Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

Annual report and financial statements
for the year ended 31 March 2022

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£1m

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Her Majesty Queen Elizabeth II

It was with deepest sadness that Friends of the Elderly learned of the death of Her Majesty Queen Elizabeth II on Thursday 8 September 2022. Her Majesty was Patron of Friends of the Elderly for nearly 70 years and her support and kindness was very important to so many older people the Charity has worked with.

Friends of the Elderly has had Royal support since its earliest days caring for WWI veterans. As a young Princess, Her Majesty visited with veterans at an event organised by Friends of the Elderly (then Friends of the Poor), which was also attended by her Mother, the then Duchess of York.

Her Majesty's support of the Charity continued through the years, and we were honoured when she became our Patron in 1953. Over the years Her Majesty met many of the older people who were supported by the Charity, and hosted receptions at Buckingham Palace.

The Queen's support of the Charity was so appreciated by all our residents, staff and volunteers and we feel her loss very much. Many of our care home residents and day care clients have spent time in our homes and services reflecting about the importance Her Majesty had to them, they are tremendously grateful for her long and devoted service. We join with the rest of the nation in mourning Her Majesty's passing and would like to express our thoughts and condolences to The Royal Family.

Chief Executive's introduction

It is frustrating to be reporting yet again on another year significantly impacted by the Covid-19 pandemic. Despite this, we have great examples of wonderful person-centred care, innovation benefitting our residents and clients, and grant-giving that has enhanced the lives of older people in need. I hope that this annual report gives you a flavour of our work in 2021-22, as well as explaining the challenges we have faced and how we tackled them.

In May 2021, we said goodbye to our homecare colleagues and service users, as our three remaining homecare branches were sold to a third party. I would like to thank again our colleagues in homecare for their hard work and commitment to the Charity, and in caring for the older people they support. Their professionalism and dedication to providing the best possible homecare service has been an inspiration to us all, in particular during the challenging time since the start of the pandemic.

We were disappointed that one of our care homes received a 'Requires Improvement' rating from the Care Quality Commission (CQC) in December 2021. The CQC carried out repeat visits and were satisfied that the action plan was appropriate and complete within three months of the inspection. The Charity's Standards and Performance team worked closely with regional and local management to produce and implement an action plan to address the shortcomings identified in the CQC report. In July 2022, after the end of the year covered in this report, a further Requires Improvement rating was received following a CQC inspection at The Lawn residential care home.

We know that our care home teams have gone above and beyond to keep residents safe, entertained, and happy throughout the pandemic and whilst working under considerable pressure. Both CQC reports also included positive feedback on the quality of care from residents and relatives. However, we recognise the shortcomings, particularly in documentation and training on our newly upgraded electronic care plan system. Following The Lawn inspection, we introduced an enhanced oversight regime for all our care homes, based on live improvement plans developed from in-depth mock inspections. We are sorry that the homes did not always meet the high standards that residents and their families expect.

Visitors are critical to the wellbeing of many of our residents, as well as for their families and friends. Since summer 2020 we had participated in national working groups and advisory groups, pushing for safe care home visits to be allowed, and we were delighted that restrictions eased. During winter 2022, it was hugely frustrating that many of our homes were repeatedly in Covid-19 'outbreak', which once again restricted visitors to the cabins and glass-screened rooms we kept from 2021.

The definition of an 'outbreak' varied by area but was usually defined as two cases within a care home (staff or residents) – even as cases in the general public rocketed nationally. It was a relief when cases fell again in spring 2022. We have continued to participate in the national study, called Vivaldi, by the UCL Institute of Health Informatics, which aims to understand and prevent Covid-19 infections in care homes.

We recorded a £1.5m operating loss in the year, which was as budgeted. More information is given later in this report, from page 13. The operating loss is mainly due to lower care home occupancy, which is an ongoing legacy of Covid-19. We had a heavy internal focus on marketing and managing enquiries during the year, packaged into a cross functional project, overseen by members of the Senior Management Team, which resulted in good increases in admissions in the summer and autumn. However, the outbreaks mentioned above in the winter also meant that potential residents could not visit some homes, and many admissions were prevented or delayed, so our occupancy fell again in winter 2022.

Chief Executive's introduction (continued)

Our costs also continued to be high. Care home and day centre staff continued to work wearing Personal Protective Equipment (PPE); carrying out vigorous and regular infection prevention and control measures; carrying out Covid-19 tests several times a week; isolating for illness or Covid-19 infection in line with the latest care sector regulations. This caused our operating costs to increase, particularly during winter 2022 with higher numbers of agency staff. We also recognise that many of our staff are feeling burnt out, and suffering 'pandemic fatigue' after two years of operating in this environment. Following on from our Wellbeing Pledge to staff, we launched various mental health support and signposting initiatives in the workplace, including access to an app, Unmind, to promote mental wellbeing.

Managing our current operating challenges has not detracted from also planning for the future. Our ambition is to build and operate Integrated Retirement Communities (IRCs) - otherwise known as retirement villages or housing-with care - for older people to rent or buy and live independently, with a care home and community centre at the heart, and other services that support and engage people in the local community. We submitted a planning application for the first such community in Coulsdon, for 72 flats and houses for independent living on our 42-acre site that already has a care home. While we believe we have a strong case, the planning process has already taken more than two years. We have a multi-disciplinary team working on bringing the planning application to a satisfactory conclusion. We are also exploring the case for IRCs on other sites we own.

In page three of this report, we have shared our sorrow on the death of Her Majesty, Queen Elizabeth II, and our deep appreciation for her role as the Charity's Patron since 1953.

Earlier in the year the Royal Family's support took the form of an opportunity to take part in a 'digital takeover' of the Royal Family's Instagram account and introduce our charity to its 10 million followers. The Royal Family also helped us to ask for #ChristmasCheer messages on social media to share with older people we support. We received lovely messages, which gave a lot of joy to our residents and service users.

Sadly, two other of the Charity's long-term Patrons also passed away in recent months, Lady Diana Farnham and Baroness Sally Greengross. We are very grateful for their support and dedication over the years

On a happier note, we were delighted to congratulate our immediate past Chair of the Board of Trustees, Kerry Rubie, on being awarded an MBE for Services to Innovation, Leadership and Governance in Adult Social Care in the 2022 New Year's Honours List. Kerry stepped down as Chair of Trustees in September 2021, replaced by Chris Maidment, but became one of our Patrons.

I would like to thank all of our staff, trustees, and volunteers for their extraordinary efforts. I appreciate their dedication, compassion, and energy. I also want to thank all our stakeholders, including the trusts and donors for their unwavering financial support, the families and friends of our residents and service users who showed such patience and resilience in adversity, and our local communities, without whom we also couldn't continue to provide care and support.

Steve Allen
Chief Executive

Trustees' Report for the year ended 31 March 2022

People supported during the year

One CQC **Outstanding** care home (rating February 2020)

275 residents on average, living in 11 **care homes**

One 'Requires Improvement' CQC rating for a care home (December 2021). Action plan complete by May 2022.

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

Over 1,500 people supported in our communities

982 **grants** given to individuals, worth £222,000

562 one-off grants for items such as washing machines, cookers, utility arrears, flooring, disability adaptations

Plus 420 payments for regular and winter comfort allowances

Supported by £686,000 in
donations, legacies and pro bono services

Who we are and what we do

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

Our core values

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

Our aims

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

Our strategic objectives

Achieve better outcomes for all

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

Provide outstanding care

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

Become an employer of choice

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

Deliver financial sustainability and accountability

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

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

Throughout this report we refer to Friends of the Elderly as the Charity, and Friends of the Elderly and its subsidiaries as the Group. The subsidiaries are listed on pages 25 to 26, none of which have carried out charitable activities during the year.

Objective: achieve better outcomes for all

Impact of our grants service

During the year we gave one-off grants to 562 older people with a financial need. Even comparatively small amounts can make a big difference to people's lives.

One example is Don*, who lives alone in London. He had a flood in his home that took some time to resolve and resulted in many of his belongings being damaged, including his sofa. His local council rehoused him temporarily, away from his local community, which made his loneliness worse during Covid lockdowns.

While Don was out of the flat, his Information and Advice Officer from Age UK helped him to get things sorted out for returning to the property. She applied to Friends of the Elderly on his behalf for a new sofa. As his bungalow only had one bedroom, Don chose to get a sofa bed so he could have family to stay once Covid restrictions were lifted. He told us:

"The sofa is beautiful. I had my daughter over before she went on holiday – she was flying from London so I said come and sleep here for the night. I've only got the one bedroom, she said you have your bed and I'll have the sofa bed. I got up the next morning and said how did you sleep and she said she loved it. I've been back in around nine months and I'm quite happy and quite settled ... I don't know what I would have done without the new settee."

(name changed to protect identity)*

Innovation to enhance lives

Our care home managers are always looking for new ways to entertain and engage their residents. The manager at Bradbury Court, Elaine Banks, went one step further and undertook a skydive to fundraise for the residents. The money she raised was used to buy a high-quality interactive touch screen activity table, specifically designed to deliver a unique experience for people living with dementia. As the residents play and interact with the technology, they experience and enjoy a wide range of stimulating activities which ignite and provoke their senses. This helps them to engage, relax and reminisce.

Sian, the Activities Coordinator at Bradbury court, has seen the positive impact the interactive table has had for residents. Sian said*: "Our interactive table has a large 32" colour flat screen and can be easily positioned to suit the resident's needs. It's proved to be a big hit with everyone, whether for group or individual use.*

"I supported a relative of one of our residents in putting a USB stick together with a collection of photos of his loved ones and friends. When we played it on the table for him to watch, his whole face lit up. He is living with dementia but was pointing to different people on the screen. He was making noises which clearly showed he was engaging with the photos. The smile he had was fantastic to see. I am now looking to help more families of our residents to do the same."

