of Covid-19, and to face any further unexpected hurdles in the recovery of the care sector. As a result of this order, the Sir Thomas Lipton Funds are held within restricted funds, instead of endowed funds, since 31 March 2022.

Endowed funds – nature of funds

The 'TGF' expendable endowment is funds received from the Ted Gostling Foundation in March 2023 for spending on grants for older people in financial need over the following ten years.

Other endowments generate income for the restricted funds described above.

21. Movement in funds (continued)

Fund transfers in the year

- A transfer of £2,050,000 from restricted funds to unrestricted funds represents the investment withdrawals from the Sir Thomas Lipton funds to support care home operations as the Charity recovers from the impact of Covid-19.
- A transfer of £300,000 was made from an expendable endowment to a restricted fund to support operating losses of the Retired Nurses National Home.
- A transfer of £250,000 was made from a restricted fund to unrestricted funds as a donation was used for capital expenditure, in accordance with the purpose of the donation.
- The interest charge on a loan from a restricted fund to unrestricted funds, of £25,000, is shown as a fund transfer. Other small transfers relate to movement of small balances outside of their original classification but still within the scope of the original restriction.

22. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2023	2022
	£'000	£'000
Land and buildings		
Within one year	82	82
Within 2 to 5 years	311	317
> 5 years	975	1,051
	<u>1,368</u>	<u>1,450</u>
Other		
Within one year	53	61
Within 2 to 5 years	2	55
	<u>55</u>	<u>116</u>
Total	<u>1,423</u>	<u>1,566</u>

As at 31 March 2023 there was £nil (2022: £nil) of capital expenditure contracted for but not provided in the financial statements.

23. Reconciliation of net movement in funds to net cash flow from operating activities

	2023	2022
	£'000	£'000
Net movement in funds	(1,674)	90
Unrealised and realised losses/(gains) on investments	873	(1,570)
Receipt of endowment	(1,000)	-
Net (gains) on disposal of fixed assets	(7)	(17)
Net (gains) on disposal of services	-	(387)
Actuarial losses on pension schemes	10	15
Investment income	(638)	(649)
Interest payable	54	27
Depreciation on tangible assets	951	958
Impairment of tangible assets	-	74
Amortisation on intangible assets	49	50
Difference between pension contributions and net costs	(23)	(90)
(Increase)/decrease in debtors	(98)	21
(Decrease)/ increase in creditors	(88)	40
Net cash used in operating activities	(1,591)	(1,438)

24. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	2023	2022
	£'000	£'000
Financial assets measured at fair value through the SoFA	13,868	17,077

Financial assets measured at fair value through the statement of financial activities comprise listed and unlisted investments.

25. Post balance sheet events

There are no events after the financial year-end that require adjusting or reporting.

26. Taxation

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

27. Members

At 31 March 2023 there were 11 members (2022: 11 members) who each pledge to pay £1 on winding up.

28. Ultimate controlling party

Friends of the Elderly has no parent undertaking. In the opinion of the members, the Charity does not have a controlling party.

Telephone 020 7730 8263
Website www.fote.org.uk

Royal Patron 1953 to 2022

Her Majesty The Queen

President

HRH Princess Alexandra

Vice Presidents

Mr Robin Aisher OBE (to June 2023)
Mrs Joan Orford

Patrons

The Rt Hon The Baroness Boothroyd OM PC (to February 2023)
Sir Michael Perry GBE
Mr Kerry Rubie MBE

FRIENDS OF THE ELDERLY

England & Wales - Charity number 226064

Accounts

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2022**

CONTENTS

Chief Executive's introduction	4
Trustees' report	6
Independent auditors' report	30
Financial statements	
Consolidated statement of financial activities	34
Consolidated and Charity balance sheets	35
Consolidated statement of cash flows	36
Notes to the financial statements	37

Our year in overview

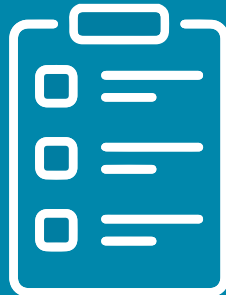
Supported over 1,500 older people in our communities.

Page 6

Continued positive impact on the lives of older people, through our grants service and new ways of supporting people in our care homes.

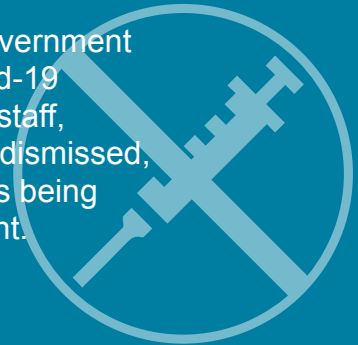
Page 8

Two 'Requires Improvement' CQC inspection ratings, individual service improvement plans to address the findings.



Page 9

Implementation of new government regulations requiring Covid-19 vaccination of care home staff, leading to four staff being dismissed, followed by the regulations being revoked by the government.



Page 10

Launch of an app available to all staff, Unmind, as part of a suite of activities to help staff access wellbeing support, as two years of working in a pandemic takes its toll.

Page 10

Sale of our three homecare branches to a third party in May 2021.

Page 11



Awaiting the outcome of a planning application for the start of our first Integrated Retirement Community.

Page 12

A £1.0m donation committed by a trust for ten years of future grant-giving.

Page 12

£1m

982 grants and allowances given to older people in financial need.

Page 13

A £1.5m operating loss, as expected, due to low care home occupancy and continued high costs relating to Covid-19, but with the Charity's finances supported by access to £6m of formerly endowed funds, as approved by the Charity Commission.

Pages 13



Her Majesty Queen Elizabeth II



It was with deepest sadness that Friends of the Elderly learned of the death of Her Majesty Queen Elizabeth II on Thursday 8 September 2022. Her Majesty was Patron of Friends of the Elderly for nearly 70 years and her support and kindness was very important to so many older people the Charity has worked with.

Friends of the Elderly has had Royal support since its earliest days caring for WWI veterans. As a young Princess, Her Majesty visited with veterans at an event organised by Friends of the Elderly (then Friends of the Poor), which was also attended by her Mother, the then Duchess of York.

Her Majesty's support of the Charity continued through the years, and we were honoured when she became our Patron in 1953. Over the years Her Majesty met many of the older people who were supported by the Charity, and hosted receptions at Buckingham Palace.

The Queen's support of the Charity was so appreciated by all our residents, staff and volunteers and we feel her loss very much. Many of our care home residents and day care clients have spent time in our homes and services reflecting about the importance Her Majesty had to them, they are tremendously grateful for her long and devoted service. We join with the rest of the nation in mourning Her Majesty's passing and would like to express our thoughts and condolences to The Royal Family.

Chief Executive's introduction

It is frustrating to be reporting yet again on another year significantly impacted by the Covid-19 pandemic. Despite this, we have great examples of wonderful person-centred care, innovation benefitting our residents and clients, and grant-giving that has enhanced the lives of older people in need. I hope that this annual report gives you a flavour of our work in 2021-22, as well as explaining the challenges we have faced and how we tackled them.

In May 2021, we said goodbye to our homecare colleagues and service users, as our three remaining homecare branches were sold to a third party. I would like to thank again our colleagues in homecare for their hard work and commitment to the Charity, and in caring for the older people they support. Their professionalism and dedication to providing the best possible homecare service has been an inspiration to us all, in particular during the challenging time since the start of the pandemic.

We were disappointed that one of our care homes received a 'Requires Improvement' rating from the Care Quality Commission (CQC) in December 2021. The CQC carried out repeat visits and were satisfied that the action plan was appropriate and complete within three months of the inspection. The Charity's Standards and Performance team worked closely with regional and local management to produce and implement an action plan to address the shortcomings identified in the CQC report. In July 2022, after the end of the year covered in this report, a further Requires Improvement rating was received following a CQC inspection at The Lawn residential care home.

We know that our care home teams have gone above and beyond to keep residents safe, entertained, and happy throughout the pandemic and whilst working under considerable pressure. Both CQC reports also included positive feedback on the quality of care from residents and relatives. However, we recognise the shortcomings, particularly in documentation and training on our newly upgraded electronic care plan system. Following The Lawn inspection, we introduced an enhanced oversight regime for all our care homes, based on live improvement plans developed from in-depth mock inspections. We are sorry that the homes did not always meet the high standards that residents and their families expect.

Visitors are critical to the wellbeing of many of our residents, as well as for their families and friends. Since summer 2020 we had participated in national working groups and advisory groups, pushing for safe care home visits to be allowed, and we were delighted that restrictions eased. During winter 2022, it was hugely frustrating that many of our homes were repeatedly in Covid-19 'outbreak', which once again restricted visitors to the cabins and glass-screened rooms we kept from 2021.

The definition of an 'outbreak' varied by area but was usually defined as two cases within a care home (staff or residents) – even as cases in the general public rocketed nationally. It was a relief when cases fell again in spring 2022. We have continued to participate in the national study, called Vivaldi, by the UCL Institute of Health Informatics, which aims to understand and prevent Covid-19 infections in care homes.

We recorded a £1.5m operating loss in the year, which was as budgeted. More information is given later in this report, from page 13. The operating loss is mainly due to lower care home occupancy, which is an ongoing legacy of Covid-19. We had a heavy internal focus on marketing and managing enquiries during the year, packaged into a cross functional project, overseen by members of the Senior Management Team, which resulted in good increases in admissions in the summer and autumn. However, the outbreaks mentioned above in the winter also meant that potential residents could not visit some homes, and many admissions were prevented or delayed, so our occupancy fell again in winter 2022.

Chief Executive's introduction (continued)

Our costs also continued to be high. Care home and day centre staff continued to work wearing Personal Protective Equipment (PPE); carrying out vigorous and regular infection prevention and control measures; carrying out Covid-19 tests several times a week; isolating for illness or Covid-19 infection in line with the latest care sector regulations. This caused our operating costs to increase, particularly during winter 2022 with higher numbers of agency staff. We also recognise that many of our staff are feeling burnt out, and suffering 'pandemic fatigue' after two years of operating in this environment. Following on from our Wellbeing Pledge to staff, we launched various mental health support and signposting initiatives in the workplace, including access to an app, Unmind, to promote mental wellbeing.

Managing our current operating challenges has not detracted from also planning for the future. Our ambition is to build and operate Integrated Retirement Communities (IRCs) - otherwise known as retirement villages or housing-with care - for older people to rent or buy and live independently, with a care home and community centre at the heart, and other services that support and engage people in the local community. We submitted a planning application for the first such community in Coulsdon, for 72 flats and houses for independent living on our 42-acre site that already has a care home. While we believe we have a strong case, the planning process has already taken more than two years. We have a multi-disciplinary team working on bringing the planning application to a satisfactory conclusion. We are also exploring the case for IRCs on other sites we own.

In page three of this report, we have shared our sorrow on the death of Her Majesty, Queen Elizabeth II, and our deep appreciation for her role as the Charity's Patron since 1953.

Earlier in the year the Royal Family's support took the form of an opportunity to take part in a 'digital takeover' of the Royal Family's Instagram account and introduce our charity to its 10 million followers. The Royal Family also helped us to ask for #ChristmasCheer messages on social media to share with older people we support. We received lovely messages, which gave a lot of joy to our residents and service users.

Sadly, two other of the Charity's long-term Patrons also passed away in recent months, Lady Diana Farnham and Baroness Sally Greengross. We are very grateful for their support and dedication over the years

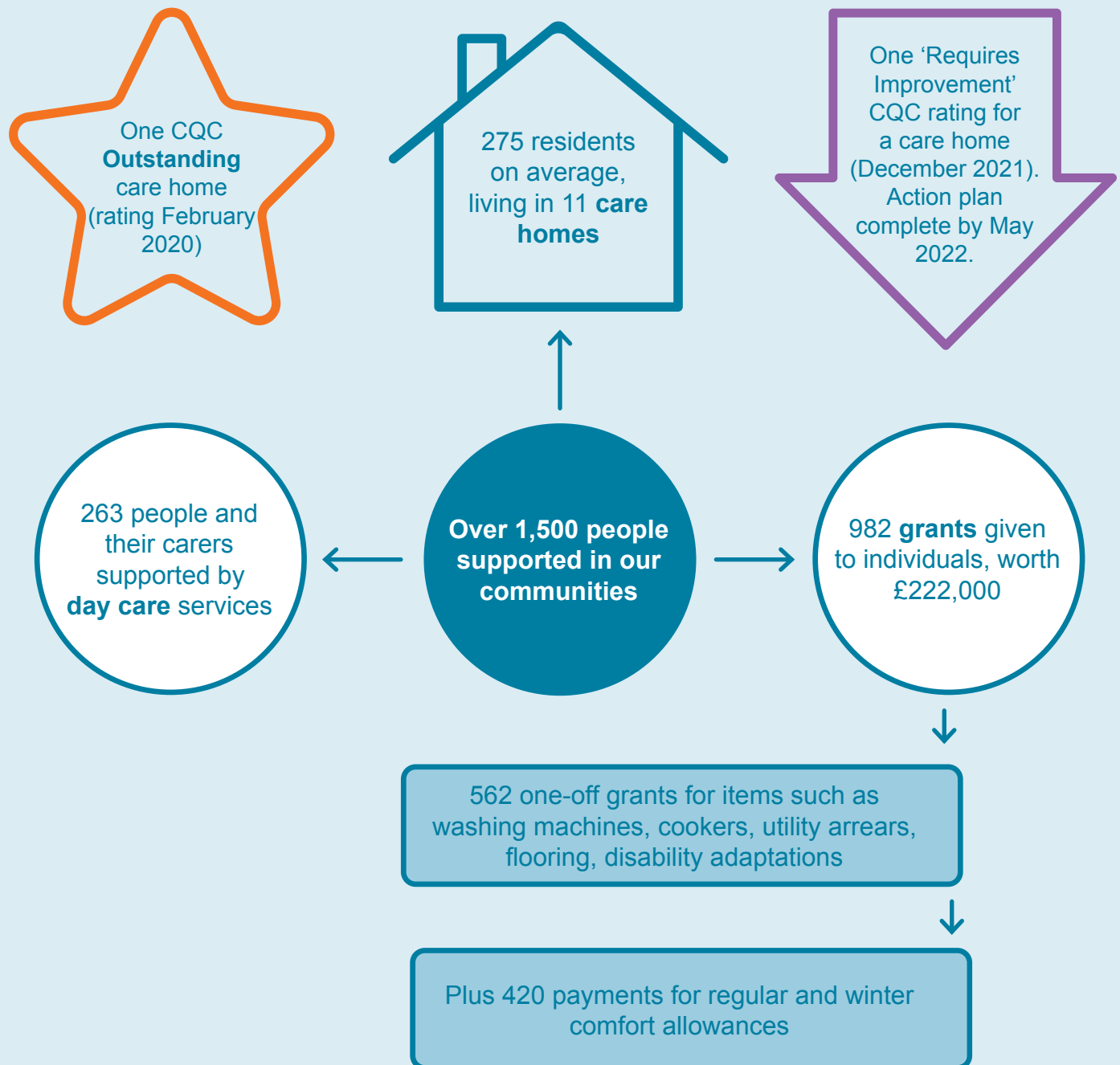
On a happier note, we were delighted to congratulate our immediate past Chair of the Board of Trustees, Kerry Rubie, on being awarded an MBE for Services to Innovation, Leadership and Governance in Adult Social Care in the 2022 New Year's Honours List. Kerry stepped down as Chair of Trustees in September 2021, replaced by Chris Maidment, but became one of our Patrons.

I would like to thank all of our staff, trustees, and volunteers for their extraordinary efforts. I appreciate their dedication, compassion, and energy. I also want to thank all our stakeholders, including the trusts and donors for their unwavering financial support, the families and friends of our residents and service users who showed such patience and resilience in adversity, and our local communities, without whom we also couldn't continue to provide care and support.

Steve Allen
Chief Executive

Trustees' Report for the year ended 31 March 2022

People supported during the year



Supported by £686,000 in **donations, legacies and pro bono services**

Who we are and what we do

At Friends of the Elderly, we have been supporting people for over 100 years. We support older people to live well. We do this through our care homes, day centres and grants programmes. We work with partners to increase our impact and put older people at the heart of their communities.

Our core values

- Promote **wellbeing**
- Strive for **excellence**
- Treat people with **respect**
- Keep everyone **safe**

Our aims

- Ensure older people have access to safe, high-quality care and support services.
- Ensure older people in our communities have access to social support, activity and opportunities to combat loneliness.
- Operate services sustainably and ethically to safeguard the charity's legacy, and its future.

Our strategic objectives

Achieve better outcomes for all

We will build local social support networks, making best use of the resources and assets in a local area and making sure that people who use our services have the opportunity to pursue their own interests and contribute to community life.

Provide outstanding care

We will deliver an outstanding service, one that is 'flexible and responsive to people's individual needs and preferences, finding creative ways to enable people to live a full life'. *
*(*Taken from the Care Quality Commission definition of Outstanding).*

Become an employer of choice

We will offer a working environment and culture that attracts and retains the best people who champion our vision, mission and values.

Deliver financial sustainability and accountability

We will have the right people and resources to deliver sufficient surplus to sustain the charity's activities, allow for investment in future growth, and maintain reserves to meet the needs of our strategic aims.

As a charity, all surplus income from our paid-for services is reinvested into our other charitable activities to enable us to reach more people. We also rely on the generosity of the public, trusts, foundations, and companies to deliver these often life-changing services.

Throughout this report we refer to Friends of the Elderly as the Charity, and Friends of the Elderly and its subsidiaries as the Group. The subsidiaries are listed on pages 25 to 26, none of which have carried out charitable activities during the year.

Objective: achieve better outcomes for all

Impact of our grants service

During the year we gave one-off grants to 562 older people with a financial need. Even comparatively small amounts can make a big difference to people's lives.

One example is Don*, who lives alone in London. He had a flood in his home that took some time to resolve and resulted in many of his belongings being damaged, including his sofa. His local council rehoused him temporarily, away from his local community, which made his loneliness worse during Covid lockdowns.

While Don was out of the flat, his Information and Advice Officer from Age UK helped him to get things sorted out for returning to the property. She applied to Friends of the Elderly on his behalf for a new sofa. As his bungalow only had one bedroom, Don chose to get a sofa bed so he could have family to stay once Covid restrictions were lifted. He told us:

"The sofa is beautiful. I had my daughter over before she went on holiday – she was flying from London so I said come and sleep here for the night. I've only got the one bedroom, she said you have your bed and I'll have the sofa bed. I got up the next morning and said how did you sleep and she said she loved it. I've been back in around nine months and I'm quite happy and quite settled ... I don't know what I would have done without the new settee."

(* name changed to protect identity)

Innovation to enhance lives

Our care home managers are always looking for new ways to entertain and engage their residents. The manager at Bradbury Court, Elaine Banks, went one step further and undertook a skydive to fundraise for the residents. The money she raised was used to buy a high-quality interactive touch screen activity table, specifically designed to deliver a unique experience for people living with dementia. As the residents play and interact with the technology, they experience and enjoy a wide range of stimulating activities which ignite and provoke their senses. This helps them to engage, relax and reminisce.

Sian, the Activities Coordinator at Bradbury court, has seen the positive impact the interactive table has had for residents. Sian said: *"Our interactive table has a large 32" colour flat screen and can be easily positioned to suit the resident's needs. It's proved to be a big hit with everyone, whether for group or individual use.*

"I supported a relative of one of our residents in putting a USB stick together with a collection of photos of his loved ones and friends. When we played it on the table for him to watch, his whole face lit up. He is living with dementia but was pointing to different people on the screen. He was making noises which clearly showed he was engaging with the photos. The smile he had was fantastic to see. I am now looking to help more families of our residents to do the same."

Objective: provide outstanding care

Like all social care providers, the Charity has faced unprecedented challenges due to Covid-19, particularly in our care homes where staff faced increased workloads in already extremely stressful circumstances. Reduced face-to-face presence of central support teams, additional pressures on Registered Managers with homes locked down and in outbreak, resident deaths, and staffing pressures all took their toll. Through all this, our care home managers and their teams rightly prioritised caring for and meeting the needs of residents and keeping them as safe as possible during the most challenging of times, which to a large degree care homes continue to experience while the rest of the world has returned to a semblance of normality.

Following the lifting of visiting restrictions, the Care Quality Commission (CQC) restarted their monitoring visits. They have made no allowances for the pressures that care services have faced and continue to face due to the pandemic and the wider economic situation, particularly in respect of staffing and recruitment. These pressures clearly impact staff's ability to maintain the attention to detail needed to meet the wide-ranging requirements of the regulator, including keeping up-to-date records and complying with reporting and other procedures, while their priority is rightly looking after residents.

At Friends of the Elderly, we are committed to delivering the best possible care, so despite being aware of some challenges at the home that we were in the process of addressing, we were disappointed that the Retired Nurses National Home (RNNH) received a 'Requires Improvement' rating from the CQC in December 2021. There were also four regulations that the CQC identified were not being met. The Charity's Standards and Performance team worked closely with our central Care Home Operations team and local management to produce and implement an action plan to address the shortcomings identified in the CQC report. The CQC carried out further inspections in spring 2022 and concluded that the home was no longer in breach of the regulations, commenting on the improvements made since the inspection.

In July 2022, after the end of the year covered in this report, a further Requires Improvement rating was received following a CQC inspection at The Lawn residential care home, and four warning notices issued for regulatory breaches. This second inspection outcome was more of a surprise, indicating that the impact of the pandemic on our services and staff had been even greater than we had realised. The CQC revisited The Lawn on 22 August 2022 and were satisfied with actions taken in respect of three of the warning notices, which were subsequently lifted. Actions for the remaining warning notice are on track to be implemented by the agreed completion date.

Following The Lawn inspection, as well as taking immediate actions we introduced an enhanced oversight regime for all our care homes, based on live improvement plans developed from in-depth mock inspections undertaken during the summer. We recognise the need to fully understand the pressures faced by our care home teams, in particular managers, and the importance of providing support mechanisms to enable them to continue to provide the acknowledged standards of care for residents while ensuring that compliance is maintained, even as they deal with the long-lasting consequences of Covid and the increasingly worrying cost of living crisis.

At both homes it was evident that some procedural requirements had slipped, but the CQC reports also identified many areas of good practice, for example that residents and their families felt staff were 'kind and caring'. We are nevertheless sorry that the homes did not always meet the high standards that residents and their families expect, and as noted above have taken action to make improvements. There were no other full CQC inspections in the year. However, the CQC undertook inspections on targeted areas, in particular infection prevention and control. The findings were all positive, with examples of good practice noted.

Objective: become an employer of choice

Government policies on vaccination

In summer 2021, the government introduced regulations that required every member of care home staff to be fully vaccinated against Covid-19. Out of around 420 staff impacted, there were four staff members who were not vaccinated, and unable to provide the required exemption evidence; regrettably they were dismissed in November 2021. We are aware of three other staff who resigned rather than be vaccinated. This is an exercise that took up much management time, created stress and bad feeling among those staff who had been reluctant to be vaccinated, and created more job vacancies at a time when there was already a national crisis in care recruitment.

In March 2022, the government revoked the regulations for Vaccinations as a Condition of Deployment in health and social care settings. The scientific and clinical evidence is clear that vaccines save lives and reduce the risk of severe illness caused by Covid-19. However, the latest scientific evidence shows that the Omicron variant, relative to Delta, is less severe, and vaccines do not prevent the spread of the virus. After much consideration we revised our policies in March 2022, and we no longer require new staff to be vaccinated as a condition of working. However, we will promote and recommend within our recruitment process that being vaccinated is the best line of defence against severe Covid-19 illness.

Focus on wellbeing

We have continued to build on our commitment to our teams by expanding upon our Wellbeing Pledge and introducing a new online workplace mental health platform.

We signed up to an app called Unmind, to which all our teams have access, and through which they can easily access a wide range of proactive mental health and wellbeing exercises, courses and tools to help and support their own specific needs. This could be mindfulness meditations and breathing exercises, sleep melodies, storytelling, yoga, or healthy recipes. Being able to do this wherever they are, at whatever time of the day or night, helps an individual to relax, focus, unwind and recharge.

Another feature we have used is the ability for the charity to add bespoke signposting information to our internal support systems such as our Employee Assistance Programme, the HR Team, Learning & Development Team support and to the financial support that we offer our staff.

Recruitment

Recruitment for care home staff remains a major challenge for the Charity, as for the care sector as a whole. Vacancies in our care homes rose as the employment market opened up again in summer 2021 – increasing our vacancies by 65% by March 2022. Our values-based recruitment process, and our working partnership with outsourced recruitment partner, Cohesion, help us to maximise our position - and good progress has been made since early spring 2022, with vacancies down by a quarter by May 2022.

We continue to give higher pay rises to lowest paid staff, recognising also the impact of increasing living costs. From April 2021, all our care staff were paid at least the Living Wage Foundation UK 'real' living wage rate, and from April 2022 we extended this to all of our directly-employed staff (resulting in pay rises of up to 9%).

Objective: deliver financial sustainability and accountability

Sale of homecare branches

In May 2021, the Charity sold its remaining home care services to a private operator for £0.4m. In recent years we have exited from large local authority homecare contracts based in London that had become unprofitable due to low fees and unsustainable public authority contracting and payment practices. Our three remaining homecare branches in Woking, Sutton and Malvern were not large enough to support the additional central support costs required to manage, monitor and administer these regulated services.

The sale enabled the Charity to focus on its care home and day care services. Managing our response to Covid-19 has stretched resources, but at the same time it has been imperative that we invest in care home occupancy recovery. The central home care management team were re-directed to care home quality and compliance activities, meaning that central support costs have stayed at a similar level to last year (although significant cost savings were achieved in previous years when we exited the larger home care services). Since we sold the home care branches, home care has, nationally, become even more difficult – due to staff shortages and fuel costs, so we believe that the decision was made at the right time for the Charity.

Financial security

In July 2020, the Charity Commission approved the release of up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. By March 2022, we had withdrawn £1.5m of this capital, to support our operational losses (as budgeted for 2021-22). In December 2021, faced with unknown future pressures from the Omicron Covid-19 variant, and an impeded care home occupancy recovery, we made a further application to the Charity Commission to make the remainder of the STL capital available if required. This was approved, meaning a further £4.5m (in addition to the original £3m) is available. This secures the Charity's financial future through difficult times.

Care home occupancy is the key driver of the Charity's financial position, and further information on occupancy in the year is given in the Financial Review (from page 13). This year there has been significant internal focus on marketing, enquiry management, and converting enquiries to sales, as part of a single project. This has included a new customer relationship management (CRM) IT system; a 24-7 enquiry line; updated website with live chat facility, social media campaigns, and 'sales' training for key staff.

Accountability for our grants service

We commissioned an evaluation report on our grants service. This was to review our grant-giving processes and ensure our work is as effective as possible - from the perspective of the older people we support; the referral agents (community and charity groups who make the application); and the trusts and other donors who provide funding.

The evaluation report confirmed that there was a clear positive impact on the people receiving grants, and that the referral agents are positive about the grants programme - in particular the clarity of criteria, and the online system (launched in 2020) that makes applications easier to complete and monitor. Recommendations from the evaluation include considering increasing the limit for individual grants, and the need for fast-track emergency grants to be added. A lot of our evidence of grant impact is anecdotal, and a more comprehensive case study programme could benefit all concerned. These recommendations are now being actively considered as part of our wider grants strategic review.

Future plans

Reinvesting in our care home buildings

Our long-awaited refurbishment of the Bernard Sunley care home started in May 2022 – this had been put on hold due to the restrictions in response to Covid-19. All the home's 62 en-suite wet rooms will be refurbished, and the bedrooms will have new furniture and redecoration. The whole project will cost more than £500,000, and we are very grateful for a £250,000 donation from The Band Trust, received in 2022-23 towards these costs.

We are also preparing to submit a planning application to extend New Copford Place, in Colchester. This successful but small care home would benefit from the 12 proposed additional dementia-ready bedrooms, which would also allow for flexibility in future care – for example an area of the home designed to meet the needs of residents living with dementia.

Long-term funding for our grants service

The future of the Charity's grant-giving has been significantly boosted by a decade-long commitment from the Edward Gostling Foundation to donate £1m to Friends of the Elderly to provide grants for older people in financial hardship. The funds will be received in March 2023 and are to be spent over ten years. The Edward Gostling Foundation have been a much-valued partner of the Charity since 2018, donating £100,000 a year for grant-giving.

Future vision

Our vision for the Charity's longer-term future remains unchanged: a network of care villages, connected to the community, each including a care home and accommodation for rent or purchase for independent living. These are now referred to as Integrated Retirement Communities (IRCs). We are continuing to pursue a planning application for the first of these at our Coulsdon site. The planning application was submitted in spring 2020 and has been subject to delay by the local planning system which does not appear to understand the wider benefits of IRCs. We remain confident in the strength of our scheme, and await a decision from the London Borough of Sutton, at the same time as readying our teams for an appeal through a public enquiry.

One major advantage of new buildings will be the ability to apply best practice in sustainable building design, construction, and operation, so meeting the highest environmental standards. We will also be in a better position to flex our service to adapt to the coming care sector changes.

Care sector changes

Within the next year we will have new challenges relating to the government's care funding reforms, planned changes in legislation relating to social care, and new statutory guidance.

