Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

Annual report and financial statements
for the year ended 31 March 2020

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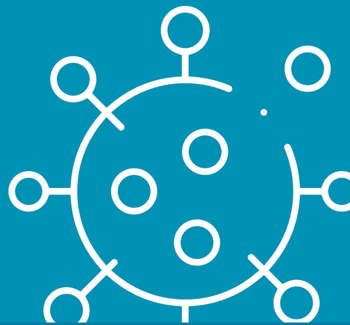

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Awarded a Social Care Digital Pathfinders Grant of £340,000, part of NHS Digital’s Digital Pathfinders project. Working with two technology companies to link acoustic monitoring systems to electronic care planning, supporting responsive and personalised care.

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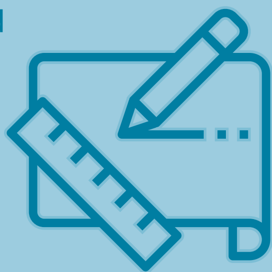

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690 grants given to provide financial help to older people in financial need.

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Chief Executive's introduction

Welcome to our 2019-20 annual report. This report shares our activities and progress over the year, with information about our future plans. However, our reflections on this period are overshadowed by the COVID-19 pandemic and its unparalleled impact on the care sector and the lives of our care home residents, our service users and their families, and our staff.

Firstly, I would like to share the highlights and key events of 2019-20, prior to COVID-19.

During October 2018, we launched our new five-year strategy, *Building better outcomes for all*, and we have spent 2019-20 working towards this. We continue to provide high-quality services and activities that are personalised to individual needs and integrated with local communities. We have also been busy implementing new practices, procedures and technologies to make those services even better.

I was delighted that Little Bramingham Farm, our care home in Luton, received an overall 'Outstanding' rating in its Care Quality Commission (CQC) inspection in February 2020 – something only around 3.5% of care homes achieve. This rating was well deserved for Little Bramingham Farm. The CQC inspection report highlighted the quality care provided, the care and compassion of staff, strong leadership, and that 'community involvement was something that the home did exceptionally well'. This is a great recognition of the Charity's overall strategy of providing outstanding care, enhanced through integration of our services with local communities.

All other CQC inspections in 2019-20 resulted in 'Good' overall ratings. One care home inspected in March 2019 had a rating of 'Requires Improvement'; all actions to address the findings were completed by June 2019 through the implementation of a robust improvement plan.

In October 2019, we sold our smallest care home, Moor House, to a third party. After careful consideration, we concluded this care home did not fit our strategic goals. In particular, this was because there was no scope for further expansion. We were pleased that the purchaser worked well with us to achieve a smooth handover, with minimal disruption for residents who continue to be cared for by the same dedicated staff team.

We progressed our strategy to develop extra care housing linked to local communities. The aim of such developments is to meet the needs of older people who may be living in unsuitable housing and are often isolated, but who do not currently have higher care needs. In March and May 2020, we submitted planning applications for extra care developments in Moulsford in Oxfordshire (34 apartments), and Coulsdon in Surrey (71 apartments) – both on land we already own and designed to complement our existing services.

We were delighted to be successful in our bid for a £340,000 Social Care Digital Pathfinders grant from the NHS. This builds on our experience of electronic care planning to work with two other parties, who are integrating acoustic monitoring technology with digital care planning. The grant is for integrating the technology and rolling it out to the Charity's care homes to provide evidence for the positive impact on the care sector more widely.

During the year, we launched the first of our annual Dementia Conferences. The conferences are part of our flagship Dementia Education Programme, which aims to increase the quality of dementia care provided to residents and service users and is run in partnership with Worcester University's highly regarded Association for Dementia Studies (ADS).

Chief Executive's introduction (continued)

Since the start of the COVID-19 pandemic, Friends of the Elderly has worked incredibly hard to protect our residents, service users, staff and volunteers from the virus. Despite doing all we could to keep the virus out of our services, in late March we had outbreaks in three homes. Sadly, nine residents and one home care service user have died with a COVID-19 diagnosis, and two care home residents died with symptoms of the virus but no diagnosis. Our thoughts are with their families and friends. Since the early summer we have had a small number of positive test results for staff and residents – usually asymptomatic and only picked up through regular testing – with no serious illness.

While we can never promise we will not have a case of the virus in our homes and services again, we can promise we are confident that our new policies and procedures – and now our experience of managing and containing outbreaks – are keeping people as safe as possible. Key actions we undertook are summarised on pages 7-8 of this report.

At the time of writing, we are delighted that an effective vaccine will soon be available for care home residents and staff. We also look forward to receiving Lateral Flow (rapid) tests from the government before Christmas, which will allow more normal visits from family and friends who test negative. There will still be some restrictions on who can visit and how often, and other infection control procedures to keep everyone safe, but this will allow residents some physical contact with loved ones. We hope vaccinations will remove more barriers, enabling our residents to interact with their wider families, friends and communities. Older people not living in care homes are likely also to be prioritised for vaccination, which is very welcome news for our day care and homecare service users and staff.

I feel this quotation from one of our care home managers sums up the strength, commitment and teamwork demonstrated time after time across our services:

"Although things have been tough and the days long, I feel we have come together and learnt something new every day. We have all shown tremendous strength and determination, and for that I am proud to be part of a charity that holds the wellbeing of our residents, and staff at the forefront of their decision making."

Financially, the pandemic has had a significant impact, due to lower care home occupancy and increased costs. We successfully applied to the Charity Commission 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. More information on this is given in the Financial Review on page 16.

The STL funds provide the Charity with a financial cushion that we expect to be sufficient to see us through at least two years of current and post-COVID-19 impact and a return to more usual care home occupancy 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 if necessary.

I am so grateful for the support over the last few months from corporate partners, supporters, local communities, and patrons. This includes donations towards Personal Protective Equipment cost, Mothers' Day flowers and Easter eggs from national supermarkets, curry for staff from local takeaways, messages of support from around the world, and from The Royal Family, and drawings from schoolchildren.

In conclusion, I cannot thank our staff and volunteers enough for the care and dedication they have shown throughout this exceptionally difficult time. Our services currently have banners outside that read 'Superheroes work here', and it is undoubtedly true.

Steve Allen
Group Chief Executive

Trustees' Report for the year ended 31 March 2020

People supported during the year

345 residents on average, living in 12 **care homes**

One CQC **Outstanding** care home rating

All other CQC inspections **'Good'**

Over 1,600 people supported in our communities

240 people supported to live in their **own homes** through 49,000 hours of care

212 people and their carers supported by **day care** services

690 **grants** given to individuals, worth £179,000

Grants for items such as washing machines, cookers, utility arrears, carpets

Plus regular and winter comfort allowances

Woking hub: 402 people attending 182 events

Malvern hub: 105 people attending 41 events

Supported by £696,000 in **donations and legacies**

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 and community services, as well as our befriending 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, activities and opportunities to improve wellbeing.
- 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 and foundations to deliver these often life-changing services.

Throughout this report we refer to Friends of the Elderly as the Charity, and Friends of the Elderly and its subsidiaries as the Group. The subsidiaries are listed on pages 28 to 29, none of which have carried out charitable activities during the year.

Our COVID-19 response

The COVID-19 pandemic brought significant new challenges to Friends of the Elderly, and the whole UK care sector. Our priority has been to protect our residents, service users, staff and volunteers from the virus. We had outbreaks of COVID-19 in three of our homes in March and April 2020. We have learnt from this, and our team has worked relentlessly to update and implement policies and procedures, keeping people as safe as possible, responding quickly to new guidelines and developing new ideas. Key changes to the way we work include:

- 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, with more widespread testing, we were able to finalise an admissions policy that puts 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, but this tough measure was needed to keep people safe.
- Safe garden visits for our residents' families and friends started in July 2020. Cabins for warmer visits outside the care home arrived in some of our sites in August, with internal rooms for visiting available in all of our care homes by the end of November – these visiting rooms and cabins are currently fully screened in line with government guidelines published in November.
- We have been very aware of the adverse impact on residents of being deprived of visits, and the length of time that these restrictions have been in place. We have sought to keep everyone safe and provide appropriate visiting areas that are in line with government guidance. 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 visits to residential homes. A representative of the Charity also sat on the Guidance, Good Practice, and Innovation Advisory Group of the Social Care Sector COVID-19 Support Taskforce, which informed the government's Winter Plan 2020-2021.
- 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 invested heavily in Personal Protective Equipment (PPE), and training in its proper use, from the start. All our care staff, at all times, have had sufficient PPE to comply with our internal policies, which have always reflected government guidance as a minimum.
- Lack of government testing was a continued frustration from early in the pandemic. Starting in September 2020, care home staff have been tested weekly and care home residents monthly. In November we bought two rapid-test machines to help develop our own reserve COVID-19 testing capacity to provide assurance over and above government testing which is still not wholly reliable and available across all services.

Our COVID-19 response (continued)

- We closed our day centres in mid-March. They reopened in September 2020, 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 weekly phone calls. Sadly we had to temporarily close the day centres again in November, as a new national lockdown started. The prospect of effective vaccinations prioritising older people gives us hope that our day centres will be able to offer a full service in future, without the difficulties of adapting to changing local infection risk.
- 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 are part of our Community Connector hub 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 closed our central office in London from mid-March, and we were able to quickly establish remote working for central support teams. We will not let this investment go to waste and are using this as an opportunity to positively adapt our way of working collaboratively.
- Our Senior Management Team (SMT) convened three times a week through video-conferencing (previously monthly). These meetings were also extended to Heads of Department and Regional Directors, to ensure a joined-up response.
- We are learning more every day about how to beat COVID-19 and are participating in a number of research projects with our professional associations, academics, and government departments to ensure that we remain at the forefront of best practice.
- 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.
- We are grateful to the people who have supported us with advice, donations and their time, allowing us the time to grow and learn and to become confident that we are *COVID WISE*. We can therefore continue to do what we do best, supporting older people to live fulfilled lives and putting people at the heart of all that we do.