Objective: provide outstanding care

Like all social care providers, the Charity has faced unprecedented challenges due to Covid-19, particularly in our care homes where staff faced increased workloads in already extremely stressful circumstances. Reduced face-to-face presence of central support teams, additional pressures on Registered Managers with homes locked down and in outbreak, resident deaths, and staffing pressures all took their toll. Through all this, our care home managers and their teams rightly prioritised caring for and meeting the needs of residents and keeping them as safe as possible during the most challenging of times, which to a large degree care homes continue to experience while the rest of the world has returned to a semblance of normality.

Following the lifting of visiting restrictions, the Care Quality Commission (CQC) restarted their monitoring visits. They have made no allowances for the pressures that care services have faced and continue to face due to the pandemic and the wider economic situation, particularly in respect of staffing and recruitment. These pressures clearly impact staff's ability to maintain the attention to detail needed to meet the wide-ranging requirements of the regulator, including keeping up-to-date records and complying with reporting and other procedures, while their priority is rightly looking after residents.

At Friends of the Elderly, we are committed to delivering the best possible care, so despite being aware of some challenges at the home that we were in the process of addressing, we were disappointed that the Retired Nurses National Home (RNNH) received a 'Requires Improvement' rating from the CQC in December 2021. There were also four regulations that the CQC identified were not being met. The Charity's Standards and Performance team worked closely with our central Care Home Operations team and local management to produce and implement an action plan to address the shortcomings identified in the CQC report. The CQC carried out further inspections in spring 2022 and concluded that the home was no longer in breach of the regulations, commenting on the improvements made since the inspection.

In July 2022, after the end of the year covered in this report, a further Requires Improvement rating was received following a CQC inspection at The Lawn residential care home, and four warning notices issued for regulatory breaches. This second inspection outcome was more of a surprise, indicating that the impact of the pandemic on our services and staff had been even greater than we had realised. The CQC revisited The Lawn on 22 August 2022 and were satisfied with actions taken in respect of three of the warning notices, which were subsequently lifted. Actions for the remaining warning notice are on track to be implemented by the agreed completion date.

Following The Lawn inspection, as well as taking immediate actions we introduced an enhanced oversight regime for all our care homes, based on live improvement plans developed from in-depth mock inspections undertaken during the summer. We recognise the need to fully understand the pressures faced by our care home teams, in particular managers, and the importance of providing support mechanisms to enable them to continue to provide the acknowledged standards of care for residents while ensuring that compliance is maintained, even as they deal with the long-lasting consequences of Covid and the increasingly worrying cost of living crisis.

At both homes it was evident that some procedural requirements had slipped, but the CQC reports also identified many areas of good practice, for example that residents and their families felt staff were 'kind and caring'. We are nevertheless sorry that the homes did not always meet the high standards that residents and their families expect, and as noted above have taken action to make improvements. There were no other full CQC inspections in the year. However, the CQC undertook inspections on targeted areas, in particular infection prevention and control. The findings were all positive, with examples of good practice noted.

Objective: become an employer of choice

Government policies on vaccination

In summer 2021, the government introduced regulations that required every member of care home staff to be fully vaccinated against Covid-19. Out of around 420 staff impacted, there were four staff members who were not vaccinated, and unable to provide the required exemption evidence; regrettably they were dismissed in November 2021. We are aware of three other staff who resigned rather than be vaccinated. This is an exercise that took up much management time, created stress and bad feeling among those staff who had been reluctant to be vaccinated, and created more job vacancies at a time when there was already a national crisis in care recruitment.

In March 2022, the government revoked the regulations for Vaccinations as a Condition of Deployment in health and social care settings. The scientific and clinical evidence is clear that vaccines save lives and reduce the risk of severe illness caused by Covid-19. However, the latest scientific evidence shows that the Omicron variant, relative to Delta, is less severe, and vaccines do not prevent the spread of the virus. After much consideration we revised our policies in March 2022, and we no longer require new staff to be vaccinated as a condition of working. However, we will promote and recommend within our recruitment process that being vaccinated is the best line of defence against severe Covid-19 illness.

Focus on wellbeing

We have continued to build on our commitment to our teams by expanding upon our Wellbeing Pledge and introducing a new online workplace mental health platform.

We signed up to an app called Unmind, to which all our teams have access, and through which they can easily access a wide range of proactive mental health and wellbeing exercises, courses and tools to help and support their own specific needs. This could be mindfulness meditations and breathing exercises, sleep melodies, storytelling, yoga, or healthy recipes. Being able to do this wherever they are, at whatever time of the day or night, helps an individual to relax, focus, unwind and recharge.

Another feature we have used is the ability for the charity to add bespoke signposting information to our internal support systems such as our Employee Assistance Programme, the HR Team, Learning & Development Team support and to the financial support that we offer our staff.

Recruitment

Recruitment for care home staff remains a major challenge for the Charity, as for the care sector as a whole. Vacancies in our care homes rose as the employment market opened up again in summer 2021 – increasing our vacancies by 65% by March 2022. Our values-based recruitment process, and our working partnership with outsourced recruitment partner, Cohesion, help us to maximise our position - and good progress has been made since early spring 2022, with vacancies down by a quarter by May 2022.

We continue to give higher pay rises to lowest paid staff, recognising also the impact of increasing living costs. From April 2021, all our care staff were paid at least the Living Wage Foundation UK ‘real’ living wage rate, and from April 2022 we extended this to all of our directly-employed staff (resulting in pay rises of up to 9%).

Objective: deliver financial sustainability and accountability

Sale of homecare branches

In May 2021, the Charity sold its remaining home care services to a private operator for £0.4m. In recent years we have exited from large local authority homecare contracts based in London that had become unprofitable due to low fees and unsustainable public authority contracting and payment practices. Our three remaining homecare branches in Woking, Sutton and Malvern were not large enough to support the additional central support costs required to manage, monitor and administer these regulated services.

The sale enabled the Charity to focus on its care home and day care services. Managing our response to Covid-19 has stretched resources, but at the same time it has been imperative that we invest in care home occupancy recovery. The central home care management team were re-directed to care home quality and compliance activities, meaning that central support costs have stayed at a similar level to last year (although significant cost savings were achieved in previous years when we exited the larger home care services). Since we sold the home care branches, home care has, nationally, become even more difficult – due to staff shortages and fuel costs, so we believe that the decision was made at the right time for the Charity.

Financial security

In July 2020, the Charity Commission approved the release of up to £3m from the endowed capital of the Sir Thomas Lipton Charity (STL) to support our care home operational costs. STL is a charity linked to Friends of the Elderly, and Friends of the Elderly is the sole trustee. By March 2022, we had withdrawn £1.5m of this capital, to support our operational losses (as budgeted for 2021-22). In December 2021, faced with unknown future pressures from the Omicron Covid-19 variant, and an impeded care home occupancy recovery, we made a further application to the Charity Commission to make the remainder of the STL capital available if required. This was approved, meaning a further £4.5m (in addition to the original £3m) is available. This secures the Charity's financial future through difficult times.

Care home occupancy is the key driver of the Charity's financial position, and further information on occupancy in the year is given in the Financial Review (from page 13). This year there has been significant internal focus on marketing, enquiry management, and converting enquiries to sales, as part of a single project. This has included a new customer relationship management (CRM) IT system; a 24-7 enquiry line; updated website with live chat facility, social media campaigns, and 'sales' training for key staff.

Accountability for our grants service

We commissioned an evaluation report on our grants service. This was to review our grant-giving processes and ensure our work is as effective as possible - from the perspective of the older people we support; the referral agents (community and charity groups who make the application); and the trusts and other donors who provide funding.

The evaluation report confirmed that there was a clear positive impact on the people receiving grants, and that the referral agents are positive about the grants programme - in particular the clarity of criteria, and the online system (launched in 2020) that makes applications easier to complete and monitor. Recommendations from the evaluation include considering increasing the limit for individual grants, and the need for fast-track emergency grants to be added. A lot of our evidence of grant impact is anecdotal, and a more comprehensive case study programme could benefit all concerned. These recommendations are now being actively considered as part of our wider grants strategic review.

Future plans

Reinvesting in our care home buildings

Our long-awaited refurbishment of the Bernard Sunley care home started in May 2022 – this had been put on hold due to the restrictions in response to Covid-19. All the home's 62 en-suite wet rooms will be refurbished, and the bedrooms will have new furniture and redecoration. The whole project will cost more than £500,000, and we are very grateful for a £250,000 donation from The Band Trust, received in 2022-23 towards these costs.

We are also preparing to submit a planning application to extend New Copford Place, in Colchester. This successful but small care home would benefit from the 12 proposed additional dementia-ready bedrooms, which would also allow for flexibility in future care – for example an area of the home designed to meet the needs of residents living with dementia.

Long-term funding for our grants service

The future of the Charity's grant-giving has been significantly boosted by a decade-long commitment from the Edward Gostling Foundation to donate £1m to Friends of the Elderly to provide grants for older people in financial hardship. The funds will be received in March 2023 and are to be spent over ten years. The Edward Gostling Foundation have been a much-valued partner of the Charity since 2018, donating £100,000 a year for grant-giving.