We welcome the government's planned increase in funding for social care, but with an ageing population, combined with the new cap on care fees, and more people able to access Local Authority (LA) fee-rates, care sector professional associations have repeatedly emphasised that it will not fill the current funding gap. Each LA is carrying out an exercise to calculate the 'fair cost of care' ahead of the funding reforms, and we are fully participating. Given the expected shortfall in government funding, our concern is that the fair cost of care exercise results in LA fees that are far below the real cost of providing quality care – in particular with the current challenges of: national staff shortages; increased regulatory requirements; the legacy of Covid-19 on care home occupancy; high inflation; and cost-of-living crisis. We are ready to model the outcome of the fair cost of care exercise, and our current strategy cycle will respond to these future changes in funding.

Fundraising activities

Although the Charity has a high value of net assets, the majority of these are invested in care home properties and equipment and the working capital needed for our services, or are funds endowed for specific purposes. Fundraising income allows us to further enhance the lives of older people.

Donations, legacies, and the value of pro bono services received totalled £686,000 in the year (2020-21, £738,000). The generosity of all our supporters has been very much appreciated during a difficult year.

Donations come from trusts, foundations and businesses, fundraising events by our local communities or supporters, and individual donations.

The Charity subscribes to the voluntary Fundraising Regulator scheme. We have not received any complaints in this accounting period relating to fundraising practices. We have in place a policy on fundraising in respect of vulnerable people. We do not employ professional fundraisers to carry out fundraising on our behalf. We also ensure our fundraising practices comply with General Data Protection Regulation (GDPR) policies and procedures.

Grant giving

Our grants service provides financial help in the form of one-off grants and regular allowances – a lifeline to older people with nobody else to turn to. Generous donations from individuals, trusts and companies help us to fund the grants and the related administration.

We currently have three types of grants available: Home Essentials, Digital Connection and Financial Support. Between them, they cover things like mobility adaptations, broadband costs, replacing essential appliances and unexpected bills.

Our online grants portal streamlines the process for applicants and reduces errors and avoids missing information. We gave 982 grants and allowances in total in the year with a value of £222,000 (2020-21: 1,024 grants and allowances of £190,000).

When considering whether to provide a grant, we obtain evidence of the recipient's financial situation to ensure they meet our criteria, and consider the impact the grant will make. Wherever possible, we signpost applicants to other potential sources of funding.

Financial Review

Continued impact of Covid-19

The Charity made an operating loss, before other gains and losses, in the year of £1.5m (2020-21 loss of £1.9m). This loss was budgeted and was largely due to continued low care home occupancy as the impact of Covid-19 continued.

As we reported last year, and on page 11 of this report, we have been able to access funds from our linked charity, the Sir Thomas Lipton Charity (STL). We withdrew £1.1m of STL's investments in the year to fund the operating losses, taking the total withdrawn to £1.5m. As at 31 March 2022, £6.0m of the STL funds remain (within restricted funds), more than we anticipate needing to recover from Covid-19.

Financial Review (continued)

Care home occupancy is the key driver of the Charity's financial position. Average occupancy for the year, of 275, was 3% lower than 2020-21 due to a lower starting point.

Occupancy increased by 5% in quarter one of 2021-22, but there was again a significant fall in winter 2022 as Covid 'outbreaks' (usually defined as two cases) restricted visits from potential residents and in some cases prevented admissions. Occupancy has again bounced back in spring and summer 2022, but still remains 14% below the pre-Covid position. Some rooms are out of use due to the Bernard Sunley refurbishment, or rooms turned into visiting rooms (with fixed screens) in case of a repeat of visiting restrictions.

For the whole of 2021-22, our front-line staff continued to work wearing Personal Protective Equipment (PPE), carrying out additional cleaning, and self-isolating for mandatory periods of time with illness or positive tests. Care home agency costs also increased significantly in winter 2022, as staff vacancies grew with the recovery of the general economy, and many staff were off sick or isolating due to Covid-19. These and other higher costs of working under tighter regulations were partially covered by additional government grants for social care, of £0.8m (2020-21: £1.2m).

We continued to benefit from very generous donations and legacies, with income of £0.7m (2021-22: £0.7m).

Sale of home care and impact on central support costs

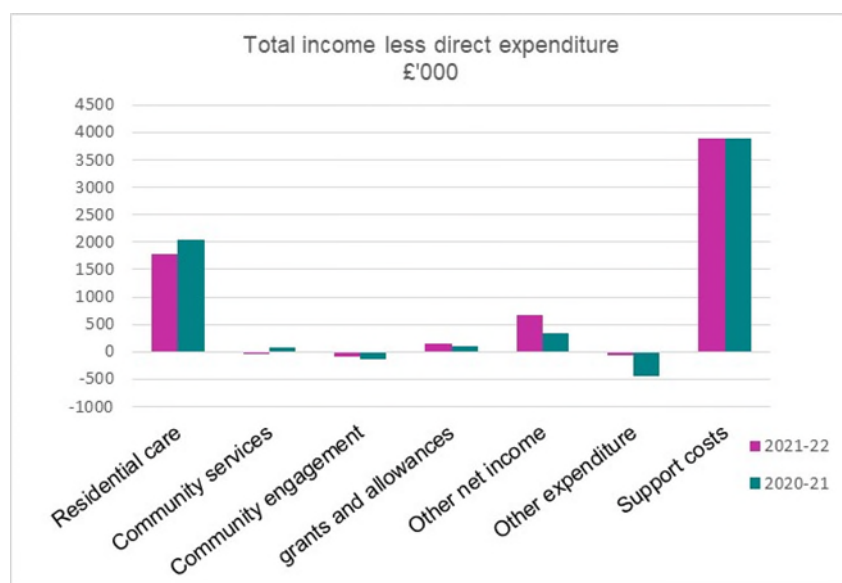
Our home care services were sold in May 2021, for £0.4m. £100,000 of this consideration was deferred for 12 months and received in May 2022. In 2021-22 home care generated a positive contribution to central costs of £82,000.

Central costs had already been reduced in recent years as the large home care services had transferred or closed, with a reduction (adjusted for inflation) of over £1.0m between 2018-19 and 2020-21. The central support team previously working on home care were largely reallocated to focus on care home quality and occupancy, as existing capacity was squeezed by the operational impact of Covid-19. Total central support costs, at £3.9m, remained the same as last year.

Results by activity

The graph below shows income (including attributable fundraising and investment income) less direct costs by activity. Central support costs are displayed in a separate column and shown as a positive figure (although it is of course a net cost) to help comparison with the contribution made by the individual activities. In the income and expenditure account they are allocated to each of the activities as explained further in note 8 to the financial statements.

Financial Review (continued)



Residential care had a worse financial result than 2020-21 as the starting point for occupancy was lower than in the previous year. Overall occupancy by the end of March 2022 was 3% higher than March 2021.

The other activities are broadly cost-neutral, or relatively small losses, once attributable fundraising and investment income are included (as in the graph above). The other net income in 2021-22 includes the gain on sale of home care. The other expenditure in both years relates to impairment of different fixed assets.

Grants and allowances

Direct grants and allowances provided to beneficiaries were £0.2m, an increase of £32,000 on 2020-21 - as a result of a greater number of one-off grants, which were also for an increased value.

The grants given were funded by donations from trusts and individuals of £0.3m, including a £100,000 contribution from the Edward Gostling Foundation for grants distributed in the year, as well as a further £100,000 donation by the same Foundation that will be used for grant-giving in 2022-23. Some donations are allowed to contribute towards the costs of administering the grants – grant processing and administration costs total £143,000 for the year. Any unspent income is restricted to grants and will be spent in the next financial year. The remainder of the costs of administering these grants are borne by the Charity’s general reserves.

Investments

Investments comprise a mixture of endowed, restricted, and unrestricted assets. The income from endowed funds is spent in accordance with the restrictions placed on the endowment, and principally relates to funds for grants and for care home upkeep.

Realised (on disposals) and unrealised gains on sale of investments held with fund managers totalled £1.1m in 2021-22 (2020-21: gains of £3.2m).

Financial Review (continued)

Post year-end the value of investments has fallen, with unrealised losses between 31 March and 30 June 2022 of £1.0m (6%).

The trustees employ separate investment fund managers on a discretionary basis to manage the portfolio of investments. Their work is undertaken within broad investment parameters and principles set by the trustees which take into account acceptable levels of risk and the balance between income and capital requirements. Investment managers during the year were Legal & General Investment Management (LGIM) and CCLA Investment Management Ltd (CCLA).

Investment performance 2021-22

	CCLA	LGIM		Total
		Investment funds	Cash funds	
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	9,000	8,010	44	17,054
Disposals (carrying value)	-	(1,006)	-	(1,006)
Unrealised gains on revaluation	779	250	-	1,029
Balance at 31 March 2022	9,779	7,254	44	17,077
Investment income	271	265	-	536
Realised gains on disposal	-	44	-	44
Capital return	9%	4%	-	7%
Income return	3%	4%	-	3%
Cumulative capital return over 4 years	34%	16%	-	24%
Cumulative target return (RPI + 3%) over 4 years				31%

The Charity's investment strategy is to target a capital return of 3% plus RPI on a rolling five-year basis, and annual investment income of 3%. The funds the Charity invests in have strategies which reflect this. The cumulative capital return over the last four years (the start of the current investment strategy) is overall below target, for the first time, following high inflation as at March 2022. CCLA's investments have beaten the target, due to a more consistent result over the last four years, when compared with LGIM.

The capital return target is monitored over a five-year period and was set in October 2016, with investments transferred to new investment managers in 2017, so the five-year result cannot yet be fully assessed. Investment managers provide quarterly reports and attend an annual meeting with trustees to review performance.

During the year the LGIM fund the Charity invested in was closed, and the Charity's trustees considered the options for reinvestment. The trustees approved transfer of the investments concerned to another fund run by LGIM, which most closely matches the Charity's investment strategy.

The Charity's investment policy does not allow any investment that is known to conflict with Friends of the Elderly's aims or values. This is managed through the appointment and review of investment managers, and by the investment strategies of the two funds.

Financial Review (continued)

Investment property

Properties classified as investment property are those which are capable of being let to third parties. These are houses on care home sites, or on the edge of care home sites, held for strategic reasons. They are carried on the balance sheet at an estimate of their market value, being £2.8m at 31 March 2022 (2021: £2.3m).

Investment properties are revalued by the trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value. In accordance with this policy, the investment properties were revalued as at 31 March 2022, using local estate agents and comparing to sold prices of the most comparable properties. This resulted in an increase in valuation of £0.5m.

Tangible fixed assets – risk of impairment

Assets are reviewed annually for indicators of impairment. The impact of Covid-19 on the care sector, occupancy of care homes (both for the Charity and nationally), and other changes in the wider economy mean that there is a risk that the carrying value of our care home properties in particular are higher than their realisable value. Their 'realisable value' is the higher of 'fair value' (the amount a property could be sold for, either as a going concern or otherwise) less costs of sale; or 'value in use' (the replacement cost of the asset discounted to reflect its current age and condition).

To assess the market value of each of our care homes, we have referred to desktop valuations carried out by property valuation specialists in the year, and also considered other factors such as past formal valuations, current results, and the potential for occupancy recovery. For one care home, the RNNH, we identified that the net book value of its fixed assets in the accounts was below the estimated underlying value of the care home, and an impairment charge of £74,000 was booked to the accounts. Unlike our other assets, which are held at historic cost (plus later additions), it was brought into our accounts at fair value when the Charity took over the home in 2015, so its net book value in the accounts was higher than many of our other care homes, despite being an older building, and so impairment is always more likely.

Pension schemes

The Charity operates a defined benefit pension scheme which closed to new members and future accruals in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £72,000 (2021: net surplus of £27,000). The increase in the surplus is mainly due to an increase in the future liability discount rate. This is an asset that cannot be recognised on the Group's balance sheet. The Charity currently pays annual contributions of £10,000 to the scheme.

The investments of the pension scheme are matched to the risks associated with the liabilities.

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £37,000 (2021: £112,000) is the net present value of future deficit contributions payable to the schemes. The provision decreased during the year as one of the schemes had a reduction in the future contributions payable following its triennial valuation.

Financial Review (continued)

Funds

The split of net assets into fund category is shown below. 'Group' balances comprise the Charity and its subsidiaries Potential Limited and Friends of the Elderly Trading Limited.

	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Restricted funds	8,489	2,510	8,489	2,510
Endowments	9,329	15,816	9,329	15,816
<i>Unrestricted funds:</i>				
Designated funds	18,033	18,309	18,140	18,410
General reserves - revaluation reserve	2,495	1,991	2,495	1,991
General reserves - other	1,758	1,463	1,770	1,476
Pension reserve	(37)	(112)	(37)	(112)
<i>Total unrestricted funds</i>	<u>22,249</u>	<u>21,651</u>	<u>22,368</u>	<u>21,765</u>
Total charity funds	<u>40,067</u>	<u>39,977</u>	<u>40,186</u>	<u>40,091</u>

- **Restricted funds** are held and used in line with the wishes of the donors of those funds. The trustees of the Charity do not have discretion in the use of these funds.
- **Endowment funds** are held to generate income that is used per the wishes of the original donor. For permanent endowments, the capital value of these funds needs to be maintained. An expendable endowment fund is a fund that must be invested to produce income; however, it can be converted into an income fund and spent.
- **Unrestricted funds** can be used for any purposes in accordance with the Charity's objects, but also provide funding for future investment, and financial support in the event of unforeseen or significant changes in the Charity's activities or results. This includes designated funds, the pension reserve (representing the pension provision), and general reserves which represent the remainder of unrestricted funds.
- **Designated funds** comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition or operation of any residential homes, and the costs of any extra care development, net of related borrowings.

Reserves policy

Our reserves policy focuses on the level of general reserves. We need to hold general reserves so that we can maintain continuity of our services in the event of a decrease in income or unexpected expenditure. The reserves policy is reviewed by trustees on an annual basis.

General reserves are unrestricted funds that have not been designated for particular purposes by the trustees. They include the revaluation reserve, arising on valuation of investment properties above their original cost. The reasons for holding an appropriate level of general reserves are to:

Financial Review (continued)

- maintain adequate working capital, particularly during a time of redevelopment of the residential portfolio;
- ensure sufficient funds are available to allow the Charity to honour its commitments to its service users and beneficiaries; and
- ensure that regular, efficient, grant-giving can continue.

The trustees have adopted a target range for the appropriate level of general reserves of between £2.5m and £3.5m (excluding investment properties). This builds on our experiences of the Covid-19 pandemic and the level of funds needed to keep the Charity operating following a major adverse event impacting on our main income stream. While £2.5m is the minimum needed to meet working capital requirements until such time as a major strategic change could be made, a higher reserves balance of £3.5m would allow for future re-investment in our services.

	31 March 2022
Charity reserves	
	£'000
Target general reserves - maximum	3,500
Target general reserves - minimum	2,500
General reserves reported	4,265
General reserves less investment property	<u>1,429</u>

General reserves are shown above excluding investment property (at carrying value), because these are mostly houses on care home sites that cannot be sold separately to the care home itself (although they can be let to third parties and so meet the Charity's accounting policy definition of investment property). Excluding this, general reserves are below the minimum target at the end of the year.

'Free' reserves, further excluding tangible and intangible fixed assets as well as investment property, are £1.1m (2021: £0.9m). This fluctuates due to working capital requirements and market gains and losses on investments in stocks and shares.

Although general reserves appear to be below target, this does not take into account the £6.0m of funds held within restricted funds that are available to support future care home operations. This means our real position of accessible funds is in excess of the current 'maximum'. Sir Thomas Lipton Charity (STL) funds remaining, once the Charity's operations have returned to a pre-Covid position, can be used for their previous purpose of buying or reinvesting in a care home.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2024, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

Financial Review (continued)

The Charity Commission has approved two separate applications from the Charity to release endowed capital of STL to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee.

The Charity can access funds as long as it supports the original beneficiaries of STL - nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2022, £6.0m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid-19 that the biggest impact on our finances is having to continue to operate through a general ‘crisis’ in social care, rather than an isolated issue at one care home resulting in closure.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario. With the level of STL funds available to support care homes, these scenarios can withstand very large reductions in occupancy before we had to take other actions such as selling a care home as a going concern.

Going concern – conclusions

The scenarios used to stress-test management forecasts show that the Charity would still be able to continue as a going concern until March 2024, as a minimum, even in the unlikely scenario that occupancy was to fall by a further 20%. This is due to the £6.0m of funding remaining from STL which provides significant financial protection.

The trustees consider that there are no material uncertainties about the Charity’s and Group’s ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

Principal risks and uncertainties

The trustees hold overall ownership of risks. Trustees, in conjunction with the Strategic Leadership Team (SLT) and the Senior Management Team (SMT), have identified and reviewed the major risks to which the Group is exposed, and systems are in place to manage such risks.

The trustees have a policy to embed effective risk management throughout the Group such that risks are identified, mitigated, and communicated, and good risk management practice is shared across the organisation. Risks are allocated between the three board committees. The Risk Register, including amendments from the committees, is reviewed by the board of trustees annually. The Audit and Risk Committee performs more detailed examination of key risk areas and management responses. Day-to-day management of risk is delegated to the Chief Executive, the SLT, the SMT, and registered managers.

The main risks and the mitigating actions are shown on the pages that follow.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
<p>Safeguarding failure</p> <p>Abuse or negligence by staff, volunteers or third parties.</p>	<ul style="list-style-type: none"> • A permanent Standards and Performance (SAP) team, including responsibility for quality assurance and internal audit. • Safeguarding policies and their application annually reviewed by independent external experts. Staff and volunteer safeguarding training. Safeguarding Adults Sub-Committee meets quarterly, led by an independent Chair. • Policies to investigate complaints raised by service users and their family members. Whistleblowing procedures for staff and volunteers. • Subscriptions to a full suite of policies and procedures from a third-party platform, which are written and reviewed by specialists and kept up to date.
<p>Financial failure – increased risk as a result of current low occupancy</p>	<ul style="list-style-type: none"> • Access to capital of up to £6m approved by the Charity Commission. • Budgeting and re-forecasting, with scenario planning, reviewed by board of trustees to identify if and when further mitigating actions are required. Key Performance Indicators and Management Information provided quarterly to SLT and trustees. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 18-19), and the level of general reserves against target is monitored at least annually.
<p>Significant Covid-19 outbreak at a care home or a service</p>	<ul style="list-style-type: none"> • Local written response plan for each care home and service. Charity-level response and business continuity plan updated through regular SMT meetings. • Project team to ensure government (UK Health Security Agency), Care Quality Commission and Local Authority/ local public health team latest guidance identified and addressed. • Several months’ stock of Personal Protective Equipment held at a central location
<p>Failure to comply with legislation or regulatory requirements</p>	<ul style="list-style-type: none"> • Care quality policies, procedures and protocols established and kept under review. • Quality assurance programme ongoing to monitor compliance and completion of actions from previous assessments. • Assurance processes in place for regulatory areas including governance, data protection and health and safety.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
Other infectious disease outbreak at Group premises	<ul style="list-style-type: none">• Policies on actions to take during such an outbreak.• Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. Liaison with Clinical Commissioning Groups and community health teams.
Premises are unusable or dangerous (in the short-term)	<ul style="list-style-type: none">• Business continuity plans are in place. Insurance policies are in place.• Primary Authority Partnership actively maintained with Surrey Fire and Rescue Service. Fire awareness and evacuation training for staff. Annual Fire Risk Assessments carried out by external risk management specialists with action plans implemented.• Health and Safety obligations overseen by SAP team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Due to serious damage (e.g., fire or flooding) or other unexpected problems (e.g. adverse weather).

Employees and volunteers

Equal opportunities

As an employer, charity and care and support operator, Friends of the Elderly is committed to sustained action, visible leadership, and a willingness to change in order to establish a working environment and culture that attracts and retains the best people who champion our vision, mission, and values.

Our Equality and Diversity (and Inclusion) Policy aims to set a positive way forward for valuing diversity in the workforce and eradicating discriminatory practices. Harassment of any kind, of or by a service user or employee, is not tolerated and is dealt with under the terms of this policy.

We aim to protect and enhance the dignity of employees and service users with diverse backgrounds and beliefs by employing good management practices and providing a safe working environment, free from discrimination and harassment. We ensure that recruitment, appraisal, and training systems are designed so that an individual is appointed and promoted on the basis of their ability and performance, irrespective of background, beliefs or socio-economic context. We encourage applications from people with disabilities, aiming to develop their skills, and taking every reasonable measure to adapt our premises and working conditions to enable people with disabilities to work or volunteer with us.

Key management personnel

Key management personnel comprise the Group's SLT, the SMT and trustees, although trustees are not remunerated other than the payment of reasonable expenses.

Pay and remuneration for the Charity's key management personnel are set by reference to internal and external benchmarks. Internal benchmarks align pay with the level of responsibility, while external benchmarks consider published data for comparable roles in comparable-sized organisations. Changes to pay are approved by the Chief Executive, other than those relating to the Chief Executive and SLT which are approved by the Board of Trustees on the recommendation of the Remuneration and Employment Committee.

Employees and volunteers (continued)

Any significant changes in structure or amount of key management personnel pay and remuneration (either in total or for an individual) are considered by the Remuneration and Employment Committee for recommendation to the Board.

Staff and volunteer engagement

There are many formal and informal arrangements for keeping staff up-to-date and able to engage with matters of concern to them as employees:

- All managers hold regular, structured meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop. Monthly managers' meetings take place with SLT. SMT meets with SLT monthly.
- A series of wellbeing workshops were held during the year, in every service, to understand what wellbeing means for staff, what challenges and issues they face. This was used to inform the Charity's Wellbeing Pledge, with other actions including access to a range of financial health tools.
- 'Workplace', the secure internal communications tool from Facebook, is reaching more staff and helps keep teams connected and aware of the wider activities of the Charity.
- Volunteers are informed of Charity updates both informally via their service manager on a regular basis, and with a Charity-wide newsletter. A Volunteering Handbook provides information, advice, and guidance on safeguarding.

The trustees consider employee interests as a key factor in decision-making. On some occasions the trustees need to make decisions that are in the best interests of the Charity, even though this may have a negative impact on some employees, in which case action is taken to manage or mitigate this.

Engagement with stakeholders

Our stakeholders include (but are not limited to) care home residents, day care clients, their families and friends, employees and volunteers, grant recipients, donors, local communities, suppliers and contractors, regulators and professional associations, and other business partners.

These stakeholders are all different in terms of the communication and engagement they need. The Charity's social media keeps a range of stakeholders and supporters abreast of day-to-day activities in our services. There is also a quarterly newsletter, which is emailed to subscribers, published on social media, and given to relevant service users, families and friends. Each service provides more specific information to their stakeholders through local newsletters, resident meetings, family meetings, and stories in the local news.

The Charity's internal marketing and communications team provide support in preparing letters on specific topics – for example, keeping families informed about the care homes' response to Covid-19 and changes to key policies such as admissions and visiting policies.

Key suppliers are identified and have one or more individual contacts within the Charity for communication and escalation of any queries or problems.

Engagement with stakeholders (continued)

The Charity's Safeguarding Adults Sub-Committee includes representatives from people who use our services and their families. Residents and their family are consulted about any substantial changes to our services.

Promoting the success of the charity

The Charity is required to explain how it has complied with its duties under Section 172(1) of the Companies Act 2016. For a charitable company this requirement means that trustees must act in the way they consider, in good faith, to be most likely to achieve the Charity's charitable purposes, and to explain how they have complied with these duties.

The Charity's aims are its charitable objects. Our strategy sets out how we will achieve these, including strategic objectives. Our aims and objectives are set out on page 7.

The Charity's decision-making process is a good example of the way in which the trustees act in a way that aligns the Charity's longer-term strategy with shorter-term decisions, while taking account of charitable purposes and key stakeholders.

The Charity has a formal project management process, and the trustees have agreed which decisions or project proposals (due to size, value or impact) are taken to the trustees for approval. As part of the project process, there are decision-making criteria, including the strategic fit, impact on beneficiaries, alternative partners, impact on staff and other stakeholders, internal skills and capacity, data security implications and governance considerations. As part of the wider project process, this ensures that each trustee acts in the way that they consider will be most likely to promote the success of the charity to achieve its charitable purposes.

Health and safety

The health and safety of our staff and the people to whom we provide care and support services are of primary importance. During the year, health and safety risk assessments and audits were completed by an external specialist team, overseen by our in-house Standards and Performance, and Estates and Facilities, teams.

A Health and Safety Sub-Committee meets quarterly. It comprises SMT members and representatives from our different service areas and Central Office, chaired by the Charity's Chief Executive, providing a forum for staff issues and any concerns to be raised. Our external risk management specialist contractors attend meetings and report on any issues arising from visits to services and other locations. Training is provided to all staff as appropriate to their role. The Health and Safety Sub-Committee reports to the Audit and Risk Committee quarterly, keeping trustees updated on health and safety matters across the organisation, including compliance, regulation, policies and procedures, issues, and actions.

Carbon emission reporting

Energy is a major cost for the Charity. We gather information on energy use to comply with regulation, but also to help us measure energy efficiency measures and help to reduce our impact on climate change. Our energy use in the year to 31 March 2022 and the previous year was as follows:

Carbon emission reporting (continued)

	Energy consumption		Greenhouse gas emissions	
	2021-22	2020-21	2021-22	2020-21
Gas	6,531,393	7,014,756	1,325	1,290
Electricity	1,405,295	1,636,252	298	463
Transport	50,642	468,815	13	109
Total	7,987,330	9,119,823	1,636	1,862
Per full time employee	20,800	21,818	4	4
Per care home resident	29,045	32,157	6	7

The methodology employed for the conversion of the raw data is the 2021 UK Government GHG Conversion Factors for Company Reporting (version 2.0).

Transport use has fallen without home care services for the majority of the year, and as central team visits to care homes were still regularly restricted by Covid-related government regulations. Where possible, care homes equipment is upgraded to improve efficiency, such as LED lighting or modern heating boilers and optimised controls for lighting and plant rooms. Where appropriate, we continue to upgrade care home sites to operate Building Management Systems (computer-based systems to control and monitor energy use). Continued improvements of this nature reduce energy consumption and improve energy performance. The Charity's electricity and gas prices are fixed until September 2024.

The Charity plans to establish an energy management strategy, including technical solutions, staff engagement, future property design, and monitoring and communication – towards a net-zero future as part of its approach to the Environmental, Social and Governance agenda. Future new buildings will make large strides towards the Charity's overall energy efficiency.

Governance report

The Charity's constitution

The Charity was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964.

The governing documents of the Charity are its Memorandum and Articles of Association.

The Charity is governed by trustees, who are members of a Board of Trustees and who are also directors of the Company for Companies Act purposes. All trustees are unremunerated, save for reasonable expenses, for the work they do as trustees of the Charity. The trustees are listed on page 29.

Group structure

Friends of the Elderly is the parent company for a number of subsidiaries. These different entities together are referred to as the Friends of the Elderly Group (the Group) and consolidated results for the Group are shown in these accounts. The Group includes the following subsidiaries:

Governance report (continued)

- **The Retired Nurses National Home (the RNNH).** The RNNH charity was dormant during the year. The care home it operated was transferred to Friends of the Elderly on 31 March 2019, along with other assets and liabilities. The care home continues to be run under the objects of this charity, which was originally established for the care of retired nurses. Friends of the Elderly is the sole company member and appoints the RNNH's trustees. The intention is to retain the RNNH charity as a dormant 'shell' charity for a limited period of time, to enable it to receive any future legacies to the charity.
- The beneficial ownership of the RNNH's endowed care home rests with the charity **The Retired Nurses National Home 1937**. In 2019, this charity was linked to Friends of the Elderly, as part of the integration process.
- **Potential Limited.** This is the Charity's property development company and is a limited company. It is wholly owned by the Charity, but also has its own Board of Directors.
- **Friends of the Elderly Trading Limited.** This limited company is currently dormant but has been retained for possible future use.

Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Charity's defined benefit pension scheme, which was closed in 1996, has its own trustee board. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts. Any deficit arising on the scheme is included as a liability of the Charity, but a scheme surplus is not recognised as an asset of the Charity.

Trustees and their support

To ensure that the Charity's trustees govern this Group structure effectively, a number of processes, procedures and support systems are in place:

- Trustees are appointed by the Board of Trustees of the Charity. They are also directors for the purpose of company law.
- Trustees are appointed for a term of three years, which is usually renewed for a further three years. After the completion of six years, trustees are eligible for re-election on an annual basis for a maximum of three further years.
- All new trustees take part in a formal induction programme and regular training.
- The trustees meet at least four times a year. Board committees scrutinise and oversee matters relating to audit and risk, resources and investment, service delivery, board nominations, and remuneration and employment.
- Board meetings and committee meetings were adapted to respond to the Covid-19 pandemic and Charity response, including virtual meetings using Microsoft Teams and support for trustees to join for those unfamiliar with the technology. Additional board meetings were held in the early months to keep trustees up to date, and to obtain board approvals as appropriate for decisions and key policies.
- The board carries out an annual self-evaluation exercise, including skills audit, with an independent evaluation every three years.

Governance report (continued)

- As part of our strategy, trustees have committed to work towards compliance with the Charity Governance Code.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Strategic Leadership Team and the Senior Management Team, supported by heads of department.

The Charity has a dedicated full-time Charity Secretary whose team ensures that governance is given a high priority and provides support to trustees to help them to carry out their duties effectively. The Charity holds professional indemnity insurance in respect of all trustees, committee members and staff.