Objective: achieve better outcomes for all

Dementia training embraced by our staff

- *In last year's report, we talked about our plans for our new dementia education programme for our trustees and staff, in conjunction with the Association for Dementia Studies at Worcester University.*

A successful first Friends of the Elderly Dementia Conference was held in October 2019 in association with the Association for Dementia Studies. More than 60 people attended, including service managers, staff dementia champions, members of the senior management team and trustees. The positive impact of the Dementia Education Programme across our services was evidenced by presentations given by managers and champions about initiatives they are introducing following their training.

We received and reviewed the research commissioned to map the gaps in dementia support in the catchment area of our Malvern services, and as part of this held a stakeholder workshop to get the views of those involved in local dementia services. This research confirmed the need for a range of quality dementia services in the area to support individuals and the local community. COVID-19 has meant we have paused a number of projects, but this research will be used to model our services and inform our staff development in the future.

Supporting older people to engage with their community

Over the last two years, the Charity's Woking-based volunteering team has trialled a 'Community Connector' service, building on the team's experience of running a volunteer-based visiting service for older people in the Woking area. The Community Connector programme is aimed at engaging lonely and isolated older people and offering support that helps them to reconnect with their local community and available support services.

An evaluation of this programme was written by an independent third party. The summary of findings included:

"The Community Connector programme aimed to support lonely and isolated older people in a way that would build confidence, enabling them to become more active and more connected. Of the 82 older people engaged in the programme over one-third now view themselves as attending events independently. These older people no longer need the support of a volunteer to attend events, arrange travel, and are more comfortable completing those daily tasks and personal interactions that are integral to living a healthy, independent life". (Visiting Friends Community Connector Evaluation, Future Proof, December 2019).

At two-thirds, the number of participants still receiving volunteer support at the end of the evaluation was higher than expected, and thought to be partly due to the physical and social needs of those taking part being higher than anticipated. These higher needs did not stop people engaging with community activities, and in fact the bond with the volunteer was often reported to be stronger. The recommendations of the evaluation included consideration of the referral methods, so that those who would benefit most from this service are identified.

Objective: provide outstanding care

Innovation and technology

- *Last year we said we planned to roll out electronic care planning to a further three care homes, following a successful trial.*

During this year, the Charity was awarded a Social Care Digital Pathfinders Grant of £340,000 as part of NHS Digital's Digital Pathfinders project. We have been working with a care planning software provider and a company who have developed wireless acoustic monitoring systems. Linking acoustic monitoring to electronic care planning supports us in providing the best possible personalised care. The grant funds roll-out of the technology in a number of our homes and research to provide evidence for its wider use within the care sector.

One example of the benefit was seen in one of our specialist dementia care homes. The Wireless Acoustic Monitor alerted the night staff team to a resident who was in distress. The team were able to assist her straight away and call an ambulance. The resident had suffered a cardiac arrest but returned to the care home two days later and is now fully recovered.

The resident's daughter said: "*Without the new system, Mum's cardiac arrest could have potentially not been detected until the next scheduled check. I am so grateful Friends of the Elderly has implemented this innovative system."*

Outstanding care recognised by the CQC

We were delighted that our care home in Luton, Little Bramingham Farm, was recognised in February 2020 with an 'Outstanding' Care Quality Commission (CQC) report. It is the highest rating that a care home can receive, after the inspection found that residents "*received exceptionally personalised care and support which met their needs".*

Emma Lawrance, Manager at Little Bramingham Farm, said: *"I just want to say how proud I am of the hard work and dedication of the team. Staff and residents are delighted that we have been awarded "Outstanding". We believe that our commitment and family ethos that we hold at Little Bramingham Farm, along with our engagement with the local community, is the key to our success."*

All other CQC inspections of care homes and home care services during the year resulted in overall 'Good' ratings. Our Malvern care home received a 'Requires Improvement' rating for an inspection that took place in March 2019, and the action plan to address the points raised in the report was complete by June 2019.

Seeing is believing – forward-thinking specialist dementia care

'Seeing is believing' is a video featuring our care home Bradbury Court, which participated in an Association for Dementia Studies project trialling Namaste Care for those living with dementia. This is available to view on the Charity's website. Namaste Care involves staff having one-to-one sessions with residents, preferably in a dedicated room, suitably decorated and lit, providing sensory experiences and activities to stimulate interaction and provide a safe, comforting space for those living with dementia. Following the success of the Bradbury Court trial, there are plans to introduce Namaste Care into several of our other services.

Objective: become an employer of choice

Launch of our Wellbeing Pledge

- *Last year we said that we would be involving staff in developing our Wellbeing Manifesto (now referred to as a Wellbeing Pledge).*

The Wellbeing Pledge was delayed slightly due to COVID-19 priorities and was formally launched in summer 2020. It was created from the feedback and suggestions at a series of workshops that ran in every service over the previous 12 months. The Pledge includes a series of commitments to our staff, with some examples of how each commitment will be put into practice. For example, the commitment to 'Comfort' explains that we will ensure staff feel safe in their role, and that their mental and physical wellbeing is our top priority. We will provide support systems to ensure no one goes unnoticed if they are struggling, as well as training more colleagues to provide psychological and mental health first aid, so that we have the tools to support each other.

In last year's report, we also committed to a new reward and benefits strategy. Although underway this is not yet finalised. Early new initiatives include working with a third party who provides financial support and education, as well as salary advances for a low fee.

Supporting staff through the COVID-19 pandemic

As the nature of the threat of the virus became apparent, we were concerned about the impact on our employees' mental and physical wellbeing. Some examples of additional support given are:

- We provided free meals for care home staff and allowed homecare staff to claim lunches on expenses.
- When basic groceries were difficult to find, we arranged for our catering company, TnS, to sell goods to staff at cost.
- Although our staff either still had work available, or were furloughed on full pay, we were aware that their household finances might be under financial strain as a result of the pandemic, and we launched a staff hardship fund in early April.
- Workplace, the secure internal communications tool from Facebook, launched in the previous year, has proved to be invaluable in helping our teams feel connected with each other, and sharing stories and photographs of activities in the services – many of which have been creatively adapted to respond to the lack of external entertainers.

Reduction in reliance on agency staff

Due to improved recruitment, and the commitment of our staff, agency use in care homes fell by 27% in 2019-20 compared to 2018-19. This excludes long-term agency staff who work exclusively for the Charity for a minimum three-month period.

When the virus started to become a risk in the UK, our teams pulled together to reduce the risk to their residents. Despite higher staff sickness and necessary periods of self-isolation, agency usage reduced by a further 34% when comparing April to June 2020 with February 2020.

Our overall staff turnover rate decreased from 22% in 2018-19 to 20% in 2019-20. This compares to a national care sector average of 25%. Our highest staff turnover is within the first year of employment – actions taken to address this include an improved induction programme, scheduled meetings with the manager to check on progress and happiness in the role, and follow-up by our independent recruitment team.

Objective: deliver financial sustainability and accountability

Overall financial results

- *In last year's report, we said that we had a target of an operational breakeven result in 2019-20, with a return to surplus in 2020-21.*

We were expecting to achieve this target until COVID-19 impacted on care home admissions and costs in March 2020. The operational deficit for the year is £86,000. This is excluding the gain made on sale of assets of £939,000 (mostly the sale of Moor House) and excluding market losses on investments of £1.3m. This was a significant improvement on the operating result of the previous two years, which bore high costs of strategic change.

- *In last year's report, we targeted average occupancy in the homes of 84% of available beds. This target reflected some planned reconfiguration and refurbishment.*

Actual average occupancy for the year was 82%. This includes some homes that were full for much of the year, and others with purposely low occupancy as we planned for reconfiguration or refurbishment projects. Occupancy in the early part of the financial year was also impacted by a slower recovery than expected from 2018-19 winter deaths.

While income was lower than budget, this was compensated for through lower central costs – efforts to reduce our cost base continued, including some management team restructuring. Further detail on results for the year is given in the financial review which starts on page 15.

Investing in the future

The Charity sold Moor House care home for strategic reasons, part of which was to support investment in other services that will be held for the longer term. Of the £948,000 gain on its sale, £900,000 has been notionally set aside for the full refurbishment of one of our largest care homes. As with other big projects, this major refurbishment is currently on hold as a result of revised priorities when dealing with COVID-19.

As part of our longer-term vision, we see extra care housing as a part of our community hub model. The term 'extra care' housing describes developments that comprise self-contained homes with design features and support services available to enable self-care and independent living. Occupants may be owners, part-owners or tenants. This meets the needs of older people who are living in unsuitable housing and are often isolated.

Planning applications for extra care developments in Moulsford in Oxfordshire, and Coulsdon in Surrey were submitted in March and May 2020 respectively – both on land we already own and designed to complement existing services on site. The costs of the planning applications, including architectural plans, were funded by a bank loan of £600,000.

A sustainable IT strategy

During 2019-20, our IT servers were moved from physical servers in London to be cloud-based. New systems, applications and remote working technology have enabled the Charity to automate several of its manual processes bringing increases in productivity and efficiency, and maintaining a high level of connectivity between staff, users of our services and their families.

In March 2020, we had to quickly move our London-based central office team to be temporarily home-based because of COVID-19. This put our new IT strategy unexpectedly, but successfully, to the test. This was a significant upheaval for our team but was completed quickly with little disruption to the support provided to our services.

Fundraising activities

Although the Charity has a high value of net assets, the majority of these are tied up in care home assets 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.

Our central fundraising activities focus on raising money to support our subsidised and free-to-access services, and more recently to help towards the cost of Personal Protective Equipment (PPE). We raise funds from trusts and foundations, individual supporters, community fundraising and events and companies. We also benefit from the generosity of people leaving gifts to us in their wills.

Our voluntary income of £696,000 in the year (2018-19, £653,000) has enabled us to support a range of services and activities including our grants service.

Our local teams also raise money in their communities for the ‘added extras’ for their services. Our care home in Bournemouth, the Retired Nurses National Home, raised money at their annual fete to improve the grounds of the home, including their unique ‘Forget-Me-Not’ garden for people living with dementia.