Future vision

Our vision for the Charity's longer-term future remains unchanged: a network of care villages, connected to the community, each including a care home and accommodation for rent or purchase for independent living. These are now referred to as Integrated Retirement Communities (IRCs). We are continuing to pursue a planning application for the first of these at our Coulsdon site. The planning application was submitted in spring 2020 and has been subject to delay by the local planning system which does not appear to understand the wider benefits of IRCs. We remain confident in the strength of our scheme, and await a decision from the London Borough of Sutton, at the same time as readying our teams for an appeal through a public enquiry.

One major advantage of new buildings will be the ability to apply best practice in sustainable building design, construction, and operation, so meeting the highest environmental standards. We will also be in a better position to flex our service to adapt to the coming care sector changes.

Care sector changes

Within the next year we will have new challenges relating to the government's care funding reforms, planned changes in legislation relating to social care, and new statutory guidance.

We welcome the government's planned increase in funding for social care, but with an ageing population, combined with the new cap on care fees, and more people able to access Local Authority (LA) fee-rates, care sector professional associations have repeatedly emphasised that it will not fill the current funding gap. Each LA is carrying out an exercise to calculate the 'fair cost of care' ahead of the funding reforms, and we are fully participating. Given the expected shortfall in government funding, our concern is that the fair cost of care exercise results in LA fees that are far below the real cost of providing quality care – in particular with the current challenges of: national staff shortages; increased regulatory requirements; the legacy of Covid-19 on care home occupancy; high inflation; and cost-of-living crisis. We are ready to model the outcome of the fair cost of care exercise, and our current strategy cycle will respond to these future changes in funding.

Fundraising activities

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

Donations, legacies, and the value of pro bono services received totalled £686,000 in the year (2020-21, £738,000). The generosity of all our supporters has been very much appreciated during a difficult year.

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

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

Grant giving

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

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

Our online grants portal streamlines the process for applicants and reduces errors and avoids missing information. We gave 982 grants and allowances in total in the year with a value of £222,000 (2020-21: 1,024 grants and allowances of £190,000).

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

Financial Review

Continued impact of Covid-19

The Charity made an operating loss, before other gains and losses, in the year of £1.5m (2020-21 loss of £1.9m). This loss was budgeted and was largely due to continued low care home occupancy as the impact of Covid-19 continued.

As we reported last year, and on page 11 of this report, we have been able to access funds from our linked charity, the Sir Thomas Lipton Charity (STL). We withdrew £1.1m of STL's investments in the year to fund the operating losses, taking the total withdrawn to £1.5m. As at 31 March 2022, £6.0m of the STL funds remain (within restricted funds), more than we anticipate needing to recover from Covid-19.

Financial Review (continued)

Care home occupancy is the key driver of the Charity's financial position. Average occupancy for the year, of 275, was 3% lower than 2020-21 due to a lower starting point.

Occupancy increased by 5% in quarter one of 2021-22, but there was again a significant fall in winter 2022 as Covid 'outbreaks' (usually defined as two cases) restricted visits from potential residents and in some cases prevented admissions. Occupancy has again bounced back in spring and summer 2022, but still remains 14% below the pre-Covid position. Some rooms are out of use due to the Bernard Sunley refurbishment, or rooms turned into visiting rooms (with fixed screens) in case of a repeat of visiting restrictions.

For the whole of 2021-22, our front-line staff continued to work wearing Personal Protective Equipment (PPE), carrying out additional cleaning, and self-isolating for mandatory periods of time with illness or positive tests. Care home agency costs also increased significantly in winter 2022, as staff vacancies grew with the recovery of the general economy, and many staff were off sick or isolating due to Covid-19. These and other higher costs of working under tighter regulations were partially covered by additional government grants for social care, of £0.8m (2020-21: £1.2m).

We continued to benefit from very generous donations and legacies, with income of £0.7m (2021-22: £0.7m).

Sale of home care and impact on central support costs

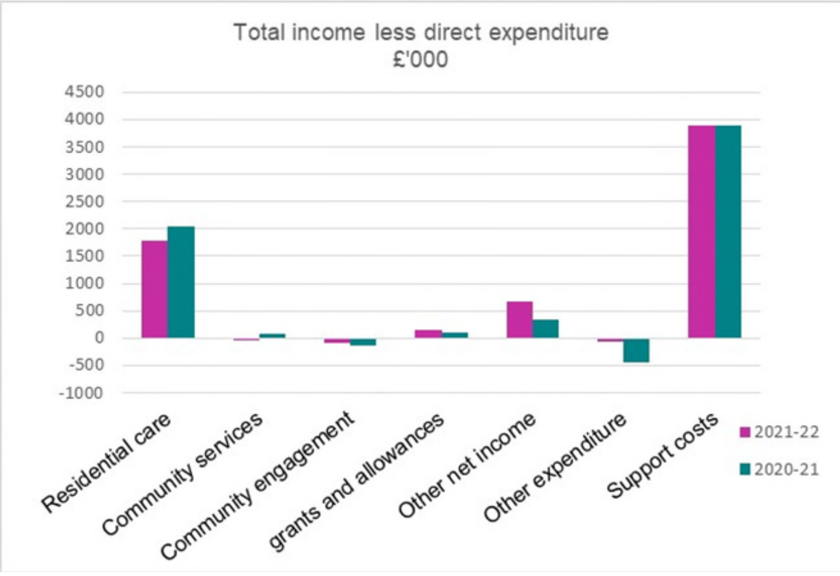
Our home care services were sold in May 2021, for £0.4m. £100,000 of this consideration was deferred for 12 months and received in May 2022. In 2021-22 home care generated a positive contribution to central costs of £82,000.

Central costs had already been reduced in recent years as the large home care services had transferred or closed, with a reduction (adjusted for inflation) of over £1.0m between 2018-19 and 2020-21. The central support team previously working on home care were largely reallocated to focus on care home quality and occupancy, as existing capacity was squeezed by the operational impact of Covid-19. Total central support costs, at £3.9m, remained the same as last year.

Results by activity

The graph below shows income (including attributable fundraising and investment income) less direct costs by activity. Central support costs are displayed in a separate column and shown as a positive figure (although it is of course a net cost) to help comparison with the contribution made by the individual activities. In the income and expenditure account they are allocated to each of the activities as explained further in note 8 to the financial statements.

Financial Review (continued)



Residential care had a worse financial result than 2020-21 as the starting point for occupancy was lower than in the previous year. Overall occupancy by the end of March 2022 was 3% higher than March 2021.

The other activities are broadly cost-neutral, or relatively small losses, once attributable fundraising and investment income are included (as in the graph above). The other net income in 2021-22 includes the gain on sale of home care. The other expenditure in both years relates to impairment of different fixed assets.

Grants and allowances

Direct grants and allowances provided to beneficiaries were £0.2m, an increase of £32,000 on 2020-21 - as a result of a greater number of one-off grants, which were also for an increased value.

The grants given were funded by donations from trusts and individuals of £0.3m, including a £100,000 contribution from the Edward Gostling Foundation for grants distributed in the year, as well as a further £100,000 donation by the same Foundation that will be used for grant-giving in 2022-23. Some donations are allowed to contribute towards the costs of administering the grants – grant processing and administration costs total £143,000 for the year. Any unspent income is restricted to grants and will be spent in the next financial year. The remainder of the costs of administering these grants are borne by the Charity's general reserves.

Investments

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

Realised (on disposals) and unrealised gains on sale of investments held with fund managers totalled £1.1m in 2021-22 (2020-21: gains of £3.2m).

Financial Review (continued)

Post year-end the value of investments has fallen, with unrealised losses between 31 March and 30 June 2022 of £1.0m (6%).

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

Investment performance 2021-22

	CCLA	LGIM		Total
		Investment funds	Cash funds	
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	9,000	8,010	44	17,054
Disposals (carrying value)	-	(1,006)	-	(1,006)
Unrealised gains on revaluation	779	250	-	1,029
Balance at 31 March 2022	**9,779**	**7,254**	**44**	**17,077**
Investment income	271	265	-	536
Realised gains on disposal	-	44	-	44
Capital return	9%	4%	-	7%
Income return	3%	4%	-	3%
Cumulative capital return over 4 years	**34%**	**16%**	-	**24%**
Cumulative target return (RPI + 3%) over 4 years				**31%**

The Charity's investment strategy is to target a capital return of 3% plus RPI on a rolling five-year basis, and annual investment income of 3%. The funds the Charity invests in have strategies which reflect this. The cumulative capital return over the last four years (the start of the current investment strategy) is overall below target, for the first time, following high inflation as at March 2022. CCLA's investments have beaten the target, due to a more consistent result over the least four years, when compared with LGIM.

The capital return target is monitored over a five-year period and was set in October 2016, with investments transferred to new investment managers in 2017, so the five-year result cannot yet be fully assessed. Investment managers provide quarterly reports and attend an annual meeting with trustees to review performance.

During the year the LGIM fund the Charity invested in was closed, and the Charity's trustees considered the options for reinvestment. The trustees approved transfer of the investments concerned to another fund run by LGIM, which most closely matches the Charity's investment strategy.

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

Financial Review (continued)

Investment property

Properties classified as investment property are those which are capable of being let to third parties. These are houses on care home sites, or on the edge of care home sites, held for strategic reasons. They are carried on the balance sheet at an estimate of their market value, being £2.8m at 31 March 2022 (2021: £2.3m).

Investment properties are revalued by the trustees every three years, with an annual review undertaken as to whether there are any indicators of material changes in value. In accordance with this policy, the investment properties were revalued as at 31 March 2022, using local estate agents and comparing to sold prices of the most comparable properties. This resulted in an increase in valuation of £0.5m.