Public benefit

The Charities Act 2006 requires a charity's purpose to be for the public benefit. Trustees must report on how they have carried out their charity's charitable purposes for the public benefit in the reporting year. A charity's purpose is what it has been set up to achieve – the aims of Friends of the Elderly are explained on page 7, along with the strategic objectives through which the aims will be achieved.

Pages 8 to 11 of this report explain the Charity's activities and achievements in the year, and link these to the furtherance of the Charity's strategic objectives. The trustees confirm they have taken into account the guidance produced by the Charity Commission on public benefit and are able to state that all of the relevant activities of the Group are carried out for the public benefit.

Basis of preparation

The annual report for the year ended 31 March 2022 is presented together with the consolidated financial statements of the Charity and its subsidiaries (together the Group). The strategic report for the Group is incorporated into the trustees' report.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', and FRS 102.

The trustees' report also includes the administrative information on page 29.

Statement of trustees' responsibilities

The trustees (who are also directors of Friends of the Elderly for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

Statement of trustees' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

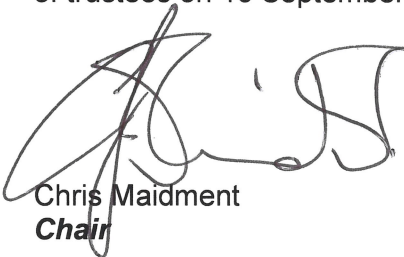
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

So far as each of the trustees is aware at the time the report is approved:

- there is no relevant audit information of which the Group's auditors are unaware, and
- the trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 16 September 2022 and signed on its behalf by:



Chris Maidment
Chair

Registered Charity no. 226064
Registered Company no. 133850

Administrative information

Charity name

Friends of the Elderly

Registered office

40-42 Ebury Street
London SW1W 0LZ

Registration numbers

Charity No. 226064
Company No. 133850

Company Secretary

Soo Smith

Trustees

Joannie Andrews 3 (to 16 Sept 2021)
Martin Beecroft 3
Sonia Campbell 3
Rob Chapman 1,2
Emily DeAbaitua 1
David Deacon 1
Paul Foster 4
Rikki Garcia 2, 3
Louisa Hogarty 3
Chris Maidment 1, 2 (*Chair from 16 Sept 2021*)
Simon J. Passman (*Vice Chair*) 2, 4
Sharon Prosser 4
Kerry Rubie (*Chair*) 1,2, 3, 4 (to 16 Sept 2021)

1. *Member of Audit and Risk Committee*
2. *Member of Chair's, Nominations, and Remuneration and Employment Committees*
3. *Member of Service Delivery Committee*
4. *Member of Resources and Investment Committee*

Strategic Leadership Team

Steve Allen (*Chief Executive*)
Jennifer Griffiths (*Finance Director*)
Soo Smith (*Charity Secretary*)
Mark Wilson (*Chief Operating Officer*)

Senior Management Team

Janet Hawthorn (*Standards and Performance Director*)
Rosemary Naylor (*Care Homes Director*)

Statutory auditors

Saffery Champness LLP
71 Queen Victoria Street
London EC4V 4BE

Bankers

HSBC plc
89 Buckingham Palace Road
Belgravia
London SW1W 0QL

Investment managers

Legal & General Investment
Management
One Coleman Street
London EC2R 5AA

CCLA Investment Management
Limited
80 Cheapside
London EC2V 6DZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

Independent auditors' report to the members of Friends of the Elderly

Opinion

We have audited the financial statements of Friends of the Elderly (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2022 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditors' report to the members of Friends of the Elderly (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Directors' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 27 to 28, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report to the members of Friends of the Elderly (continued)

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company'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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include the Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities (including the Care Quality Commission) to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

Independent auditors' report to the members of Friends of the Elderly (continued)

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Saffery Champness LLP

Cara Turtington (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP
Chartered Accountants 71 Queen Victoria Street
Statutory Auditors London, EC4V 4BE

Date: *30 October 2022*

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Consolidated statement of financial activities for the year ended
31 March 2022 (incorporating the consolidated income and expenditure account)**

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2022 £'000	Total Funds 2021 £'000
Income from:						
Donations and legacies	4	269	1,213	-	1,482	2,076
<i>Income from charitable activities:</i>						
Residential care	8	16,371	-	-	16,371	16,398
Community services		742	-	-	742	1,312
Community engagement		-	-	-	-	7
		17,113	-	-	17,113	17,717
Investment Income	5	195	453	1	649	548
Other income	6	404	-	-	404	-
Total		17,981	1,666	1	19,648	20,341
Expenditure on:						
<i>Raising funds:</i>						
Fundraising costs	8	190	56	-	246	208
Investment management costs		103	-	-	103	111
		293	56	-	349	319
<i>Charitable activities:</i>						
Residential care	8	17,384	1,619	36	19,039	18,863
Community services		1,072	75	-	1,147	1,940
Community engagement		138	1	-	139	320
Grants and allowances		117	248	-	365	339
Other expenditure	6	69	5	-	74	440
		18,780	1,948	36	20,764	21,902
Total		19,073	2,004	36	21,113	22,221
Net (expenditure) before gains on investments	9	(1,092)	(338)	(35)	(1,465)	(1,880)
Net gains on investments	15	679	19	872	1,570	3,161
Net income/ (expenditure)		(413)	(319)	837	105	1,281
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension scheme	19	(15)	-	-	(15)	(15)
Transfers between funds	21	1,026	6,298	(7,324)	-	-
Net movement in funds		598	5,979	(6,487)	90	1,266
Reconciliation of funds:						
Total funds brought forward	21	21,651	2,510	15,816	39,977	38,711
Total funds carried forward	21	22,249	8,489	9,329	40,067	39,977

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2021 by fund are disclosed in note 2.

The notes on pages 37 to 66 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2022

		Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Fixed assets	<i>Notes</i>				
Intangible assets	13	78	112	78	112
Tangible assets	14	21,673	22,159	21,780	22,260
Investments	15	19,913	19,386	19,923	19,396
Total fixed assets		<u>41,664</u>	<u>41,657</u>	<u>41,781</u>	<u>41,768</u>
Current assets					
Debtors	16	1,906	1,827	1,897	1,821
Cash at bank and in hand		1,469	1,649	1,466	1,649
Total current assets		<u>3,375</u>	<u>3,476</u>	<u>3,363</u>	<u>3,470</u>
Creditors					
Amounts falling due within 1 year	17	(3,481)	(3,434)	(3,467)	(3,425)
Net current (liabilities)/ assets		<u>(106)</u>	<u>42</u>	<u>(104)</u>	<u>45</u>
Total assets less current liabilities		<u>41,558</u>	<u>41,699</u>	<u>41,677</u>	<u>41,813</u>
Creditors					
Amounts falling due after more than one year	18	(1,454)	(1,610)	(1,454)	(1,610)
Net assets excluding pension liabilities		<u>40,104</u>	<u>40,089</u>	<u>40,223</u>	<u>40,203</u>
Defined benefit pension scheme liability	19	(37)	(112)	(37)	(112)
Total net assets		<u><u>40,067</u></u>	<u><u>39,977</u></u>	<u><u>40,186</u></u>	<u><u>40,091</u></u>
The funds of the charity:					
Restricted funds	21	8,489	2,510	8,489	2,510
Endowments	21	9,329	15,816	9,329	15,816
<i>Unrestricted funds:</i>					
Designated funds	21	18,033	18,309	18,140	18,410
General reserves - revaluation reserve	21	2,495	1,991	2,495	1,991
General reserves - other	21	1,758	1,463	1,770	1,476
Pension reserve	21	(37)	(112)	(37)	(112)
Total unrestricted funds		<u>22,249</u>	<u>21,651</u>	<u>22,368</u>	<u>21,765</u>
Total charity funds	21	<u><u>40,067</u></u>	<u><u>39,977</u></u>	<u><u>40,186</u></u>	<u><u>40,091</u></u>

The notes on pages 37 to 66 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net income for the year is £95,000, which includes net gains on investments of £1,570,000 (2020-21: net income of £1,271,000, including net gains on investments of £3,161,000).

The financial statements were approved by the Board of Trustees on 16 September 2022 and were signed on their behalf by:

Chris Maidment, Chair

Consolidated statement of cash flows for the year ended 31 March 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities:					
Net cash (used in) operating activities	23		<u>(1,438)</u>		<u>(1,177)</u>
Cash flows from investing activities:					
Dividends, interest and rents from investments		649		548	
Interest payable		(33)		(52)	
Purchase of intangible fixed assets		(16)		(129)	
Purchase of property, plant and equipment		(569)		(1,063)	
Proceeds from sale of investments		1,043		700	
Proceeds from sale of property, plant and equipment		46		-	
Proceeds from sale of services		287		-	
Net cash provided by investing activities			<u>1,407</u>		<u>4</u>
Cash flows from financing activities:					
Drawdown of borrowings		-		150	
Repayments of borrowings		(149)		(139)	
Net cash (used in)/ provided by financing activities			<u>(149)</u>		<u>11</u>
Change in cash and cash equivalents in the year			(180)		(1,162)
Cash and cash equivalents at the beginning of the year			1,649		2,811
Cash and cash equivalents at the end of the year			<u>1,469</u>		<u>1,649</u>
Cash and cash equivalents comprise the following:					
Cash			<u>1,469</u>		<u>1,649</u>

Analysis of net debt

	At 1 April 2021 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2022 £'000
Cash and cash equivalents				
Cash	1,649	(180)	-	1,469
Borrowings				
Debt due within one year	(141)	149	(156)	(148)
Debt due after one year	(1,610)	-	156	(1,454)
	<u>(1,751)</u>	<u>149</u>	<u>-</u>	<u>(1,602)</u>
Net debt	<u>(102)</u>	<u>(31)</u>	<u>-</u>	<u>(133)</u>

Analysis of net debt for the prior year

	At 1 April 2020 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash	2,811	(1,162)	-	1,649
Borrowings				
Debt due within one year	(143)	139	(137)	(141)
Debt due after one year	(1,597)	(150)	137	(1,610)
	<u>(1,740)</u>	<u>(11)</u>	<u>-</u>	<u>(1,751)</u>
Net debt	<u>1,071</u>	<u>(1,173)</u>	<u>-</u>	<u>(102)</u>

Notes to the financial statements for the year ended 31 March 2022

1. Principal accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Friends of the Elderly meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value except where otherwise stated in the relevant accounting policy notes.

Friends of the Elderly is a registered charity (number 226064) and a registered company (number 133850) limited by guarantee incorporated in England and Wales. The registered office is 40-42 Ebury Street, London SW1W 0LZ.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2024, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

The Charity Commission has approved two separate applications from the Charity to release endowed capital of STL to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee.

The Charity can access funds as long as it supports the original beneficiaries of STL - nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2022, £6.0m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid-19 that the biggest impact on our finances is having to continue to operate through a general 'crisis' in social care, rather than an isolated issue at one care home resulting in closure.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario. With the level of STL funds available to support care homes, these scenarios can withstand very large reductions in occupancy before we had to take other actions such as selling a care home as a going concern.

1. Principal accounting policies (continued)

Going concern – conclusions

The scenarios used to stress-test management forecasts show that the Charity would still be able to continue as a going concern until March 2024, as a minimum, even in the unlikely scenario that occupancy was to fall by a further 20%. This is due to the £6.0m of funding remaining from STL which provides significant financial protection.

The trustees consider that there are no material uncertainties about the Charity's and Group's ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

(a) Consolidation

The financial statements consolidate the results of Potential Ltd, the Retired Nurses National Home (the RNNH), Friends of the Elderly Trading Ltd, all of which are wholly owned subsidiaries of Friends of the Elderly (the Charity).

(b) Fund accounting

Unrestricted funds are those funds that are readily available for the use of the Charity, as the Charity's trustees see fit. These are made up of general reserves, designated funds and a pension reserve.

General reserves are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition or operation of any residential homes, and the costs of any extra care development, net of related borrowings.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aims and uses of the various restricted funds are set out in the notes to the financial statements. Restricted funds in the Group balance sheet also include the reserves of a subsidiary where its objects are more specific than those of the parent charity.

Endowment funds are restricted funds and comprise properties used for specific purposes and investments where only the income generated can be expended. The aims and uses of these funds are set out in the notes to the financial statements. Investment income and investment gains or losses are allocated to the appropriate fund.

(c) Income

Resident, service user and statutory fees, grants, management fees and investment income are accounted for when receivable. Income received in advance of the related services being performed is deferred.

Legacies are accounted for when it is probable that they will be received. Receipt is normally probable when: there has been grant of probate; the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and any conditions attached to the legacy are either within the control of the Charity or have been met.

1. Principal accounting policies (continued)

(c) Income (continued)

Donations are accounted for when received and related gift aid when receivable.

Income includes grants receivable from the government, including COVID-19 support for the Adult Social Care sector and the Coronavirus job retention scheme. Government grant income and related expenditure are recognised gross. When there are conditions attached with the expenditure, the income is recognised to the extent that these conditions have been fulfilled and the charity has entitlement to the income.

Coronavirus Job Retention Scheme funding is allocated as income to the relevant charitable activities, and where received in relation to central support roles it is allocated between charitable activities on the same basis as central support costs allocation. Grants with performance-related criteria are included within donations and legacies and allocated to restricted funds. The related expenditure is also in restricted funds, but within charitable activities.

(d) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

Any redundancy or other costs relating to termination of employment are recognised when the employee or group of employees are informed of the relevant consultation process.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(e) Support costs

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include management and administration costs incurred in Central Office, costs incurred by staff with regional responsibilities and governance costs which support the Group's charitable activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

(f) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably. An equivalent amount of expenditure is also recognised when the service or facility is used.

In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised. The contribution made to the Charity by volunteers is discussed in more detail in the trustees' report.

(g) Intangible fixed assets and amortisation

Intangible assets are capitalised at cost, including any incidental external expenses of acquisition or construction. Amortisation is charged so as to write off the full cost of the assets less their residual values on a straight-line basis over the following expected useful economic lives:

Computer software: 3 years

1. Principal accounting policies (continued)

(h) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition. Depreciation is not charged on freehold land or on expenditure on assets in course of construction or not yet in use.

Depreciation on other tangible fixed assets is charged on a straight-line basis so as to write off the full cost or valuation less their estimated residual values over their expected useful economic lives at the following rates:

Leasehold buildings (over 50 years):	50 years
Leasehold buildings (under 50 years):	Over term of lease
Fixtures and fittings:	3 to 10 years
Office and domestic equipment:	3 to 10 years
Motor vehicles:	4 years
Computer equipment:	3 years

Depreciation on freehold and long leasehold property is charged so as to write off the full cost or valuation of individual components less their estimated residual values on a straight-line basis over the following expected useful economic lives:

Structure and external fabric:	50 years
Roofs:	50 years
Lifts:	15 years
Bathrooms:	15 years
Central heating systems:	25 years
Kitchens:	15 years
Windows and doors:	25 years
Electrical wiring:	25 years

Residual values for care home structure and external fabric is based on sector information on the marketable value of older care homes. Residual values for other assets are deemed to be nil.

Interest costs relating to borrowings for property development are capitalised, up until the date the asset comes into use.

(i) Impairment of fixed assets

Assets are reviewed annually for indicators of impairment. Indicators would include: evidence of obsolescence or physical damage to the asset, evidence that an asset's market value has declined significantly, or evidence from internal reporting that the economic performance (cash flows and operating results) of an asset is, or will be, worse than expected.

Where there is an indicator of impairment, an impairment review is performed to identify the recoverable amount of an asset. If the recoverable amount of an asset is less than its carrying value, and this is considered to be a permanent impairment, then an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Its fair value is the asset's market value either as a going concern or if sold for alternative use. Value in use is calculated the replacement cost of the asset discounted to reflect its current age and condition (the depreciated replacement cost).

1. Principal accounting policies (continued)

(j) Investment properties

Investment properties are properties that are within or adjacent to the Charity's care homes which are capable of being rented out to third parties.

Investment properties are capitalised at valuation and are not depreciated. The difference between historical cost and valuation is included within the revaluation reserve. Investment properties are generally revalued every three years, with an annual review undertaken as to whether there are any indicators of material changes in value.

(k) Other investments

Investments in stocks and shares are valued at the mid-market price ruling at the balance sheet date. Unlisted investments comprise investments in managed funds and are valued at the market price per unit of the fund at the balance sheet date. This gives rise to unrealised gains or losses which are included in the statement of financial activities. Realised gains or losses on disposal arise on the difference between the sales proceeds and carrying value which are also included in the statement of financial activities.

Investments in subsidiaries are held at cost, less any provision for impairment.

(l) Debtors

Trade and other debtors are recognised at the settlement amount due, less an allowance for any doubtful debts. Prepayments are valued at the amount prepaid net of any discounts due.

(m) Resident deposits

Care home residents may pay a deposit on admission to a care home, which is fully refundable on departure less any amounts owed at that date. Resident deposits received are included within unrestricted cash but are held within a separate bank account. Resident deposits are also included within creditors. Receipts and payments of resident deposits are not reflected in the income and expenditure of the Group.

(n) Cash at bank and in hand

Cash at bank and cash in hand include cash and any deposits with a short maturity of three months or less from the date of opening of the deposit or similar account. It includes cash within the investment portfolio that is not held for reinvestment.

(o) Creditors and provisions

Creditors and provisions are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(p) Financial instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at the amortised cost using the effective interest method, less impairment.

1. Principal accounting policies (continued)

(p) Financial instruments (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, with subsequent changes in fair value recognised in the statement of financial activities.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, and loans from third parties are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instruments include bank loans. These are subsequently carried at amortised cost using the effective interest rate method.

(q) Operating leases

Rentals under operating leases are charged to the statement of financial activities as they fall due.

(r) Pension schemes

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved.

The pension liabilities and assets are recorded in line with FRS102, with a valuation undertaken by an independent actuary. FRS102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities.

The value of benefits accrued is used to determine the pension charge in the statement of financial activities and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate income/ expenditure categories.

The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members, is recognised in the statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the balance sheet.

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Contributions are charged to the statement of financial activities as they become payable.

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes. It is not possible for the Charity to obtain sufficient information to enable it to account for these schemes as defined benefit schemes. Therefore, it accounts for the schemes as if they were defined contribution schemes and recognises only the present value of future deficit recovery contributions as a provision. This provision forms part of unrestricted funds.

1. Principal accounting policies (continued)

(r) Pension Schemes (continued)

Where pension scheme costs are charged to the statement of financial activities in relation to service during the year, the costs are allocated to the relevant activities and funds (unrestricted or restricted) in the same way as costs relating to the relevant employees. Where pension scheme costs are incurred in relation to past employment, these costs are allocated to unrestricted expenditure within the relevant activity of the employees (some of whom may be former employees).

(s) Key judgements and estimates

There are additional uncertainties and risks as a result of COVID-19, with the potential to impact on judgements and estimates at year-end, or to result in future material changes in asset values. This includes changes in the care sector, care home development and resale market, residential property market, and stock markets.

The trustees have considered up to date information and data from a range of sources, where they impact on key judgements and estimates, up to the date of approval of the financial statements.

The review of impairment indicators and assessment of impairment loss on care homes

Impairment indicators include the financial performance of a service (in particular, individual care homes) compared to expectations, any recent third-party valuations compared to carrying value, and the basis of those valuations compared to any more recent results.

Where there are impairment indicators for individual care homes, the recoverable value of the home is assessed. The fair value of the home, less costs to sell, is considered, where we have third party information on its market value, updated to reflect recent operating result of the care home. This is compared to the value in use based on depreciated replacement cost.

The key estimate in depreciated replacement cost is the cost to build an equivalent asset. Depending on the nature of the building, either general market information is used, or more specific guidance is obtained from care sector experts.

If an impairment is considered to be permanent, then an impairment loss is recognised. If it is considered to be temporary – with a reasonable expectation that it will reverse within a set period of time - then no impairment charge is booked but future performance is monitored to compare against the basis of the original conclusion.

The risk of impairment of the Charity's fixed assets, including care homes and related fixtures and fittings, is increased as a result of the impact of COVID-19 on the care sector. Additional consideration has been given to available data and forecasts relating to the UK care sector since the year-end, the Charity's latest budgets and forecasts, and the impact of changes in forecast results on the basis of previous valuations.

An impairment charge of £74,000 was recognised in the year. This relates to a care home that is currently loss-making, to write the net assets down to their recoverable value.

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are: discount rates; inflation rates; mortality assumptions and life expectancies; and expected return on scheme assets. These assumptions are reviewed and approved by the trustees, based on information provided by the scheme actuaries.

The key judgement of the multi-employer pension schemes is the discount rate applied to future contributions. This discount rate is reviewed and approved by the trustees, based on information provided by the scheme administrators, and reflects the time period of future contributions.

1. Principal accounting policies (continued)

(s) Key judgements and estimates (continued)

Tangible fixed assets and depreciation

Note 1(h) sets out the basis of depreciation. Key judgements are the useful economic lives of assets, and the residual value of structure and external fabric of freehold and long leasehold properties at the end of their lives. Useful economic lives are based on known replacement timelines for individual elements of a property, such as central heating systems, lifts, and bathrooms. Useful economic lives are based on experience of our older care homes. Residual values for the fabric and structure of care homes are based on sector information on the marketable value of older care homes.

Investment property valuations

Investment properties are valued by the trustees, based either on third party valuations, or market information of similar properties in the area. Some houses classified as investment property are on a care home site but could be sold to a third party if access and gardens were separated; in this case the estimated costs of doing so are deducted from the valuation.

2. Consolidated statement of financial activities by fund 2021

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2021 £'000
Income from:				
Donations and legacies	343	1,733	-	2,076
<i>Income from charitable activities:</i>				
Residential care	16,398	-	-	16,398
Community services	1,312	-	-	1,312
Community engagement	7	-	-	7
	17,717	-	-	17,717
Investment Income	177	370	1	548
Total	18,237	2,103	1	20,341
Expenditure on:				
<i>Raising funds:</i>				
Fundraising costs	170	38	-	208
Investment management costs	111	-	-	111
Other costs	-	-	-	-
	281	38	-	319
<i>Charitable activities:</i>				
Residential care	17,126	1,702	35	18,863
Community services	1,768	172	-	1,940
Community engagement	216	104	-	320
Grants and allowances	76	263	-	339
Other expenditure	440	-	-	440
	19,626	2,241	35	21,902
Total	19,907	2,279	35	22,221
Net (expenditure before gains on investments)	(1,670)	(176)	(34)	(1,880)
Net gains on investments	418	99	2,644	3,161
Net (expenditure)/income	(1,252)	(77)	2,610	1,281
Other recognised gains/(losses)				
Actuarial losses on defined benefit pension	(15)	-	-	(15)
Transfers between funds	425	473	(898)	-
Net movement in funds	(842)	396	1,712	1,266
Reconciliation of funds:				
Total funds brought forward	22,493	2,114	14,104	38,711
Total funds carried forward	21,651	2,510	15,816	39,977

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2022:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	88	-	-
Total expenditure	(86)	-	-
Net movement in funds	<u>2</u>	<u>-</u>	<u>-</u>
Net (liabilities)/ assets at 31 March 2022	<u>(1)</u>	<u>10</u>	<u>-</u>

Summary of results for the year ended 31 March 2021:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	176	-	-
Total expenditure	(179)	-	-
Gift aid donation to Friends of the Elderly	(3)	-	-
Net movement in funds	<u>(6)</u>	<u>-</u>	<u>-</u>
Net (liabilities)/ assets at 31 March 2021	<u>(3)</u>	<u>10</u>	<u>-</u>

Potential Limited is a wholly-owned subsidiary of Friends of the Elderly and undertakes development work for the Group. Its company registration number is 3353988.

Friends of the Elderly Trading Limited is dormant. Its company registration number is 3557337.

Friends of the Elderly became the sole member of the Retired Nurses National Home (the RNNH) on 31 March 2015. The RNNH's activities, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019 as part of a group merger. This transfer included the care home in Bournemouth that was owned and operated by the RNNH. The charitable company will be kept as a dormant company for some years, to ensure any legacies left to the charity are able to be easily received.

4. Donations and legacies

	2022	2021
	£'000	£'000
Donations	531	556
Legacies	99	144
Pro-bono services	56	38
Total excluding government grants	<u>686</u>	<u>738</u>
<i>Government grants (note 7)</i>		
NHS Pathfinders	-	174
COVID-19 Adult Social Care	796	1,164
	<u>1,482</u>	<u>2,076</u>

5. Investment income

	2022	2021
	£'000	£'000
Dividends from investments	535	433
Investment property rental income	111	108
Interest receivable	3	7
	<u>649</u>	<u>548</u>

6. Other income and other expenditure

Other income

	2022	2021
	£'000	£'000
Gain on disposal of fixed assets	17	-
Gain on sale of homecare services	<u>387</u>	<u>-</u>
	<u>404</u>	<u>-</u>

The Charity's home care services were sold to a third party in May 2021. All relevant staff were given the opportunity to transfer to the new operator through a Transfer of Undertakings (Protection of Employment) (TUPE). No fixed assets were included within the sales agreement. Consideration for the sale was as follows:

	2022
	£'000
Consideration for sale received in year	300
Deferred consideration received after the year-end	100
Costs of sale	<u>(13)</u>
Gain on sale of homecare services	<u>387</u>

Other expenditure

Other expenditure within charitable activities includes:

	2022	2021
	£'000	£'000
Impairment charge	74	351
Loss on disposal of fixed assets	<u>-</u>	<u>89</u>
	<u>74</u>	<u>440</u>

The impairment charge relates in the current year relates to one care home, to write its net assets down to its recoverable value.

7. Government grants

	2022	2021
	£'000	£'000
Recorded within restricted income from donations and legacies		
COVID-19 Adult Social Care grants	796	1,164
NHS Pathfinders	-	174
Recorded within unrestricted income from charitable activities		
Coronavirus Job Retention Scheme	<u>40</u>	<u>342</u>
	<u>836</u>	<u>1,680</u>

7. Government grants (continued)

Adult Social Care grants relating to COVID-19 emergency funding include an Infection Control Fund, Rapid Testing Fund, and Workforce Capacity Fund. These funds are administered and distributed by local authorities. The funds are received on condition that they are spent on specific types of costs, with regular reporting required to the majority of the local authorities concerned. Any funds not spent under the relevant conditions would need to be returned. All grant conditions have been met for income recognised during the year.

The Coronavirus Job Retention Scheme is also known as the furlough scheme. The related staff costs have been recognised in full within expenditure.

The NHS Pathfinders grant was a Social Care Digital Pathfinders grant from NHS Digital, part of the Department of Health and Social Care (DHSC). The grant came to an end during the previous year. All performance and reporting requirements have been met and all funds received.

8. Analysis of income and expenditure by charitable activity

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2022	2022	2022	2022	2022	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	16,371	742	-	-	-	17,113
Government grants	742	54	-	-	-	796
Other attributable fundraising income	23	2	8	328	325	686
Attributable investment income	399	-	-	54	196	649
Total income	17,535	798	8	382	521	19,244
Direct expenditure	15,744	838	103	-	249	16,934
Grant-funding of activities	-	-	-	222	-	222
Total income less direct expenditure	1,791	(40)	(95)	160	272	2,088
Attributable support costs:						
Governance	279	26	3	12	8	328
Operations, quality and training	855	107	20	101	26	1,109
Property	207	15	-	-	18	240
Finance, HR and IT	1,552	95	9	20	23	1,699
Marketing and communications	338	49	-	4	14	405
Strategic and executive	64	17	4	6	11	102
Total attributable support costs	3,295	309	36	143	100	3,883
Total expenditure	19,039	1,147	139	365	349	21,039
Net surplus/ (deficit)	(1,504)	(349)	(131)	17	172	(1,795)

Fundraising and investment income that is restricted to specific charitable activities is shown as attributable to that activity in the table above. Unrestricted fundraising and investment income is shown in the raising funds column.

This excludes other income and other expenditure (note 6).

8. Analysis of income and expenditure by charitable activity (continued)

The analysis for 2021 is as follows:

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2021	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	16,398	1,312	7	-	-	17,717
Government grants	1,171	167	-	-	-	1,338
Other attributable fundraising income	39	2	64	252	381	738
Attributable investment income	334	-	-	36	178	548
Total income	17,942	1,481	71	288	559	20,341
Direct expenditure	15,892	1,407	195	-	213	17,707
Grant-funding of activities	-	-	-	190	-	190
Total income less direct expenditure	2,050	74	(124)	98	346	2,444
Attributable support costs:						
Governance	139	25	6	7	5	182
Operations, quality and training	779	232	79	114	33	1,237
Property	184	15	-	-	18	217
Finance, HR and IT	1,485	156	17	16	18	1,692
Marketing and communications	298	56	11	-	7	372
Strategic and executive	86	49	12	12	25	184
Total attributable support costs	2,971	533	125	149	106	3,884
Total expenditure	18,863	1,940	320	339	319	21,781
Net surplus/ (deficit)	(921)	(459)	(249)	(51)	240	(1,440)

This excludes other income and other expenditure (note 6).