The Charity is demonstrating our commitment to good fundraising practice, and we have 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 and 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 no one 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.

June, 68, was diagnosed with cancer in 2001. Although cancer-free after two years of treatment, she was left with a disability caused by the cancer. June was just getting over her illness when her husband was diagnosed with terminal cancer. He sadly died in 2008, the year the couple celebrated their 30th wedding anniversary. Before she became ill, June worked as a company secretary and office manager. With everything happening so quickly, June and her husband did not have time to plan for retirement or get any money together.

June told us: *“You think you’re going to retire together, but that’s not always how it works out. I suffer from anxiety and depression as a result of my situation. Without this help from charities like yourself, from people like yourself, well, people like me would just go under. You’ve helped me with repairs to my home – really vital repairs – I just can’t tell you how grateful I am. I’ve worked all my life, so it’s hard to find yourself in a situation where you have to ask for help. For people like me, it’s ‘heat or eat’, it really does come down to that situation.”*

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.

Future plans

COVID WISE

During Spring 2020, we made significant changes to how we deliver our services, while understanding and adhering to government policies. We continuously work incredibly hard to protect our residents, service users, staff and volunteers from the virus.

We expect the pandemic to continue to impact the UK in the coming year, both in terms of health and the economy. We will continue to risk assess and react to changing circumstances and government policies. An area of focus will be finding safe ways of opening our homes to residents' families and friends, taking into account individual needs and based on dynamic risk assessments, having started with garden visits in July 2020.

Care home occupancy

Care home occupancy is the key driver of the Charity's financial results. Occupancy fell by around 12% in the early part of 2020-21 – this was as a result of not accepting any new admissions for two months, but is similar to national statistics for care homes. At the time of preparing this report, occupancy has been stable since June 2020, but there are risks that it could be adversely affected by local lockdowns, national increases in infections, or concerns of potential residents and their families about care home COVID-19 risks.

During 2020-21 we are investing more heavily than usual in our marketing activity, across all channels but with an emphasis on using digital marketing, including social media, to help to fill vacant care home beds.

Extra care developments

At the time of writing this report, we are awaiting decisions on planning applications for two extra care developments. If planning permission is granted this could transform for the better not only the future of the Charity but, importantly, the lives of many older people who will be able to live in homes suitable for their needs, with accessible services and the benefit of a wider community.

If planning applications are successful, then considerable work will need to be undertaken to plan for these major developments and related financing.

Wellbeing

Our support and response will continue to be developed through our Wellbeing Action Plan and our People Strategy, which reflect how we value our colleagues, respect them as individuals, understand their perspectives, and strive to provide a supported environment. A wellbeing staff survey has also been launched in autumn 2020, so that we can track staff views on key measures and ensure that we monitor the increased risk of emotional fatigue among our workforce as a result of working through the pandemic.

Other projects

Many of our larger projects have been necessarily put on hold as a result of COVID-19 – in some cases this is due to prioritisation, in other cases we have not been able to invite non-essential visitors into our care homes which has delayed projects such as major refurbishments.

Future plans (continued)

Future refurbishment projects also need to take into account our learning from COVID-19, including the impact on building design, visiting areas, and infection control. While we hope that COVID-19 will be brought under control through a vaccination, we consider it prudent to learn from this experience to reduce the risk and impact of infectious illnesses generally.

We will continue to reassess our service delivery and priorities as the COVID-19 situation changes, and as our response to the challenges it brings continue to develop. This will include close contact with care sector organisations, to learn from best practice and share our own ideas.

Continued IT investment

We are continuing our investment in IT with a care home time and attendance system – this includes electronic rostering, staff clocking in and out (through facial recognition, including a temperature check), and a seamless link to HR and payroll systems. This will give staff more control over review of their hours and pay, and improve efficiencies both within care homes and in the central support team.

Our IT investment will also include an online grant portal, to make it easier for grant applications to be made by referrers, reduce errors and enable us to provide much-needed financial support more quickly.

Financial Review

Key figures

Our financial position at March 2020 was more robust than it had been in recent years, with improved general reserves and an operating result that was close to break-even, following two years of higher losses due to strategic change.

The result for 2019-20 was on track to be a small operational surplus or smaller deficit. However, March 2020 results were impacted by the initial costs of COVID-19 and a pause in care home admissions.

General reserves increased from £2.8m to £4.1m.

- General reserves includes investment property of £2.3m, which are buildings on care home sites that can be let out to third parties but not easily sold, so accessible general reserves are £1.8m at 31 March 2020 (2018-19: in deficit by £0.1m).
- Some of the increase in the year came from the sale of Moor House.

Overall net movement in funds of £425,000 deficit (2018-19: £226,000 deficit), comprising:

- An operational deficit of £86,000 (2018-19 operational deficit of £886,000, due to some service closures).
- Gain on sale of fixed assets of £939,000, being the sale of Moor House less some small losses on disposal of other items.
- Market losses on investments of £1.3m (2018-19: gain of £675,000) – this loss was unrealised, and all of the loss reversed after the year-end, with £1.9m unrealised gains from March to September 2020, although investment markets continue to be uncertain.
- Pension scheme actuarial losses of £15,000 (2018-19: £15,000) – the pension scheme had an increased surplus position, but this surplus cannot be recognised as an asset of the Charity.

Financial Review (continued)

Impact of COVID-19

COVID-19 has the potential to have a significant longer-term financial impact, due to lower care home occupancy and increased costs.

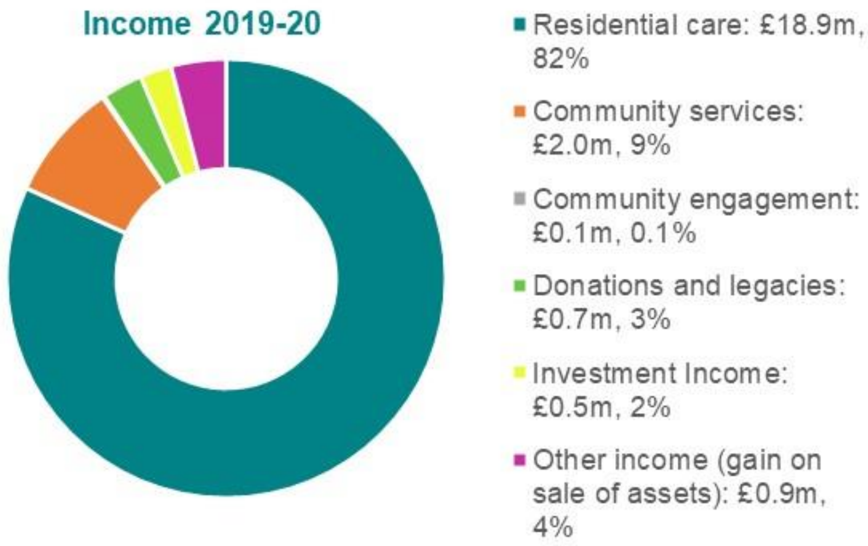
In the short term, the financial impact has been cushioned by the government's Infection Control Fund and Job Retention Scheme, and additional fundraising income. This allows time for our increased marketing activity - as explained in our future plans on page 14 – to have an impact.

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.

Using these funds comes with a requirement to give priority on admission to the STL beneficiaries – former healthcare and social care workers. We are also able to provide funding for several Local Authority residents who fall into this beneficiary group.

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.

Income



Residential care continues to be the largest part of the Charity's activities, with £18.9m of income (2018-19: £19.2m). The slight fall in income in the year relates to the closure of one care home during 2018-19 and the sale of Moor House in 2019-20.

Community services include home care and day care services, and community engagement relates to free-to-access activities such as Visiting Friends and the final part of the three-year Football Friends project. The community engagement activities are generally supported by fundraised income.

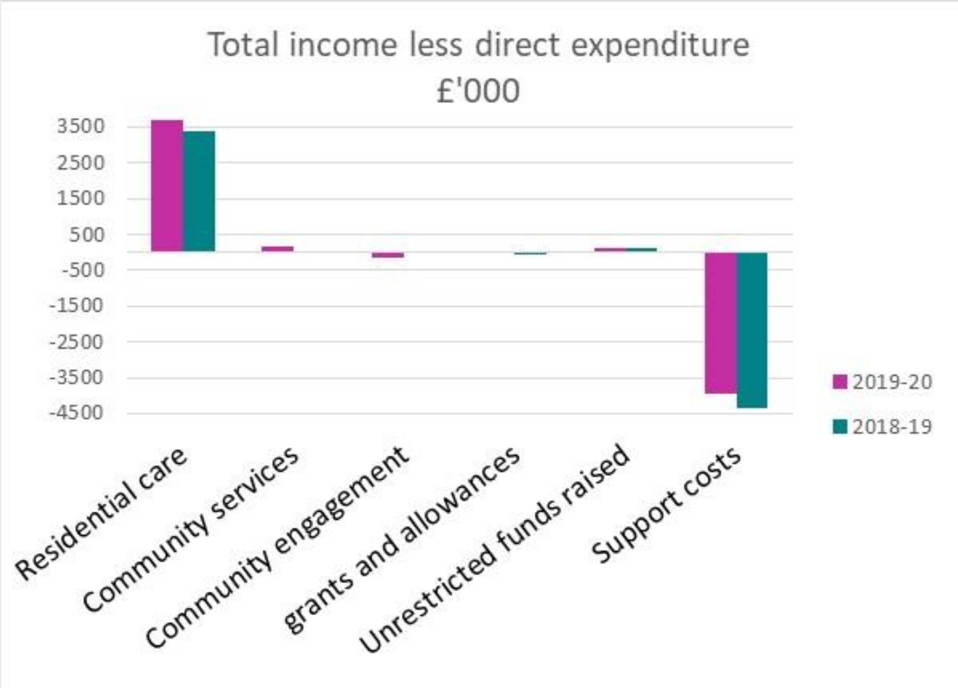
Financial Review (continued)

The majority of investment income (85%) is generated from the Charity's endowed investments, and supports grant-giving and specific care home property costs.