Tangible fixed assets – risk of impairment

Assets are reviewed annually for indicators of impairment. The impact of Covid-19 on the care sector, occupancy of care homes (both for the Charity and nationally), and other changes in the wider economy mean that there is a risk that the carrying value of our care home properties in particular are higher than their realisable value. Their 'realisable value' is the higher of 'fair value' (the amount a property could be sold for, either as a going concern or otherwise) less costs of sale; or 'value in use' (the replacement cost of the asset discounted to reflect its current age and condition).

To assess the market value of each of our care homes, we have referred to desktop valuations carried out by property valuation specialists in the year, and also considered other factors such as past formal valuations, current results, and the potential for occupancy recovery. For one care home, the RNNH, we identified that the net book value of its fixed assets in the accounts was below the estimated underlying value of the care home, and an impairment charge of £74,000 was booked to the accounts. Unlike our other assets, which are held at historic cost (plus later additions), it was brought into our accounts at fair value when the Charity took over the home in 2015, so its net book value in the accounts was higher than many of our other care homes, despite being an older building, and so impairment is always more likely.

Pension schemes

The Charity operates a defined benefit pension scheme which closed to new members and future accruals in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £72,000 (2021: net surplus of £27,000). The increase in the surplus is mainly due to an increase in the future liability discount rate. This is an asset that cannot be recognised on the Group's balance sheet. The Charity currently pays annual contributions of £10,000 to the scheme.

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

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £37,000 (2021: £112,000) is the net present value of future deficit contributions payable to the schemes. The provision decreased during the year as one of the schemes had a reduction in the future contributions payable following its triennial valuation.

Financial Review (continued)

Funds

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

	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Restricted funds	8,489	2,510	8,489	2,510
Endowments	9,329	15,816	9,329	15,816
Unrestricted funds:				
Designated funds	18,033	18,309	18,140	18,410
General reserves - revaluation reserve	2,495	1,991	2,495	1,991
General reserves - other	1,758	1,463	1,770	1,476
Pension reserve	(37)	(112)	(37)	(112)
Total unrestricted funds	22,249	21,651	22,368	21,765
Total charity funds	**40,067**	**39,977**	**40,186**	**40,091**

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

Reserves policy

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

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

Financial Review (continued)

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

The trustees have adopted a target range for the appropriate level of general reserves of between £2.5m and £3.5m (excluding investment properties). This builds on our experiences of the Covid-19 pandemic and the level of funds needed to keep the Charity operating following a major adverse event impacting on our main income stream. While £2.5m is the minimum needed to meet working capital requirements until such time as a major strategic change could be made, a higher reserves balance of £3.5m would allow for future re-investment in our services.

Charity reserves	**31 March 2022**
	£'000
Target general reserves - maximum	3,500
Target general reserves - minimum	2,500
General reserves reported	4,265
General reserves less investment property	1,429

General reserves are shown above excluding investment property (at carrying value), because these are mostly houses on care home sites that cannot be sold separately to the care home itself (although they can be let to third parties and so meet the Charity's accounting policy definition of investment property). Excluding this, general reserves are below the minimum target at the end of the year.

'Free' reserves, further excluding tangible and intangible fixed assets as well as investment property, are £1.1m (2021: £0.9m). This fluctuates due to working capital requirements and market gains and losses on investments in stocks and shares.

Although general reserves appear to be below target, this does not take into account the £6.0m of funds held within restricted funds that are available to support future care home operations. This means our real position of accessible funds is in excess of the current 'maximum'. Sir Thomas Lipton Charity (STL) funds remaining, once the Charity's operations have returned to a pre-Covid position, can be used for their previous purpose of buying or reinvesting in a care home.

Going concern

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

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2024, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

Financial Review (continued)

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

The Charity can access funds as long as it supports the original beneficiaries of STL - nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2022, £6.0m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid-19 that the biggest impact on our finances is having to continue to operate through a general ‘crisis’ in social care, rather than an isolated issue at one care home resulting in closure.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario. With the level of STL funds available to support care homes, these scenarios can withstand very large reductions in occupancy before we had to take other actions such as selling a care home as a going concern.

Going concern – conclusions

The scenarios used to stress-test management forecasts show that the Charity would still be able to continue as a going concern until March 2024, as a minimum, even in the unlikely scenario that occupancy was to fall by a further 20%. This is due to the £6.0m of funding remaining from STL which provides significant financial protection.

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

Principal risks and uncertainties

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

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

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

Principal risks and uncertainties (continued)

Risk	Mitigating actions
Safeguarding failure Abuse or negligence by staff, volunteers or third parties.	• A permanent Standards and Performance (SAP) team, including responsibility for quality assurance and internal audit. • Safeguarding policies and their application annually reviewed by independent external experts. Staff and volunteer safeguarding training. Safeguarding Adults Sub-Committee meets quarterly, led by an independent Chair. • Policies to investigate complaints raised by service users and their family members. Whistleblowing procedures for staff and volunteers. • Subscriptions to a full suite of policies and procedures from a third-party platform, which are written and reviewed by specialists and kept up to date.
Financial failure – increased risk as a result of current low occupancy	• Access to capital of up to £6m approved by the Charity Commission. • Budgeting and re-forecasting, with scenario planning, reviewed by board of trustees to identify if and when further mitigating actions are required. Key Performance Indicators and Management Information provided quarterly to SLT and trustees. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 18-19), and the level of general reserves against target is monitored at least annually.
Significant 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 through regular SMT meetings. • Project team to ensure government (UK Health Security Agency), Care Quality Commission and Local Authority/ local public health team latest guidance identified and addressed. • Several months' stock of Personal Protective Equipment held at a central location
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. • Assurance processes in place for regulatory areas including governance, data protection and health and safety.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
Other infectious disease outbreak at Group premises	• Policies on actions to take during such an outbreak. • Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. Liaison with Clinical Commissioning Groups and community health teams.
Premises are unusable or dangerous (in the short-term) 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 are in place. • Primary Authority Partnership actively maintained with Surrey Fire and Rescue Service. Fire awareness and evacuation training for staff. Annual Fire Risk Assessments carried out by external risk management specialists with action plans implemented. • Health and Safety obligations overseen by SAP team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Employees and volunteers

Equal opportunities

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

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

We aim to protect and enhance the dignity of employees and service users with diverse backgrounds and beliefs by employing good management practices and providing a safe working environment, free from discrimination and harassment. We ensure that recruitment, appraisal, and training systems are designed so that an individual is appointed and promoted on the basis of their ability and performance, irrespective of background, beliefs or socio-economic context. We encourage applications from people with disabilities, aiming to develop their skills, and taking every reasonable measure to adapt our premises and working conditions to enable people with disabilities to work or volunteer with us.

Key management personnel

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

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

Employees and volunteers (continued)

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

Staff and volunteer engagement

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

- All managers hold regular, structured meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop. Monthly managers' meetings take place with SLT. SMT meets with SLT monthly.
- A series of wellbeing workshops were held during the year, in every service, to understand what wellbeing means for staff, what challenges and issues they face. This was used to inform the Charity's Wellbeing Pledge, with other actions including access to a range of financial health tools.
- 'Workplace', the secure internal communications tool from Facebook, is reaching more staff and helps keep teams connected and aware of the wider activities of the Charity.
- Volunteers are informed of Charity updates both informally via their service manager on a regular basis, and with a Charity-wide newsletter. A Volunteering Handbook provides information, advice, and guidance on safeguarding.

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

Engagement with stakeholders

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

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

The Charity's internal marketing and communications team provide support in preparing letters on specific topics – for example, keeping families informed about the care homes' response to Covid-19 and changes to key policies such as admissions and visiting policies.

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

Engagement with stakeholders (continued)

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

Promoting the success of the charity

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

The Charity's aims are its charitable objects. Our strategy sets out how we will achieve these, including strategic objectives. Our aims and objectives are set out on page 7.

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

The Charity has a formal project management process, and the trustees have agreed which decisions or project proposals (due to size, value or impact) are taken to the trustees for approval. As part of the project process, there are decision-making criteria, including the strategic fit, impact on beneficiaries, alternative partners, impact on staff and other stakeholders, internal skills and capacity, data security implications and governance considerations. As part of the wider project process, this ensures that each trustee acts in the way that they consider will be most likely to promote the success of the charity to achieve its charitable purposes.

Health and safety

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

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

Carbon emission reporting

Energy is a major cost for the Charity. We gather information on energy use to comply with regulation, but also to help us measure energy efficiency measures and help to reduce our impact on climate change. Our energy use in the year to 31 March 2022 and the previous year was as follows:

Carbon emission reporting (continued)

	Energy consumption		Greenhouse gas emissions	
	2021-22	**2020-21**	**2021-22**	**2020-21**
Gas	6,531,393	7,014,756	1,325	1,290
Electricity	1,405,295	1,636,252	298	463
Transport	50,642	468,815	13	109
Total	**7,987,330**	**9,119,823**	**1,636**	**1,862**
Per full time employee	20,800	21,818	4	4
Per care home resident	29,045	32,157	6	7

The methodology employed for the conversion of the raw data is the 2021 UK Government GHG Conversion Factors for Company Reporting (version 2.0).

Transport use has fallen without home care services for the majority of the year, and as central team visits to care homes were still regularly restricted by Covid-related government regulations. Where possible, care homes equipment is upgraded to improve efficiency, such as LED lighting or modern heating boilers and optimised controls for lighting and plant rooms. Where appropriate, we continue to upgrade care home sites to operate Building Management Systems (computer-based systems to control and monitor energy use). Continued improvements of this nature reduce energy consumption and improve energy performance. The Charity's electricity and gas prices are fixed until September 2024.