Support costs and costs of governance are apportioned between charitable activities and the activities for raising funds. The basis of apportionment is as follows:

Function	Basis of apportionment
Governance costs	Apportioned in proportion to overall support costs allocation
Operations, Quality and Training	Specific teams relate to different charitable operations, other costs are apportioned based on management estimate
Property	Apportioned based on management estimate
Finance and Information Technology	Apportioned based on the proportion of total expenditure
Human Resources	Apportioned based on headcount
Marketing and communications	Apportioned based on management estimate
Strategy and Executive	Apportioned based on management estimate

9. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2022	2021
	£'000	£'000
Staff costs (Note 10)	14,335	14,903
Amortisation of intangible fixed assets (Note 13)	50	42
Depreciation of tangible fixed assets (Note 14)	958	920
Impairment of tangible fixed assets (note 6)	74	351
Auditors' remuneration - Audit of the Charity (current year)	35	35
Auditors' remuneration - Audit of the Charity (prior year)	-	6
Auditors' remuneration - Audit of subsidiary undertakings	2	5
Auditors' remuneration - Other Services	3	3
Professional indemnity insurance	2	2
Surplus on sale of fixed assets	17	-
Surplus on sale of homecare services	387	-
Pension scheme net finance charge	1	2
Operating lease rentals	138	177

The professional indemnity insurance is in respect of all trustees, committee members and staff.

10. Staff costs

	2022	2021
	£'000	£'000
Staff costs were as follows:		
Salaries	10,404	11,016
Social security costs	868	861
Pension costs - excluding change to pension provision	556	581
Pension costs - change to pension provision	(75)	(13)
	<u>11,753</u>	<u>12,445</u>
Agency - Care	1,269	1,143
Agency - Non-Care	9	15
Contract staff costs	1,304	1,300
Agency and contract costs	<u>2,582</u>	<u>2,458</u>

The following costs were incurred in relation to redundancies and are included within the staff costs total above. There were no ex-gratia payments, which would represent any redundancy payments above the statutory minimum.

	2022	2021
	£'000	£'000
Redundancy payments	<u>6</u>	<u>27</u>

The number of staff whose emoluments plus taxable benefits amounted to over £60,000 during the year were as follows:

	2022	2021
	No.	No.
£60,001 - £70,000	6	4
£70,001 - £80,000	2	2
£80,000 - £90,000	1	2
£90,000 to £100,000	2	-

10. Staff costs (continued)

Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2021: none).

	2022	2021
	£'000	£'000
Total emoluments	561	583
	No.	No.
Average number of Senior Management Team	6.0	6.5

11. Staff numbers

The average number of employees (headcount) and full time equivalent (FTE) for the year were as follows:

Employee numbers	2022	2021	2022	2021
	Headcount	Headcount	FTE	FTE
	No.	No.	No.	No.
Care staff	419	474	320	347
Support staff	67	74	64	71
	<u>486</u>	<u>548</u>	<u>384</u>	<u>418</u>

12. Related party transactions

Trustees

The trustees received no remuneration for their services (2021: £nil). During the year ended 31 March 2022, no expenses were paid to any trustee for costs incurred in the course of their duties as trustee of the Charity (2021: £nil).

No donations were made by a related party of any trustee to the Group during the year (2021: £nil). Expenses waived by trustees during the year were not material (2021: not material).

Key management personnel

There are no related party transactions with key management personnel to report for the year ended 31 March 2022 (2021: none).

Intercompany transactions

The Charity had the following transactions with Group companies during the year:

	2022	2021
	£'000	£'000
Amounts charged/ (credited) to Potential		
Management fee	1	1
Property development costs recharged (capitalised within the Charity)	(81)	(173)
Distribution (donation) from Potential to the Charity	-	3
	<u>(80)</u>	<u>(169)</u>

12. Related party transactions (continued)

The Charity had the following year-end balances with Group companies:

	2022	2021
	£'000	£'000
Amounts due to Potential	(39)	(24)
Amounts due to Friends of the Elderly Trading Limited	(5)	(5)
	<u>(44)</u>	<u>(29)</u>

13. Intangible fixed assets

	Group and Charity
Computer software	
Cost	£'000
At 1 April 2021	762
Additions	16
At 31 March 2022	<u>778</u>
Amortisation	
At 1 April 2021	650
Charge for the year	50
At 31 March 2022	<u>700</u>
Net book value 31 March 2022	<u>78</u>
Net book value 31 March 2021	<u>112</u>

14. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2021	26,905	156	9,063	36,124
Additions	87	-	488	575
Disposals	-	-	(57)	(57)
At 31 March 2022	<u>26,992</u>	<u>156</u>	<u>9,494</u>	<u>36,642</u>
Depreciation				
At 1 April 2021	7,053	112	6,800	13,965
Charge for the year	281	4	673	958
Impairment charge	-	-	74	74
Eliminated on disposal	-	-	(28)	(28)
At 31 March 2022	<u>7,334</u>	<u>116</u>	<u>7,519</u>	<u>14,969</u>
Net book value 31 March 2022	<u>19,658</u>	<u>40</u>	<u>1,975</u>	<u>21,673</u>
Net book value 31 March 2021	<u>19,852</u>	<u>44</u>	<u>2,263</u>	<u>22,159</u>

14. Tangible fixed assets (continued)

(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2021	27,143	156	9,077	36,376
Additions	93	-	488	581
Disposals	-	-	(62)	(62)
At 31 March 2022	<u>27,236</u>	<u>156</u>	<u>9,503</u>	<u>36,895</u>
Depreciation				
At 1 April 2021	7,190	112	6,814	14,116
Charge for the year	281	4	673	958
Impairment charge	-	-	74	74
Eliminated on disposal	-	-	(33)	(33)
At 31 March 2022	<u>7,471</u>	<u>116</u>	<u>7,528</u>	<u>15,115</u>
Net book value 31 March 2022	<u>19,765</u>	<u>40</u>	<u>1,975</u>	<u>21,780</u>
Net book value 31 March 2021	<u>19,953</u>	<u>44</u>	<u>2,263</u>	<u>22,260</u>

Tangible fixed assets include assets in the course of construction, which are not depreciated until they are in use, but which are assessed annually for any impairment risks.

Assets in the course of construction	Group		Charity	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cost	1,921	1,830	1,960	1,867
Net book value	1,561	1,479	1,592	1,509

Borrowing costs of £6,000 (2021: £21,000) were capitalised in the year as part of assets in the course of construction. This is interest on the 15-year term loan disclosed in note 18. The loans (note 18) are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

Long-leasehold property is classified as finance leases. There are no lease payments due for these properties other than one peppercorn if demanded. Amounts capitalised under short leasehold property are property improvements. The lease itself is classified as an operating lease.

15. Fixed asset investments

(a) Group	Investment Property £'000	Investments Unlisted £'000	Total £'000
<u>Cost or valuation</u>			
At 1 April 2021	2,332	17,054	19,386
Disposals (carrying value)	-	(1,006)	(1,006)
Unrealised gains on revaluation	504	1,029	1,533
At 31 March 2022	<u>2,836</u>	<u>17,077</u>	<u>19,913</u>
Cost at 31 March 2022	<u>341</u>	<u>14,101</u>	<u>14,442</u>

b) Charity	Investment Property £'000	Investments Unlisted £'000	Investment in Subsidiaries £'000	Total £'000
<u>Cost or valuation</u>				
At 1 April 2021	2,332	17,054	10	19,396
Disposals (carrying value)	-	(1,006)	-	(1,006)
Unrealised gains on revaluation	504	1,029	-	1,533
At 31 March 2022	<u>2,836</u>	<u>17,077</u>	<u>10</u>	<u>19,923</u>
Cost at 31 March 2022	<u>341</u>	<u>14,101</u>	<u>10</u>	<u>14,452</u>

'Investments in subsidiaries' relates to two trading companies – Potential Limited; and Friends of the Elderly (Trading) Limited, which is dormant. Summary results for the subsidiaries can be found in note 3.

Investment properties are properties which are held for strategic reasons, but which are capable of being rented to third parties or of being sold separate to adjacent care homes. They have been valued on the open market basis, less an estimate of costs associated with sale. The valuation has been carried out by the board of trustees, using available market data.

Some investment properties have current restrictions relating to access which would impede sale. Estimated costs of resolving such matters have been deducted from the valuation.

16. Debtors

	Group		Charity	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	743	738	743	738
Other debtors	161	175	152	169
Prepayments and accrued income	1,002	914	1,002	914
	<u>1,906</u>	<u>1,827</u>	<u>1,897</u>	<u>1,821</u>

17. Creditors: amounts falling due within one year

	Group		Charity	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade creditors	843	1,117	790	1,090
Amounts due to subsidiary undertakings	-	-	44	29
Other creditors	393	299	388	293
Resident deposits	904	932	904	932
Taxation and social security	248	230	248	230
Accruals	945	715	945	710
Loans: Amounts Due Within One Year	148	141	148	141
	<u>3,481</u>	<u>3,434</u>	<u>3,467</u>	<u>3,425</u>

18. Creditors: amounts falling due after more than one year

	Group and Charity	
	2022 £'000	2021 £'000
Secured bank loan:		
Falling due within more than one year but less than five years	632	604
Falling due after five years	822	1,006
Total amounts falling due after one year:	<u>1,454</u>	<u>1,610</u>
Amounts falling due within one year (Note 17)	148	141
Total of all loans	<u>1,602</u>	<u>1,751</u>

The loans are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

The loans are basic financial instruments carried at amortised cost. £1,077,000 of the debt has an interest rate at 1.75% above the Bank of England's sterling base rate, with a 20-year term ending in 2031. £526,000 of debt has an interest rate at 3.0% above the Bank of England's sterling base rate, with a 15-year term ending in 2034.

19. Pension schemes

The Charity and Group operate or contribute to a number of pension schemes, both defined contribution schemes and defined benefit pension schemes. The liability recognised in respect of defined benefit pension schemes is as follows:

Defined benefit pension scheme liability by Scheme	Group and Charity	
	2022 £'000	2021 £'000
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(24)	(96)
Career Average Revalued Earnings (CARE) Pension Scheme	(13)	(16)
	<u>(37)</u>	<u>(112)</u>

19. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme

	FotE Closed 2022 £'000	SVSPS Scheme 2022 £'000	CARE Scheme 2022 £'000	Total 2022 £'000
Provision at 1 April 2021	-	(96)	(16)	(112)
Interest expense	-	(1)	-	(1)
Contributions paid	15	17	2	34
Remeasurement - impact of changes in assumptions	-	-	1	1
Remeasurement - amendments to the contribution schedule	-	56	-	56
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	91	-	-	91
- Return on assets excluding interest income	(61)	-	-	(61)
- Change in the effect of asset ceiling	(45)	-	-	(45)
Provision at 31 March 2022	<u>-</u>	<u>(24)</u>	<u>(13)</u>	<u>(37)</u>

Reconciliation of opening and closing provision by Scheme for 2021:

	FotE Closed 2021 £'000	SVSPS Scheme 2021 £'000	CARE Scheme 2021 £'000	Total 2021 £'000
Provision at 1 April 2020	-	(106)	(19)	(125)
Interest expense	-	(2)	-	(2)
Contributions paid	15	16	2	33
Remeasurement - impact of changes in assumptions	-	(4)	(1)	(5)
Remeasurement - amendments to the contribution schedule	-	-	2	2
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	(93)	-	-	(93)
- Return on assets excluding interest income	(14)	-	-	(14)
- Change in the effect of asset ceiling	92	-	-	92
Provision at 31 March 2021	<u>-</u>	<u>(96)</u>	<u>(16)</u>	<u>(112)</u>

19(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by the Charity and amounted to £523,000 in the year (2021: £556,000).

19(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)

The Charity operates the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) (the Scheme), a UK registered trust-based pension scheme that provides defined benefits. No benefits have been accrued since 30 September 1996.

Pension benefits are linked to members' final pensionable salaries and service to 30 September 1996 (or date of leaving if earlier). The Scheme trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

19. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

There are two categories of members:

- Deferred members: former employees or current employees of the Charity who have accrued benefits in the Scheme but are not yet in receipt of a pension.
- Pensioner members: in receipt of pension.

The Scheme trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation was performed by the Scheme actuary for the trustees as at 30 September 2021. The valuation revealed a funding surplus of £39,000 (2018 valuation: shortfall of £2,000). No further recovery plan payments are required by the Charity, however the Charity has agreed to continue to pay £830 a month from April 2022 (prior to this the Charity paid £1,250 per month). All the administration and operating expenses of the Scheme, including the Pension Protection Fund (PPF) levy, will continue to be met directly by the Charity.

The pension scheme surplus as at 31 March 2022 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

The amounts recognised and the balance sheet positions, for 2022 and 2021, are as follows:

	Group and Charity: 2022			Group and Charity: 2021		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,641	(1,614)	27	1,749	(1,630)	119
Limit on recognition of assets	(27)	-	(27)	(119)	-	(119)
Scheme surplus recognised at 1 April	1,614	(1,614)	-	1,630	(1,630)	-
Benefits paid	(149)	149	-	(145)	145	-
Employer contributions	15	-	15	15	-	15
<i>Amounts charged to Statement of Financial Activities:</i>						
Interest income/ (cost)	26	(26)	-	36	(36)	-
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	91	91	-	(93)	(93)
- Return on assets excluding interest income	(61)	-	(61)	(14)	-	(14)
- Change in the effect of asset ceiling	(45)	-	(45)	92	-	92
<i>Total amounts charged to Statement of Financial Activities</i>	(80)	65	(15)	114	(129)	(15)
Fair value at 31 March (less surplus not recognised)	1,400	(1,400)	-	1,614	(1,614)	-

The fair value of the assets of the scheme was:

	Group and Charity			
	2022 £'000	2022 % of total plan assets	2021 £'000	2021 % of total plan assets
Trustees bank account/ net current assets	3	0.2%	3	0.2%
Annuities	967	65.7%	1,080	65.8%
Gilts fund	414	28.1%	471	28.7%
Diversified fund	88	6.0%	87	5.3%
Total	1,472	100.0%	1,641	100.0%

19. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

The return on assets was:

	Group and Charity	
	2022	2021
	Market value	Market value
	£'000	£'000
Interest income	26	36
Return on assets less interest income	(61)	(14)
Total return on assets	<u>(35)</u>	<u>22</u>

Actuarial assumptions

	Group and Charity	
	2022	2021
Discount rate	2.70% pa	1.70% pa
RPI inflation	4.20% pa	3.45% pa
CPI inflation	3.20% pa	2.45% pa
Revaluation of deferred pensions	3.20% pa	2.45% pa

Mortality assumptions

	Group and Charity	
	2022	2021
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S3PA CMI_2021_M/F [1.25%] (yob)	100% of S2PA CMI_2020_M/F [1.25%] (yob)

Life expectancies (in years)

	2022		2021	
	Males	Females	Males	Females
For an individual aged 60	26.6	29.2	26.2	28.4
At age 60 for an individual aged 40	28.1	30.7	27.7	30.0

19(c) Multi-employer pension schemes

The Charity participates in two multi-employer pension schemes: the Scottish Voluntary Sector Pension Scheme (SVSPS) and the Career Average Revalued Earnings Pension Scheme (CARE).

These schemes are defined benefit schemes in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore, it accounts for the schemes as defined contribution schemes. The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The schemes are classified as 'last-man standing arrangements'. Therefore, the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. Recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

19. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the Charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SVSPS

The SVSPS provides benefits to some 95 non-associated employers.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. This actuarial valuation was certified on 21 December 2021 and showed assets of £153.3m, liabilities of £160.0m and a deficit of £6.7m (at the previous 2017 valuation the deficit was £25.9m). To eliminate this funding shortfall, the trustees and the participating employers have agreed that contributions will be paid, in combination from all employers, to the scheme of £1.5m per annum until 31 May 2024 (increasing by 3% each year on 1 April), of which the Charity's contributions are £11,000 per annum.

CARE

The CARE scheme provides benefits to some 37 non-associated employers.

A full actuarial valuation for the scheme was carried out as at 30 September 2019. This actuarial valuation showed assets of £79.0m, liabilities of £93.9m and a deficit of £14.9m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.5m per annum until September 2027 (increasing by 3% each year on 1 April), of which the Charity's contributions are £2,300 per annum, rising to £2,700 pa over the six-year period.

Discount rates

	2022	2021	2020
Discount rate: SVSPS	2.30%	0.86%	2.57%
Discount rate: CARE	2.55%	0.98%	2.58%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

20. Analysis of net assets between funds

Fund balances at 31 March 2022, represented by:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	78	-	-	78
Tangible assets	19,688	145	1,840	21,673
Investments	5,832	6,594	7,487	19,913
Current assets	1,437	1,936	2	3,375
Current liabilities	(3,295)	(186)	-	(3,481)
Non-current liabilities	(1,491)	-	-	(1,491)
	<u>22,249</u>	<u>8,489</u>	<u>9,329</u>	<u>40,067</u>

20. Analysis of net assets between funds (continued)

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2022

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	78	-	-	78
Tangible assets	19,795	145	1,840	21,780
Investments	5,842	6,594	7,487	19,923
Current assets	1,425	1,936	2	3,363
Current liabilities	(3,281)	(186)	-	(3,467)
Non-current liabilities	(1,491)	-	-	(1,491)
	<u>22,368</u>	<u>8,489</u>	<u>9,329</u>	<u>40,186</u>

Fund balances at 31 March 2021 were:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	112	-	-	112
Tangible assets	19,966	317	1,876	22,159
Investments	4,884	563	13,939	19,386
Current assets	1,687	1,788	1	3,476
Current liabilities	(3,276)	(158)	-	(3,434)
Non-current liabilities	(1,722)	-	-	(1,722)
	<u>21,651</u>	<u>2,510</u>	<u>15,816</u>	<u>39,977</u>

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	112	-	-	112
Tangible assets	20,067	317	1,876	22,260
Investments	4,894	563	13,939	19,396
Current assets	1,681	1,788	1	3,470
Current liabilities	(3,267)	(158)	-	(3,425)
Non-current liabilities	(1,722)	-	-	(1,722)
	<u>21,765</u>	<u>2,510</u>	<u>15,816</u>	<u>40,091</u>

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2022

21. Movement in funds

Fund movements for the Group for the year ended 31 March 2022:

(a) Group	As at 1 April 2021 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2022 £
Unrestricted funds:								
Designated funds	18,309	-	-	(823)	409	138	-	18,033
General reserves:								
Revaluation reserve	1,991	-	504	-	-	-	-	2,495
Other reserve	1,463	(1,182)	175	823	(409)	(138)	1,026	1,758
Pension reserve	(112)	90	(15)	-	-	-	-	(37)
Total unrestricted funds	21,651	(1,092)	664	-	-	-	1,026	22,249
Restricted funds:								
Funds for the upkeep of residential homes	221	13	-	-	-	-	-	234
Sir Thomas Lipton Memorial Home fund	-	-	-	-	-	-	6,013	6,013
Funds restricted to RNNH	211	(461)	2	-	-	-	260	12
Funds for grants and allowances	852	134	17	-	-	-	-	1,003
Funds for residents' subsidies	725	(3)	-	-	-	-	25	747
Community services	49	(19)	-	-	-	-	-	30
Community projects	45	3	-	-	-	-	-	48
Other restricted funds	407	(5)	-	-	-	-	-	402
Total restricted funds	2,510	(338)	19	-	-	-	6,298	8,489
Endowed funds:								
Expendable endowment - RNNH	967	-	29	-	-	-	(260)	736
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,933	-	455	-	-	-	(6,388)	-
Endowed property - RNNH	1,641	(36)	-	-	-	-	-	1,605
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,806	1	139	-	-	-	(676)	2,270
Funds for residents' subsidies	3,150	-	185	-	-	-	-	3,335
Funds for grants and allowances	1,084	-	64	-	-	-	-	1,148
Total permanent endowment	14,849	(35)	843	-	-	-	(7,064)	8,593
Total endowed funds	15,816	(35)	872	-	-	-	(7,324)	9,329
Total funds	39,977	(1,465)	1,555	-	-	-	-	40,067

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2022

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2022:

(b) Charity	As at 1 April 2021 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2022 £
Unrestricted funds:								
Designated funds	18,410	-	-	(823)	415	138	-	18,140
General reserves:								
Revaluation reserve	1,991	-	504	-	-	-	-	2,495
Other reserve	1,476	(1,177)	175	823	(415)	(138)	1,026	1,770
Pension reserve	(112)	90	(15)	-	-	-	-	(37)
Total unrestricted funds	21,765	(1,087)	664	-	-	-	1,026	22,368
Restricted funds:								
Funds for the upkeep of residential homes	221	13	-	-	-	-	-	234
Sir Thomas Lipton Memorial Home fund	-	-	-	-	-	-	6,013	6,013
Funds restricted to RNNH	211	(461)	2	-	-	-	260	12
Funds for grants and allowances	852	134	17	-	-	-	-	1,003
Funds for residents' subsidies	725	(3)	-	-	-	-	25	747
Community services	49	(19)	-	-	-	-	-	30
Community projects	45	3	-	-	-	-	-	48
Other restricted funds	407	(5)	-	-	-	-	-	402
Total restricted funds	2,510	(338)	19	-	-	-	6,298	8,489
Endowed funds:								
Expendable endowment - RNNH	967	-	29	-	-	-	(260)	736
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,933	-	455	-	-	-	(6,388)	-
Endowed property - RNNH	1,641	(36)	-	-	-	-	-	1,605
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,806	1	139	-	-	-	(676)	2,270
Funds for residents' subsidies	3,150	-	185	-	-	-	-	3,335
Funds for grants and allowances	1,084	-	64	-	-	-	-	1,148
Total permanent endowment	14,849	(35)	843	-	-	-	(7,064)	8,593
Total endowed funds	15,816	(35)	872	-	-	-	(7,324)	9,329
Total funds	40,091	(1,460)	1,555	-	-	-	-	40,186

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2022

21. Movement in funds (continued)

Fund movements for the Group for the year ended 31 March 2021:

(a) Group	As at 1 April 2020 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2021 £
Unrestricted funds:								
Designated funds	18,481	-	-	(473)	81	220	-	18,309
General reserves:								
Revaluation reserve	1,991	-	-	-	-	-	-	1,991
Other reserve	2,146	(1,698)	418	473	(81)	(220)	425	1,463
Pension reserve	(125)	28	(15)	-	-	-	-	(112)
Total unrestricted funds	22,493	(1,670)	403	-	-	-	425	21,651
Restricted funds:								
Funds for the upkeep of residential homes	731	(2)	-	-	-	-	(508)	221
Funds restricted to RNNH	75	(321)	9	-	-	-	448	211
Funds for grants and allowances	726	26	90	-	-	-	10	852
Funds for residents' subsidies	28	164	-	-	-	-	533	725
Community services	52	(3)	-	-	-	-	-	49
Community projects	95	(40)	-	-	-	-	(10)	45
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	2,114	(176)	99	-	-	-	473	2,510
Endowed funds:								
Expendable endowment - RNNH	1,156	-	259	-	-	-	(448)	967
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,138	-	1,245	-	-	-	(450)	5,933
Endowed property - RNNH	1,676	(35)	-	-	-	-	-	1,641
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,397	1	408	-	-	-	-	2,806
Funds for residents' subsidies	2,605	-	545	-	-	-	-	3,150
Funds for grants and allowances	897	-	187	-	-	-	-	1,084
Total permanent endowment	12,948	(34)	2,385	-	-	-	(450)	14,849
Total endowed funds	14,104	(34)	2,644	-	-	-	(898)	15,816
Total funds	38,711	(1,880)	3,146	-	-	-	-	39,977

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2022

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2021:

(b) Charity	As at 1 April 2020 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2021 £
Unrestricted funds:								
Designated funds	18,580	-	-	(480)	90	220	-	18,410
General reserves:								
Revaluation reserve	1,991	-	-	-	-	-	-	1,991
Other reserve	2,156	(1,693)	418	480	(90)	(220)	425	1,476
Pension reserve	(125)	28	(15)	-	-	-	-	(112)
Total unrestricted funds	22,602	(1,665)	403	-	-	-	425	21,765
Restricted funds:								
Funds for the upkeep of residential homes	731	(2)	-	-	-	-	(508)	221
Funds restricted to RNNH	75	(321)	9	-	-	-	448	211
Funds for grants and allowances	726	26	90	-	-	-	10	852
Funds for residents' subsidies	28	164	-	-	-	-	533	725
Community services	52	(3)	-	-	-	-	-	49
Community projects	95	(40)	-	-	-	-	(10)	45
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	2,114	(176)	99	-	-	-	473	2,510
Endowed funds:								
Expendable endowment - RNNH	1,156	-	259	-	-	-	(448)	967
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,138	-	1,245	-	-	-	(450)	5,933
Endowed property - RNNH	1,676	(35)	-	-	-	-	-	1,641
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,397	1	408	-	-	-	-	2,806
Funds for residents' subsidies	2,605	-	545	-	-	-	-	3,150
Funds for grants and allowances	897	-	187	-	-	-	-	1,084
Total permanent endowment	12,948	(34)	2,385	-	-	-	(450)	14,849
Total endowed funds	14,104	(34)	2,644	-	-	-	(898)	15,816
Total funds	38,820	(1,875)	3,146	-	-	-	-	40,091

21. Movement in funds (continued)

Designated funds – nature of funds

Designated funds are unrestricted funds set aside by trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings, used exclusively for construction, acquisition or operation of residential homes or extra care developments.

Restricted funds – nature of funds

- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations specific to certain care homes.
- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.
- Funds for residents' subsidies provide income to subsidise the care of residents.
- Funds for community services are donations or grants received for specific branches within community services.
- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.
- All funds that were within the RNNH prior to the merger on 31 March 2019 remain restricted, or endowed, within the Charity, other than where subsequently spent in accordance with the terms of the relevant restriction.

Endowed funds – nature of funds

The Sir Thomas Lipton Memorial Home endowment fund represented the proceeds from the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property of the Sir Thomas Lipton Charity. The Sir Thomas Lipton Charity is a linked charity of Friends of the Elderly, with Friends of the Elderly being the sole trustee. Its charitable objects are the relief of people who are in need by reason of age, infirmity or financial hardship by the provision of care and accommodation, with priority given to those who have worked in health or social care roles. There were also endowed funds for the upkeep of the original home.

On 1 July 2020 the Charity Commission made an Order, allowing Friends of the Elderly's request for up to £3m of the capital from this endowment to be passed to Friends of the Elderly in furtherance of the Sir Thomas Lipton Charity purpose. This will provide financial support to Friends of the Elderly during the COVID-19 pandemic and allow Friends of the Elderly to provide specific additional support to former healthcare and social care workers. £1.5m of these funds had been transferred as at 31 March 2022. From July 2020, the income from the Sir Thomas Lipton endowed investments has also been used to subsidise a number of Local Authority-funded residents whose needs meet the objects of the Sir Thomas Lipton Charity.

On 14 March 2022, the Charity Commission made a new Order, allowing Friends of the Elderly to spend all of the Sir Thomas Lipton Charity's permanent endowment, as income to further the objects of the Sir Thomas Lipton Charity. This was as the result of a request made by Friends of the Elderly. This provides Friends of the Elderly with sufficient resources to address the ongoing challenges of Covid-19, and to face any further unexpected hurdles in the recovery of the care sector. As a result of this Order, the Sir Thomas Lipton Funds are held within restricted funds, instead of endowed funds, as at 31 March 2022.

21. Movement in funds (continued)

Fund transfers in the year

- The Sir Thomas Lipton funds totalled £7m within endowed funds (some of which was classified within funds for the upkeep of residential homes). These endowed funds were all transferred in the year as follows: £1.1m, being the amount withdrawn from investments and spent, was transferred to unrestricted funds; £6m, the remainder, was transferred to restricted funds. These transfers were in accordance with the Charity Commission Orders dated July 2020 and March 2022.
- A transfer of £260,000 was made from an expendable endowment to a restricted fund to support operating losses of the Retired Nurses National Home.
- The interest charge on a loan from a restricted fund to unrestricted funds, of £25,000, is shown as a fund transfer.

22. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2022	2021
	£'000	£'000
Land and buildings		
Within one year	82	82
Within 2 to 5 years	317	322
> 5 years	1,051	1,128
	1,450	1,532
Other		
Within one year	61	56
Within 2 to 5 years	55	93
	116	149
Total	1,566	1,681

As at 31 March 2022 there was £nil (2021: £nil) of capital expenditure contracted for but not provided in the financial statements.

23. Reconciliation of net movement in funds to net cash flow from operating activities

	2022	2021
	£'000	£'000
Net movement in funds	90	1,266
Unrealised and realised (gains) on investments	(1,570)	(3,161)
Net (gains)/losses on disposal of fixed assets	(17)	89
Net (gains) on disposal of services	(387)	-
Actuarial losses on pension schemes	15	15
Investment income	(649)	(548)
Interest payable	27	31
Depreciation on tangible assets	958	920
Impairment of tangible assets	74	351
Amortisation on intangible assets	50	42
Difference between pension contributions and net costs	(90)	(28)
Decrease/(increase) in debtors	21	(21)
Increase/(decrease) in creditors	40	(118)
(Decrease) in provisions	-	(15)
Net cash (used in) operating activities	(1,438)	(1,177)

24. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	2022	2021
	£'000	£'000
Financial assets measured at fair value through the SoFA	17,077	17,054

Financial assets measured at fair value through the statement of financial activities comprise listed and unlisted investments.

25. Post balance sheet events

There are no events after the financial year-end that require adjusting or reporting.

26. Taxation

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

27. Members

At 31 March 2022 there were 11 members (2021: 13 members) who each pledge to pay £1 on winding up.