Donations and legacy income include £165,000 of NHS grant income receivable in the year, which is classified for accounting purposes as voluntary income. This grant is for the development of electronic care planning and acoustic monitoring technology with two third-party partners.

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 7 to the financial statements.



All activities cover their direct costs, other than a small deficit from community engagement. For several activities the result is so marginal that it cannot be seen on the graph.

Central support costs reduced in the year, from £4.3m to £3.9m, as a result of ongoing cost-reduction programmes. 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.

Residential care net income covers its attributable support costs, allows for continued re-investment in the care home services and properties, and provides additional funding for the other activities of the Charity.

Both residential care and community services results improved slightly on the previous year, following closure costs of one care home and one large home care branch during 2018-19.

Longer-term, our aim is for the other activities to provide a greater contribution to their necessary costs of support.

Financial Review (continued)

Grants and allowances

Direct grants and allowances provided to beneficiaries were £217,000, a decrease of £17,000 on 2018-19 due to some team changes.

The grants given were funded by fundraising income of £214,000, including a £100,000 contribution from the Edward Gostling Foundation. It was also supported by income from endowed investments. 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 expended in accordance with the restrictions placed on the endowment, and principally relates to funds for grants and for care home upkeep.

Investments lost £1.3m of market value during 2019-20 as a result of market falls in March 2020 as the economic impact of COVID-19 hit. These losses are unrealised, and were fully reversed by June 2020, with a £1.9m gain between March and September 2020.

Market uncertainty is expected to continue. The majority of our investments are held for the long-term, so short-term losses are unlikely to be realised.

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 set by the trustees which take into account acceptable levels of risk and the balance between income and capital requirements. Investment managers are Legal & General Investment Management (LGIM) and CCLA Investment Management Ltd (CCLA).

Investment performance 2019-20

	CCLA	LGIM		Total
		Investment funds	Cash funds	
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	6,428	7,984	44	14,456
Deposits	1,400	-	-	1,400
Unrealised losses	(369)	(894)	-	(1,263)
Balance at 31 March 2020	**7,459**	**7,090**	**44**	**14,593**
Investment income	236	216	-	**452**
Capital return	-5%	-11%	0%	-8%
Income return	3.4%	2.7%	0%	3.0%

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.

Financial Review (continued)

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 2020 (2019: £2.9m, the fall being due to sale of one property in 2019-20).

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 at March 2019. The trustees do not consider that there were any indicators of material changes in value as at March 2020. Residential property prices did not change significantly in summer 2020; however, with the UK economy in recession, it is possible that values of the properties may reduce.

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 value. Their 'value' is the higher of 'fair value' - the amount a property could be sold for (either as a going concern or otherwise), less costs of sale – or 'value in use' – the replacement cost of the asset discounted to reflect its current age and condition.

To assess the market value of each of our care homes, we have used data from care sector analysts – their forecasts around national occupancy rates, the potential for future waves of COVID-19, and the factors that will impact on recovery of the care sector. We have considered this in conjunction with formal valuations received in the past for our care homes, updated for current and forecast results.

As a result of our impairment review, we have identified no care homes where the carrying value of the fixed asset is higher than either its fair value or value in use, as at 31 March 2020.

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 £82,000 (2019: £32,000). This is an asset that cannot be recognised on the Group's balance sheet.

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 £125,000 (2019: £146,000) is the net present value of future deficit contributions payable to the schemes.

Financial Review (continued)

Funds

Net assets at 31 March 2020 were £38.7m, compared to £39.1m at 31 March 2019. The reduction arises from the unrealised investment losses of £1.7m and operational deficit of £86,000, net of the gain on sale of assets of £939,000.

Much of these net assets are tied up in care home properties, fixtures and fittings, or are endowed or restricted funds that can only be used for specific purposes.

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 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
Restricted funds	2,114	1,952	2,114	1,952
Endowments	14,104	15,396	14,104	15,396
Unrestricted funds:				
Designated funds	18,481	19,177	18,580	19,271
General reserves - revaluation reserve	1,991	2,281	1,991	2,281
General reserves - other	2,146	476	2,156	486
Pension reserve	(125)	(146)	(125)	(146)
Total unrestricted funds	22,493	21,788	22,602	21,892
Total funds	**38,711**	**39,136**	**38,820**	**39,240**

- **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.

Financial Review (continued)

Reserves policy (continued)

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

- ensure that regular, efficient, grant-giving can continue.

The trustees have adopted a risk-based approach to benchmark the appropriate level of general reserves, considering the likelihood and costs of interruption of the Charity's different activities. The key risks are considered to be forced or voluntary closure of services due to factors outside of our control, resulting in loss of revenues, higher costs in the short-term and redundancy costs.

- The cost of the risk of having to close 25% of care beds, as it would be highly unlikely that all our care homes would close at once. This excludes the Retired Nurses National Home which has an expendable endowment that could support its care home operations if necessary.
- The costs that would arise if all home care and day care services were closed (given there are relatively few of them).

The target levels of general reserves, and levels of reserves carried at 31 March 2020 for the Group were:

	£'000
Target general reserves	1,503
General reserves at 31 March 2020	4,137
General reserves excl. investment property	1,805

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 above target at the end of the year, with a small amount of headroom for additional risk relating to investment market losses,

'Free' reserves, further excluding tangible and intangible fixed assets as well as investment property, are £1,573,000. This fluctuates due to working capital requirements and market gains and losses on investments in stocks and shares.

The trustees are currently reviewing the target level of general reserves. The financial impact of COVID-19 has given new insights into the nature and impact of adverse events for which reserves should be held.

Financial Review (continued)

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 the date of approval of the financial statements.

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 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.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, strategic plans, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to June 2022, and are stress-tested through modelling a range of adverse scenarios and the potential mitigating actions.

Going concern – key risks and uncertainties

Care home occupancy continues to be the most significant uncertainty with major financial impact.

Care home occupancy has been particularly impacted by COVID-19, and this remains a major risk. We paused new admissions in all our care homes for two months (March to May 2020), resulting in a 12% fall in occupancy. This was necessary for the safety of our existing residents and our staff, at a time when government policy did not require hospitals to test people being discharged into care homes, and we would be unlikely to need such a drastic measure in future. Occupancy has been largely stable since June.

Other areas of uncertainty that impact on finances include:

- Day care services – these were closed in March and reopened in September, but with smaller numbers. Changes in national or local government policies could require these to close again in future.
- The numbers of staff either self-isolating or unable to work due to illness. This is mitigated as far as possible through clear policies, private COVID-19 testing available as a back-up, recruitment for ‘key workers’, and arranging for agency staff exclusive to our service.
- Government financial support. We have received funding from the government’s Job Retention Scheme and Infection Control Funding. Further funding in the event of widespread outbreaks could help manage costs.

The financial impact of scenarios which were prepared to assess going concern reflect these uncertainties, although we have assumed no new financial support from the government. Mitigating actions are reflected in the scenarios modelled, focusing on cost-cutting options that could be made from September 2021.

Financial Review (continued)

Going concern – conclusions

The scenarios used to stress-test management's forecasts show that the Charity would still be able to continue as a going concern June 2022, as a minimum, even if occupancy was to fall by 25% compared to the budget approved prior to COVID-19. This is due to the availability of £3m of funding from STL, which provides a financial cushion, and allows time for remedial actions such as increased investment in care home marketing, or mitigating cost-cutting actions, to have an effect.

The trustees consider that there are no material uncertainties about the Charity 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 date of approving these financial statements, and therefore the going concern basis is adopted in the financial statements

Longer-term, we will be reviewing the impact on the care sector as a whole and over the coming year will adapt our strategy if necessary.

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 and the SMT, with individuals having primary responsibility as risk owners of specific risks on the risk register. The main risks and the mitigating actions are shown below.

Risk	Mitigating actions
Safeguarding failure Abuse or negligence by staff, volunteers or third parties.	• A permanent Standards & Performance (S&P) team (previously the Quality & Innovation team). • Safeguarding policies and their application reviewed with the Social Care Institute for Excellence (SCIE). Staff and volunteer safeguarding training. Safeguarding Adults Sub-Committee meets quarterly. • Policies to investigate complaints raised by service users and their family members. Whistleblowing procedures for staff and volunteers.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
COVID-19 outbreak at a care home or a service	• Local written response plan for each care home and service. Charity-level response and business continuity plan updated weekly through SMT meetings. • Specific policies and procedures approved and kept up to date when government guidance changes. • 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	• 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	• 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.
Other infectious disease outbreak at Group premises	• 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. • Business interruption insurance covers infectious disease on the premises.
Premises are unusable or dangerous (in the short-term) Due to serious damage (e.g. fire or flooding) or other unexpected problems (e.g. adverse weather).	• Business continuity plans are in place. Insurance policies in place. • Primary Authority Partnership entered into with Surrey Fire and Rescue Service. Fire detection and fire extinguishing systems. Fire training for staff. • Health and Safety obligations overseen by S&P team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Employees and volunteers

Equal opportunities

As an employer, charity and care and support operator, Friends of the Elderly is committed to sustained action, visible leadership, and a willingness to change in order to establish a working environment and culture that attracts and retains the best people who champion our vision, mission and values.

Our Equality and Diversity Policy aims to set a positive way forward for valuing diversity in the workforce and eradicating discriminatory practices. Harassment of any kind, of or by a service user or employee, is not tolerated and is dealt with under the terms of this policy.

We aim to protect and enhance the dignity of employees and service users with diverse backgrounds and beliefs by employing good management practices and providing a safe working environment, free from discrimination and harassment. We ensure that recruitment, appraisal and training systems are designed so that an individual is appointed and promoted on the basis of their ability and performance, irrespective of background, beliefs or socio-economic context.

We encourage applications from people with disabilities, developing 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.

As we witnessed the Black Lives Matter movement resonate across the world in 2020, the sentiments behind this campaign helped us all be more aware of our behaviour – and that we can all do more to promote diversity, equality and inclusion throughout society. In addition to this, we have also seen evidence of the disproportionate impact COVID-19 has had on our Black, Asian and Minority Ethnic (BAME) colleagues in the health and social care sector.