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

Governance report

The Charity's constitution

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

The governing documents of the Charity are its Memorandum and Articles of Association.

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

Group structure

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

Governance report (continued)

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

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

Trustees and their support

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

- Trustees are appointed by the Board of Trustees of the Charity. They are also directors for the purpose of company law.
- Trustees are appointed for a term of three years, which is usually renewed for a further three years. After the completion of six years, trustees are eligible for re-election on an annual basis for a maximum of three further years.
- All new trustees take part in a formal induction programme and regular training.
- The trustees meet at least four times a year. Board committees scrutinise and oversee matters relating to audit and risk, resources and investment, service delivery, board nominations, and remuneration and employment.
- Board meetings and committee meetings were adapted to respond to the Covid-19 pandemic and Charity response, including virtual meetings using Microsoft Teams and support for trustees to join for those unfamiliar with the technology. Additional board meetings were held in the early months to keep trustees up to date, and to obtain board approvals as appropriate for decisions and key policies.
- The board carries out an annual self-evaluation exercise, including skills audit, with an independent evaluation every three years.

Governance report (continued)

- As part of our strategy, trustees have committed to work towards compliance with the Charity Governance Code.

- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Strategic Leadership Team and the Senior Management Team, supported by heads of department.

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

Public benefit

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

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

Basis of preparation

The annual report for the year ended 31 March 2022 is presented together with the consolidated financial statements of the Charity and its subsidiaries (together the Group). The strategic report for the Group is incorporated into the trustees' report.

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

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

Statement of trustees' responsibilities

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

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

Statement of trustees' responsibilities (continued)

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

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

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

Statement of disclosure of information to auditors

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

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

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

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 16 September 2022 and signed on its behalf by:

Chris Maidment
Chair

Registered Charity no. 226064
Registered Company no. 133850

Administrative information

Charity name
Friends of the Elderly

Registered office
40-42 Ebury Street
London SW1W 0LZ

Registration numbers
Charity No. 226064
Company No. 133850

Company Secretary
Soo Smith

Trustees
Joannie Andrews *3* (to 16 Sept 2021)
Martin Beecroft *3*
Sonia Campbell *3*
Rob Chapman *1,2*
Emily DeAbaitua *1*
David Deacon *1*
Paul Foster *4*
Rikki Garcia *2, 3*
Louisa Hogarty *3*
Chris Maidment *1, 2 (Chair from 16 Sept 2021)*
Simon J. Passman (*Vice Chair*) *2, 4*
Sharon Prosser *4*
Kerry Rubie (*Chair*) *1,2, 3, 4* (to 16 Sept 2021)

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

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

Senior Management Team
Janet Hawthorn *(Standards and Performance Director)*
Rosemary Naylor *(Care Homes Director)*

Statutory auditors
Saffery Champness LLP
71 Queen Victoria Street
London EC4V 4BE

Bankers
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89 Buckingham Palace Road
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Investment managers
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CCLA Investment Management Limited
80 Cheapside
London EC2V 6DZ

Solicitors
Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

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

Opinion

We have audited the financial statements of Friends of the Elderly (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2022 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

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

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Use of our report

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

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

71 Queen Victoria Street
London, EC4V 4BE

Date: 30 October 2022

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

Consolidated statement of financial activities for the year ended 31 March 2022 (incorporating the consolidated income and expenditure account)

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total Funds 2022 £'000	Total Funds 2021 £'000
Income from:						
Donations and legacies	4	269	1,213	-	**1,482**	2,076
Income from charitable activities:	8					
Residential care		16,371	-	-	**16,371**	16,398
Community services		742	-	-	**742**	1,312
Community engagement		-	-	-	**-**	7
		17,113	-	-	**17,113**	17,717
Investment Income	5	195	453	1	**649**	548
Other income	6	404	-	-	**404**	-
Total		17,981	1,666	1	**19,648**	20,341
Expenditure on:						
Raising funds:	8					
Fundraising costs		190	56	-	**246**	208
Investment management costs		103	-	-	**103**	111
		293	56	-	**349**	319
Charitable activities:	8					
Residential care		17,384	1,619	36	**19,039**	18,863
Community services		1,072	75	-	**1,147**	1,940
Community engagement		138	1	-	**139**	320
Grants and allowances		117	248	-	**365**	339
Other expenditure	6	69	5	-	**74**	440
		18,780	1,948	36	**20,764**	21,902
Total		19,073	2,004	36	**21,113**	22,221
Net (expenditure) before gains on investments	9	**(1,092)**	**(338)**	**(35)**	**(1,465)**	(1,880)
Net gains on investments	15	679	19	872	**1,570**	3,161
Net income/ (expenditure)		(413)	(319)	837	**105**	1,281
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension scheme	19	(15)	-	-	**(15)**	(15)
Transfers between funds	21	1,026	6,298	(7,324)	**-**	-
Net movement in funds		**598**	**5,979**	**(6,487)**	**90**	1,266
Reconciliation of funds:						
Total funds brought forward	21	21,651	2,510	15,816	**39,977**	38,711
Total funds carried forward	21	**22,249**	**8,489**	**9,329**	**40,067**	39,977

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2021 by fund are disclosed in note 2.

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

Group and Charity balance sheets as at 31 March 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Fixed assets					
Intangible assets	13	78	112	78	112
Tangible assets	14	21,673	22,159	21,780	22,260
Investments	15	19,913	19,386	19,923	19,396
Total fixed assets		41,664	41,657	41,781	41,768
Current assets					
Debtors	16	1,906	1,827	1,897	1,821
Cash at bank and in hand		1,469	1,649	1,466	1,649
Total current assets		3,375	3,476	3,363	3,470
Creditors					
Amounts falling due within 1 year	17	(3,481)	(3,434)	(3,467)	(3,425)
Net current (liabilities)/ assets		(106)	42	(104)	45
Total assets less current liabilities		41,558	41,699	41,677	41,813
Creditors					
Amounts falling due after more than one year	18	(1,454)	(1,610)	(1,454)	(1,610)
Net assets excluding pension liabilities		40,104	40,089	40,223	40,203
Defined benefit pension scheme liability	19	(37)	(112)	(37)	(112)
Total net assets		**40,067**	**39,977**	**40,186**	**40,091**
The funds of the charity:					
Restricted funds	21	8,489	2,510	8,489	2,510
Endowments	21	9,329	15,816	9,329	15,816
Unrestricted funds:					
Designated funds	21	18,033	18,309	18,140	18,410
General reserves - revaluation reserve	21	2,495	1,991	2,495	1,991
General reserves - other	21	1,758	1,463	1,770	1,476
Pension reserve	21	(37)	(112)	(37)	(112)
Total unrestricted funds		22,249	21,651	22,368	21,765
Total charity funds	21	**40,067**	**39,977**	**40,186**	**40,091**

The notes on pages 37 to 66 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net income for the year is £95,000, which includes net gains on investments of £1,570,000 (2020-21: net income of £1,271,000, including net gains on investments of £3,161,000).

The financial statements were approved by the Board of Trustees on 16 September 2022 and were signed on their behalf by:

Chris Maidment, *Chair*

Consolidated statement of cash flows for the year ended 31 March 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities:					
Net cash (used in) operating activities	23		**(1,438)**		**(1,177)**
Cash flows from investing activities:					
Dividends, interest and rents from investments		649		548	
Interest payable		(33)		(52)	
Purchase of intangible fixed assets		(16)		(129)	
Purchase of property, plant and equipment		(569)		(1,063)	
Proceeds from sale of investments		1,043		700	
Proceeds from sale of property, plant and equipment		46		-	
Proceeds from sale of services		287		-	
Net cash provided by investing activities			**1,407**		**4**
Cash flows from financing activities:					
Drawdown of borrowings		-		150	
Repayments of borrowings		(149)		(139)	
Net cash (used in)/ provided by financing activities			**(149)**		**11**
Change in cash and cash equivalents in the year			(180)		(1,162)
Cash and cash equivalents at the beginning of the year			1,649		2,811
Cash and cash equivalents at the end of the year			**1,469**		**1,649**
Cash and cash equivalents comprise the following:					
Cash			**1,469**		**1,649**

Analysis of net debt

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

Analysis of net debt for the prior year

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash	2,811	(1,162)	-	1,649
Borrowings				
Debt due within one year	(143)	139	(137)	(141)
Debt due after one year	(1,597)	(150)	137	(1,610)
	(1,740)	(11)	-	(1,751)
Net debt	**1,071**	**(1,173)**	**-**	**(102)**

Notes to the financial statements for the year ended 31 March 2022

1. Principal accounting policies

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

(a) Basis of accounting

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

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

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

Going concern

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

In reaching their conclusions, trustees have reviewed budgets, formal forecasts, cash flow and reserves forecasts, contingency plans and availability and liquidity of assets. Forecasts extend beyond the minimum 12-month period required for the going concern evaluation, to March 2024, and are stress-tested through modelling a range of adverse scenarios and potential mitigating actions.

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

The Charity can access funds as long as it supports the original beneficiaries of STL - nurses, healthcare or social care workers, followed by any other older person in need. The Charity gives priority to potential care home residents based on those criteria whenever there is a waiting list for admission. As at 31 March 2022, £6.0m remains accessible from these funds. This has a significant and beneficial impact on the assessment of going concern.

Going concern – key risks and uncertainties

We have found through Covid-19 that the biggest impact on our finances is having to continue to operate through a general ‘crisis’ in social care, rather than an isolated issue at one care home resulting in closure.