28. Ultimate controlling party

Friends of the Elderly has no parent undertaking. In the opinion of the members, the Charity does not have a controlling party.

Telephone 020 7730 8263
Website www.fote.org.uk

Royal Patron 1953 to 2022

Her Majesty The Queen

President

HRH Princess Alexandra

Vice Presidents

Mr Robin Aisher OBE
Mrs Joan Orford

Patrons

The Rt Hon The Baroness Boothroyd OM PC
Sir Michael Perry GBE
Mr Kerry Rubie MBE

FRIENDS OF THE ELDERLY

England & Wales - Charity number 226064

Accounts

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2021**

CONTENTS

Chief Executive's introduction	3
Trustees' report	5
Independent auditors' report	32
Financial statements	
Consolidated statement of financial activities	36
Consolidated and Charity balance sheets	37
Consolidated statement of cash flows	38
Notes to the financial statements	39

Our year in overview

Supported over 1,600 people in our local communities, and 284 people on average in our care homes.

Page 5

COVID-19 brought an unprecedented challenge. We worked hard to become 'COVID WISE'.

Page 7



Ending of our Visiting Friends activities, but with alternative support identified for all service users, with the help of the local council.

Page 9

Continued engagement with day care service users while our day centres were closed due to COVID-19 risks.

Page 9



Second and final year of our NHS Pathfinders project, linking electronic care planning and acoustic monitoring systems across our care homes to enhance care.

Page 10

Introduction of an online policy platform that continually reviews and updates care home policies and procedures to ensure quality and compliance.

Page 10



Supporting our staff to cope with the impact of COVID-19 through a range of financial and practical support, with a focus on wellbeing.

Page 11



One of two extra care planning applications refused, the other not yet heard. We are currently reviewing our options for the former, and are confident that we have a strong position, over time, with the latter.

Page 12



1,024 grants and allowances given to provide financial help to older people in financial need.

Page 14



Care home occupancy fell by 21% due to COVID-19, but started to recover from April 2021 onwards. A £1.4m operational loss due to falling occupancy and increased COVID-19 related costs, but the Charity's finances supported by access to £3m of endowed funds following a successful application to the Charity Commission.

Pages 13 and 15

Chief Executive's introduction

The 2020-21 financial year covered in this annual report is the most challenging year any organisation providing care and services for older people has had to face, and Friends of the Elderly (referred to in this report as the Charity) has been no exception.

Since the onset of the COVID-19 pandemic in March 2020, we have done all that we can to protect our residents, service users and staff from the virus.

These measures included closing our care homes to all but essential visitors before the government mandated it, investing in a good central stock of Personal Protective Equipment (PPE) to ensure the Charity never ran out, and supporting our staff to work safely through stringent infection prevention and control measures. We did not take new care home residents for the first two months of the pandemic. We also took the extremely difficult decision not to accept any existing residents discharged from hospital unless we were provided with a negative test result for them, at a time when hospitals were sometimes refusing to test people.

Despite all our efforts, we were devastated that we had outbreaks in five of our eleven homes, and that seventeen residents died from, or with, COVID-19 across these five homes.

We cannot convey enough how distressed we are that these residents died from the virus and our deepest sympathy is with their families and friends. We consider ourselves a family at Friends of the Elderly and the deaths of our residents affected all of us at the Charity very deeply.

I am also immensely proud and humbled by the dedication of all our staff. Despite the day-to-day pressures of providing our services in these difficult times, we have provided extra support and activities for care home residents missing their loved ones, adapted our grants service to meet evolving needs, continued to innovate with technology, invested in wide-scale dementia training, and continued to improve our health and safety, safeguarding and quality systems. Good governance arrangements allowed trustees to make quick decisions, based on the right information, to support our service users and staff. This annual report gives examples of some of our successes, as well as the challenges, of the last year.

COVID-19 has had a dramatic impact on our finances, particularly due to the fall in care home occupancy – with 70 (21%) fewer residents in March 2021 compared to 12 months earlier. The Financial Review later in this report summarises the main factors behind the operating loss of £1.4m for the year. Care home occupancy and enquiries started to recover from April 2021, but we still expect to make losses for the next year or two. Early in the pandemic we looked at different ways to support our services through this unprecedented time, and we applied to the Charity Commission to release up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. This was approved in July 2020. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. The majority of these endowed funds arose from sale of the STL's outdated care home in 2017. This financial support is expected to be sufficient to support the Charity until our care homes have more usual numbers of residents. Longer-term, we will be reviewing the impact on the care sector as a whole and over the coming year will adapt our strategy as necessary.

However, we did re-evaluate our services in light of our new financial position and have focused our management capacity to deal with both our response to COVID-19 and care home occupancy recovery. As a result, we took the difficult decisions to sell our homecare services to an alternative provider, to stop providing our Visiting Friends service, and to close our community hubs in Woking and Malvern.

Chief Executive's introduction (continued)

Our three homecare branches were sold to Mayfair Homecare in May 2021, after considering several alternative providers. Mayfair Homecare was able to offer new roles to all homecare staff, which also minimises the impact on our service users, as well as providing a fair financial outcome.

Our Woking Visiting Friends service, along with our hub activities in Woking and Malvern, were closed from 31 March 2021. Working closely with Woking Borough Council, we were able to ensure that clients of the Visiting Friends service were referred on to appropriate support services.

I would like to take this opportunity to thank our teams and our volunteers in these services for their support and dedication. Their professionalism and commitment to quality despite the challenges of the last 12 months, in particular, have been an inspiration to us all.

Over the coming year we hope that lower national infection rates and the success of vaccines will mean that we can return to some normality. We will be focused on improving care home occupancy, helping our day care services recover from their temporary closure, and expanding our grants service linked to fundraising successes.

We expect to face fresh challenges from the Government's new legislation to make vaccination a condition of working in care homes such as ours (subject to certain exemptions) from November 2021. At the time of writing, we are having a dialogue with our staff who are impacted by this and not yet vaccinated - around 3% of them - to provide support and information where appropriate. We are aware that some of our dedicated and long-serving staff will choose to leave over this matter, which is disappointing but inevitable, and we will plan ahead to avoid any disruption in our services.

We will also continue to work on our vision for a future of care hubs with services based around our sites, with extra care housing (or housing with care) at their heart. COVID-19 has highlighted the vulnerability of older people who were often isolated within their own homes for months. Extra care housing allows for independent living within their own home, with support services available as needed, and with as much or as little social interaction as desired. We still believe, however, that care homes have an important part to play in this mix of accommodation and care, and that expertise in dementia is an essential requirement.

We submitted planning applications for extra care developments on two care home sites in spring 2020. The extra care planning environment is becoming more challenging, due to changing views as to its classification and whether affordable housing contributions are necessary. One of our planning applications was refused in December 2020 and the other is yet to be decided. We are currently reviewing our options for the former, and are confident that we have a strong position, over time, with the latter.

I am grateful for the continued dedication, fortitude and patience shown this year from everyone involved with the Charity. This includes our care home residents, homecare and day care service users, and their families, our grant recipients and other clients, who are at the heart of our services, and who make my role worthwhile. Thank you to all our staff, our volunteers, our board of trustees, and the trusts, businesses and individuals who have supported us financially. We look forward to a future where we can build on the lessons and innovations of the past year.

Steve Allen
Chief Executive

Trustees' Report for the year ended 31 March 2021

People supported during the year



Supported by £738,000 in **donations, legacies and pro-bono services**

* CQC Requires Improvement rating – Malvern March 2019. Action plan completed June 2019. CQC have not carried out a new inspection since.

Who we are and what we do

At Friends of the Elderly, we have been supporting people for over 100 years. We support older people to live well. We do this through our care homes, day centres and grants programmes. We work with partners to increase our impact and put older people at the heart of their communities.

Our core values

- Promote **wellbeing**
- Strive for **excellence**
- Treat people with **respect**
- Keep everyone **safe**

Our aims

- Ensure older people have access to safe, high quality care and support services.
- Ensure older people in our communities have access to social support, activity and opportunities to combat loneliness.
- Operate services sustainably and ethically to safeguard the charity's legacy, and its future.

Our strategic objectives

Achieve better outcomes for all

We will build local social support networks, making best use of the resources and assets in a local area and making sure that people who use our services have the opportunity to pursue their own interests and contribute to community life.

Provide outstanding care

We will deliver an outstanding service, one that is 'flexible and responsive to people's individual needs and preferences, finding creative ways to enable people to live a full life'. *
*(*Taken from the Care Quality Commission definition of Outstanding).*

Become an employer of choice

We will offer a working environment and culture that attracts and retains the best people who champion our vision, mission and values.

Deliver financial sustainability and accountability

We will have the right people and resources to deliver sufficient surplus to sustain the charity's activities, allow for investment in future growth, and maintain reserves to meet the needs of our strategic aims.

As a charity, all surplus income from our paid-for services is reinvested into our other charitable activities to enable us to reach more people. We also rely on the generosity of the public, trusts, foundations and companies to deliver these often life-changing services.

Throughout this report we refer to Friends of the Elderly as the Charity, and Friends of the Elderly and its subsidiaries as the Group. The subsidiaries are listed on page 27, none of which have carried out charitable activities during the year.

Our COVID-19 response

Here is a summary of some of the key changes that we made over the financial year, to respond to the developing COVID-19 situation, and to become 'COVID-WISE' in the way we work.

- Between early March and mid May 2020, our care homes were closed to new admissions, and residents could only return from hospital with a negative coronavirus test. This was to protect against the risk of transmission of COVID-19 from hospitals. By May 2020, with more widespread testing, we were able to finalise an admissions policy that put safety first, and welcome new residents again.
- In early March 2020, we closed our care homes to all but essential visitors. This was before government guidance on the matter, and was a difficult decision at the time.
- We closed our day centres in mid-March 2020. They were able to reopen for several weeks in the autumn, and fully re-open in March 2021, with smaller 'bubbles' of service users each day, and policies to reduce the risk of infection. Throughout the period of closure, day centre managers continued to support service users and their families through personalised activity packs and regular communication.
- We invested heavily in Personal Protective Equipment (PPE), and training in its proper use, from the start. This was a significant cost, but all our care staff, at all times, have had sufficient PPE to comply with our internal policies, which have always met or exceeded government guidance.
- Safe garden visits for our residents' families and friends started in July 2020. Visiting cabins started being built in care home gardens from August, and internal rooms for visiting with floor-to-ceiling screens were introduced.
- In December 2020, the government introduced a policy to allow face-to-face family visiting, subject to visitors taking rapid lateral flow tests. This was at a time of rapidly growing national infections, a more infectious virus variant, and the late supply of test kits and training by the government. We therefore took the decision to delay the start of this new policy in our care homes. This was again disappointing for friends and families, but the new national lockdown from January showed that this was the right decision.
- In March 2021, we welcomed visitors into our care homes for inside face-to-face visits – as soon as government regulations allowed. This was subject to testing and with limits on numbers, but policies have continued to be able to be relaxed as government guidance changed in the summer. We have kept the secure visiting areas available for those visitors who were not yet comfortable with face-to-face visits.
- We have used opportunities to make our residents' and their families' voices heard, and to challenge government assumptions. The Charity was part of the working group which wrote the 'Visitors' Protocol – briefing for care providers', published by the Care Provider Alliance (issued in June 2020), pushing for safe care home visits. A representative of the Charity also sat on an advisory group of the Social Care Sector COVID-19 Support Taskforce, which informed the government's Winter Plan 2020-2021. A member of our Senior Management team also championed day centres, which were ignored in all government policies, raising issues directly with the Department of Health and Social Care.
- All our care homes are among 300 care homes across England participating in the VIVALDI study, by researchers from UCL Institute of Health Informatics. This study is investigating the impact of COVID-19 on care homes, and what can be done to prevent infection from spreading among staff and residents. It is now gathering information to identify how much protection vaccination provides against infection and for how long. This will help researchers to work out if, or how often people need to be re-vaccinated, and when it might be safe to relax social distancing measures in care homes.

Our COVID-19 response (continued)

- We have worked to keep our care home residents in touch with their families, friends and communities with a range of solutions including video technology and our #MessageOfSupport campaign. This campaign has seen supportive messages being sent to our residents from all around the world, including from The Royal Family.
- We tried hard to keep residents, service users, friends and families updated with changes in policies or as outbreaks of COVID-19 occurred. Government policy changes were often announced in the media before the detail was published, and so occasionally we could not give quick responses that might have been expected; however, we did receive many positive comments from relatives about how well they felt the Charity communicated with them as changes were made.
- The government gave grants for Adult Social Care, in relation to infection prevention control, rapid testing, and workforce capacity. We were able to claim in excess of £1m under these grants, which partially offset the additional costs related to COVID-19. We completed multiple grant returns in order to apply for and retain these funds.
- A relative of a former resident wanted to support the Charity to honour their memory, and as a thank you for the care received. We are delighted that this has resulted in a commission for a 'COVID-WISE' audit that will focus on the measures we have put in place, how we have reduced infection rates, with the aim of the document to be shared with the care sector to promote best practice.
- We adjusted our volunteering programme, directing our efforts to phone calls and shopping, and enlisting new volunteers from within the Charity. This enabled us to enhance the support for our day centre and homecare service users, and people who were part of our Visiting Friends service in Woking.
- Our grants service adapted, with a new grant stream opening for older people financially impacted by COVID-19, for example those who worked to supplement their pension but suddenly found that they were unable to do so.
- We recognise the need to help our staff deal with the stress and anxiety caused by the pandemic, and so have partnered with them to create a wellbeing manifesto, and consulted with them to consider changes to their work-life balance as a mindful employer.
- Updates to our IT systems shortly before the pandemic were invaluable, as our new cloud-based IT infrastructure meant that teams were able to continue to work closely together and collaborate, despite being unable to work from our central office or visit our services.
- Our management and leadership teams met - virtually - multiple times weekly, as well as daily during coronavirus outbreaks in our care homes. This increased the capacity and the capability of all teams to respond to the challenge of the pandemic.

Objective: achieve better outcomes for all

Visiting Friends service

We took the extremely difficult decision to close our Woking Visiting Friends service, along with our hub activities in Woking and Malvern. This was effective from 31 March 2021. Working closely with Woking Borough Council, we were able to ensure that clients of the Visiting Friends service were referred on to appropriate alternative services or, in some cases where people had increased care needs, to Adult Social Services.

Visiting Friends supported on average 60 clients a week, with a team of two employees and approximately 60 dedicated volunteers. We had planned to expand our Woking and Malvern community hubs, but COVID-19 restrictions made this particularly difficult.

These services were reliant on fundraising income and local government grants, but the income was never guaranteed from year to year, and varying shortfalls were made up by the Charity's reserves. Due to COVID-19 the Charity's financial situation changed, and we could no longer meet the shortfall from our reserves; in addition, the pandemic reduced management capacity. We would like to take this opportunity to thank our team and our volunteers for their support and dedication over the years.

Community links

COVID-19 has meant that we have needed to find new ways for care home residents and users of our other services to link with the outside world.

One example is the pen-pal friendship that grew between a resident in Little Bramingham Farm, Madge, and six-year old Ella. For Ella this helped with her writing during home-schooling, and Madge was able to give her insight into VE Day and World War II. Madge described the letters as a real 'pick me up', as most of her family live abroad, and she missed the regular visits from children to the care home that happened before COVID-19.

We also found new ways to keep our residents entertained – from outdoor cinema, entertainers on the other side of a window, participation in local baking competitions and the Malvern Well-Dressing competition, to celebrating milestone birthdays and anniversaries in style, and residents sharing their own life stories.

Day centres

Our four day centres had to close for much of the financial year. During this time, the day centre managers kept in contact with clients and their families, providing weekly activity packages and signposting to other support services where needed. Once COVID-19 vaccinations were a realistic prospect, we were able to plan for a permanent re-opening from March 2021, with the teams working hard to ensure the centres were COVID-WISE. In some centres this means numbers are still limited, to restrict the size of the bubbles, and we expect income to continue to be impacted in the coming year.

Sarah, the Granddaughter of one of the Woking day centre's clients, said: *"I am very grateful for the care my Nan receives from all of the staff at Woking Day Care Centre. Nan's individual needs are very well catered for and she thoroughly enjoys every session. There is always a variety of activities for Nan to get involved in or somewhere for her to sit and have a friendly chat. She is always keen to tell me what she has done at the end of the day. The ladies have always been a big help, not only to Nan but a support to me as my Nan's full-time carer, offering support and advice, especially throughout the lockdown."*

Objective: provide outstanding care

Quality focus

There were no full inspections from the Care Quality Commission (CQC) for any of our services in the year. However, all our care homes had positive Emergency Support Framework calls from their local CQC inspectors. The CQC also carried out Infection Prevention Control inspections of our care homes, either in person or by phone, with minor recommendations only.

We enhanced our quality compliance by moving to a third-party online care policy platform. Internal management of the Charity's large library of policies and procedures had become even more difficult given the constant revisions needed to policies relating to COVID-19 and the limits of management time. Our teams now have instant access to an on-line portal with a comprehensive suite of policies tailored to care homes prepared by experts, and updated in real-time. This is reflected in our learning and development programme, and also supports our rigorous quality assurance processes, including internal service audits.

Innovation and technology

This was the second and final year of the Charity's project 'Acoustic Monitoring to Improve Patient Outcomes,' a collaboration with two commercial suppliers, and funded by a £340,000 grant from the NHS Digital Social Care Pathfinders Programme. We worked with KareInn, a care planning software provider, and Ally Labs, a company that has developed wireless acoustic monitoring systems. The initial focus of the project was to develop a 'Sleep Handover Tool' that integrates the two suppliers' solutions. The tool can be used to analyse sleep trends and pass insights from the night shift to the day shift to improve residents' health and wellbeing, and enhance personalised care.

The findings of the project (independently audited) included a 43% reduction in hospital admissions (13 fewer admissions) and a 62% reduction in falls (with 87 prevented). Staff were able to focus their time during the night shift on residents with higher needs, particularly in the homes providing dementia care, and the continuity of care between nights and days was improved.

Cough monitoring from the acoustic monitoring helped to identify the charity's first COVID-19 positive resident in an outbreak in April 2020, leading to early isolation and reducing the risk of transmission throughout the care home.

Following this successful pilot, electronic care planning and wireless acoustic monitoring are being embedded into all our care homes.

Highlighting gaps in government policy

The Charity's Engagement Director, Mark Wilson, who oversees our day centre services, was frustrated at the lack of COVID-19 government policy or guidance for day centres. Mark raised the lack of COVID-19 PCR testing for day centre clients and staff with the Department of Health and Social Care (DHSC). DHSC later took advice from him on how day care providers could also facilitate rapid lateral flow tests, which are now provided to day centres on a regular basis, nationally.

Objective: become an employer of choice

Supporting staff through the COVID-19 pandemic

We implemented a range of initiatives to support staff during this difficult time:

- Care home and homecare staff had a free daily meal for the whole of the financial year (this was temporary, and ended in March 2021).
- Care home overtime hours were paid at a premium, to encourage staff to pick up additional shifts and reduce the use of external agency staff (which would have increased the infection risk). After consultation with staff this has become permanent.
- All staff who were furloughed were paid full pay. Staff who were absent due to self-isolating were also paid in full. We opened a staff hardship fund, to support staff in need, for example family members needing to isolate and not earning.
- All staff received an above-inflation pay rise in April 2021, as we did not consider that increasing pay by inflation (around 1%) or the increase in the minimum wage (2%) was a fair reward for staff who have risked their health, and that of their families, by working on the front-line during the pandemic. As at April 2021, our care staff are paid at least the Living Wage Foundation's 'real Living Wage' UK rate announced in November 2020, with the vast majority paid more.

Care home agency use reduced by 40% on the previous year, which was already significantly lower than the year before. Some of this reduction is temporary, relating to staff wanting to protect residents from COVID-19, less annual leave being taken, and fewer residents in some homes. However, agency use is on a downward trend, recognising that fewer agency staff leads to better continuity and consistency of care.

Focus on wellbeing

Last year we explained our ambitions for a staff Wellbeing Action Plan, building on a staff wellbeing survey carried out in autumn 2020.

The staff wellbeing survey was designed to help us gather and track staff views on key measures, and to build two-way communication. Initiatives coming out of the Wellbeing Action Plan include mental health awareness and resilience training for managers, recognition awards and 'thank you' initiatives being built into the way we work, and email addresses being rolled out to all staff members to aid communication and connection.

Impact of mandatory vaccinations

We supported our staff and residents to become fully vaccinated against COVID-19, passing on information and seeking to understand any concerns. This is important to keep both our residents and our staff as safe as possible.

Representatives from the Charity participated in the government's consultation on making COVID-19 vaccination a condition of deployment (subject to certain exemptions) in care homes for older adults, including non-care roles and visiting contractors and health professionals. This legislation was approved by parliament in July 2021, and will be applicable from November. While we do not expect this to be a barrier to future recruitment, we are aware that some of our existing staff may choose to leave rather than be vaccinated. We will continue to have an open dialogue and provide information, advice, guidance and support to any staff who are nervous or confused about the different vaccinations, or concerned about existing health conditions. By September 2021, 97% of our care home staff were fully vaccinated, which compared to press reports of 90% of staff in adult care homes nationally at that time.

Objective: deliver financial sustainability and accountability

Overall financial results

The impact of COVID-19 on our results for the financial year is explained in the 'Financial Review' section. We have recorded an operating loss of £1.4m, and we expect a further large loss in 2021-22 as care home occupancy slowly recovers.

In July 2020, the Charity Commission approved our application to release up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. The funds from STL provide the Charity with financial support that we expect to be sufficient to see us through the forecast impact of COVID-19.

Governance

In December 2020, the Charity Commission selected the Charity, at random, for a deeper review of our governance – in particular trustee oversight and the impact of COVID-19. This followed the Charity Commission's governance regulatory alert issued in June 2020 to charities meeting certain size and structure criteria. The review took the form of a detailed questionnaire and a formal meeting with trustees and the charity secretary. The Charity Commission does not give an overall 'rating' for these reviews, however the feedback was very positive, with no recommendations or actions required. The Charity's Commission letter following the review commented:

"Having reviewed this information [questionnaire], in tandem with the information we obtained at our meeting, we are satisfied that the charity has provided the necessary assurance and verification that the trustees have full oversight of the charity's operations, structure and overall governance... The Commission is satisfied that the charity has the requisite key processes, policies and procedures in place to operate the charity effectively."

Due to a number of planned trustee retirements, we ran a recruitment process for new trustees, looking for experience in areas highlighted in the board skills map. We used an online board recruitment platform to advertise, and were delighted to appoint five new Charity trustees. The new trustees bring new perspectives, and enhance the board's skills and experience relating to human resources, the care sector, later living, and construction.

Building the future

We submitted planning applications for extra care developments in Moulsoford in Oxfordshire, and Coulsdon in Surrey in spring 2020 – both on land we already own and designed to complement existing services on site. The aim of such developments is to meet the needs of older people who may be living in unsuitable housing in the community and are often isolated, and to design homes that meet their potential future care and support needs.

The planning application for Moulsoford was rejected in December 2020. We are reviewing whether we will submit a revised application. The Coulsdon site's planning application has not yet been heard, at the time of writing (September 2021).

The extra care planning environment has become more challenging as legal judgements, and unclear planning classifications, make it more likely that Local Authorities require affordable housing contributions (as with traditional housebuilding). This makes the planning environment and financial outcomes more challenging for extra care which, unlike residential housing, needs to incorporate support services, communal facilities, with a long-term view of investing and operating the site. However, we consider that we have a strong case at our Coulsdon site.

Future plans

Care home occupancy

Care home occupancy is the key driver of the Charity's financial results. Occupancy was 21% lower in March 2021 than in early March 2020 – this was as a result of our care homes not accepting any new admissions for the first two months of the pandemic, and then potential residents and their families being cautious while national infection rates were high. We saw enquiries rise sharply from April 2021, followed by an 8% increase in occupancy in May and June.

Increasing occupancy in the coming months remains one of our biggest challenges. Central support teams have collaborated with care homes to develop a number of solutions, including virtual care home tours, targeted marketing activity in our areas with the highest vacancies, search engine and social media optimisation, enquiry monitoring, mystery shoppers to help identify areas for training, and evaluation of an enquiry monitoring system. Our recent operational changes, with the sale of homecare and the end of our Visiting Friends service, provide capacity and capability to concentrate on care homes, day care and grants. Occupancy will continue to be a key focus for 2021-22, with enquiries and care home admissions being the main financial indicator.

Homecare services

We sold our three remaining homecare branches – in Woking, Sutton and Malvern – to a new provider in May 2021. All staff were able to move to the new company, if they wished, through a service transfer subject to Transfer of Undertakings (Protection of Employment) (TUPE) regulations. Having ended or transferred our large local authority homecare services over the past three years, these remaining branches were not sustainable on their own. COVID-19 compounded this as an issue, requiring our financial support and management capacity to be focused on fewer activities.

Supporting Registered Managers and their development

Some care home managers have found the last year traumatic, and it has certainly been isolating. Their professional development has also taken a back seat. We plan for all our care home Registered Managers to be offered the My Home Life course run by City, University of London – this will focus on sharing best practice, inspiring for success, and also give managers a safe place to talk and de-brief each other from the stresses of the previous 18 months.

All staff have access to a free and confidential employee assistance programme, including a counselling service.

Fundraising activities

Although the Charity has a high value of net assets, the majority of these are tied up in care home properties and equipment and the working capital needed for our services, or are endowed funds for specific purposes. Fundraising income allows us to further enhance the lives of older people.

Donations, legacies and the value of pro bono services totalled £738,000 in the year (2019-20, £530,000). This income has been invaluable in supporting our grants service, the Visiting Friends service, and the additional costs from COVID-19 such as Personal Protective Equipment and visiting cabins. The generosity from all our supporters has been very much appreciated during a difficult year.

Fundraising activities (continued)

Donations come from trusts, foundations and businesses, fundraising events by our local communities or supporters, and individual donations. One example of individual donations that have made a big difference is at the Bernard Sunley care home, where two families gave donations in memory of their relatives who had been cared for at the home. The care home team decided to use these donations to buy an interactive 'Rainbow Table' for all the residents to enjoy.

Talking about the Rainbow Table and the positive impacts it has had on the residents, Bernard Sunley's Registered Manager, Andy Cumper, said: *"I wanted to ensure that all our residents continued to be kept engaged, motivated and stimulated throughout the COVID pandemic lockdown, and beyond. It's been a huge success and it's great to see our residents happily getting to grips with the new interactive technology and making the most of all the different applications it has to offer"*.

The Charity is subscribed to the voluntary Fundraising Regulator scheme. We have not received any complaints in this accounting period relating to fundraising practices. We have in place a policy on fundraising in respect of vulnerable people. We do not employ professional fundraisers to carry out fundraising on our behalf. We also ensure our fundraising practices comply with General Data Protection Regulation (GDPR) policies and procedures.

Grant giving

Our grants service provides financial help in the form of one-off grants and regular allowances – a lifeline to older people with nobody else to turn to. Generous donations from individuals, trusts and companies help us to fund the grants and the related administration.

We currently have three types of grants available: Home Essentials, Digital Connection and Financial Support. Between them, they cover things like mobility adaptations, broadband costs, replacing essential appliances and unexpected bills.

An online grants portal was developed in the year, resulting in a quicker and easier process for applicants, with less missing information. As a result, the average turnaround from application to receiving the goods or money is reduced from eight to four-and-a-half weeks.

We gave 1,024 grants and allowances in total in the year with a value of £190,000. The number of grants and allowances given in the year is slightly lower than the previous year (1,207 grants and allowances, of £217,000). The reduction was due to the service briefly closing to new applications while the team dealt with a backlog caused by the interruption of work as they switched to working from home during the pandemic.

The demand for digital grants increased by 47%, reflecting the needs of older people isolated by COVID-19, such as Edward *. 70-year-old Edward was so happy to receive a laptop through our digital connection grants programme. He said:

"It is wonderful to be able to email my family, as now I feel more involved in their lives. I chat to my siblings and son about future visits to see them and I look forward to those days."

* Name changed to protect identity.

When considering whether to provide a grant, we obtain evidence to support the recipient's financial situation, and consider the impact the grant will make. Wherever possible, we signpost applicants to other potential sources of funding.

Financial Review

Key figures

We had budgeted for a break-even position in 2020-21, but the impact of COVID-19 meant we recorded an operating loss of £1.4m (net expenditure of £1.9m excluding an impairment charge and loss on disposal of fixed assets, together totalling £440,000).

The impairment charge, of £351,000, relates to the extra care planning application that was not successful in the year, where the costs had been previously capitalised. The impairment charge has been booked as no firm decision has yet been taken regarding whether we submit a revised application.

Net expenditure of £1.9m was more than offset by market gains on investments of £3.2m, the majority of which are unrealised (and mostly relate to endowed funds) to give an overall surplus of £1.3m (2020: loss of £0.4m).

General reserves ended the year at £3.5m, a reduction of only £700,000 from the previous year, despite the large operational losses. General reserves were supported by a £450,000 withdrawal from the Sir Thomas Lipton fund, following approval by the Charity Commission that up to £3m could be used from this endowment fund to support care home operations through the pandemic.

General reserves reported in the balance sheet include £2.3m relating to investment properties, which are buildings on care home sites that can be let out to third parties (2020: £2.3m). We therefore consider 'accessible' general reserves to be £1.2m (2020: £1.8m).

