

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2021**

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Our year in overview

Supported over 1,600 people in our local communities, and 284 people on average in our care homes.

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COVID-19 brought an unprecedented challenge. We worked hard to become 'COVID WISE'.



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Ending of our Visiting Friends activities, but with alternative support identified for all service users, with the help of the local council.

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Continued engagement with day care service users while our day centres were closed due to COVID-19 risks.

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Second and final year of our NHS Pathfinders project, linking electronic care planning and acoustic monitoring systems across our care homes to enhance care.

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Introduction of an online policy platform that continually reviews and updates care home policies and procedures to ensure quality and compliance.

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Supporting our staff to cope with the impact of COVID-19 through a range of financial and practical support, with a focus on wellbeing.

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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.

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1,024 grants and allowances given to provide financial help to older people in financial need.

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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 Karelnn, 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 Moultsford 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 Moultsford 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.

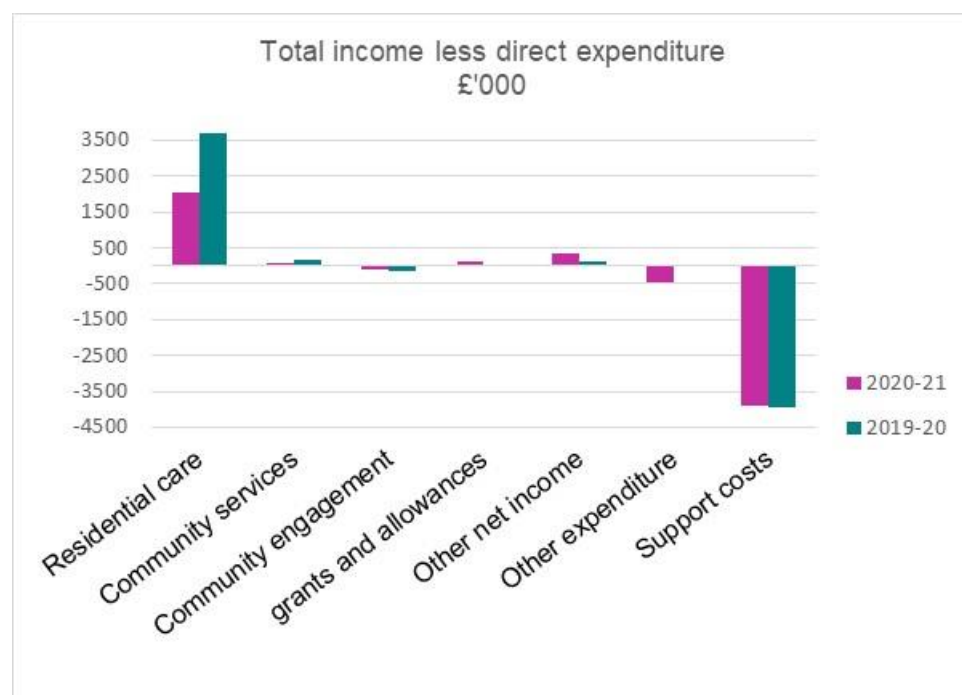
In July 2020, the Charity Commission approved our application to release up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. £450,000 was 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	<ul style="list-style-type: none"> • A permanent Standards and Performance (SAP) team, including responsibility for quality assurance and internal audit.
Abuse or negligence by staff, volunteers or third parties.	<ul style="list-style-type: none"> • 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
COVID-19 outbreak at a care home or a service	<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.
Financial failure – increased risk as a result of COVID-19, and the impact on occupancy	<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.
Failure to comply with legislation or regulatory requirements	<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.
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 CCGs 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 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.
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 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.

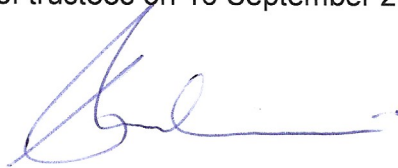
Governance report (continued)

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>	8					
Residential care		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>	8					
Fundraising costs		170	38	-	208	210
Investment management costs		111	-	-	111	103
		281	38	-	319	313
<i>Charitable activities:</i>	8					
Residential care		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.

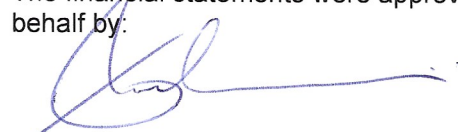
The notes on pages 39 to 67 form part of these financial statements.