Adverse scenarios have been prepared to model the impact of different reductions in occupancy, and to develop contingency plans which set out the actions that would be required in each scenario. With the level of STL funds available to support care homes, these scenarios can withstand very large reductions in occupancy before we had to take other actions such as selling a care home as a going concern.

1. Principal accounting policies (continued)

Going concern – conclusions

The scenarios used to stress-test management forecasts show that the Charity would still be able to continue as a going concern until March 2024, as a minimum, even in the unlikely scenario that occupancy was to fall by a further 20%. This is due to the £6.0m of funding remaining from STL which provides significant financial protection.

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

(a) Consolidation

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

(b) Fund accounting

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

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

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

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

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

(c) Income

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

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

1. Principal accounting policies (continued)

(c) Income (continued)

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

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

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

(d) Expenditure

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

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

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

(e) Support costs

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

(f) Donated services and facilities

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

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

(g) Intangible fixed assets and amortisation

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

Computer software: 3 years

1. Principal accounting policies (continued)

(h) Tangible fixed assets and depreciation

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

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

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

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

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

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

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

(i) Impairment of fixed assets

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

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

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

1. Principal accounting policies (continued)

(j) Investment properties

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

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

(k) Other investments

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

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

(l) Debtors

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

(m) Resident deposits

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

(n) Cash at bank and in hand

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

(o) Creditors and provisions

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

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

(p) Financial instruments

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

1. Principal accounting policies (continued)

(p) Financial instruments (continued)

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

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

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

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

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

(q) Operating leases

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

(r) Pension schemes

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

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

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

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

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

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

1. Principal accounting policies (continued)

(r) Pension Schemes (continued)

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

(s) Key judgements and estimates

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

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

The review of impairment indicators and assessment of impairment loss on care homes

Impairment indicators include the financial performance of a service (in particular, individual care homes) compared to expectations, any recent third-party valuations compared to carrying value, and the basis of those valuations compared to any more recent results.

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

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

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

The risk of impairment of the Charity’s fixed assets, including care homes and related fixtures and fittings, is increased as a result of the impact of COVID-19 on the care sector. Additional consideration has been given to available data and forecasts relating to the UK care sector since the year-end, the Charity’s latest budgets and forecasts, and the impact of changes in forecast results on the basis of previous valuations.

An impairment charge of £74,000 was recognised in the year. This relates to a care home that is currently loss-making, to write the net assets down to their recoverable value.

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are: discount rates; inflation rates; mortality assumptions and life expectancies; and expected return on scheme assets. These assumptions are reviewed and approved by the trustees, based on information provided by the scheme actuaries.

The key judgement of the multi-employer pension schemes is the discount rate applied to future contributions. This discount rate is reviewed and approved by the trustees, based on information provided by the scheme administrators, and reflects the time period of future contributions.

1. Principal accounting policies (continued)

(s) Key judgements and estimates (continued)

Tangible fixed assets and depreciation

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

Investment property valuations

Investment properties are valued by the trustees, based either on third party valuations, or market information of similar properties in the area. Some houses classified as investment property are on a care home site but could be sold to a third party if access and gardens were separated; in this case the estimated costs of doing so are deducted from the valuation.

2. Consolidated statement of financial activities by fund 2021

	Unrestricted funds	Restricted funds	Endowment funds	Total Funds 2021
Income from:	**£'000**	**£'000**	**£'000**	**£'000**
Donations and legacies	343	1,733	-	**2,076**
Income from charitable activities:				
Residential care	16,398	-	-	**16,398**
Community services	1,312	-	-	**1,312**
Community engagement	7	-	-	**7**
	17,717	-	-	**17,717**
Investment Income	177	370	1	**548**
Total	18,237	2,103	1	**20,341**
Expenditure on:				
Raising funds:				
Fundraising costs	170	38	-	**208**
Investment management costs	111	-	-	**111**
Other costs	-	-	-	**-**
	281	38	-	**319**
Charitable activities:				
Residential care	17,126	1,702	35	**18,863**
Community services	1,768	172	-	**1,940**
Community engagement	216	104	-	**320**
Grants and allowances	76	263	-	**339**
Other expenditure	440	-	-	**440**
	19,626	2,241	35	**21,902**
Total	19,907	2,279	35	**22,221**
Net (expenditure before gains on investments	**(1,670)**	**(176)**	**(34)**	**(1,880)**
Net gains on investments	418	99	2,644	**3,161**
Net (expenditure)/income	(1,252)	(77)	2,610	**1,281**
Other recognised gains/(losses)				
Actuarial losses on defined benefit pension	(15)	-	-	**(15)**
Transfers between funds	425	473	(898)	**-**
Net movement in funds	**(842)**	**396**	**1,712**	**1,266**
Reconciliation of funds:				
Total funds brought forward	22,493	2,114	14,104	**38,711**
Total funds carried forward	**21,651**	**2,510**	**15,816**	**39,977**

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2022:

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

Summary of results for the year ended 31 March 2021:

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

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

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

Friends of the Elderly became the sole member of the Retired Nurses National Home (the RNNH) on 31 March 2015. The RNNH's activities, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019 as part of a group merger. This transfer included the care home in Bournemouth that was owned and operated by the RNNH. The charitable company will be kept as a dormant company for some years, to ensure any legacies left to the charity are able to be easily received.

4. Donations and legacies

	2022 £'000	2021 £'000
Donations	531	556
Legacies	99	144
Pro-bono services	56	38
Total excluding government grants	686	738
Government grants (note 7)		
NHS Pathfinders	-	174
COVID-19 Adult Social Care	796	1,164
	1,482	2,076

5. Investment income

	2022	2021
	£'000	£'000
Dividends from investments	535	433
Investment property rental income	111	108
Interest receivable	3	7
	649	548

6. Other income and other expenditure

Other income

	2022	2021
	£'000	£'000
Gain on disposal of fixed assets	17	-
Gain on sale of homecare services	387	-
	404	-

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

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

Other expenditure

Other expenditure within charitable activities includes:

	2022	2021
	£'000	£'000
Impairment charge	74	351
Loss on disposal of fixed assets	-	89
	74	440

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

7. Government grants

	2022	2021
	£'000	£'000
Recorded within restricted income from donations and legacies		
COVID-19 Adult Social Care grants	796	1,164
NHS Pathfinders	-	174
Recorded within unrestricted income from charitable activities		
Coronavirus Job Retention Scheme	40	342
	836	1,680

7. Government grants (continued)

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

The Coronavirus Job Retention Scheme is also known as the furlough scheme. The related staff costs have been recognised in full within expenditure.

The NHS Pathfinders grant was a Social Care Digital Pathfinders grant from NHS Digital, part of the Department of Health and Social Care (DHSC). The grant came to an end during the previous year. All performance and reporting requirements have been met and all funds received.

8. Analysis of income and expenditure by charitable activity

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2022	**2022**	**2022**	**2022**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Direct income	16,371	742	-	-	-	17,113
Government grants	742	54	-	-	-	796
Other attributable fundraising income	23	2	8	328	325	686
Attributable investment income	399	-	-	54	196	649
Total income	**17,535**	**798**	**8**	**382**	**521**	**19,244**
Direct expenditure	15,744	838	103	-	249	16,934
Grant-funding of activities	-	-	-	222	-	222
Total income less direct expenditure	**1,791**	**(40)**	**(95)**	**160**	**272**	**2,088**
Attributable support costs:						
Governance	279	26	3	12	8	328
Operations, quality and training	855	107	20	101	26	1,109
Property	207	15	-	-	18	240
Finance, HR and IT	1,552	95	9	20	23	1,699
Marketing and communications	338	49	-	4	14	405
Strategic and executive	64	17	4	6	11	102
Total attributable support costs	3,295	309	36	143	100	3,883
Total expenditure	**19,039**	**1,147**	**139**	**365**	**349**	**21,039**
Net surplus/ (deficit)	**(1,504)**	**(349)**	**(131)**	**17**	**172**	**(1,795)**

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

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

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

The analysis for 2021 is as follows:

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2021	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Direct income	16,398	1,312	7	-	-	17,717
Government grants	1,171	167	-	-	-	1,338
Other attributable fundraising income	39	2	64	252	381	738
Attributable investment income	334	-	-	36	178	548
Total income	**17,942**	**1,481**	**71**	**288**	**559**	**20,341**
Direct expenditure	15,892	1,407	195	-	213	17,707
Grant-funding of activities	-	-	-	190	-	190
Total income less direct expenditure	**2,050**	**74**	**(124)**	**98**	**346**	**2,444**
Attributable support costs:						
Governance	139	25	6	7	5	182
Operations, quality and training	779	232	79	114	33	1,237
Property	184	15	-	-	18	217
Finance, HR and IT	1,485	156	17	16	18	1,692
Marketing and communications	298	56	11	-	7	372
Strategic and executive	86	49	12	12	25	184
Total attributable support costs	2,971	533	125	149	106	3,884
Total expenditure	**18,863**	**1,940**	**320**	**339**	**319**	**21,781**
Net surplus/ (deficit)	**(921)**	**(459)**	**(249)**	**(51)**	**240**	**(1,440)**

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

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

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

9. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2022 £'000	2021 £'000
Staff costs (Note 10)	14,335	14,903
Amortisation of intangible fixed assets (Note 13)	50	42
Depreciation of tangible fixed assets (Note 14)	958	920
Impairment of tangible fixed assets (note 6)	74	351
Auditors' remuneration - Audit of the Charity (current year)	35	35
Auditors' remuneration - Audit of the Charity (prior year)	-	6
Auditors' remuneration - Audit of subsidiary undertakings	2	5
Auditors' remuneration - Other Services	3	3
Professional indemnity insurance	2	2
Surplus on sale of fixed assets	17	-
Surplus on sale of homecare services	387	-
Pension scheme net finance charge	1	2
Operating lease rentals	138	177

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

10. Staff costs

Staff costs were as follows:	2022 £'000	2021 £'000
Salaries	10,404	11,016
Social security costs	868	861
Pension costs - excluding change to pension provision	556	581
Pension costs - change to pension provision	(75)	(13)
	11,753	12,445
Agency - Care	1,269	1,143
Agency - Non-Care	9	15
Contract staff costs	1,304	1,300
Agency and contract costs	2,582	2,458

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

	2022 £'000	2021 £'000
Redundancy payments	6	27

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

	2022 No.	2021 No.
£60,001 - £70,000	6	4
£70,001 - £80,000	2	2
£80,000 - £90,000	1	2
£90,000 to £100,000	2	-

10. Staff costs (continued)

Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2021: none).