Net assets of £40.0m (2020: £38.7m) include net assets tied up in care homes of £18.3m, endowed funds of £15.8m, and restricted funds of £2.5m.

Impact of COVID-19

The impact of COVID-19 on our results for the financial year has been significant. Care home occupancy is the biggest financial variable. We did not take any new residents between mid-March and mid-May 2020, to reduce the risk of COVID-19 infection for our existing residents. In later months care home enquiries remained low, in common with most care homes in the UK. We finally saw enquiries, and then care home admissions, start to rise in spring and summer 2021, which is likely to be due to the relaxation of government care home visiting restrictions, the national vaccine rollout, and society as a whole regaining its confidence. In summary:

- Lower care home occupancy reduced income by nearly £3m compared to the previous year.
- Closure of day centres for many months lost the Charity around £700,000 of income.
- Specific costs relating to COVID-19 – such as PPE, cleaning products, and works to create safe visiting areas – were around £500,000.
- Capitalised costs of £150,000 were incurred for visiting cabins and other visiting area additions.
- We bought a 'battle bus' – a mobile home equipped with supplies ready to be driven to any of our services where staff were needed. Fortunately, the vehicle was not needed, as no service was ever in a crisis, and we sold it (for a small profit) in summer 2021.
- We also incurred costs for self-isolation and sick leave due to COVID-19 cases – both fully paid – and the costs of administering testing and managing visits.

Financial Review (continued)

The additional costs were partly offset by:

- £1m of government grants for adult social care - for infection prevention control, rapid testing, and workforce capacity.
- £340,000 from the government’s job retention scheme (furlough) for staff from our closed day centres, staff shielding, and support roles that temporarily could not work as usual.
- Additional fundraising income, including £50,000 for visiting cabins, £25,000 for PPE, and other one-off donations driven by a concern for older people during the pandemic.

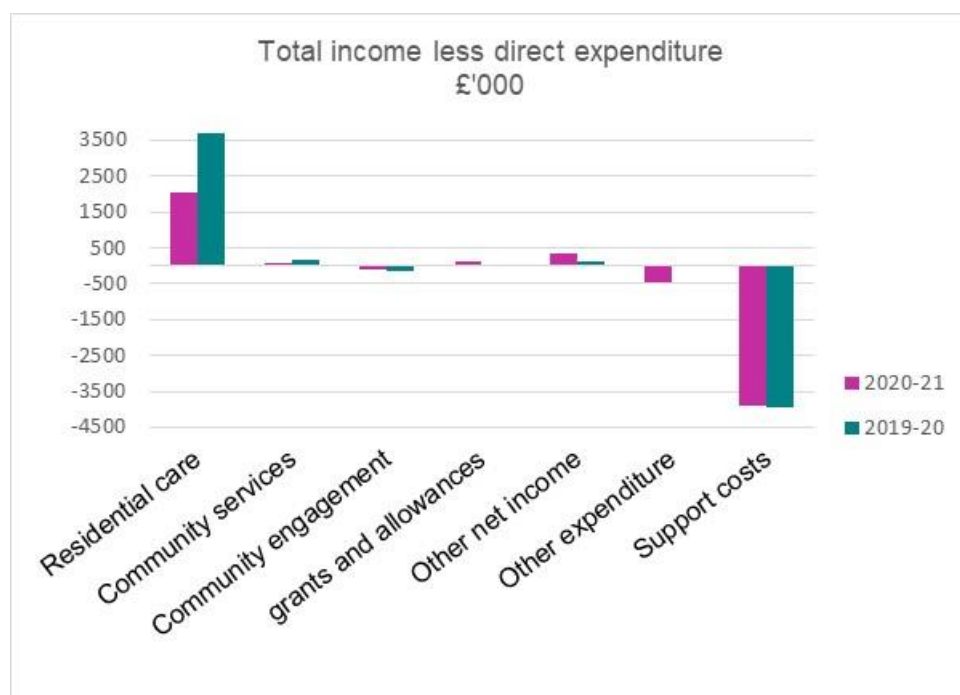
In July 2020, the Charity Commission approved our application to release up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. £450,000 was drawn from this fund in the year, with the remainder forecast to be used by early 2022-23.

Using the STL funds comes with a requirement to give priority on admission to STL beneficiaries – former healthcare and social care workers. We were also able to provide funding for several Local Authority residents through use of STL’s investment income.

The funds from the STL charity provide the Charity with financial support that we expect to be sufficient to see us through two years of forecast impact of COVID-19 and as occupancy returns to more normal levels. Longer-term, we will be reviewing the impact on the care sector as a whole and over the coming year will adapt our strategy as necessary.

Result by activity

The graph below shows income (including attributable fundraising and investment income) less direct costs by activity. Central support costs are shown as a separate column – in the income and expenditure account they are allocated to activities as explained further in note 8 to the financial statements



Financial Review (continued)

The impact of COVID-19 on care home results can also be clearly seen in the graph on the previous page, with a £1.7m reduction in the care home surplus before central support costs. We usually rely on care home surpluses to support our free-to-access services, as well as needing to cover support costs attributable to care homes. In the absence of this financial support, we have needed to close the Visiting Friends service, in March 2021, and sell the homecare service in May 2021.

Central support costs reduced by £60,000 from the previous year, despite a small change in classification adding £100,000 to support costs. Central support costs have reduced by £1.1m since 2018-19, after allowing for inflation. This has been a result of ongoing cost-reduction programmes, and reflects our decrease in activities in that time. Central support costs include regional and central management; regulatory compliance, monitoring and reporting; learning and development; governance; strategic development; information technology; finance; and human resources.

Grants and allowances

Direct grants and allowances provided to beneficiaries were £190,000, a decrease of £27,000 on 2019-20 as the team made changes to processes upon switching to working from home, including the introduction of a new online application portal.

The grants given were funded by fundraising income of £250,000, including a £100,000 contribution from the Edward Gostling Foundation. Some donations are allowed to contribute towards the costs of administering the grants – grant processing and administration costs total £150,000 for the year. Any unspent income is restricted to grants and will be spent in the next financial year. The remainder of the costs of administering these grants are borne by the Charity's general reserves.

Investments

Investments comprise a mixture of endowed, restricted and unrestricted assets. The income from endowed funds is spent in accordance with the restrictions placed on the endowment, and principally relates to funds for grants and for care home upkeep.

Investments gained £3.2m in market value during 2020-21, more than recovering from the £1.3m of market losses during 2019-20. The majority of these gains are unrealised, and most of our investments are held for the long-term, so short-term fluctuations (in either direction) might never be realised.

Investment market values increased by a further £1m between March and June 2021.

The trustees employ separate investment fund managers on a discretionary basis to manage the portfolio of investments. Their work is undertaken within broad investment parameters and principles set by the trustees which take into account acceptable levels of risk and the balance between income and capital requirements. Investment managers during the year were Legal & General Investment Management (LGIM) and CCLA Investment Management Ltd (CCLA).

Financial Review (continued)

Investment performance 2020-21

	CCLA	LGIM		Total
		Investment funds	Cash funds	
	£'000	£'000	£'000	£'000
Balance at 1 April 2020	7,459	7,090	44	14,593
Withdrawals	-	(579)	-	(579)
Unrealised gains	1,541	1,499	-	3,040
Balance at 31 March 2021	9,000	8,010	44	17,054
Investment income	263	170	-	433
Capital return	20.7%	23.1%	0.0%	21.7%
Income return	3.5%	2.4%	0.0%	3.0%
Cumulative capital return over 3 years	25.1%	11.4%	0.0%	18.3%
Cumulative target return (RPI plus 3%) over 3 years				16.5%

The Charity's investment strategy is to target a capital return of 3% plus RPI on a rolling five-year basis, and annual investment income of 3%. The funds the Charity invests in have strategies which reflect this.

The capital return target is monitored over a five-year period and was set in October 2016, with investments transferred to new investment managers in 2017, so the five-year result cannot yet be assessed. Investment managers provide quarterly reports and attend an annual meeting with trustees to review performance.

The Charity's investment policy does not allow any investment that is known to conflict with Friends of the Elderly's aims or values. This is managed through the appointment and review of investment managers.

Investment property

Properties classified as investment property are those which are capable of being let to third parties. These are houses on care home sites, or on the edge of care home sites, held for strategic reasons. They are carried on the balance sheet at an estimate of their market value, being £2.3m at 31 March 2021 (2020: £2.3m).

Investment properties are revalued by the trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value. The last revaluation by trustees was in March 2019. The trustees do not consider there were any indicators of material changes in value as at March 2021.

Tangible fixed assets – risk of impairment

Assets are reviewed annually for indicators of impairment. The impact of COVID-19 on the care sector, occupancy of care homes (both for the Charity and nationally) and the wider economy means that there is a risk that the carrying value of our care home properties in particular are higher than their realisable value. Their 'realisable value' is the higher of 'fair value' - the amount a property could be sold for (either as a going concern or otherwise), less costs of sale - or 'value in use' – the replacement cost of the asset discounted to reflect its current age and condition.

Financial Review (continued)

To assess the market value of each of our care homes, we have used formal valuations received in the past for our care homes, updated for current and forecast results, and expectations of care sector recovery. Where there was some uncertainty, we sought specialist views on the estimated market values of our care homes or the care home sites.

As a result of our impairment review, we have identified no care home where the carrying value of the fixed asset is higher than its fair value, as at 31 March 2021.

An impairment charge of £351,000 was booked against previously capitalised costs associated with a planning application that was refused. If a future decision is taken to submit a revised application - and if there were sufficient grounds to believe that the revised application would be successful - elements of the work behind the original application might still be beneficial, in which case some of this impairment charge could be reversed at a future date.

Pension schemes

The Charity operates a defined benefit pension scheme which closed in 1996 to new members and future accruals. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £27,000 (2020: net surplus of £119,000). The reduction in the surplus is mainly due to a decrease in the future liability discount rate. This is an asset that cannot be recognised on the Group's balance sheet. The Charity currently pays annual contributions of £15,000 to the scheme.

The investments of the pension scheme are matched to the risks associated with the liabilities, and at the time of preparing this report have not been affected by market fluctuations associated with COVID-19 and its impact on the economy.

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £112,000 (2020: £125,000) is the net present value of future deficit contributions payable to the schemes.

Funds

The split of net assets into fund category is shown below. 'Group' balances comprise the Charity and its subsidiaries Potential Limited and Friends of the Elderly Trading Limited.

	Group 2021 £'000	Group 2020 £'000	Charity 2021 £'000	Charity 2020 £'000
The funds of the charity:				
Restricted funds	2,510	2,114	2,510	2,114
Endowments	15,816	14,104	15,816	14,104
<i>Unrestricted funds:</i>				
Designated funds	18,309	18,481	18,410	18,580
General reserves - revaluation reserve	1,991	1,991	1,991	1,991
General reserves - other	1,463	2,146	1,476	2,156
Pension reserve	(112)	(125)	(112)	(125)
<i>Total unrestricted funds</i>	<u>21,651</u>	<u>22,493</u>	<u>21,765</u>	<u>22,602</u>
Total charity funds	<u>39,977</u>	<u>38,711</u>	<u>40,091</u>	<u>38,820</u>

Financial Review (continued)

- **Restricted funds** are held and used in line with the wishes of the donors of those funds. The trustees of the Charity do not have discretion in the use of these funds.
- **Endowment funds** are held to generate income that is used per the wishes of the original donor. For permanent endowments, the capital value of these funds needs to be maintained. An expendable endowment fund is a fund that must be invested to produce income; however, it can be converted into an income fund and spent.
- **Unrestricted funds** can be used for any purposes in accordance with the Charity's objects, but also provide funding for future investment, and financial support in the event of unforeseen or significant changes in the charity's activities or results. This includes designated funds, the pension reserve (representing the pension provision), and general reserves which represent the remainder of unrestricted funds.
- **Designated funds** comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition or operation of any residential homes, and the costs of any extra care development, net of related borrowings.

Reserves policy

Our reserves policy focuses on the level of general reserves. We need to hold general reserves so that we can maintain continuity of our services in the event of a decrease in income or unexpected expenditure. The reserves policy is reviewed by trustees on an annual basis.

General reserves are unrestricted funds that have not been designated for particular purposes by the trustees. They include the revaluation reserve, arising on valuation of investment properties above their original cost. The reasons for holding an appropriate level of general reserves are to:

- maintain adequate working capital, particularly during a time of redevelopment of the residential portfolio;
- ensure sufficient funds are available to allow the Charity to honour its commitments to its service users and beneficiaries; and
- ensure that regular, efficient, grant-giving can continue.

In December 2020, the trustees adopted a new target range for the appropriate level of general reserves of between £2m and £3m (excluding investment properties). This built on our experiences of the COVID-19 pandemic and the level of funds needed to keep the Charity operating following a major adverse event impacting on our main income stream. While £2m is the minimum needed to meet working capital requirements until such time as a major strategic change could be made, a higher reserves balance of £3m would allow for future re-investment in our services.

Charity reserves	31 March 2021
	£'000
Target general reserves - maximum	3,000
Target general reserves - minimum	2,000
General reserves reported	3,467
General reserves less investment property	<u>1,135</u>

Financial Review (continued)

General reserves are shown above excluding investment property (at carrying value), because these are mostly houses on care home sites that cannot be sold separately to the care home itself (although they can be let to third parties and so meet the Charity's accounting policy definition of investment property). Excluding this, general reserves are below the minimum target at the end of the year.

The trustees have plans to reach the minimum level of target reserves through improved operating results as care home occupancy recovers from the impact of COVID-19. The use of the STL funds to support care home losses also covers the losses budgeted for 2021-22.

'Free' reserves, further excluding tangible and intangible fixed assets as well as investment property, are £0.9m. This fluctuates due to working capital requirements and market gains and losses on investments in stocks and shares.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2023, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

In July 2020, the Charity Commission approved the Charity's application to release up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. This has a significant and beneficial impact on the assessment of going concern. £2.5m remains available to support operations during 2021-22 and 2022-23. The Charity's current forecasts show it returning to profitability during 2022-23.

Going concern – key risks and uncertainties

Care home occupancy continues to be the most significant uncertainty with major financial impact. Care home occupancy was particularly impacted by COVID-19. Since April 2021 occupancy has been increasing, as we welcome more residents for both permanent and respite stays. COVID-19 vaccinations have helped restore confidence in the care home sector, and the relaxation of visiting rules and isolation requirements on entry have improved the lives of residents and their families. The Charity has also focused heavily on care home marketing and enquiry conversion to attract new residents.

However, care home occupancy is usually the Charity's greatest risk, and this is even more the case at present. Occupancy in September 2021 was still around 15% lower than it was at the start of March 2020. Any national concerns over new variants of COVID-19 and the effectiveness of vaccines in the older age group could impact negatively on new admissions.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario.

Financial Review (continued)

As well as accelerating use of the STL funds, other mitigating actions include deferral of non-essential costs and sale of non-operational properties. The mitigating actions ensure that the Charity could continue to operate as a going concern during the 18-month period under review, even if occupancy permanently fell by a further 20% from September 2021 levels.

Going concern – conclusions

The scenarios used to stress-test management forecasts show that the Charity would still be able to continue as a going concern until March 2023, as a minimum, even if occupancy was to fall by a further 20%. This is due to the £2.5m of funding remaining from STL which provides a financial cushion, cost efficiencies or deferrals of non-essential spend, and release of money held within non-operational assets.

The trustees consider that there are no material uncertainties about the Charity's and Group's ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

Principal risks and uncertainties

The trustees hold overall ownership of risks. Trustees, in conjunction with the Strategic Leadership Team (SLT) and the Senior Management Team (SMT), have identified and reviewed the major risks to which the Group is exposed, and systems are in place to manage such risks.

The trustees have a policy to embed effective risk management throughout the Group such that risks are identified, mitigated, and communicated, and good risk management practice is shared across the organisation. Risks are allocated between committees and the board. The Risk Register, including amendments from the committees, is reviewed by the board of trustees annually. The Audit and Risk Committee performs more detailed examination of key risk areas and management responses. Day-to-day management of risk is delegated to the Chief Executive, the SLT, the SMT, and registered managers, with individuals having primary responsibility as risk owners of specific risks on the risk register.

The main risks and the mitigating actions are shown below:

Risk	Mitigating actions
Safeguarding failure Abuse or negligence by staff, volunteers or third parties.	<ul style="list-style-type: none">• A permanent Standards and Performance (SAP) team, including responsibility for quality assurance and internal audit.• Safeguarding policies and their application annually reviewed by the Social Care Institute for Excellence (SCIE). Staff and volunteer safeguarding training. Safeguarding Adults Sub-Committee meets quarterly, led by an independent Chair.• Policies to investigate complaints raised by service users and their family members. Whistleblowing procedures for staff and volunteers.• Subscriptions to a full suite of policies and procedures from a third-party platform, which are written and reviewed by specialists and kept up-to-date.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
<p>COVID-19 outbreak at a care home or a service</p>	<ul style="list-style-type: none"> • Local written response plan for each care home and service. Charity-level response and business continuity plan updated weekly through SMT meetings. • Project team to ensure government, Public Health England, Care Quality Commission and Local Authority/ local public health team guidance identified and addressed. • Several months' stock of Personal Protective Equipment held at a central location. Refer also to the actions summarised on pages 7 to 8 of this report.
<p>Financial failure – increased risk as a result of COVID-19, and the impact on occupancy</p>	<ul style="list-style-type: none"> • Access to endowed fund of up to £3m approved by the Charity Commission. • Budgeting and re-forecasting, with scenario planning, reviewed by board of trustees to identify if and when further mitigating actions are required. Key Performance Indicators and Management Information provided quarterly to trustees. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 20-21), and the level of general reserves against target is monitored at least annually.
<p>Failure to comply with legislation or regulatory requirements</p>	<ul style="list-style-type: none"> • Care quality policies, procedures and protocols established and kept under review. • Quality assurance programme ongoing to monitor compliance and completion of actions from previous assessments. • Assurance processes in place for regulatory areas including governance, data protection and health and safety.
<p>Other infectious disease outbreak at Group premises</p>	<ul style="list-style-type: none"> • Policies on actions to take during such an outbreak. • Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. Liaison with CCGs and community health teams.
<p>Premises are unusable or dangerous (in the short-term)</p> <p>Due to serious damage (e.g. fire or flooding) or other unexpected problems (e.g. adverse weather).</p>	<ul style="list-style-type: none"> • Business continuity plans are in place. Insurance policies are in place. • Primary Authority Partnership entered into with Surrey Fire and Rescue Service. Fire awareness and evacuation training for staff. Annual Fire Risk Assessments carried out by external risk management specialists with action plans implemented. • Health and Safety obligations overseen by SAP team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Employees and volunteers

Equal opportunities

As an employer, charity and care and support operator, Friends of the Elderly is committed to sustained action, visible leadership, and a willingness to change in order to establish a working environment and culture that attracts and retains the best people who champion our vision, mission, and values.

Our Equality and Diversity Policy aims to set a positive way forward for valuing diversity in the workforce and eradicating discriminatory practices. Harassment of any kind, of or by a service user or employee, is not tolerated and is dealt with under the terms of this policy.

We aim to protect and enhance the dignity of employees and service users with diverse backgrounds and beliefs by employing good management practices and providing a safe working environment, free from discrimination and harassment. We ensure that recruitment, appraisal, and training systems are designed so that an individual is appointed and promoted on the basis of their ability and performance, irrespective of background, beliefs or socio-economic context. We encourage applications from people with disabilities, aiming to develop their skills, and taking every reasonable measure to adapt our premises and working conditions to enable people with disabilities to work or volunteer with us.

Key management personnel

Key management personnel comprise the Group's SLT, the SMT and trustees, although trustees are not remunerated other than the payment of reasonable expenses.

Pay and remuneration for the Charity's key management personnel are set by reference to internal and external benchmarks. Internal benchmarks align pay with the level of responsibility, while external benchmarks consider published data for comparable roles in comparable-sized organisations. Changes to pay are approved by the Chief Executive, other than those relating to the Chief Executive and SLT which are approved by the Board of Trustees on the recommendation of the Remuneration and Employment Committee. Any significant changes in structure or amount of key management personnel pay and remuneration (either in total or for an individual) are considered by the Remuneration and Employment Committee for recommendation to the Board.

Staff and volunteer engagement

There are many formal and informal arrangements for keeping staff up-to-date and able to engage with matters of concern to them as employees:

- All managers hold regular, structured meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop.
- A series of wellbeing workshops were held during the year, in every service, to understand what wellbeing means for staff, what challenges and issues they face. This was used to inform the Wellbeing Pledge, finalised in Summer 2020, with other actions including access to a range of financial health tools.
- 'Workplace', the secure internal communications tool from Facebook, is reaching more staff and helps keep teams connected and aware of the wider activities of the Charity.
- Volunteers are informed of Charity updates both informally via their service manager on a regular basis, and with a Charity-wide newsletter.

Employees and volunteers (continued)

The trustees consider employee interests as a key factor in decision-making. On some occasions the trustees need to make decisions that are in the best interests of the Charity, even though this may have a negative impact on some employees, in which case action is taken to manage or mitigate this. When assessing the bids received for the sale of homecare service, trustees considered the impact on employees, as well as the bidders' values, quality record and price. Homecare services were sold to a company that was willing to offer new roles to all homecare staff, including Registered Managers.

Engagement with stakeholders

Our stakeholders include (but are not limited to) care home residents, day care and other service users, their families and friends, employees and volunteers, grant recipients, donors, local communities, suppliers and contractors, regulators and professional associations, and other business relationships.

These stakeholders are all different in terms of the communication and engagement they need. The Charity's social media keeps a range of stakeholders and supporters abreast of day-to-day activities in our services. There is also a quarterly newsletter, which is emailed to subscribers, published on social media, and given to relevant service users, families and friends. Each service provides more specific information to their stakeholders through local newsletters, resident meetings, family meetings, and stories in the local news.

The Charity's internal marketing and communications team provide support in preparing letters on specific topics – for example, keeping families informed about the care homes' response to COVID-19 and changes to key policies such as admissions and visiting policies.

Key suppliers are identified and have one or more individual contacts within the Charity for communication and escalation of any queries or problems.

Promoting the success of the charity

The Charity is required to explain how it has complied with its duties under Section 172(1) of the Companies Act 2016. For a charitable company this requirement means that trustees must act in the way they consider, in good faith, to be most likely to achieve the Charity's charitable purposes, and to explain how they have complied with these duties.

The Charity's aims are its charitable objects. Our strategy sets out how we will achieve these, including strategic objectives. Our aims and objectives are set out on page 6.

The Charity's decision-making process is a good example of the way in which the trustees act in a way that aligns the Charity's longer-term strategy with shorter-term decisions, while taking account of charitable purposes and key stakeholders.

The Charity has a formal project management process, and the trustees have agreed which decisions or project proposals (due to size, value or impact) are taken to the trustees for approval. As part of the project process, there are decision-making criteria, including the strategic fit, impact on beneficiaries, alternative partners, impact on staff and other stakeholders, internal skills and capacity, and data security implications. As part of the wider project process, this ensures that each trustee acts in the way that they consider will be most likely to promote the success of the charity to achieve its charitable purposes.

Health and safety

The health and safety of our staff and the people to whom we provide care and support services are of primary importance. During the year, health and safety risk assessments and audits were completed by an external specialist team, overseen by our in-house Standards and Performance and Property teams.

A Health and Safety Sub-committee meets quarterly. It comprises key senior management team members and representatives from our different service areas and Central Office, chaired by the Charity's Chief Executive, providing a forum for staff issues and any concerns to be raised. Our external specialist attends meetings and reports on any issues arising from visits to services and other locations. Training is provided to all staff as appropriate to their role. The Health and Safety Sub-Committee reports to the Audit and Risk Committee quarterly, keeping trustees up-to-date on health and safety matters across the organisation, including compliance, regulation, policies and procedures, issues, and actions.

Carbon emission reporting

Energy is a major cost for the Charity. We gather information on energy use to comply with regulation, but also to help us measure energy efficiency measures and to help them to reduce our impact on climate change. Our energy use in the year to 31 March 2021 and the previous year was as follows:

	Energy consumption kWh		Greenhouse gas emissions	
	2020-21	2019-20	2020-21	2019-20
Gas	7,014,756	6,967,143	1,290	1,282
Electricity	1,636,252	1,776,250	463	503
Transport	468,815	467,622	109	109
Total	9,119,823	9,211,015	1,862	1,894
Per resident	32.20	26.85	6.58	5.52

The methodology employed for the data on energy use above was as contained in BSEN 16247 (1-4). The calculation of annual energy and carbon emissions was carried out employing spreadsheet toolkit 'B' published by the Energy Institute.

The energy use per resident has increased as care homes have been running at lower occupancy with no change to heating used, and little impact on electricity. Where possible, care homes have efficient equipment (such as LED lighting or modern heating boilers), and optimised controls for lighting and plant rooms. Transport is generally a cost of homecare services, which continued throughout the financial year.

Where appropriate, we will continue to upgrade care home sites to operate Building Management Systems (computer-based systems to control and monitor energy use), and we are upgrading from single to double glazing for one care home. Continued improvements of this nature reduce energy consumption and improve energy performance.

The Charity plans to establish an energy management strategy, including technical solutions, staff engagement, future property design, and monitoring and communication – towards a net-zero future as part of its approach to the Environmental, Social and Governance agenda.

Governance report

The Charity's constitution

The Charity was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964.

The governing documents of the Charity are its Memorandum and Articles of Association.

The Charity is governed by trustees, who are members of a Board of Trustees and who are also directors of the Company for Companies Act purposes. All trustees are unremunerated, save for reasonable expenses, for the work they do as trustees of the Charity. The trustees are listed on page 31.

Group structure

Friends of the Elderly is the parent company for a number of subsidiaries. These different entities together are referred to as the Friends of the Elderly Group (the Group) and consolidated results for the Group are shown in these accounts. The Group includes the following subsidiaries:

- **Triangle Community Services Limited (Triangle).** Triangle was dormant during the year, having transferred its business, assets and liabilities to Friends of the Elderly on 31 March 2019. An application for Triangle to be struck off, on the basis it is dormant and will not be used in the future, was approved by Companies House and was effective on 22 September 2020.
- **The Retired Nurses National Home (the RNNH).** The RNNH charity was dormant during the year. The care home it operated was transferred to Friends of the Elderly on 31 March 2019, along with other assets and liabilities. The care home continues to be run under the objects of this charity, which was originally established for the care of retired nurses. Friends of the Elderly is the sole company member and appoints the RNNH's trustees. The intention is to retain the RNNH charity as a dormant 'shell' charity, to enable it to receive any future legacies to the charity.
- The beneficial ownership of the RNNH's endowed care home rests with the charity **The Retired Nurses National Home 1937**. In 2019, this charity was linked to Friends of the Elderly, as part of the integration process.
- **Potential Limited.** This is the Charity's property development company and is a limited company. It is wholly-owned by the Charity, but also has its own Board of Directors.
- **Friends of the Elderly Trading Limited.** This limited company is currently dormant but has been retained for possible future use.

Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Charity's defined benefit pension scheme, which was closed in 1996, has its own trustee board. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts. Any deficit arising on the scheme is included as a liability of the Charity, but a scheme surplus is not recognised as an asset of the Charity.

Governance report (continued)

Trustees and their support

To ensure that the Charity's trustees govern this Group structure effectively, a number of processes, procedures and support systems are in place:

- Trustees are appointed by the Board of Trustees of the Charity. They are also directors for the purpose of company law.
- Trustees are appointed for a term of three years, which is usually renewed for a further three years. After the completion of six years, trustees are eligible for re-election on an annual basis for a maximum of three further years.
- All new trustees take part in a formal induction programme and regular training.
- The trustees meet at least four times a year. Board committees scrutinise and oversee matters relating to audit and risk, resources and investment, service delivery, board nominations, and remuneration and employment.
- Board meetings and committee meetings were adapted to respond to the COVID-19 pandemic and Charity response, including virtual meetings using Microsoft Teams, support for trustees to join for those unfamiliar with the technology. Additional board meetings were held in the early months to keep trustees up to date, and to obtain board approvals as appropriate for decisions and key policies.
- The board carries out an annual self-evaluation exercise, including skills audit, with an independent evaluation every three years.
- As part of our strategy, trustees have committed to work towards compliance with the Charity Governance Code.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Strategic Leadership Team and the Senior Management Team, supported by heads of department.

The Charity has a dedicated Charity Secretary whose team ensures that governance is given a high priority and provides support to trustees to help them to carry out their duties effectively. The Charity holds professional indemnity insurance in respect of all trustees, committee members and staff.

Public benefit

The Charities Act 2006 requires a charity's purpose to be for the public benefit. Trustees must report on how they have carried out their charity's charitable purposes for the public benefit in the reporting year. A charity's purpose is what it has been set up to achieve – the aims of Friends of the Elderly explained on page 6, along with the strategic objectives through which the aims will be achieved.

Pages 9 to 12 of this report explain the Charity's activities and achievements in the year, and links these to the furtherance of the Charity's strategic objectives. The trustees confirm they have taken into account the guidance produced by the Charity Commission on public benefit and are able to state that all of the relevant activities of the Group are carried out for the public benefit.

Governance report (continued)

Basis of preparation

The annual report for the year ended 31 March 2021 is presented together with the consolidated financial statements of the Charity and its subsidiaries (together the Group). The strategic report for the Group is incorporated into the trustees' report.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', and FRS 102.