These two issues combined have reinforced our commitment to fully support our BAME colleagues and communities affected by our services and activities. In summer 2020 we talked to our staff and reviewed our policies and actions in the workplace to identify where additional support was required. This included adding ethnicity as a factor for individual COVID-19 risk assessments and ensuring access to the appropriate PPE with fit-testing incorporated into training. It also included a commitment to engage with BAME colleagues by giving dedicated time and actively listening to their concerns regarding COVID-19, and any other issues they might face in their working and personal lives.

Key management personnel

Key management personnel comprise the Group's Strategic Leadership Team, the Senior Management Team 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 Charity Secretary 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.

Employees and volunteers (continued)

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 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 launched in the previous year, 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.

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. An example of a major decision during 2019-20 that affected employees was the sale of the Moor House care home. All Moor House staff transferred to the new owner under Transfer of Undertakings (Protection of Employment) (TUPE) regulations, but we understand that this was concerning and unsettling for the Moor House team. We managed this as well as possible through careful planning, continued communication throughout the transition period, an early introduction with the buyer's management team, and a joined-up approach to the handover between the buyer and the Charity's team.

Engagement with stakeholders

Our stakeholders include (but are not limited to) care home residents, service users, their families and friends, employees and volunteers, activity participants from the community, grant recipients, donors, local communities, suppliers, 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 keep a range of stakeholders and supporters up to date with 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 up-to-date with 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 purpose, with strategic objectives set to enable the Charity to achieve its aims. 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 following questions as part of a scoring system:

- Does this progress our strategy?
- How important is it for us to drive this forward? Are we the best-placed organisation to carry this out? Or are we better in a partner/ support role?
- Will it result in a clear and positive impact on the beneficiaries, in the context of our focus areas (geographies and expertise), and the size of the investment?
- Is it self-sustaining within the appropriate timeframe for the investment?
- Is it the right timing?
- How will it impact on morale, culture, staff retention and stakeholder relations over the next 12-18 months?
- Do we have the skills, knowledge and capacity to deliver, without adversely impacting other projects?
- Do we have the level of management attention and resilience needed, without detriment to other objectives?

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 & 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 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 2020 was:

	Energy consumption kWh	Greenhouse gas emissions tCO2e
Gas	6,967,143	1,282
Electricity	1,776,250	503
Transport	467,622	109
Total	9,211,015	1,894
Per resident	26.85	5.52

Care homes, and in particular heating, are the main driver for the Charity's energy use. Where possible, care homes have efficient equipment (such as LED lighting or modern heating boilers), and optimised controls for lighting and plant rooms.

As a result of COVID-19, the Charity has significantly reduced the use of private cars to travel to meetings, replacing face-to-face meetings with effective video conferencing. Transport energy consumption is likely to remain lower in future even without COVID-19 restrictions.

During the year, the Charity has upgraded three care home sites to operate Building Management Systems (computer-based systems to control and monitor energy use), and upgraded 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 also monitoring and communication.

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.

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 32.

Governance report (continued)

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. The intention is for it to be wound up as a company.
- **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. The RNNH retains strong links with its health and social care heritage. 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**. On 29 May 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 which is chaired by a trustee of the Charity. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts. Any deficit arising on the scheme is included as a liability of the Charity, but a scheme surplus is not recognised as an asset of the Charity.

Trustees and their support

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

- Trustees are appointed by the Board of Trustees of the Charity. They are also directors for the purpose of company law.
- They then hold office for a period 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 investments, strategic delivery, board nominations, and remuneration and employment.

Governance report (continued)

- 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 (SLT) and the Senior Management Team (SMT), 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 13 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.

Basis of preparation

The annual report for the year ended 31 March 2020 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 32.

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:

Governance report (continued)

Statement of trustees' responsibilities (continued)

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

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

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

Statement of disclosure of information to auditors

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

- there is no relevant audit information of which the Group's auditors are unaware, and

- the trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 3 December 2020 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*
Sonia Campbell (from 20 Sept 2019) *3*
Rob Chapman *1*
Viscount Devonport (to 17 Sept 2020) *4*
Rikki Garcia *2, 3*
Chris Maidment *1, 2*
Simon J. Passman *4, 2*
Sharon Prosser *4*
James Ross *(to 31 Dec 2019) 2, 4*
Kerry Rubie (*Chair*) *2*
Jeremy Withers Green *(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 Strategic 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 for the year ended 31 March 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2020 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 the 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

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 its 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 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 30 to 31, the trustees (who are also the directors of the 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's and 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 that Act.

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

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

Use of our report

This report is made solely to the charitable company's members and the trustees, 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 charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

LMHazell
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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: 16 December 2020

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 2020 (incorporating the consolidated income and expenditure account)

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2020 £'000	Total Funds 2019 £'000
Income from:						
Donations and legacies	*4*	198	498	-	**696**	653
Income from charitable activities:	*7*					
Residential care		18,935	-	-	**18,935**	19,227
Community services		2,020	-	-	**2,020**	2,536
Community engagement		32	-	-	**32**	38
		20,987	-	-	**20,987**	21,801
Investment Income	*5*	142	394	1	**537**	471
Other income	*6*	939	-	-	**939**	8
Total		22,266	892	1	**23,159**	22,933
Expenditure on:						
Raising funds:	*7*					
Fundraising costs		197	13	-	**210**	246
Investment management costs		103	-	-	**103**	69
		300	13	-	**313**	315
Charitable activities:	*7*					
Residential care		17,965	560	36	**18,561**	19,017
Community services		2,603	53	-	**2,656**	3,677
Community engagement		327	60	-	**387**	385
Grants and allowances		168	221	-	**389**	371
		21,063	894	36	**21,993**	23,450
Other Expenditure	*6*	-	-	-	**-**	54
Total		21,363	907	36	**22,306**	23,819
Net income/(expenditure) before gains/(losses) on investments	*8*	**903**	**(15)**	**(35)**	**853**	(886)
Net (losses)/gains on investments	*14*	(158)	(53)	(1,052)	**(1,263)**	675
Net (expenditure)/income		745	(68)	(1,087)	**(410)**	(211)
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension scheme	*19*	(15)	-	-	**(15)**	(15)
Transfers between funds	*21*	(25)	230	(205)	**-**	-
Net movement in funds		**705**	**162**	**(1,292)**	**(425)**	(226)
Reconciliation of funds:						
Total funds brought forward	*21*	21,788	1,952	15,396	**39,136**	39,362
Total funds carried forward	*21*	**22,493**	**2,114**	**14,104**	**38,711**	39,136

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 2019 by fund are disclosed in note 2.

The notes on pages 39 to 69 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2020

		Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
Fixed assets	*Notes*				
Intangible assets	*12*	25	49	25	49
Tangible assets	*13*	22,435	22,897	22,534	22,991
Investments	*14*	16,925	17,322	16,935	17,332
Total fixed assets		39,385	40,268	39,494	40,372
Current assets					
Debtors	*15*	1,806	1,610	1,753	1,587
Cash at bank and in hand		2,811	2,061	2,801	2,061
Total current assets		4,617	3,671	4,554	3,648
Creditors					
Amounts falling due within 1 year	*16*	(3,554)	(3,267)	(3,491)	(3,244)
Net current assets		1,063	404	1,063	404
Total assets less current liabilities		40,448	40,672	40,557	40,776
Creditors					
Amounts falling due after more than one year	*17*	(1,597)	(1,304)	(1,597)	(1,304)
Provisions for liabilities	*18*	(15)	(86)	(15)	(86)
Net assets excluding pension liabilities		38,836	39,282	38,945	39,386
Defined benefit pension scheme liability	*19*	(125)	(146)	(125)	(146)
Total net assets		**38,711**	**39,136**	**38,820**	**39,240**
The funds of the charity:					
Restricted funds	*21*	2,114	1,952	2,114	1,952
Endowments	*21*	14,104	15,396	14,104	15,396
Unrestricted funds:					
Designated funds	*21*	18,481	19,177	18,580	19,271
General reserves - revaluation reserve	*21*	1,991	2,281	1,991	2,281
General reserves - other	*21*	2,146	476	2,156	486
Pension reserve	*21*	(125)	(146)	(125)	(146)
Total unrestricted funds		22,493	21,788	22,602	21,892
Total charity funds	*21*	**38,711**	**39,136**	**38,820**	**39,240**

The notes on pages 39 to 69 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net expenditure for the year is £420,000, which includes unrealised losses on investments of £1,263,000 (2018-19: net expenditure of £230,000, including unrealised gains on investments of £675,000).

The financial statements were approved by the Board of Trustees on 3 December 2020 and were signed on their behalf by Kerry Rubie (Chair)

Consolidated statement of cash flows for the year ended 31 March 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities:					
Net cash provided by operating activities	23		**300**		**871**
Cash flows from investing activities:					
Dividends, interest and rents from investments		537		471	
Interest payable		(34)		(34)	
Purchase of intangible fixed assets		-		(21)	
Purchase of property, plant and equipment		(1,270)		(778)	
Purchase of investments		(1,400)		-	
Proceeds from sale of investments		522		203	
Proceeds from sale of property, plant and equipment		1,762		8	
Net cash provided by /(used in) investing activities			**117**		**(151)**
Cash flows from financing activities:					
Drawdown of borrowings		450		-	
Repayments of borrowings		(117)		(92)	
Net cash provided by /(used in) financing activities			**333**		**(92)**
Change in cash and cash equivalents in the year			750		628
Cash and cash equivalents at the beginning of the year			2,061		1,433
Cash and cash equivalents at the end of the year			**2,811**		**2,061**
Cash and cash equivalents comprise the following:					
Cash			2,811		2,061
			2,811		**2,061**

Analysis of net debt

	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**

Analysis of net debt for the prior year

	At 1 April 2018 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2019 £'000
Cash and cash equivalents				
Cash	1,433	628	-	2,061
Borrowings				
Debt due within one year	(92)	92	(103)	(103)
Debt due after one year	(1,407)	-	103	(1,304)
	(1,499)	92	-	(1,407)
Net debt	**(66)**	**720**	**-**	**654**

Notes to the financial statements for the year ended 31 March 2020

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 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.