	2022 £'000	2021 £'000
Total emoluments	561	583
	No.	**No.**
Average number of Senior Management Team	6.0	6.5

11. Staff numbers

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

Employee numbers	**2022 Headcount No.**	**2021 Headcount No.**	**2022 FTE No.**	**2021 FTE No.**
Care staff	419	474	320	347
Support staff	67	74	64	71
	486	548	384	418

12. Related party transactions

Trustees

The trustees received no remuneration for their services (2021: £nil). During the year ended 31 March 2022, no expenses were paid to any trustee for costs incurred in the course of their duties as trustee of the Charity (2021: £nil).

No donations were made by a related party of any trustee to the Group during the year (2021: £nil). Expenses waived by trustees during the year were not material (2021: not material).

Key management personnel

There are no related party transactions with key management personnel to report for the year ended 31 March 2022 (2021: none).

Intercompany transactions

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

Amounts charged/ (credited) to Potential	**2022 £'000**	**2021 £'000**
Management fee	1	1
Property development costs recharged (capitalised within the Charity)	(81)	(173)
Distribution (donation) from Potential to the Charity	-	3
	(80)	(169)

12. Related party transactions (continued)

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

	2022 £'000	2021 £'000
Amounts due to Potential	(39)	(24)
Amounts due to Friends of the Elderly Trading Limited	(5)	(5)
	(44)	(29)

13. Intangible fixed assets

	Group and Charity
Computer software	
Cost	**£'000**
At 1 April 2021	762
Additions	16
At 31 March 2022	778
Amortisation	
At 1 April 2021	650
Charge for the year	50
At 31 March 2022	700
Net book value 31 March 2022	**78**
Net book value 31 March 2021	112

14. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2021	26,905	156	9,063	36,124
Additions	87	-	488	575
Disposals	-	-	(57)	(57)
At 31 March 2022	26,992	156	9,494	36,642
Depreciation				
At 1 April 2021	7,053	112	6,800	13,965
Charge for the year	281	4	673	958
Impairment charge	-	-	74	74
Eliminated on disposal	-	-	(28)	(28)
At 31 March 2022	7,334	116	7,519	14,969
Net book value 31 March 2022	**19,658**	**40**	**1,975**	**21,673**
Net book value 31 March 2021	19,852	44	2,263	22,159

14. Tangible fixed assets (continued)

(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2021	27,143	156	9,077	36,376
Additions	93	-	488	581
Disposals	-	-	(62)	(62)
At 31 March 2022	27,236	156	9,503	36,895
Depreciation				
At 1 April 2021	7,190	112	6,814	14,116
Charge for the year	281	4	673	958
Impairment charge	-	-	74	74
Eliminated on disposal	-	-	(33)	(33)
At 31 March 2022	7,471	116	7,528	15,115
Net book value 31 March 2022	**19,765**	**40**	**1,975**	**21,780**
Net book value 31 March 2021	19,953	44	2,263	22,260

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

	Group		Charity	
Assets in the course of construction	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Cost	1,921	1,830	1,960	1,867
Net book value	1,561	1,479	1,592	1,509

Borrowing costs of £6,000 (2021: £21,000) were capitalised in the year as part of assets in the course of construction. This is interest on the 15-year term loan disclosed in note 18. The loans (note 18) are secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

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

15. Fixed asset investments

(a) Group	Investment Property £'000	Investments Unlisted £'000	Total £'000
Cost or valuation			
At 1 April 2021	2,332	17,054	19,386
Disposals (carrying value)	-	(1,006)	(1,006)
Unrealised gains on revaluation	504	1,029	1,533
At 31 March 2022	2,836	17,077	19,913
Cost at 31 March 2022	341	14,101	14,442

b) Charity	Investment Property £'000	Investments Unlisted £'000	Investment in Subsidiaries £'000	Total £'000
Cost or valuation				
At 1 April 2021	2,332	17,054	10	19,396
Disposals (carrying value)	-	(1,006)	-	(1,006)
Unrealised gains on revaluation	504	1,029	-	1,533
At 31 March 2022	2,836	17,077	10	19,923
Cost at 31 March 2022	341	14,101	10	14,452

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

Investment properties are properties which are held for strategic reasons, but which are capable of being rented to third parties or of being sold separate to adjacent care homes. They have been valued on the open market basis, less an estimate of costs associated with sale. The valuation has been carried out by the board of trustees, using available market data.

Some investment properties have current restrictions relating to access which would impede sale. Estimated costs of resolving such matters have been deducted from the valuation.

16. Debtors

	Group		Charity	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	743	738	743	738
Other debtors	161	175	152	169
Prepayments and accrued income	1,002	914	1,002	914
	1,906	1,827	1,897	1,821

17. Creditors: amounts falling due within one year

	Group		Charity	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	843	1,117	790	1,090
Amounts due to subsidiary undertakings	-	-	44	29
Other creditors	393	299	388	293
Resident deposits	904	932	904	932
Taxation and social security	248	230	248	230
Accruals	945	715	945	710
Loans: Amounts Due Within One Year	148	141	148	141
	3,481	3,434	3,467	3,425

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

	Group and Charity	
	2022	**2021**
	£'000	**£'000**
Secured bank loan:		
Falling due within more than one year but less than five years	632	604
Falling due after five years	822	1,006
Total amounts falling due after one year:	1,454	1,610
Amounts falling due within one year (Note 17)	148	141
Total of all loans	1,602	1,751

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

The loans are basic financial instruments carried at amortised cost. £1,077,000 of the debt has an interest rate at 1.75% above the Bank of England's sterling base rate, with a 20-year term ending in 2031. £526,000 of debt has an interest rate at 3.0% above the Bank of England's sterling base rate, with a 15-year term ending in 2034.

19. Pension schemes

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

	Group and Charity	
Defined benefit pension scheme liability by Scheme	**2022**	**2021**
	£'000	**£'000**
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(24)	(96)
Career Average Revalued Earnings (CARE) Pension Scheme	(13)	(16)
	(37)	(112)

19. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme

	FotE Closed 2022 £'000	SVSPS Scheme 2022 £'000	CARE Scheme 2022 £'000	Total 2022 £'000
Provision at 1 April 2021	-	(96)	(16)	(112)
Interest expense	-	(1)	-	(1)
Contributions paid	15	17	2	34
Remeasurement - impact of changes in assumptions	-	-	1	1
Remeasurement - amendments to the contribution schedule	-	56	-	56
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	91	-	-	91
- Return on assets excluding interest income	(61)	-	-	(61)
- Change in the effect of asset ceiling	(45)	-	-	(45)
Provision at 31 March 2022	-	(24)	(13)	(37)

Reconciliation of opening and closing provision by Scheme for 2021:

	FotE Closed 2021 £'000	SVSPS Scheme 2021 £'000	CARE Scheme 2021 £'000	Total 2021 £'000
Provision at 1 April 2020	-	(106)	(19)	(125)
Interest expense	-	(2)	-	(2)
Contributions paid	15	16	2	33
Remeasurement - impact of changes in assumptions	-	(4)	(1)	(5)
Remeasurement - amendments to the contribution schedule	-	-	2	2
Other gains/(losses):				
- Actuarial gains/(losses) on defined benefit obligation	(93)	-	-	(93)
- Return on assets excluding interest income	(14)	-	-	(14)
- Change in the effect of asset ceiling	92	-	-	92
Provision at 31 March 2021	-	(96)	(16)	(112)

19(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by the Charity and amounted to £523,000 in the year (2021: £556,000).