The trustees' report also includes the administrative information on page 31.

Statement of trustees' responsibilities

The trustees (who are also directors of Friends of the Elderly for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

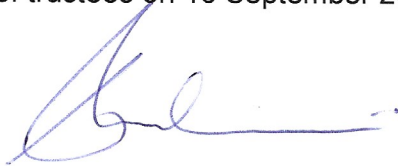
Governance report (continued)

Statement of disclosure of information to auditors

So far as each of the trustees is aware at the time the report is approved:

- there is no relevant audit information of which the Group's auditors are unaware, and
- the trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 16 September 2021 and signed on its behalf by:



Kerry Rubie
Chair

Registered Charity no. 226064
Registered Company no. 133850

Administrative information

Charity name

Friends of the Elderly

Registered office

40-42 Ebury Street
London SW1W 0LZ

Registration numbers

Charity No. 226064
Company No. 133850

Company Secretary

Soo Smith

Trustees

Joannie Andrews 3
Martin Beecroft (from 18 Feb 2021) 3
Sonia Campbell 3
Rob Chapman 1
Emily DeAbaitua (from 18 Feb 2021) 1
David Deacon (from 18 Feb 2021) 1
Viscount Devonport (to 17 Sept 2020) 4
Paul Foster (from 18 Feb 2021) 4
Rikki Garcia 2, 3
Louisa Hogarty (from 18 Feb 2021) 3
Chris Maidment 1, 2
Simon J. Passman (*Vice Chair from 4 Dec 2020*) 2, 4
Sharon Prosser 4
Kerry Rubie (*Chair*) 1, 2, 3, 4
Jeremy Withers Green (to 4 Dec 2020) (*Vice Chair*) 1, 2

1. *Member of Audit and Risk Committee*
2. *Member of Chair's, Nominations, and Remuneration and Employment Committees*
3. *Member of Service Delivery Committee*
4. *Member of Resources and Investment Committee*

Strategic Leadership Team

Steve Allen (*Chief Executive*)
Jennifer Griffiths (*Finance Director*)
Soo Smith (*Charity Secretary*)

Senior Management Team

Janet Hawthorn (*Homecare Director*)
Rosemary Naylor (*Care Homes Director*)
Mark Wilson (*Engagement Director*)

Statutory auditors

Saffery Champness LLP
71 Queen Victoria Street
London EC4V 4BE

Bankers

HSBC plc
89 Buckingham Palace Road
Belgravia
London SW1W 0QL

Investment managers

Legal & General Investment
Management
One Coleman Street
London EC2R 5AA

CCLA Investment Management
Limited
80 Cheapside
London EC2V 6DZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

Independent auditors' report to the members of Friends of the Elderly

Opinion

We have audited the financial statements of Friends of the Elderly (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2021 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditors' report to the members of Friends of the Elderly (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Directors' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 29, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report to the members of Friends of the Elderly (continued)

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company'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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include the Companies Act 2006 and guidance issued by the Charity Commission for England and Wales.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities (including the Care Quality Commission) to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

Independent auditors' report to the members of Friends of the Elderly (continued)

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....

Liz Hazell (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP
Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London, EC4V 4BE

Date: 23 September 2021.

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Consolidated statement of financial activities for the year ended
31 March 2021 (incorporating the consolidated income and expenditure account)**

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Income from:						
Donations and legacies	4	343	1,733	-	2,076	696
<i>Income from charitable activities:</i>						
Residential care	8	16,398	-	-	16,398	18,935
Community services		1,312	-	-	1,312	2,020
Community engagement		7	-	-	7	32
		17,717	-	-	17,717	20,987
Investment Income	5	177	370	1	548	537
Other income	6	-	-	-	-	939
Total		18,237	2,103	1	20,341	23,159
Expenditure on:						
<i>Raising funds:</i>						
Fundraising costs	8	170	38	-	208	210
Investment management costs		111	-	-	111	103
		281	38	-	319	313
<i>Charitable activities:</i>						
Residential care	8	17,126	1,702	35	18,863	18,561
Community services		1,768	172	-	1,940	2,656
Community engagement		216	104	-	320	387
Grants and allowances		76	263	-	339	389
Other expenditure	6	440	-	-	440	-
		19,626	2,241	35	21,902	21,993
Total		19,907	2,279	35	22,221	22,306
Net (expenditure)/income before gains/(losses) on investments	9	(1,670)	(176)	(34)	(1,880)	853
Net gains/(losses) on investments	15	418	99	2,644	3,161	(1,263)
Net (expenditure)/income		(1,252)	(77)	2,610	1,281	(410)
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension scheme	20	(15)	-	-	(15)	(15)
Transfers between funds	22	425	473	(898)	-	-
Net movement in funds		(842)	396	1,712	1,266	(425)
Reconciliation of funds:						
Total funds brought forward	22	22,493	2,114	14,104	38,711	39,136
Total funds carried forward	22	21,651	2,510	15,816	39,977	38,711

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2020 by fund are disclosed in note 2.

The notes on pages 39 to 67 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2021

		Group 2021 £'000	Group 2020 £'000	Charity 2021 £'000	Charity 2020 £'000
Fixed assets	<i>Notes</i>				
Intangible assets	13	112	25	112	25
Tangible assets	14	22,159	22,435	22,260	22,534
Investments	15	19,386	16,925	19,396	16,935
<i>Total fixed assets</i>		<u>41,657</u>	<u>39,385</u>	<u>41,768</u>	<u>39,494</u>
Current assets					
Debtors	16	1,827	1,806	1,821	1,753
Cash at bank and in hand		1,649	2,811	1,649	2,801
<i>Total current assets</i>		<u>3,476</u>	<u>4,617</u>	<u>3,470</u>	<u>4,554</u>
Creditors					
Amounts falling due within 1 year	17	(3,434)	(3,554)	(3,425)	(3,491)
Net current assets		<u>42</u>	<u>1,063</u>	<u>45</u>	<u>1,063</u>
Total assets less current liabilities		<u>41,699</u>	<u>40,448</u>	<u>41,813</u>	<u>40,557</u>
Creditors					
Amounts falling due after more than one year	18	(1,610)	(1,597)	(1,610)	(1,597)
Provisions for liabilities	19	-	(15)	-	(15)
Net assets excluding pension liabilities		<u>40,089</u>	<u>38,836</u>	<u>40,203</u>	<u>38,945</u>
Defined benefit pension scheme liability	20	(112)	(125)	(112)	(125)
Total net assets		<u>39,977</u>	<u>38,711</u>	<u>40,091</u>	<u>38,820</u>
The funds of the charity:					
Restricted funds	22	2,510	2,114	2,510	2,114
Endowments	22	15,816	14,104	15,816	14,104
<i>Unrestricted funds:</i>					
Designated funds	22	18,309	18,481	18,410	18,580
General reserves - revaluation reserve	22	1,991	1,991	1,991	1,991
General reserves - other	22	1,463	2,146	1,476	2,156
Pension reserve	22	(112)	(125)	(112)	(125)
<i>Total unrestricted funds</i>		<u>21,651</u>	<u>22,493</u>	<u>21,765</u>	<u>22,602</u>
Total charity funds	22	<u>39,977</u>	<u>38,711</u>	<u>40,091</u>	<u>38,820</u>

The notes on pages 39 to 67 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net income for the year is £1,271,000, which includes net gains on investments of £3,161,000 (2019-20: net expenditure of £420,000, including net losses on investments of £1,263,000).

The financial statements were approved by the Board of Trustees on 16 September 2021 and were signed on their behalf by:


Kerry Rubie, Chair

Consolidated statement of cash flows for the year ended 31 March 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities:					
Net cash (used in)/ provided by operating activities	24		<u>(1,177)</u>		<u>300</u>
Cash flows from investing activities:					
Dividends, interest and rents from investments		548		537	
Interest payable		(52)		(34)	
Purchase of intangible fixed assets		(129)		-	
Purchase of property, plant and equipment		(1,063)		(1,270)	
Purchase of investments		-		(1,400)	
Proceeds from sale of investments		700		522	
Proceeds from sale of property, plant and equipment		-		1,762	
Net cash provided by /(used in) investing activities			<u>4</u>		<u>117</u>
Cash flows from financing activities:					
Drawdown of borrowings		150		450	
Repayments of borrowings		(139)		(117)	
Net cash provided by /(used in) financing activities			<u>11</u>		<u>333</u>
Change in cash and cash equivalents in the year			(1,162)		750
Cash and cash equivalents at the beginning of the year			2,811		2,061
Cash and cash equivalents at the end of the year			<u>1,649</u>		<u>2,811</u>
Cash and cash equivalents comprise the following:					
Cash			1,649		2,811
			<u>1,649</u>		<u>2,811</u>

	At 1 April 2020 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash	2,811	(1,162)	-	1,649
Borrowings				
Debt due within one year	(143)	139	(137)	(141)
Debt due after one year	(1,597)	(150)	137	(1,610)
	<u>(1,740)</u>	<u>(11)</u>	<u>-</u>	<u>(1,751)</u>
Net debt	<u>1,071</u>	<u>(1,173)</u>	<u>-</u>	<u>(102)</u>

Analysis of net debt for the prior year

	At 1 April 2019 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2020 £'000
Cash and cash equivalents				
Cash	2,061	750	-	2,811
Borrowings				
Debt due within one year	(103)	66	(106)	(143)
Debt due after one year	(1,304)	(399)	106	(1,597)
	<u>(1,407)</u>	<u>(333)</u>	<u>-</u>	<u>(1,740)</u>
Net debt	<u>654</u>	<u>417</u>	<u>-</u>	<u>1,071</u>

Notes to the financial statements for the year ended 31 March 2021

1. Principal accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Friends of the Elderly meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value except where otherwise stated in the relevant accounting policy notes.

Friends of the Elderly is a registered charity (number 226064) and a registered company (number 133850) limited by guarantee incorporated in England and Wales. The registered office is 40-42 Ebury Street, London SW1W 0LZ.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers the risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2023, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

In July 2020, the Charity Commission approved the Charity's application to release up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. This has a significant and beneficial impact on the assessment of going concern. £2.5m remains available to support operations during 2021-22 and 2022-23. The Charity's current forecasts show it returning to profitability during 2022-23.

Going concern – key risks and uncertainties

Care home occupancy continues to be the most significant uncertainty with major financial impact. Care home occupancy was particularly impacted by COVID-19. Since April 2021 occupancy has been increasing, as we welcome more residents for both permanent and respite stays. COVID-19 vaccinations have helped restore confidence in the care home sector, and the relaxation of visiting rules and isolation requirements on entry have improved the lives of residents and their families. The Charity has also focused heavily on care home marketing and enquiry conversion to attract new residents.

However, care home occupancy is usually the Charity's greatest risk, and this is even more the case at present. Occupancy in September 2021 was still around 15% lower than it was at the start of March 2020. Any national concerns over new variants of COVID-19 and the effectiveness of vaccines in the older age group could impact negatively on new admissions.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario.

1. Principal accounting policies (continued)

Going concern (continued)

As well as accelerating use of the STL funds, other mitigating actions include deferral of non-essential costs and sale of non-operational properties. The mitigating actions ensure that the Charity could continue to operate as a going concern during the 18-month period under review, even if occupancy permanently fell by a further 20% from September 2021 levels.

Going concern – conclusions

The scenarios used to stress-test management forecasts show that the Charity would still be able to continue as a going concern until March 2023, as a minimum, even if occupancy was to fall by a further 20%. This is due to the £2.5m of funding remaining from STL which provides a financial cushion, cost efficiencies or deferrals of non-essential spend, and release of money held within non-operational assets.

The trustees consider that there are no material uncertainties about the Charity's and Group's ability to continue as a going concern. The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for at least 12 months from the approval of the financial statements, and therefore the going concern basis is adopted in the financial statements.

(a) Consolidation

The financial statements consolidate the results of Potential Ltd, the Retired Nurses National Home (the RNNH), Friends of the Elderly Trading Ltd, and Triangle Community Services Limited (Triangle), all of which are wholly owned subsidiaries of Friends of the Elderly (the Charity). An application for Triangle to be struck off, on the basis it is dormant and will not be used in the future, was approved by Companies House and was effective on 22 September 2020.

(b) Fund accounting

Unrestricted funds are those funds that are readily available for the use of the Charity, as the Charity's trustees see fit. These are made up of general reserves, designated funds and a pension reserve.

General reserves are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction, acquisition or operation of any residential homes, and the costs of any extra care development, net of related borrowings.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aims and uses of the various restricted funds are set out in the notes to the financial statements. Restricted funds in the Group balance sheet also include the reserves of a subsidiary where its objects are more specific than those of the parent charity.

Endowment funds are restricted funds and comprise properties used for specific purposes and investments where only the income generated can be expended. The aims and uses of these funds are set out in the notes to the financial statements. Investment income and investment gains or losses are allocated to the appropriate fund.

1. Principal accounting policies (continued)

(c) Income

Resident, service user and statutory fees, grants, management fees and investment income are accounted for when receivable. Income received in advance of the related services being performed is deferred.

Legacies are accounted for when it is probable that they will be received. Receipt is normally probable when: there has been grant of probate; the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and any conditions attached to the legacy are either within the control of the Charity or have been met.

Donations are accounted for when received and related gift aid when receivable.

Income includes grants receivable from the government, including COVID-19 support for the Adult Social Care sector and the Coronavirus job retention scheme. Government grant income and related expenditure are recognised gross. When there are conditions attached with the expenditure, the income is recognised to the extent that these conditions have been fulfilled and the charity has entitlement to the income.

Coronavirus Job Retention Scheme funding is allocated as income to the relevant charitable activities, and where received in relation to central support roles it is allocated between charitable activities on the same basis as central support costs allocation. Grants with performance-related criteria are included within donations and legacies, and allocated to restricted funds. The related expenditure is also in restricted funds, but within charitable activities.

(d) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

Any redundancy or other costs relating to termination of employment are recognised when the employee or group of employees are informed of the relevant consultation process.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(e) Support costs

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include management and administration costs incurred in Central Office, costs incurred by staff with regional responsibilities and governance costs which support the Group's charitable activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

(f) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably. An equivalent amount of expenditure is also recognised when the service or facility is used.

In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised. The contribution made to the Charity by volunteers is discussed in more detail in the trustees' report.

1. Principal accounting policies (continued)

(g) Intangible fixed assets and amortisation

Intangible assets are capitalised at cost, including any incidental external expenses of acquisition or construction. Amortisation is charged so as to write off the full cost of the assets less their residual values on a straight-line basis over the following expected useful economic lives:

Computer software: 3 years

(h) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition. Depreciation is not charged on freehold land or on expenditure on assets in course of construction or not yet in use.

Depreciation on other tangible fixed assets is charged on a straight-line basis so as to write off the full cost or valuation less their estimated residual values over their expected useful economic lives at the following rates:

Leasehold buildings (over 50 years):	50 years
Leasehold buildings (under 50 years):	Over term of lease
Fixtures and fittings:	3 to 10 years
Office and domestic equipment:	3 to 10 years
Motor vehicles:	4 years
Computer equipment:	3 years

Depreciation on freehold and long leasehold property is charged so as to write off the full cost or valuation of individual components less their estimated residual values on a straight-line basis over the following expected useful economic lives:

Structure and external fabric:	50 years
Roofs:	50 years
Lifts:	15 years
Bathrooms:	15 years
Central heating systems:	25 years
Kitchens:	15 years
Windows and doors:	25 years
Electrical wiring:	25 years

Residual values for care homes structure and external fabric is based on sector information on the marketable value of older care homes. Residual values for other assets are deemed to be nil.

Interest costs relating to borrowings for property development are capitalised, up until the date the asset comes into use.

(i) Impairment of fixed assets

Assets are reviewed annually for indicators of impairment. Indicators would include: evidence of obsolescence or physical damage to the asset, evidence that an asset's market value has declined significantly, or evidence from internal reporting that the economic performance (cash flows and operating results) of an asset is, or will be, worse than expected.

Where there is an indicator of impairment, an impairment review is performed to identify the recoverable amount of an asset. If the recoverable amount of an asset is less than its carrying value, and this is considered to be a permanent impairment, then an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount.

1. Principal accounting policies (continued)

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Its fair value is the asset's market value either as a going concern or if sold for alternative use. Value in use is calculated the replacement cost of the asset discounted to reflect its current age and condition (the depreciated replacement cost).

(j) Investment properties

Investment properties are properties that are within or adjacent to the Charity's care homes which are capable of being rented out to third parties.

Investment properties are capitalised at valuation and are not depreciated. The difference between historical cost and valuation is included within the revaluation reserve. Investment properties are generally revalued every three years, with an annual review undertaken as to whether there are any indicators of material changes in value.

(k) Other investments

Investments in stocks and shares are valued at the mid-market price ruling at the balance sheet date. Unlisted investments comprise investments in managed funds and are valued at the market price per unit of the fund at the balance sheet date. This gives rise to unrealised gains or losses which are included in the statement of financial activities. Realised gains or losses on disposal arise on the difference between the sales proceeds and carrying value which are also included in the statement of financial activities.

Investments in subsidiaries are held at cost, less any provision for impairment.

(l) Debtors

Trade and other debtors are recognised at the settlement amount due, less an allowance for any doubtful debts. Prepayments are valued at the amount prepaid net of any discounts due.

(m) Resident deposits

Care home residents may pay a deposit on admission to a care home, which is fully refundable on departure less any amounts owed at that date. Resident deposits received are included within unrestricted cash but are held within a separate bank account. Resident deposits are also included within creditors. Receipts and payments of resident deposits are not reflected in the income and expenditure of the Group.

(n) Cash at bank and in hand

Cash at bank and cash in hand include cash and any deposits with a short maturity of three months or less from the date of opening of the deposit or similar account. It includes cash within the investment portfolio that is not held for reinvestment.

(o) Creditors and provisions

Creditors and provisions are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1. Principal accounting policies (continued)

(p) Financial instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at the amortised cost using the effective interest method, less impairment.

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, with subsequent changes in fair value recognised in the statement of financial activities.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, and loans from third parties are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instruments include bank loans. These are subsequently carried at amortised cost using the effective interest rate method.

(q) Operating leases

Rentals under operating leases are charged to the statement of financial activities as they fall due.

(r) Pension schemes

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved.

The pension liabilities and assets are recorded in line with FRS102, with a valuation undertaken by an independent actuary. FRS102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities.

The value of benefits accrued is used to determine the pension charge in the statement of financial activities and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate income/ expenditure categories.

The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members, is recognised in the statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the balance sheet.

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Contributions are charged to the statement of financial activities as they become payable.

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes. It is not possible for the Charity to obtain sufficient information to enable it to account for these schemes as defined benefit schemes. Therefore, it accounts for the schemes as if they were defined contribution schemes, and recognises only the present value of future deficit recovery contributions as a provision. This provision forms part of unrestricted funds.

1. Principal accounting policies (continued)

Where pension scheme costs are charged to the statement of financial activities in relation to service during the year, the costs are allocated to the relevant activities and funds (unrestricted or restricted) in the same way as costs relating to the relevant employees. Where pension scheme costs are incurred in relation to past employment, these costs are allocated to unrestricted expenditure within the relevant activity of the employees (some of whom may be former employees).

(s) Key judgements and estimates

There are additional uncertainties and risks as a result of COVID-19, with the potential to impact on judgements and estimates at year-end, or to result in future material changes in asset values. This includes changes in the care sector, care home development and resale market, residential property market, and stock markets.

The trustees have considered up to date information and data from a range of sources, where they impact on key judgements and estimates, up to the date of approval of the financial statements.

The review of impairment indicators and assessment of impairment loss on care homes

Impairment indicators include the financial performance of a service (in particular, individual care homes) compared to expectations, any recent third-party valuations compared to carrying value, and the basis of those valuations compared to any more recent results.

Where there are impairment indicators for individual care homes, the recoverable value of the home is assessed. The fair value of the home, less costs to sell, is considered, where we have third party information on its market value, updated to reflect recent operating result of the care home. This is compared to the value in use based on depreciated replacement cost.

The key estimate in depreciated replacement cost is the cost to build an equivalent asset. Depending on the nature of the building, either general market information is used, or more specific guidance is obtained from care sector experts.

If an impairment is considered to be permanent, then an impairment loss is recognised. If it is considered to be temporary – with a reasonable expectation that it will reverse within a set period of time - then no impairment charge is booked but future performance is monitored to compare against the basis of the original conclusion.

The risk of impairment of the Charity's fixed assets, including care homes and related fixtures and fittings, is increased as a result of the impact of COVID-19 on the care sector. Additional consideration has been given to available data and forecasts relating to the UK care sector since the year-end, the Charity's latest budgets and forecasts, and the impact of changes in forecast results on the basis of previous valuations.

An impairment charge of £351,000 was recognised in the year. This relates to development costs, incurred for an extra care planning application. The planning application has been refused, and no decision has yet been taken as to whether a revised application will be submitted.

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are: discount rates; inflation rates; mortality assumptions and life expectancies; and expected return on scheme assets.

The above assumptions are reviewed and approved by the trustees, based on information provided by the scheme actuaries.

The key judgement of the multi-employer pension schemes is the discount rate applied to future contributions. This discount rate is reviewed and approved by the trustees, based on information provided by the scheme administrators, and reflects the time period of future contributions.

1. Principal accounting policies (continued)

Tangible fixed assets and depreciation

Note 1(h) sets out the basis of depreciation. Key judgements are the useful economic lives of assets, and the residual value of structure and external fabric of freehold and long leasehold properties at the end of their lives. Useful economic lives are based on known replacement timelines for individual elements of a property, such as central heating systems, lifts, and bathrooms. Useful economic lives are based on experience of our older care homes. Residual values for the fabric and structure of care homes are based on sector information on the marketable value of older care homes.

Investment property valuations

Investment properties are valued by the trustees, based either on third party valuations, or market information of similar properties in the area. Some houses classified as investment property are on a care home site but could be sold to a third party if access and gardens were separated; in this case the estimated costs of doing so are deducted from the valuation.

2. Consolidated statement of financial activities by fund 2020

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2020 £'000
Income from:				
Donations and legacies	198	498	-	696
<i>Income from charitable activities:</i>				
Residential care	18,935	-	-	18,935
Community services	2,020	-	-	2,020
Community engagement	32	-	-	32
	<u>20,987</u>	<u>-</u>	<u>-</u>	<u>20,987</u>
Investment Income	142	394	1	537
Other income	939	-	-	939
Total	<u>22,266</u>	<u>892</u>	<u>1</u>	<u>23,159</u>
Expenditure on:				
<i>Raising funds:</i>				
Fundraising costs	197	13	-	210
Investment management costs	103	-	-	103
Other costs	-	-	-	-
	<u>300</u>	<u>13</u>	<u>-</u>	<u>313</u>
<i>Charitable activities:</i>				
Residential care	17,965	560	36	18,561
Community services	2,603	53	-	2,656
Community engagement	327	60	-	387
Grants and allowances	168	221	-	389
	<u>21,063</u>	<u>894</u>	<u>36</u>	<u>21,993</u>
Total	<u>21,363</u>	<u>907</u>	<u>36</u>	<u>22,306</u>
Net income/(expenditure) before gains/(losses)	903	(15)	(35)	853
Net (losses)/gains on investments	(158)	(53)	(1,052)	(1,263)
Net (expenditure)/income	<u>745</u>	<u>(68)</u>	<u>(1,087)</u>	<u>(410)</u>
Other recognised gains/(losses)				
Actuarial losses on defined benefit pension	(15)	-	-	(15)
Transfers between funds	(25)	230	(205)	-
Net movement in funds	<u>705</u>	<u>162</u>	<u>(1,292)</u>	<u>(425)</u>
Reconciliation of funds:				
Total funds brought forward	21,788	1,952	15,396	39,136
Total funds carried forward	<u>22,493</u>	<u>2,114</u>	<u>14,104</u>	<u>38,711</u>

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2021:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	176	-	-
Total expenditure	(179)	-	-
Gift aid donation to Friends of the Elderly	(3)		
Net movement in funds	<u>(6)</u>	-	-
Net (liabilities)/ assets at 31 March 2021	<u>(3)</u>	10	-

Summary of results for the year ended 31 March 2020:

	Potential Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£'000	£'000	£'000
Income	629	-	-
Total expenditure	(625)	-	-
Net movement in funds	<u>4</u>	-	-
Net assets at 31 March 2020	<u>3</u>	10	-

Potential Limited is a wholly-owned subsidiary of Friends of the Elderly and undertakes development work for the Group. Its company registration number is 3353988.

Friends of the Elderly Trading Limited is dormant. Its company registration number is 3557337.

Friends of the Elderly became the sole member of the Retired Nurses National Home (the RNNH) on 31 March 2015. The RNNH's activities, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019 as part of a group merger. This transfer included the care home in Bournemouth that was owned and operated by the RNNH. The charitable company will be kept as a dormant company for some years, to ensure any legacies left to the charity are able to be easily received.

4. Donations and legacies

	2021	2020
	£'000	£'000
Donations	556	413
Legacies	144	104
Pro-bono services	<u>38</u>	<u>13</u>
Total excluding government grants	738	530
<i>Government grants (note 7)</i>		
NHS Pathfinders	174	166
COVID-19 Adult Social Care	<u>1,164</u>	<u>-</u>
	<u><u>2,076</u></u>	<u><u>696</u></u>

5. Investment income

	2021 £'000	2020 £'000
Dividends from investments	433	451
Investment property rental income	108	78
Interest receivable	7	8
	548	537

6. Other income and other expenditure

Other income

	2021 £'000	2020 £'000
Gain on disposal of fixed assets	-	939

Other expenditure

Other expenditure within charitable activities includes:

	2021 £'000	2020 £'000
Impairment charge	351	-
Loss on disposal of fixed assets	89	-
	440	-

The impairment charge relates to development costs, incurred for an extra care planning application. The planning application has been refused, and no decision has yet been taken as to whether a revised application will be submitted.

7. Government grants

	2021 £'000	2020 £'000
Recorded within restricted income from donations and legacies		
NHS Pathfinders	174	166
COVID-19 Adult Social Care grants	1,164	-
Recorded within unrestricted income from charitable activities		
Coronavirus Job Retention Scheme	342	10
	1,680	176

The NHS Pathfinders grant is a Social Care Digital Pathfinders grant from the NHS. The grant came to an end during the year. All performance and reporting requirements have been met and all funds received.

Adult Social Care grants relating to COVID-19 emergency funding include an Infection Control Fund, Rapid Testing Fund, and Workforce Capacity Fund. These funds are administered and distributed by local authorities. The funds are received on condition that they are spent on specific types of costs, with regular reporting required to the majority of the local authorities concerned. Any funds not spent under the relevant conditions would need to be returned. All grant conditions have been met for income recognised during the year.

The Coronavirus Job Retention Scheme is also known as the furlough scheme. The related staff costs have been recognised in full within expenditure.

8. Analysis of income and expenditure by charitable activity

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2021	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	16,398	1,312	7	-	-	17,717
Government grants	1,171	167	-	-	-	1,338
Other attributable fundraising income	39	2	64	252	381	738
Attributable investment income	334	-	-	36	178	548
Total income	17,942	1,481	71	288	559	20,341
Direct expenditure	15,892	1,407	195	-	213	17,707
Grant-funding of activities	-	-	-	190	-	190
Total income less direct expenditure	2,050	74	(124)	98	346	2,444
Attributable support costs:						
Governance	139	25	6	7	5	182
Operations, quality and training	779	232	79	114	33	1,237
Property	184	15	-	-	18	217
Finance, HR and IT	1,485	156	17	16	18	1,692
Marketing and communications	298	56	11	-	7	372
Strategic and executive	86	49	12	12	25	184
Total attributable support costs	2,971	533	125	149	106	3,884
Total expenditure	18,863	1,940	320	339	319	21,781
Net surplus/ (deficit)	(921)	(459)	(249)	(51)	240	(1,440)

This excludes other charitable expenditure (note 6).

The analysis for 2020 is as follows:

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2020	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	18,931	2,014	32	-	-	20,977
Government grants	4	6	-	-	-	10
Attributable fundraising income	202	6	63	214	211	696
Attributable investment income	353	-	-	41	143	537
Other charitable income	-	-	-	-	-	-
Total income	19,490	2,026	95	255	354	22,220
Direct expenditure	15,800	1,841	263	-	237	18,141
Grant-funding of activities	-	-	-	217	-	217
Total income less direct expenditure	3,690	185	(168)	38	117	3,862
Attributable support costs:						
Governance	156	45	7	9	4	221
Operations, quality and training	787	358	35	101	5	1,286
Property	196	15	-	-	12	223
Finance, HR and IT	1,262	243	23	16	13	1,557
Marketing and communications	290	114	27	35	31	497
Strategic and executive	70	40	32	11	11	164
Total attributable support costs	2,761	815	124	172	76	3,948
Total expenditure	18,561	2,656	387	389	313	22,306
Net surplus/ (deficit)	929	(630)	(292)	(134)	41	(86)

The analysis above does not include gain on disposal of fixed assets (note 6).