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, strategic plans, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to June 2022, and are stress-tested through modelling a range of adverse scenarios and the potential mitigating actions.

Going concern – key risks and uncertainties

Care home occupancy continues to be the most significant uncertainty with major financial impact.

Care home occupancy has been particularly impacted by COVID-19, and this remains a major risk. The Charity paused new admissions in all our care homes for two months (March to May 2020), resulting in a 12% fall in occupancy. This was necessary for the safety of existing residents and staff, at a time government policy did not require hospitals to test people being discharged into care homes, and such a drastic measure would be unlikely to be needed in future. Occupancy has been largely stable since June.

Other areas of uncertainty that impact on finances include:

- Day care services – these were closed in March and reopened in September, but with smaller numbers. Changes in national or local government policies could require these to close again in future.

1. Principal accounting policies (continued)

- The numbers of staff either self-isolating or unable to work due to illness. This is mitigated as far as possible through clear policies, private COVID-19 testing available as a back-up, recruitment for 'key workers', and arranging for agency staff exclusive to specific services.

- Government financial support. The charity received funding from the government's Job Retention Scheme and Infection Control Funding in the summer and autumn of 2020. Further funding in the event of widespread outbreaks could help manage costs.

Adverse scenarios prepared to assess going concern reflect these uncertainties, although assuming no new financial support from the government. Mitigating actions are reflected in the scenarios modelled, focusing on cost-cutting options that could be made from September 2021.

Going concern – conclusions

The scenarios used to stress-test management forecast show that the Charity would still be able to continue as a going concern until June 2022, as a minimum, even if occupancy was to fall by 25% compared to the budget approved prior to COVID-19. This is due to the availability of £3m of funding from STL, which provides a financial cushion, and allows time for remedial actions such as increased investment in care home marketing, or mitigating cost-cutting actions, to have an effect.

The trustees consider that there are no material uncertainties about the Charity 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).

(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.

(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 7.

(f) Donated services and facilities

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

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

(g) Intangible fixed assets and amortisation

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

Computer software: 3 years

(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.

1. Principal accounting policies (continued)

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 £25,000 per bed, based on sector information on the marketable value of older care homes. Residual values for other assets are deemed to be nil.

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

(i) Impairment of fixed assets

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

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

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

(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.

1. Principal accounting policies (continued)

(k) Other investments

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

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

(l) Debtors

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

(m) Resident deposits

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

(n) Cash at bank and in hand

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

(o) Creditors and provisions

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

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

(p) Financial instruments

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

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.

1. Principal accounting policies (continued)

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.

(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

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.

1. Principal accounting policies (continued)

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 emerging 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.

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.

Tangible fixed assets and depreciation

Note 1(i) 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. For the structure and external fabric 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.

Residential property market indices have been considered for the period since year-end to identify any material impact on investment property valuations as at year-end. No indicators of material changes in value have been identified at the time of approval of the financial statements, but the risk of future falls in the residential property market remains.

2. Consolidated statement of financial activities by fund 2019

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2019 £'000
Income from:				
Donations and legacies	229	424	-	**653**
Income from charitable activities:				
Residential care	17,696	1,531	-	**19,227**
Community services	8	2,528	-	**2,536**
Community engagement	28	10	-	**38**
	17,732	4,069	-	**21,801**
Investment Income	105	365	1	**471**
Other income	8	-	-	**8**
Total	18,074	4,858	1	**22,933**
Expenditure on:				
Raising funds:				
Fundraising costs	236	10	-	**246**
Investment management costs	69	-	-	**69**
	305	10	-	**315**
Charitable activities:				
Residential care	16,813	2,098	106	**19,017**
Community services	808	2,869	-	**3,677**
Community engagement	157	228	-	**385**
Grants and allowances	137	234	-	**371**
	17,915	5,429	106	**23,450**
Other Expenditure	54	-	-	**54**
Total	18,274	5,439	106	**23,819**
Net (expenditure) before gains on investments	**(200)**	**(581)**	**(105)**	**(886)**
Net gains on investments	84	20	571	**675**
Net (expenditure)/income	(116)	(561)	466	**(211)**
Other recognised gains/(losses)				
Actuarial losses on defined benefit pension	(15)	-	-	**(15)**
Transfers between funds	(280)	280	-	**-**
Net movement in funds	**(411)**	**(281)**	**466**	**(226)**
Reconciliation of funds:				
Total funds brought forward	22,199	2,233	14,930	**39,362**
Total funds carried forward	**21,788**	**1,952**	**15,396**	**39,136**

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2020:

	Potential Limited £'000	**Triangle Community Services 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	-

Summary of results for the year ended 31 March 2019:

	Potential Limited £'000	**Triangle Community Services Limited £'000**	**Friends of the Elderly Trading Limited £'000**	**The Retired Nurses National Home £'000**
Income excluding other income	145	2,651	-	1,571
Other income - intercompany loan waived	-	1,000	-	-
Total income	145	3,651	-	1,571
Total expenditure	(144)	(3,274)	-	(1,806)
Net income/(expenditure) before gains on investments and transfers	1	377	-	(235)
Gains on investments	-	-	-	34
Transfer of assets	-	(212)	-	(3,252)
Net movement in funds	1	165	-	(3,453)
Profits distributed to the Charity	-	-	-	-
Net (liabilities)/ assets at 31 March 2019	(1)	-	10	-

The results for Triangle in 2019 included other income recorded of £1,000,000 representing waiver of an intercompany balance owed to Friends of the Elderly.

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.

Triangle Community Services Limited (a charitable company, limited by guarantee) is a wholly-owned subsidiary of Friends of the Elderly; it provided homecare, day care and other support services, facilities and practical advice for those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage. Triangle's activities, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019 as part of a group merger. Its charity registration number is 1016437, and its company registration number is 2698380. 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.

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

	2020	2019
	£'000	£'000
Donations	413	464
Legacies	104	176
Pro-bono services	13	13
Government grant	166	-
	696	653

The government grant relates to a Social Care Digital Pathfinders grant from the NHS.

5. Investment income

	2020	2019
	£'000	£'000
Dividends from investments	451	384
Investment property rental income	78	83
Interest receivable	8	4
	537	471

6. Other income and other expenditure

Other income

	2020	2019
	£'000	£'000
Gain on disposal of fixed assets	939	8

Other expenditure

	2020	2019
	£'000	£'000
Loss on disposal of fixed assets	-	54

7. Analysis of income and expenditure by charitable activity

	Residential care 2020 £'000	Community services 2020 £'000	Community engagement 2020 £'000	Grants and allowances 2020 £'000	Raising funds 2020 £'000	Total 2020 £'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
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
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)**

This analysis does not include other income or other expenditure, as it does not relate to a specific activity.

The analysis for 2019 is as follows:

	Residential care 2019 £'000	Community services 2019 £'000	Community engagement 2019 £'000	Grants and allowances 2019 £'000	Raising funds 2019 £'000	Total 2019 £'000
Direct income	19,227	2,536	38	-	-	21,801
Attributable fundraising income	43	43	151	173	243	653
Attributable investment income	326	-	-	39	106	471
Total income	**19,596**	**2,579**	**189**	**212**	**349**	**22,925**
Direct expenditure	16,085	2,568	183	-	217	19,053
Restricted funds gifted	146	-	-	-	-	146
Grant-funding of activities	-	-	-	234	-	234
Attributable support costs:						
Governance	210	65	15	10	7	307
Operations, quality and training	756	529	68	63	-	1,416
Property	189	23	-	-	7	219
Finance, HR and IT	1,130	257	23	15	21	1,446
Recruitment, marketing, communications	348	153	61	37	51	650
Strategic and executive	153	82	35	12	12	294
Total attributable support costs	2,786	1,109	202	137	98	4,332
Total expenditure	**19,017**	**3,677**	**385**	**371**	**315**	**23,765**
Net surplus/ (deficit)	**579**	**(1,098)**	**(196)**	**(159)**	**34**	**(840)**

7. 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

8. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2020 **£'000**	**2019** **£'000**
Staff costs (Note 9)	15,280	16,224
Amortisation of intangible fixed assets (Note 12)	24	80
Depreciation of tangible fixed assets (Note 13)	923	967
Auditors' remuneration - Audit of the Charity (current year)	31	22
Auditors' remuneration - Audit of the Charity (prior year)	5	-
Auditors' remuneration - Audit of subsidiary undertakings	6	11
Auditors' remuneration - Other Services	2	2
Professional indemnity insurance	2	2
Pension scheme net finance charge	2	5
Operating lease rentals	220	209

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

9. Staff costs

	2020	**2019**
Staff costs were as follows:	**£'000**	**£'000**
Salaries	10,798	11,783
Social security costs	812	867
Pension costs	531	402
	12,141	13,052
Agency - Care	1,736	1,798
Agency - Non-Care	7	13
Contract staff costs	1,396	1,361
Agency and contract costs	3,139	3,172

9. 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.

	2020	2019
	£'000	£'000
Redundancy payments	15	229
Ex gratia payments	23	16
	38	245

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

	2020	2019
	No.	No.
£60,001 - £70,000	6	3
£70,001 - £80,000	2	3
£80,000 - £90,000	1	2
£90,000 to £100,000	-	1
£100,000 to £110,000	1	-

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 (2019: none).

	2020	2019
	£'000	£'000
Total emoluments	724	682
	No.	No.
Average number of Senior Management Team	8.0	9.0

10. Staff numbers

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

Employee numbers	2020	2019	2020	2019
	Headcount	Headcount	FTE	FTE
	No.	No.	No.	No.
Care staff	504	589	366	405
Support staff	86	107	80	99
	590	696	446	504

11. Related party transactions

Trustees

Robert Chapman, a trustee of Triangle Community Services, is also a councillor with the London Borough of Hackney. During the year ended 31 March 2020 £nil (2019: £24,000) was invoiced to the London Borough of Hackney for care services undertaken, and at 31 March 2020 £nil was outstanding (2019: £14,000).