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
Total fixed assets		41,657	39,385	41,768	39,494
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
Total current assets		3,476	4,617	3,470	4,554
Creditors					
Amounts falling due within 1 year	17	(3,434)	(3,554)	(3,425)	(3,491)
Net current assets		42	1,063	45	1,063
Total assets less current liabilities		41,699	40,448	41,813	40,557
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		40,089	38,836	40,203	38,945
Defined benefit pension scheme liability	20	(112)	(125)	(112)	(125)
Total net assets		39,977	38,711	40,091	38,820
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
Unrestricted funds:					
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)
Total unrestricted funds		21,651	22,493	21,765	22,602
Total charity funds	22	39,977	38,711	40,091	38,820

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		(1,177)		300
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			4		117
Cash flows from financing activities:					
Drawdown of borrowings		150		450	
Repayments of borrowings		(139)		(117)	
Net cash provided by /(used in) financing activities			11		333
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			1,649		2,811
Cash and cash equivalents comprise the following:					
Cash			1,649		2,811
			1,649		2,811

	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)
	(1,740)	(11)	-	(1,751)
Net debt	1,071	(1,173)	-	(102)

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)
	(1,407)	(333)	-	(1,740)
Net debt	654	417	-	1,071

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
	20,987	-	-	20,987
Investment Income	142	394	1	537
Other income	939	-	-	939
Total	22,266	892	1	23,159
Expenditure on:				
<i>Raising funds:</i>				
Fundraising costs	197	13	-	210
Investment management costs	103	-	-	103
Other costs	-	-	-	-
	300	13	-	313
<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
	21,063	894	36	21,993
Total	21,363	907	36	22,306
Net income/(expenditure) before gains/(losses)	903	(15)	(35)	853
Net (losses)/gains on investments	(158)	(53)	(1,052)	(1,263)
Net (expenditure)/income	745	(68)	(1,087)	(410)
Other recognised gains/(losses)				
Actuarial losses on defined benefit pension	(15)	-	-	(15)
Transfers between funds	(25)	230	(205)	-
Net movement in funds	705	162	(1,292)	(425)
Reconciliation of funds:				
Total funds brought forward	21,788	1,952	15,396	39,136
Total funds carried forward	22,493	2,114	14,104	38,711

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2021:

	Potential Limited £'000	Friends of the Elderly Trading Limited £'000	The Retired Nurses National Home £'000
Income	176	-	-
Total expenditure	(179)	-	-
Gift aid donation to Friends of the Elderly	(3)		
Net movement in funds	(6)	-	-
Net (liabilities)/ assets at 31 March 2021	(3)	10	-

Summary of results for the year ended 31 March 2020:

	Potential Limited £'000	Friends of the Elderly Trading Limited £'000	The Retired Nurses National Home £'000
Income	629	-	-
Total expenditure	(625)	-	-
Net movement in funds	4	-	-
Net assets at 31 March 2020	3	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 £'000	2020 £'000
Donations	556	413
Legacies	144	104
Pro-bono services	38	13
Total excluding government grants	738	530
<i>Government grants (note 7)</i>		
NHS Pathfinders	174	166
COVID-19 Adult Social Care	1,164	-
	<u>2,076</u>	<u>696</u>

5. Investment income

	2021 £'000	2020 £'000
Dividends from investments	433	451
Investment property rental income	108	78
Interest receivable	7	8
	<u>548</u>	<u>537</u>

6. Other income and other expenditure

Other income

	2021 £'000	2020 £'000
Gain on disposal of fixed assets	<u>-</u>	<u>939</u>

Other expenditure

Other expenditure within charitable activities includes:

	2021 £'000	2020 £'000
Impairment charge	351	-
Loss on disposal of fixed assets	<u>89</u>	<u>-</u>
	<u>440</u>	<u>-</u>

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	<u>342</u>	<u>10</u>
	<u>1,680</u>	<u>176</u>

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 £'000	2020 £'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 £'000	2020 £'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	<u>74</u>	<u>86</u>	<u>71</u>	<u>80</u>
	<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	26,905	156	9,063	36,124
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	7,053	112	6,800	13,965
Net book value 31 March 2021	19,852	44	2,263	22,159
Net book value 31 March 2020	20,124	48	2,263	22,435
(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	27,143	156	9,077	36,376
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	7,190	112	6,814	14,116
Net book value 31 March 2021	19,953	44	2,263	22,260
Net book value 31 March 2020	20,223	48	2,263	22,534

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	
Assets in the course of construction	2021	2020	2021	2020
	£'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	2020	2021	2020
	£'000	£'000	£'000	£'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	2020
	£'000	£'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	2020
	£'000	£'000
Onerous lease contracts	<u>-</u>	<u>15</u>
	-	15

Movements in provisions were as follows:

	Group and Charity	
	2021	2020
	£'000	£'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	1,641	100.0%	1,749	100.0%

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
	100% of S2PA	100% of S2PA
Mortality (post-retirement)	CMI_2020_M/F [1.25%] (yob)	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>

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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

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

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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

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.

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