8. Analysis of income and expenditure by charitable activity (continued)

Support costs and costs of governance are apportioned between charitable activities and the activities for raising funds. The basis of apportionment is as follows:

Function	Basis of apportionment
Governance costs	Apportioned in proportion to overall support costs allocation
Operations, Quality and Training	Specific teams relate to different charitable operations, other costs are apportioned based on management estimate
Property	Apportioned based on management estimate
Finance and Information Technology	Apportioned based on the proportion of total expenditure
Human Resources	Apportioned based on headcount
Marketing and communications	Apportioned based on management estimate
Strategy and Executive	Apportioned based on management estimate

9. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2021	2020
	£'000	£'000
Staff costs (Note 10)	14,903	15,280
Amortisation of intangible fixed assets (Note 13)	42	24
Depreciation of tangible fixed assets (Note 14)	920	923
Impairment of tangible fixed assets (note 6)	351	-
Auditors' remuneration - Audit of the Charity (current year)	35	31
Auditors' remuneration - Audit of the Charity (prior year)	6	5
Auditors' remuneration - Audit of subsidiary undertakings	5	6
Auditors' remuneration - Other Services	3	2
Professional indemnity insurance	2	2
Surplus on sale of fixed assets	-	-
Pension scheme net finance charge	2	2
Operating lease rentals	177	220

The professional indemnity insurance is in respect of all trustees, committee members and staff.

10. Staff costs

	2021	2020
	£'000	£'000
Staff costs were as follows:		
Salaries	11,016	10,798
Social security costs	861	812
Pension costs	568	531
	<u>12,445</u>	<u>12,141</u>
Agency - Care	1,143	1,736
Agency - Non-Care	15	7
Contract staff costs	1,300	1,396
Agency and contract costs	<u>2,458</u>	<u>3,139</u>

10. Staff costs (continued)

The following costs were incurred in relation to redundancies, and are included within the staff costs total above. Ex gratia payments represent redundancy payments above the statutory minimum.

	2021	2020
	£'000	£'000
Redundancy payments	27	15
Ex gratia payments	-	23
	<u>27</u>	<u>38</u>

The number of staff whose emoluments plus taxable benefits amounted to over £60,000 during the year were as follows:

	2021	2020
	No.	No.
£60,001 - £70,000	4	6
£70,001 - £80,000	2	2
£80,000 - £90,000	2	1
£100,000 to £110,000	<u>-</u>	<u>1</u>

Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2020: none).

	2021	2020
	£'000	£'000
Total emoluments	<u>583</u>	<u>724</u>
	No.	No.
Average number of Senior Management Team	<u>6.5</u>	<u>8.0</u>

11. Staff numbers

The average number of employees (headcount) and full time equivalent (FTE) for the year were as follows:

Employee numbers	2021	2020	2021	2020
	Headcount	Headcount	FTE	FTE
	No.	No.	No.	No.
Care staff	474	504	347	366
Support staff	74	86	71	80
	<u>548</u>	<u>590</u>	<u>418</u>	<u>446</u>

12. Related party transactions

Trustees

The trustees received no remuneration for their services (2020: £nil). During the year ended 31 March 2021, no expenses were paid to any trustee for costs incurred in the course of their duties as trustee of the Charity (2020: £nil).

No donations were made by a related party of any trustee to the Group during the year (2020: £nil). Expenses waived by trustees during the year were not material (2020: not material).

12. Related party transactions (continued)

Key management personnel

There are no related party transactions with key management personnel to report for the year ended 31 March 2021 (2020: none).

Intercompany transactions

The Charity had the following transactions with Group companies during the year:

	2021	2020
	£'000	£'000
Amounts charged/ (credited) to Potential		
Management fee	1	3
Property development costs recharged (capitalised within the Charity)	(173)	(614)
Distribution (donation) from Potential to the Charity	3	-
	<u>(169)</u>	<u>(611)</u>

13. Intangible fixed assets

	Group and Charity
	£'000
Computer software	
Cost	
At 1 April 2020	633
Additions	<u>129</u>
At 31 March 2021	<u>762</u>
Amortisation	
At 1 April 2020	608
Charge for the year	<u>42</u>
At 31 March 2021	<u>650</u>
Net book value 31 March 2021	<u>112</u>
Net book value 31 March 2020	<u>25</u>

14. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2020	26,555	156	9,025	35,736
Additions	350	-	734	1,084
Disposals	-	-	(696)	(696)
At 31 March 2021	<u>26,905</u>	<u>156</u>	<u>9,063</u>	<u>36,124</u>
Depreciation				
At 1 April 2020	6,431	108	6,762	13,301
Charge for the year	271	4	645	920
Impairment charge	351	-	-	351
Eliminated on disposal	-	-	(607)	(607)
At 31 March 2021	<u>7,053</u>	<u>112</u>	<u>6,800</u>	<u>13,965</u>
Net book value 31 March 2021	<u>19,852</u>	<u>44</u>	<u>2,263</u>	<u>22,159</u>
Net book value 31 March 2020	<u>20,124</u>	<u>48</u>	<u>2,263</u>	<u>22,435</u>
(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2020	26,784	156	9,052	35,992
Additions	359	-	734	1,093
Disposals	-	-	(709)	(709)
At 31 March 2021	<u>27,143</u>	<u>156</u>	<u>9,077</u>	<u>36,376</u>
Depreciation				
At 1 April 2020	6,561	108	6,789	13,458
Charge for the year	271	4	645	920
Impairment charge	358	-	-	358
Eliminated on disposal	-	-	(620)	(620)
At 31 March 2021	<u>7,190</u>	<u>112</u>	<u>6,814</u>	<u>14,116</u>
Net book value 31 March 2021	<u>19,953</u>	<u>44</u>	<u>2,263</u>	<u>22,260</u>
Net book value 31 March 2020	<u>20,223</u>	<u>48</u>	<u>2,263</u>	<u>22,534</u>

Tangible fixed assets include assets in the course of construction, which are not depreciated, but may be impaired. The impairment charge in the year relates to these assets, refer to note 6 for further explanation.

	Group		Charity	
	2021	2020	2021	2020
Assets in the course of construction	£'000	£'000	£'000	£'000
Cost	1,830	1,603	1,867	1,635
Net book value	1,479	1,603	1,509	1,635

Borrowing costs of £21,000 (2020: £4,000) were capitalised in the year as part of assets in the course of construction. This is interest on the 15-year term loan disclosed in note 18. The loans (note 18) are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

Long-leasehold property is classified as finance leases. There are no lease payments due for these properties other than one peppercorn if demanded.

Amounts capitalised under short leasehold property are property improvements. The lease itself is classified as an operating lease.

15. Fixed asset investments

(a) Group	Investment Property £'000	Investments Unlisted £'000	Total £'000	
<u>Cost or valuation</u>				
At 1 April 2020	2,332	14,593	16,925	
Disposals (carrying value)	-	(579)	(579)	
Unrealised gains on revaluation	-	3,040	3,040	
At 31 March 2021	<u>2,332</u>	<u>17,054</u>	<u>19,386</u>	
Cost at 31 March 2021	<u>341</u>	<u>15,039</u>	<u>15,380</u>	

b) Charity	Investment Property £'000	Investments Unlisted £'000	Investment in Subsidiaries £'000	Total £'000
<u>Cost or valuation</u>				
At 1 April 2020	2,332	14,593	10	16,935
Disposals (carrying value)	-	(579)	-	(579)
Unrealised gains on revaluation	-	3,040	-	3,040
At 31 March 2021	<u>2,332</u>	<u>17,054</u>	<u>10</u>	<u>19,396</u>
Cost at 31 March 2021	<u>341</u>	<u>15,039</u>	<u>10</u>	<u>15,390</u>

'Investments in subsidiaries' relates to two trading companies – Potential Limited; and Friends of the Elderly (Trading) Limited, which is dormant. Summary results for the subsidiaries can be found in note 3.

Investment properties are properties which are held for strategic reasons, but which are capable of being rented to third parties or of being sold separate to adjacent care homes. They have been valued on the open market basis, less an estimate of costs associated with sale. The valuation has been carried out by the board of trustees, using available market data.

Some investment properties have current restrictions relating to access which would impede sale. Estimated costs of resolving such matters have been deducted from the valuation.

16. Debtors

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	738	891	738	891
Other debtors	175	272	169	219
Prepayments and accrued income	914	643	914	643
	<u>1,827</u>	<u>1,806</u>	<u>1,821</u>	<u>1,753</u>

17. Creditors: amounts falling due within one year

	Group		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade creditors	1,117	1,197	1,090	1,050
Amounts due to subsidiary undertakings	-	-	29	96
Other creditors	299	332	293	327
Resident deposits	932	1,136	932	1,136
Taxation and social security	230	195	230	195
Accruals	715	551	710	544
Loans: Amounts Due Within One Year	141	143	141	143
	<u>3,434</u>	<u>3,554</u>	<u>3,425</u>	<u>3,491</u>

18. Creditors: amounts falling due after more than one year

	Group and Charity	
	2021 £'000	2020 £'000
Secured bank loan:		
Falling due within more than one year but less than five years	604	613
Falling due after five years	<u>1,006</u>	<u>984</u>
Total amounts falling due after one year:	1,610	1,597
Amounts falling due within one year (Note 16)	<u>141</u>	<u>143</u>
Total of all loans	<u>1,751</u>	<u>1,740</u>

The loans are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

The loans are basic financial instruments carried at amortised cost. £1,196,000 of the debt has an interest rate at 1.75% above the Bank of England's sterling base rate, with a 20-year term ending in 2031. £555,000 of debt has an interest rate at 3.0% above the Bank of England's sterling base rate, with a 15-year term ending in 2034.

19. Provision for liabilities

	Group and Charity	
	2021 £'000	2020 £'000
Onerous lease contracts	<u>-</u>	<u>15</u>
	<u>-</u>	<u>15</u>

Movements in provisions were as follows:

	Group and Charity	
	2021 £'000	2020 £'000
Provisions at 1 April	15	86
Utilised in year	<u>(15)</u>	<u>(71)</u>
Provisions at 31 March	<u>-</u>	<u>15</u>

20. Pension schemes

The Charity and Group operate or contribute to a number of pension schemes, both defined contribution schemes and defined benefit pension schemes. The liability recognised in respect of defined benefit pension schemes is as follows:

Defined benefit pension scheme liability by Scheme	Group and Charity	
	2021	2020
	£'000	£'000
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(96)	(106)
Career Average Revalued Earnings (CARE) Pension Scheme	(16)	(19)
	<u>(112)</u>	<u>(125)</u>

Reconciliation of opening and closing provision by Scheme

	FotE Closed 2021 £'000	SVSPS Scheme 2021 £'000	CARE Scheme 2021 £'000	Total 2021 £'000
Provision at 1 April 2020	-	(106)	(19)	(125)
Interest expense	-	(2)	-	(2)
Contributions paid	15	16	2	33
Remeasurement - impact of changes in assumptions	-	(4)	(1)	(5)
Remeasurement - amendments to the contribution schedule	-	-	2	2
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	(93)	-	-	(93)
- Return on assets excluding interest income	(14)	-	-	(14)
- Change in the effect of asset ceiling	92	-	-	92
Provision at 31 March 2021	<u>-</u>	<u>(96)</u>	<u>(16)</u>	<u>(112)</u>

Reconciliation of opening and closing provision by Scheme for 2020:

	FotE Closed Scheme 2020 £'000	SVSPS Scheme 2020 £'000	CARE Scheme 2020 £'000	Total 2020 £'000
Provision at 1 April 2019	-	(124)	(22)	(146)
Interest expense	-	(2)	-	(2)
Contributions paid	15	16	2	33
Remeasurement - impact of changes in assumptions	-	4	1	5
Remeasurement - amendments to the contribution schedule	-	-	-	-
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	39	-	-	39
- Return on assets excluding interest income	28	-	-	28
- Change in the effect of asset ceiling	(82)	-	-	(82)
Provision at 31 March 2020	<u>-</u>	<u>(106)</u>	<u>(19)</u>	<u>(125)</u>

(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by the Charity and amounted to £556,000 in the year (2020: £520,000).

20. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)

The Charity operates the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) (the Scheme), a UK registered trust-based pension scheme that provides defined benefits. No benefits have been accrued since 30 September 1996.

Pension benefits are linked to members' final pensionable salaries and service to 30 September 1996 (or date of leaving if earlier). The Scheme trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of members:

- Deferred members: former employees or current employees of the Charity who have accrued benefits in the Scheme but are not yet in receipt of a pension.
- Pensioner members: in receipt of pension.

The Scheme trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation was performed by the Scheme actuary for the trustees as at 30 September 2018. The valuation revealed a funding shortfall of £2,000. No further recovery plan payments are required by the Charity. The Charity has paid £1,250 per month since 30 September 2018 in line with the previous recovery plan, which has been sufficient to cover the funding shortfall. All the administration and operating expenses of the Scheme, including the Pension Protection Fund (PPF) levy, will continue to be met directly by the Charity.

The pension scheme surplus as at 31 March 2021 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

The amounts recognised and the balance sheet positions, for 2021 and 2020, are as follows:

	Group and Charity: 2021			Group and Charity: 2020		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,749	(1,630)	119	1,805	(1,768)	37
Limit on recognition of assets	(119)	-	(119)	(37)	-	(37)
Scheme surplus recognised at 1 April	1,630	(1,630)	-	1,768	(1,768)	-
Benefits paid	(145)	145	-	(135)	135	-
Employer contributions	15	-	15	15	-	15
<i>Amounts charged to Statement of Financial</i>						
Interest income/ (cost)	36	(36)	-	36	(36)	-
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	(93)	(93)	-	39	39
- Return on assets excluding interest income	(14)	-	(14)	28	-	28
- Change in the effect of asset ceiling	92	-	92	(82)	-	(82)
<i>Total amounts charged to Statement of Financial Activities</i>	114	(129)	(15)	(18)	3	(15)
Fair value at 31 March (less surplus not recognised)	1,614	(1,614)	-	1,630	(1,630)	-

20. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

The fair value of the assets of the scheme was:

	Group and Charity			
	2021 £'000	2021 % of total plan assets	2020 £'000	2020 % of total plan assets
Trustees bank account/ net current assets	3	0.2%	6	0.3%
Annuities	1,080	65.8%	1,135	64.9%
Gilts fund	471	28.7%	535	30.6%
Diversified fund	87	5.3%	73	4.2%
Total	<u>1,641</u>	<u>100.0%</u>	<u>1,749</u>	<u>100.0%</u>

Actuarial assumptions

	Group and Charity	
	2021	2020
Discount rate	1.70% pa	2.30% pa
RPI inflation	3.45% pa	2.75% pa
CPI inflation	2.45% pa	1.75% pa
Revaluation of deferred pensions	2.45% pa	1.75% pa

Mortality assumptions

	Group and Charity	
	2021	2020
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S2PA CMI_2020_M/F [1.25%] (yob)	100% of S2PA CMI_2019_M/F [1.25%] (yob)

Life expectancies (in years)

	2021		2020	
	Males	Females	Males	Females
For an individual aged 60	26.2	28.4	26.2	28.3
At age 60 for an individual aged 40	27.7	30.0	27.7	29.9

(c) Multi-employer pension schemes

The Charity participates in two multi-employer pension schemes: the Scottish Voluntary Sector Pension Scheme (SVSPS) and the Career Average Revalued Earnings Pension Scheme (CARE).

These schemes are defined benefit schemes in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore, it accounts for the schemes as defined contribution schemes. The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The schemes are classified as 'last-man standing arrangements'. Therefore, the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. Recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

20. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the Charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SVSPS

The SVSPS provides benefits to some 95 non-associated employers.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This actuarial valuation was certified on 19 December 2018 and showed assets of £120.0m, liabilities of £145.9m and a deficit of £25.9m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that contributions will be paid, in combination from all employers, to the scheme of £1.5m per annum until 30 September 2026 (increasing by 3% each year on 1 April), plus £82,000 per annum from 1 April 2019 to 31 March 2024, of which the Charity's contributions are £16,000 per annum, rising to £19,000 pa over the eight-year period.

CARE

The CARE scheme provides benefits to some 37 non-associated employers.

A full actuarial valuation for the scheme was carried out as at 30 September 2019. This actuarial valuation showed assets of £79.0m, liabilities of £93.9m and a deficit of £14.9m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.5m per annum until September 2027 (increasing by 3% each year on 1 April), of which the Charity's contributions are £2,300 per annum, rising to £2,700 pa over the six-year period.

Discount rates

	2021	2020	2019
Discount rate: SVSPS	0.86%	2.57%	1.46%
Discount rate: CARE	0.98%	2.58%	1.58%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

21. Analysis of net assets between funds

Fund balances at 31 March 2021, represented by:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	112	-	-	112
Tangible assets	19,966	317	1,876	22,159
Investments	4,884	563	13,939	19,386
Current assets	1,687	1,788	1	3,476
Current liabilities	(3,276)	(158)	-	(3,434)
Non-current liabilities	(1,722)	-	-	(1,722)
	<u>21,651</u>	<u>2,510</u>	<u>15,816</u>	<u>39,977</u>

21. Analysis of net assets between funds (continued)

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	112	-	-	112
Tangible assets	20,067	317	1,876	22,260
Investments	4,894	563	13,939	19,396
Current assets	1,681	1,788	1	3,470
Current liabilities	(3,267)	(158)	-	(3,425)
Non-current liabilities	(1,722)	-	-	(1,722)
	<u>21,765</u>	<u>2,510</u>	<u>15,816</u>	<u>40,091</u>

Fund balances at 31 March 2020 were:

(a) Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	25	-	-	25
Tangible assets	20,303	222	1,910	22,435
Investments	4,266	466	12,193	16,925
Current assets	2,999	1,617	1	4,617
Current liabilities	(3,363)	(191)	-	(3,554)
Non-current liabilities	(1,737)	-	-	(1,737)
	<u>22,493</u>	<u>2,114</u>	<u>14,104</u>	<u>38,711</u>

(b) Charity	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Intangible assets	25	-	-	25
Tangible assets	20,402	222	1,910	22,534
Investments	4,276	466	12,193	16,935
Current assets	2,936	1,617	1	4,554
Current liabilities	(3,300)	(191)	-	(3,491)
Non-current liabilities	(1,737)	-	-	(1,737)
	<u>22,602</u>	<u>2,114</u>	<u>14,104</u>	<u>38,820</u>

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2021

22. Movement in funds

Fund movements for the Group for the year ended 31 March 2021:

(a) Group	As at 1 April 2020 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2021 £
Unrestricted funds:								
Designated funds	18,481	-	-	(473)	81	220	-	18,309
General reserves:								
Revaluation reserve	1,991	-	-	-	-	-	-	1,991
Other reserve	2,146	(1,698)	418	473	(81)	(220)	425	1,463
Pension reserve	(125)	28	(15)	-	-	-	-	(112)
Total unrestricted funds	22,493	(1,670)	403	-	-	-	425	21,651
Restricted funds:								
Funds for the upkeep of residential homes	731	(2)	-	-	-	-	(508)	221
Funds restricted to RNNH	75	(321)	9	-	-	-	448	211
Funds for grants and allowances	726	26	90	-	-	-	10	852
Funds for residents' subsidies	28	164	-	-	-	-	533	725
Community services	52	(3)	-	-	-	-	-	49
Community projects	95	(40)	-	-	-	-	(10)	45
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	2,114	(176)	99	-	-	-	473	2,510
Endowed funds:								
Expendable endowment - RNNH	1,156	-	259	-	-	-	(448)	967
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,138	-	1,245	-	-	-	(450)	5,933
Endowed property - RNNH	1,676	(35)	-	-	-	-	-	1,641
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,397	1	408	-	-	-	-	2,806
Funds for residents' subsidies	2,605	-	545	-	-	-	-	3,150
Funds for grants and allowances	897	-	187	-	-	-	-	1,084
Total permanent endowment	12,948	(34)	2,385	-	-	-	(450)	14,849
Total endowed funds	14,104	(34)	2,644	-	-	-	(898)	15,816
Total funds	38,711	(1,880)	3,146	-	-	-	-	39,977

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2021

22. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2021:

(b) Charity	As at 1 April 2020 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2021 £
Unrestricted funds:								
Designated funds	18,580	-	-	(480)	90	220	-	18,410
General reserves:								
Revaluation reserve	1,991	-	-	-	-	-	-	1,991
Other reserve	2,156	(1,693)	418	480	(90)	(220)	425	1,476
Pension reserve	(125)	28	(15)	-	-	-	-	(112)
Total unrestricted funds	22,602	(1,665)	403	-	-	-	425	21,765
Restricted funds:								
Funds for the upkeep of residential homes	731	(2)	-	-	-	-	(508)	221
Funds restricted to RNNH	75	(321)	9	-	-	-	448	211
Funds for grants and allowances	726	26	90	-	-	-	10	852
Funds for residents' subsidies	28	164	-	-	-	-	533	725
Community services	52	(3)	-	-	-	-	-	49
Community projects	95	(40)	-	-	-	-	(10)	45
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	2,114	(176)	99	-	-	-	473	2,510
Endowed funds:								
Expendable endowment - RNNH	1,156	-	259	-	-	-	(448)	967
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,138	-	1,245	-	-	-	(450)	5,933
Endowed property - RNNH	1,676	(35)	-	-	-	-	-	1,641
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,397	1	408	-	-	-	-	2,806
Funds for residents' subsidies	2,605	-	545	-	-	-	-	3,150
Funds for grants and allowances	897	-	187	-	-	-	-	1,084
Total permanent endowment	12,948	(34)	2,385	-	-	-	(450)	14,849
Total endowed funds	14,104	(34)	2,644	-	-	-	(898)	15,816
Total funds	38,820	(1,875)	3,146	-	-	-	-	40,091

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2021

22. Movement in funds (continued)

Fund movements for the Group for the year ended 31 March 2020:

(a) Group	As at 1 April 2019 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2020 £
Unrestricted funds:								
Designated funds	19,177	-	-	(290)	(73)	(333)	-	18,481
General reserves:								
Revaluation reserve	2,281	-	-	-	-	-	(290)	1,991
Other reserve	476	867	(158)	290	73	333	265	2,146
Pension reserve	(146)	36	(15)	-	-	-	-	(125)
Total unrestricted funds	21,788	903	(173)	-	-	-	(25)	22,493
Restricted funds:								
Funds for the upkeep of residential homes	551	155	-	-	-	-	25	731
Funds restricted to RNNH	43	(169)	(4)	-	-	-	205	75
Funds for grants and allowances	740	35	(49)	-	-	-	-	726
Funds for residents' subsidies	19	9	-	-	-	-	-	28
Community services	100	(48)	-	-	-	-	-	52
Community projects	92	3	-	-	-	-	-	95
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	1,952	(15)	(53)	-	-	-	230	2,114
Endowed funds:								
Expendable endowment - RNNH	1,496	-	(135)	-	-	-	(205)	1,156
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,608	-	(470)	-	-	-	-	5,138
Endowed property - RNNH	1,712	(36)	-	-	-	-	-	1,676
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,556	1	(160)	-	-	-	-	2,397
Funds for residents' subsidies	2,819	-	(214)	-	-	-	-	2,605
Funds for grants and allowances	970	-	(73)	-	-	-	-	897
Total permanent endowment	13,900	(35)	(917)	-	-	-	-	12,948
Total endowed funds	15,396	(35)	(1,052)	-	-	-	(205)	14,104
Total funds	39,136	853	(1,278)	-	-	-	-	38,711

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2021

22. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2020:

(b) Charity	As at 1 April 2019 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2020 £
Unrestricted funds:								
Designated funds	19,271	-	-	(290)	(68)	(333)	-	18,580
General reserves:								
Revaluation reserve	2,281	-	-	-	-	-	(290)	1,991
Other reserve	486	872	(158)	290	68	333	265	2,156
Pension reserve	(146)	36	(15)	-	-	-	-	(125)
Total unrestricted funds	21,892	908	(173)	-	-	-	(25)	22,602
Restricted funds:								
Funds for the upkeep of residential homes	551	155	-	-	-	-	25	731
Funds restricted to RNNH	43	(169)	(4)	-	-	-	205	75
Funds for grants and allowances	740	35	(49)	-	-	-	-	726
Funds for residents' subsidies	19	9	-	-	-	-	-	28
Community services	100	(48)	-	-	-	-	-	52
Community projects	92	3	-	-	-	-	-	95
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	1,952	(15)	(53)	-	-	-	230	2,114
Endowed funds:								
Expendable endowment - RNNH	1,496	-	(135)	-	-	-	(205)	1,156
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,608	-	(470)	-	-	-	-	5,138
Endowed property - RNNH	1,712	(36)	-	-	-	-	-	1,676
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,556	1	(160)	-	-	-	-	2,397
Funds for residents' subsidies	2,819	-	(214)	-	-	-	-	2,605
Funds for grants and allowances	970	-	(73)	-	-	-	-	897
Total permanent endowment	13,900	(35)	(917)	-	-	-	-	12,948
Total endowed funds	15,396	(35)	(1,052)	-	-	-	(205)	14,104
Total funds	39,240	858	(1,278)	-	-	-	-	38,820

22. Movement in funds (continued)

Designated funds – nature of funds

Designated funds are unrestricted funds set aside by trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings, used exclusively for construction, acquisition or operation of residential homes or extra care developments.

Restricted funds – nature of funds

- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations specific to certain care homes.
- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.
- Funds for residents' subsidies provide income to subsidise the care of residents.
- Funds for community services are donations or grants received for specific branches within community services.
- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.
- All funds that were within the RNNH prior to the merger on 31 March 2019 remain restricted, or endowed, within the Charity, other than where subsequently spent in accordance with the terms of the relevant restriction.

Endowed funds – nature of funds

The Sir Thomas Lipton Memorial Home endowment fund represents the proceeds from the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property of the Sir Thomas Lipton Charity. The Sir Thomas Lipton Charity is a linked charity of Friends of the Elderly, with Friends of the Elderly being the sole trustee.

The Charity Commission approved a new Scheme for The Sir Thomas Lipton Charity, effective 1 July 2020. This Scheme allows the income from the endowment to be used for the benefit of people who are in need by reason of age, infirmity or financial hardship by the provision of or by supporting the provision of care and accommodation for such people, with priority given to those who have worked in health and social care.

On 1 July 2020 the Charity Commission also made an Order, allowing Friends of the Elderly's request for up to £3m of the capital from this endowment to be passed to Friends of the Elderly in furtherance of the Sir Thomas Lipton Charity purpose. This will provide financial support to Friends of the Elderly during the COVID-19 pandemic and allow Friends of the Elderly to provide specific additional support to former healthcare and social care workers.

Fund transfers in the year

- The transfer from an expendable endowment to a restricted fund to support operating losses of the Retired Nurses National Home (£448,000).
- The interest charge on a loan from a restricted fund to unrestricted funds (£25,000).
- The transfer from the Sir Thomas Lipton Charity endowed fund to unrestricted funds, to support care home operating losses (as per the 1 July 2020 Order referred to above). The transfer represents the amount withdrawn from investments for this purpose in the year (£450,000). Following approval of the new Scheme for the Sir Thomas Lipton Charity, its restricted funds were also transferred from 'homes upkeep' to 'residents' subsidies' within restricted funds (£533,000).

23. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2021	2020
	£'000	£'000
Land and buildings		
Within one year	82	92
Within 2 to 5 years	322	322
> 5 years	1,128	1,204
	<u>1,532</u>	<u>1,618</u>
Other		
Within one year	56	85
Within 2 to 5 years	93	27
	<u>149</u>	<u>112</u>
Total	<u>1,681</u>	<u>1,730</u>

As at 31 March 2021 there was £nil (2020: £77,000) of capital expenditure contracted for but not provided in the financial statements.

24. Reconciliation of net movement in funds to net cash flow from operating activities

	2021	2020
	£'000	£'000
Net movement in funds	1,266	(425)
Unrealised (gains)/losses on investments	(3,161)	1,263
Net losses/(gains) on disposal of fixed assets	89	(939)
Actuarial losses on pension schemes	15	15
Investment income	(548)	(537)
Interest payable	31	34
Depreciation on tangible assets	920	923
Impairment of tangible assets	351	-
Amortisation on intangible assets	42	24
Difference between pension contributions and net costs	(28)	(36)
(Increase) in debtors	(21)	(196)
(Decrease)/increase in creditors	(118)	245
(Decrease) in provisions	(15)	(71)
Net cash (used in)/ provided by operating activities	<u>(1,177)</u>	<u>300</u>

25. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	2021	2020
	£'000	£'000
Financial assets measured at fair value through the SoFA	17,054	14,593

Financial assets measured at fair value through the statement of financial activities comprise listed and unlisted investments.

26. Post balance sheet events

On 27 May 2021, the Charity's three homecare branches – in Woking, Sutton and Malvern – were sold to Mayfair Homecare Limited. The sales proceeds of £400,000 include a payment of £100,000 to be deferred for 12 months.

27. Taxation

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

28. Members

At 31 March 2021 there were 13 members (2020: 10 members) who each pledge to pay £1 on winding up.

29. Ultimate controlling party

Friends of the Elderly has no parent undertaking. In the opinion of the members, the Charity does not have a controlling party.

Telephone 020 7730 8263
Website www.fote.org.uk

Royal Patron

Her Majesty The Queen

President

HRH Princess Alexandra

Vice Presidents

Mr Robin Aisher OBE
Mrs Joan Orford

Patrons

The Rt Hon The Baroness Boothroyd OM PC
Diana Lady Farnham DCVO
The Baroness Greengross OBE
Sir Michael Perry GBE