The trustees received no remuneration for their services (2019: £nil). During the year ended 31 March 2020, no expenses were paid to any trustee for costs incurred in the course of their duties as trustee of the Charity (2019: £2,658 to one trustee).

No donations were made by a related party of any trustee to the Group during the year (2019: £nil). Expenses waived by trustees during the year were not material (2019: not material).

Key management personnel

There are no related party transactions with key management personnel to report for the year ended 31 March 2020.

During the year ended 31 March 2019, the Charity rented office space from a related party of Steve Allen, the Chief Executive of the Charity. The cost of rent and fully-inclusive service charges, from the date the party became a related party (September 2018), was £4,800. This is considered to be on an arms-length basis. £nil was due to the related party as at 31 March 2019.

Intercompany transactions

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

	2020	2019
Amounts charged/ (credited) to Triangle:	**£'000**	**£'000**
Rent charged	-	65
Management charge	-	242
Learning and Development recharge	-	38
Grant paid	-	(51)
Waiver of amounts due from Triangle	-	(1,000)
Transfer of net assets to the Charity	-	213
	-	(493)

	2020	2019
Amounts charged to the RNNH:	**£'000**	**£'000**
Learning and Development recharge	-	17
Management charge	-	158
Transfer of net assets	-	3,252
	-	3,427

	2020	2019
Amounts charged/ (credited) to Potential	**£'000**	**£'000**
Management fee	3	1
Property development costs recharged (capitalised within the Charity)	(614)	(145)
	(611)	(144)

11. Related party transactions (continued)

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

	2020 £'000	2019 £'000
Amounts due to Potential	(91)	(47)
Amounts due to Friends of the Elderly Trading Limited	(5)	(5)
	(96)	(52)

12. Intangible fixed assets

	Group and Charity
Computer software	
	£'000
Cost	
At 1 April 2019	633
Additions	-
Disposals	-
At 31 March 2020	633
Amortisation	
At 1 April 2019	584
Charge for the year	24
Eliminated on disposal	-
At 31 March 2020	608
Net book value 31 March 2020	**25**
Net book value 31 March 2019	49

13. Tangible fixed assets

(a) Group	**Freehold & Long Leasehold Property**	**Short Leasehold Property Improvements**	**Fixtures, Equipment and Vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2019	26,851	156	8,676	35,683
Additions	644	-	626	1,270
Disposals	(940)	-	(277)	(1,217)
At 31 March 2020	26,555	156	9,025	35,736
Depreciation				
At 1 April 2019	6,380	104	6,302	12,786
Charge for the year	275	4	644	923
Eliminated on disposal	(224)	-	(184)	(408)
At 31 March 2020	6,431	108	6,762	13,301
Net book value 31 March 2020	**20,124**	**48**	**2,263**	**22,435**
Net book value 31 March 2019	20,471	52	2,374	22,897

(b) Charity	**Freehold & Long Leasehold Property**	**Short Leasehold Property Improvements**	**Fixtures, Equipment and Vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2019	27,075	156	8,717	35,948
Additions	649	-	626	1,275
Disposals	(940)	-	(291)	(1,231)
At 31 March 2020	26,784	156	9,052	35,992
Depreciation				
At 1 April 2019	6,510	104	6,343	12,957
Charge for the year	275	4	644	923
Eliminated on disposal	(224)	-	(198)	(422)
At 31 March 2020	6,561	108	6,789	13,458
Net book value 31 March 2020	**20,223**	**48**	**2,263**	**22,534**
Net book value 31 March 2019	20,565	52	2,374	22,991

The loan (note 17) is 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.

14. Fixed asset investments

(a) Group	**Investment Property £'000**	**Investments Unlisted £'000**	**Total £'000**
Cost or valuation			
At 1 April 2019	2,866	14,456	17,322
Additions	-	1,400	1,400
Disposals (carrying value)	(534)	-	(534)
Unrealised losses on revaluation	-	(1,263)	(1,263)
At 31 March 2020	2,332	14,593	16,925
Cost at 31 March 2020	341	15,698	16,039

b) Charity	**Investment Property £'000**	**Investments Unlisted £'000**	**Investment in Subsidiaries £'000**	**Total £'000**
Cost or valuation				
At 1 April 2019	2,866	14,456	10	17,332
Additions	-	1,400	-	1,400
Disposals (carrying value)	(534)	-	-	(534)
Unrealised gains on revaluation	-	(1,263)	-	(1,263)
At 31 March 2020	2,332	14,593	10	16,935
Cost at 31 March 2020	341	15,698	10	16,049

The value of unlisted investments fell by £1.2m during the financial year. These losses reversed early in the new financial year, with unrealised gains of £1.9m between 1 April and 30 September 2020, but markets remain volatile.

'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.

Investment property valuations are based on the housing market. Since the year-end, and up to the time of preparing the report, UK house-price indices have not shown any significant fall despite the economic impacts of COVID-19, however this remains a risk for future financial years.

15. Debtors

	Group		**Charity**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Trade debtors	891	552	891	552
Other debtors	272	247	219	224
Prepayments and accrued income	643	811	643	811
	1,806	1,610	1,753	1,587

16. Creditors: amounts falling due within one year

	Group		Charity	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	1,197	1,042	1,050	972
Amounts due to subsidiary undertakings	-	-	96	53
Other creditors	332	262	327	255
Resident deposits	1,136	1,079	1,136	1,079
Taxation and social security	195	243	195	243
Accruals and deferred income	551	538	544	539
Loans: Amounts Due Within One Year	143	103	143	103
	3,554	3,267	3,491	3,244

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

	Group and Charity	
	2020	2019
	£'000	£'000
Secured bank loan:		
Falling due within more than one year but less than five years	613	441
Falling due after five years	984	863
Total amounts falling due after one year:	1,597	1,304
Amounts falling due within one year (Note 16)	143	103
Total of all loans	1,740	1,407

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. £1.3m 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 2032. £437,000 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 2035.

18. Provision for liabilities

	Group and Charity	
	2020	2019
	£'000	£'000
Onerous lease contracts	15	61
Dilapidations provision	-	25
	15	86

18. Provision for liabilities (continued)

Movements in provisions were as follows:

	Group and Charity	
	2020	**2019**
	£'000	**£'000**
Provisions at 1 April	86	54
Utilised in year	(71)	(29)
Charged in year	-	61
Provisions at 31 March	15	86

19. Pension schemes

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

	Group and Charity	
Defined benefit pension scheme liability by Scheme	**2020**	**2019**
	£'000	**£'000**
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(106)	(124)
Career Average Revalued Earnings (CARE) Pension Scheme	(19)	(22)
	(125)	(146)

Reconciliation of opening and closing provision by Scheme

	FotE Closed 2020	**SVSPS Scheme 2020**	**CARE Scheme 2020**	**Total 2020**
	£'000	**£'000**	**£'000**	**£'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
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	39	-	-	39
- Return on assets excluding interest income	28	-	-	28
- Limit on recognition of assets	(82)	-	-	(82)
Provision at 31 March 2020	-	(106)	(19)	(125)

19. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme for 2019:

	FotE Closed Scheme 2019 £'000	SVSPS Scheme 2019 £'000	CARE Scheme 2019 £'000	Total 2019 £'000
Provision at 1 April 2018	-	(223)	(23)	(246)
Interest expense	-	(4)	(1)	(5)
Contributions paid	15	18	2	35
Remeasurement - impact of changes in assumptions	-	(2)	-	(2)
Remeasurement - amendments to the contribution schedule	-	87	-	87
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	(11)	-	-	(11)
- Return on assets excluding interest income	28	-	-	28
- Limit on recognition of assets	(32)	-	-	(32)
Provision at 31 March 2019	-	(124)	(22)	(146)

(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 £520,000 in the year (2019: £402,000).

Triangle Community Services (Triangle) operated a stakeholder pension scheme for the benefit of its employees. With the introduction of auto-enrolment, the pension cost relating to this scheme represents contributions payable by Triangle and amounted to £nil in the year (2019: £51,000).

The Retired Nurses National Home (the RNNH) operated a stakeholder pension scheme for the benefit of its employees. The pension cost relating to this scheme represents contributions payable by the Retired Nurses National Home and amounted to £nil in the year (2019: £22,000).

Staff from Triangle and the RNNH transferred to Friends of the Elderly on 31 March 2019, and those members of the stakeholder pension schemes transferred to the Friends of the Elderly defined contribution scheme run by Friends of the Elderly.

(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.

19. Pension schemes (continued)

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

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 2020 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 2020 and 2019, are as follows:

	Group and Charity: 2020			Group and Charity: 2019		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,805	(1,768)	**37**	1,884	(1,879)	5
Limit on recognition of assets	(37)	-	**(37)**	(5)	-	(5)
Scheme surplus recognised at 1 April	1,768	(1,768)	**-**	1,879	(1,879)	-
Benefits paid	(135)	135	**-**	(165)	165	-
Employer contributions	15	-	**15**	15	-	15
Amounts charged to Statement of Financial Activities:						
Interest income/ (cost)	36	(36)	**-**	43	(43)	-
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	39	**39**	-	(11)	(11)
- Return on assets excluding interest income	28	-	**28**	28	-	28
- (Limit on recognition of assets)	(82)	-	**(82)**	(32)	-	(32)
Total amounts charged to Statement of Financial Activities	(18)	3	**(15)**	39	(54)	(15)
Fair value at 31 March (less surplus not recognised)	1,630	(1,630)	**-**	1,768	(1,768)	-

The fair value of the assets of the scheme was:

	Group and Charity			
	2020	2020	2019	2019
	£'000	% of total plan assets	£'000	% of total plan assets
Trustees bank account/ net current assets	6	0.3%	4	0.2%
Annuities	1,135	64.9%	1,266	70.2%
Gilts fund	535	30.6%	457	25.3%
Diversified fund	73	4.2%	78	4.3%
Total	1,749	100.0%	1,805	100.0%

19. Pension schemes (continued)

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

Actuarial assumptions

	Group and Charity	
	2020	**2019**
Discount rate	2.30% pa	2.10% pa
RPI inflation	2.75% pa	3.30% pa
CPI inflation	1.75% pa	2.30% pa
Revaluation of deferred pensions	1.75% pa	2.30% pa

Mortality assumptions

	Group and Charity	
	2020	**2019**
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S2PA CMI_2019_M/F [1.25%] (yob)	100% of S2PA CMI_2018_M/F [1.25%] (yob)

Life expectancies (in years)

	2020		2019	
	Males	**Females**	**Males**	**Females**
For an individual aged 60	26.2	28.3	26.0	28.1
At age 60 for an individual aged 40	27.7	29.9	27.6	29.7

(c) Multi-employer pension schemes

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

These schemes are defined benefit schemes in the UK. It is not possible for the Charity to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore, it accounts for the schemes as defined contribution schemes.

The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The schemes are classified as 'last-man standing arrangements'. Therefore, the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. Recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

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

19. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

SVSPS

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 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 2016. This actuarial valuation showed assets of £60.5m, liabilities of £85.3m and a deficit of £24.8m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.4m per annum until 30 November 2028 (increasing by 3% each year on 1 April), of which the Charity's contributions are £2,122 per annum, rising to £2,688 pa over the 10-year period.

Provision

The amounts recognised in the financial statements of the Group and the Charity in respect of these pension schemes are as follows:

Reconciliation of opening and closing provision:

	Group and Charity			
	SVSPS		**CARE**	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Provision at start of year	(124)	(223)	(22)	(23)
Contribution paid	16	18	2	2
Amounts charged to Statement of Financial Activities:		-		-
Interest expense	(2)	(4)	-	(1)
Remeasurement - impact of changes in	4	(2)	1	-
Remeasurement - amendments to the contribution schedule	-	87	-	-
Total amounts charged to Statement of Financial Activities	2	81	1	(1)
Provision at end of year	(106)	(124)	(19)	(22)

	2020	**2019**	**2018**
Discount rate: SVSPS	2.57%	1.46%	2.01%
Discount rate: CARE	2.58%	1.58%	1.93%

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

20. Analysis of net assets between funds

Fund balances at 31 March 2020, represented by:

(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)
	22,493	2,114	14,104	38,711

(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)
	22,602	2,114	14,104	38,820

Fund balances at 31 March 2019 were:

(a) Group	**Unrestricted funds £'000**	**Restricted funds £'000**	**Endowment funds £'000**	**Total funds £'000**
Intangible assets	49	-	-	49
Tangible assets	20,745	205	1,947	22,897
Investments	4,436	518	12,368	17,322
Current assets	1,356	1,234	1,081	3,671
Current liabilities	(3,262)	(5)	-	(3,267)
Non-current liabilities	(1,536)	-	-	(1,536)
	21,788	1,952	15,396	39,136

(b) Charity	**Unrestricted funds £'000**	**Restricted funds £'000**	**Endowment funds £'000**	**Total funds £'000**
Intangible assets	49	-	-	49
Tangible assets	20,839	205	1,947	22,991
Investments	4,446	518	12,368	17,332
Current assets	1,333	1,234	1,081	3,648
Current liabilities	(3,239)	(5)	-	(3,244)
Non-current liabilities	(1,536)	-	-	(1,536)
	21,892	1,952	15,396	39,240

21. Movement in funds

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**

21. 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**

21. Movement in funds (continued)

Fund movements for the Group for the year ended 31 March 2019:

(a) Group	**As at 1 April 2018 £**	**Net income/ (expenditure) £**	**Other gains and losses £**	**Depreciation movement £**	**Net capital expenditure £**	**Loan movement £**	**Funds Transferred £**	**As at 31 March 2019 £**
Unrestricted funds:								
Designated funds	19,463	-	-	(797)	419	92	-	19,177
General reserves:								
Revaluation reserve	2,333	-	27	-	-	-	(79)	2,281
Other reserve	649	(315)	57	797	(419)	(92)	(201)	476
Pension reserve	(246)	115	(15)	-	-	-	-	(146)
Total unrestricted funds	**22,199**	**(200)**	**69**	**-**	**-**	**-**	**(280)**	**21,788**
Restricted funds:								
Funds for the upkeep of residential homes	602	(71)	-	-	-	-	20	551
Funds restricted to RNNH	173	(130)	-	-	-	-	-	43
Funds for grants and allowances	743	(22)	19	-	-	-	-	740
Funds for residents' subsidies	28	(9)	-	-	-	-	-	19
Community services	35	(5)	-	-	-	-	70	100
Community projects	63	2	-	-	-	-	27	92
Funds restricted to Triangle	184	(347)	-	-	-	-	163	-
Other restricted funds	405	1	1	-	-	-	-	407
Total restricted funds	**2,233**	**(581)**	**20**	**-**	**-**	**-**	**280**	**1,952**
Endowed funds:								
Expendable endowment - RNNH	1,537	(74)	33	-	-	-	-	1,496
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,336	-	272	-	-	-	-	5,608
Endowed property - RNNH	1,745	(33)	-	-	-	-	-	1,712
Endowed properties - other	234	1	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,454	1	101	-	-	-	-	2,556
Funds for residents' subsidies	2,697	-	122	-	-	-	-	2,819
Funds for grants and allowances	927	-	43	-	-	-	-	970
Total permanent endowment	13,393	(31)	538	-	-	-	-	13,900
Total endowed funds	**14,930**	**(105)**	**571**	**-**	**-**	**-**	**-**	**15,396**
Total funds	**39,362**	**(886)**	**660**	**-**	**-**	**-**	**-**	**39,136**

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2019:

(b) Charity	**As at 1 April 2018**	**Net income/ (expenditure)**	**Other gains and losses**	**Depreciation movement**	**Net capital expenditure**	**Loan movement**	**Funds Transferred**	**As at 31 March 2019**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Unrestricted funds:								
Designated funds	19,555	-	-	(797)	421	92	-	19,271
General reserves:								
Revaluation reserve	2,333	-	27	-	-	-	(79)	2,281
Other reserve	768	(682)	57	797	(421)	(92)	59	486
Pension reserve	(246)	115	(15)	-	-	-	-	(146)
Total unrestricted funds	**22,410**	**(567)**	**69**	**-**	**-**	**-**	**(20)**	**21,892**
Restricted funds:								
Funds for the upkeep of residential homes	602	(71)	-	-	-	-	20	551
Funds restricted to RNNH	173	(130)	-	-	-	-	-	43
Funds for grants and allowances	743	(22)	19	-	-	-	-	740
Funds for residents' subsidies	28	(9)	-	-	-	-	-	19
Community services	131	(31)	-	-	-	-	-	100
Community projects	63	29	-	-	-	-	-	92
Other restricted funds	405	1	1	-	-	-	-	407
Total restricted funds	**2,145**	**(233)**	**20**	**-**	**-**	**-**	**20**	**1,952**
Endowed funds:								
Expendable endowment - RNNH	1,537	(74)	33	-	-	-	-	1,496
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,336	-	272	-	-	-	-	5,608
Endowed property - RNNH	1,745	(33)	-	-	-	-	-	1,712
Endowed properties - other	234	1	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,454	1	101	-	-	-	-	2,556
Funds for residents' subsidies	2,697	-	122	-	-	-	-	2,819
Funds for grants and allowances	927	-	43	-	-	-	-	970
Total permanent endowment	13,393	(31)	538	-	-	-	-	13,900
Total endowed funds	**14,930**	**(105)**	**571**	**-**	**-**	**-**	**-**	**15,396**
Total funds	**39,485**	**(905)**	**660**	**-**	**-**	**-**	**-**	**39,240**

21. Movement in funds (continued)

Designated funds – nature of funds

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

Restricted funds – nature of funds

- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations specific to certain residential 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 – reasons for transfers in the year

- The transfer from an expendable endowment to a restricted fund to support the operating losses of the Retired Nurses National Home (£205,000).

- The interest charge on a loan from a restricted fund to unrestricted funds (£25,000).

- The transfer of the portion of the revaluation reserve relating to a property sold in the year, to other reserves (£290,000) – both these fall within general reserves.

22. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2020	**2019**
	£'000	**£'000**
Land and buildings		
Within one year	92	104
Within 2 to 5 years	322	244
> 5 years	1,204	908
	1,618	1,256
Other		
Within one year	85	116
Within 2 to 5 years	27	87
	112	203
Total	1,730	1,459

As at 31 March 2020 there was £77,000 (2019: £23,000) of capital expenditure contracted for but not provided in the financial statements.

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

	2020	**2019**
	£'000	**£'000**
Net movement in funds	(425)	(226)
Net losses/ (gains) on investments	1,263	(675)
Net (gains)/losses on sale of fixed assets	(939)	47
Actuarial losses on pension schemes	15	15
Investment income	(537)	(471)
Interest payable	34	34
Depreciation on tangible assets	923	967
Amortisation on intangible assets	24	80
Difference between pension contributions and net costs	(36)	(115)
Decrease in debtors	(196)	1,284
Increase/ (decrease) in creditors	245	(101)
(Decrease)/ Increase in provisions	(71)	32
Net cash inflow from operating activities	300	871

24. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	**2020**	**2019**
	£'000	**£'000**
Financial assets measured at fair value through the SoFA	14,593	14,456

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

25. Post balance sheet events

The market value of the Charity's investments increased by £1.9m between 1 April and 30 September 2020.

Closure of the Charity's care homes to new admissions between mid-March and mid-May 2020, as part of a range of measures to protect residents from COVID-19, drove a fall in occupancy of 12%. Occupancy has been largely stable between June and the date of approval of the financial statements.

26. Taxation

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

27. Members

At 31 March 2020 there were 10 members (2019: 10 members) who each pledge to pay £1 on winding up.

28. Ultimate controlling party

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

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