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

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

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

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

There are two categories of members:

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

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

The pension scheme surplus as at 31 March 2022 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

The amounts recognised and the balance sheet positions, for 2022 and 2021, are as follows:

	Group and Charity: 2022			Group and Charity: 2021		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,641	(1,614)	**27**	1,749	(1,630)	119
Limit on recognition of assets	(27)	-	**(27)**	(119)	-	(119)
Scheme surplus recognised at 1 April	1,614	(1,614)	**-**	1,630	(1,630)	-
Benefits paid	(149)	149	**-**	(145)	145	-
Employer contributions	15	-	**15**	15	-	15
Amounts charged to Statement of Financial Activities:						
Interest income/ (cost)	26	(26)	**-**	36	(36)	-
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	91	**91**	-	(93)	(93)
- Return on assets excluding interest income	(61)	-	**(61)**	(14)	-	(14)
- Change in the effect of asset ceiling	(45)	-	**(45)**	92	-	92
Total amounts charged to Statement of Financial Activities	(80)	65	**(15)**	114	(129)	(15)
Fair value at 31 March (less surplus not recognised)	1,400	(1,400)	**-**	1,614	(1,614)	-

The fair value of the assets of the scheme was:

	Group and Charity			
	2022	2022	2021	2021
	£'000	% of total plan assets	£'000	% of total plan assets
Trustees bank account/ net current assets	3	0.2%	3	0.2%
Annuities	967	65.7%	1,080	65.8%
Gilts fund	414	28.1%	471	28.7%
Diversified fund	88	6.0%	87	5.3%
Total	1,472	100.0%	1,641	100.0%

19. Pension schemes (continued)

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

The return on assets was:

	Group and Charity	
	2022	2021
	Market value	Market value
	£'000	£'000
Interest income	26	36
Return on assets less interest income	(61)	(14)
Total return on assets	(35)	22

Actuarial assumptions

	Group and Charity	
	2022	2021
Discount rate	2.70% pa	1.70% pa
RPI inflation	4.20% pa	3.45% pa
CPI inflation	3.20% pa	2.45% pa
Revaluation of deferred pensions	3.20% pa	2.45% pa

Mortality assumptions

	Group and Charity	
	2022	2021
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S3PA CMI_2021_M/F [1.25%] (yob)	100% of S2PA CMI_2020_M/F [1.25%] (yob)

Life expectancies (in years)

	2022		2021	
	Males	Females	Males	Females
For an individual aged 60	26.6	29.2	26.2	28.4
At age 60 for an individual aged 40	28.1	30.7	27.7	30.0

19(c) Multi-employer pension schemes

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

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

19. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

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

SVSPS

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

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

CARE

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

A full actuarial valuation for the scheme was carried out as at 30 September 2019. This actuarial valuation showed assets of £79.0m, liabilities of £93.9m and a deficit of £14.9m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.5m per annum until September 2027 (increasing by 3% each year on 1 April), of which the Charity’s contributions are £2,300 per annum, rising to £2,700 pa over the six-year period.

Discount rates

	2022	**2021**	**2020**
Discount rate: SVSPS	2.30%	0.86%	2.57%
Discount rate: CARE	2.55%	0.98%	2.58%

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

20. Analysis of net assets between funds

Fund balances at 31 March 2022, represented by:

(a) Group	**Unrestricted funds £'000**	**Restricted funds £'000**	**Endowment funds £'000**	**Total funds £'000**
Intangible assets	78	-	-	78
Tangible assets	19,688	145	1,840	21,673
Investments	5,832	6,594	7,487	19,913
Current assets	1,437	1,936	2	3,375
Current liabilities	(3,295)	(186)	-	(3,481)
Non-current liabilities	(1,491)	-	-	(1,491)
	22,249	8,489	9,329	40,067

20. Analysis of net assets between funds (continued)

(b) Charity	**Unrestricted funds £'000**	**Restricted funds £'000**	**Endowment funds £'000**	**Total funds £'000**
Intangible assets	78	-	-	78
Tangible assets	19,795	145	1,840	21,780
Investments	5,842	6,594	7,487	19,923
Current assets	1,425	1,936	2	3,363
Current liabilities	(3,281)	(186)	-	(3,467)
Non-current liabilities	(1,491)	-	-	(1,491)
	22,368	8,489	9,329	40,186

Fund balances at 31 March 2021 were:

(a) Group	**Unrestricted funds £'000**	**Restricted funds £'000**	**Endowment funds £'000**	**Total funds £'000**
Intangible assets	112	-	-	112
Tangible assets	19,966	317	1,876	22,159
Investments	4,884	563	13,939	19,386
Current assets	1,687	1,788	1	3,476
Current liabilities	(3,276)	(158)	-	(3,434)
Non-current liabilities	(1,722)	-	-	(1,722)
	21,651	2,510	15,816	39,977

(b) Charity	**Unrestricted funds £'000**	**Restricted funds £'000**	**Endowment funds £'000**	**Total funds £'000**
Intangible assets	112	-	-	112
Tangible assets	20,067	317	1,876	22,260
Investments	4,894	563	13,939	19,396
Current assets	1,681	1,788	1	3,470
Current liabilities	(3,267)	(158)	-	(3,425)
Non-current liabilities	(1,722)	-	-	(1,722)
	21,765	2,510	15,816	40,091

21. Movement in funds

Fund movements for the Group for the year ended 31 March 2022:

(a) Group	**As at 1 April 2021**	**Net income/ (expenditure)**	**Other gains and losses**	**Depreciation movement**	**Net capital expenditure**	**Loan movement**	**Funds Transferred**	**As at 31 March 2022**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Unrestricted funds:								
Designated funds	18,309	-	-	(823)	409	138	-	18,033
General reserves:								
Revaluation reserve	1,991	-	504	-	-	-	-	2,495
Other reserve	1,463	(1,182)	175	823	(409)	(138)	1,026	1,758
Pension reserve	(112)	90	(15)	-	-	-	-	(37)
Total unrestricted funds	**21,651**	**(1,092)**	**664**	**-**	**-**	**-**	**1,026**	**22,249**
Restricted funds:								
Funds for the upkeep of residential homes	221	13	-	-	-	-	-	234
Sir Thomas Lipton Memorial Home fund	-	-	-	-	-	-	6,013	6,013
Funds restricted to RNNH	211	(461)	2	-	-	-	260	12
Funds for grants and allowances	852	134	17	-	-	-	-	1,003
Funds for residents' subsidies	725	(3)	-	-	-	-	25	747
Community services	49	(19)	-	-	-	-	-	30
Community projects	45	3	-	-	-	-	-	48
Other restricted funds	407	(5)	-	-	-	-	-	402
Total restricted funds	**2,510**	**(338)**	**19**	**-**	**-**	**-**	**6,298**	**8,489**
Endowed funds:								
Expendable endowment - RNNH	967	-	29	-	-	-	(260)	736
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,933	-	455	-	-	-	(6,388)	-
Endowed property - RNNH	1,641	(36)	-	-	-	-	-	1,605
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,806	1	139	-	-	-	(676)	2,270
Funds for residents' subsidies	3,150	-	185	-	-	-	-	3,335
Funds for grants and allowances	1,084	-	64	-	-	-	-	1,148
Total permanent endowment	14,849	(35)	843	-	-	-	(7,064)	8,593
Total endowed funds	**15,816**	**(35)**	**872**	**-**	**-**	**-**	**(7,324)**	**9,329**
Total funds	**39,977**	**(1,465)**	**1,555**	**-**	**-**	**-**	**-**	**40,067**

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2022:

(b) Charity	**As at 1 April 2021**	**Net income/ (expenditure)**	**Other gains and losses**	**Depreciation movement**	**Net capital expenditure**	**Loan movement**	**Funds Transferred**	**As at 31 March 2022**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Unrestricted funds:								
Designated funds	18,410	-	-	(823)	415	138	-	18,140
General reserves:								
Revaluation reserve	1,991	-	504	-	-	-	-	2,495
Other reserve	1,476	(1,177)	175	823	(415)	(138)	1,026	1,770
Pension reserve	(112)	90	(15)	-	-	-	-	(37)
Total unrestricted funds	**21,765**	**(1,087)**	**664**	**-**	**-**	**-**	**1,026**	**22,368**
Restricted funds:								
Funds for the upkeep of residential homes	221	13	-	-	-	-	-	234
Sir Thomas Lipton Memorial Home fund	-	-	-	-	-	-	6,013	6,013
Funds restricted to RNNH	211	(461)	2	-	-	-	260	12
Funds for grants and allowances	852	134	17	-	-	-	-	1,003
Funds for residents' subsidies	725	(3)	-	-	-	-	25	747
Community services	49	(19)	-	-	-	-	-	30
Community projects	45	3	-	-	-	-	-	48
Other restricted funds	407	(5)	-	-	-	-	-	402
Total restricted funds	**2,510**	**(338)**	**19**	**-**	**-**	**-**	**6,298**	**8,489**
Endowed funds:								
Expendable endowment - RNNH	967	-	29	-	-	-	(260)	736
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,933	-	455	-	-	-	(6,388)	-
Endowed property - RNNH	1,641	(36)	-	-	-	-	-	1,605
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,806	1	139	-	-	-	(676)	2,270
Funds for residents' subsidies	3,150	-	185	-	-	-	-	3,335
Funds for grants and allowances	1,084	-	64	-	-	-	-	1,148
Total permanent endowment	14,849	(35)	843	-	-	-	(7,064)	8,593
Total endowed funds	**15,816**	**(35)**	**872**	**-**	**-**	**-**	**(7,324)**	**9,329**
Total funds	**40,091**	**(1,460)**	**1,555**	**-**	**-**	**-**	**-**	**40,186**

21. Movement in funds (continued)

Fund movements for the Group for the year ended 31 March 2021:

(a) Group	As at 1 April 2020 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation movement £	Net capital expenditure £	Loan movement £	Funds Transferred £	As at 31 March 2021 £
Unrestricted funds:								
Designated funds	18,481	-	-	(473)	81	220	-	18,309
General reserves:								
Revaluation reserve	1,991	-	-	-	-	-	-	1,991
Other reserve	2,146	(1,698)	418	473	(81)	(220)	425	1,463
Pension reserve	(125)	28	(15)	-	-	-	-	(112)
Total unrestricted funds	**22,493**	**(1,670)**	**403**	**-**	**-**	**-**	**425**	**21,651**
Restricted funds:								
Funds for the upkeep of residential homes	731	(2)	-	-	-	-	(508)	221
Funds restricted to RNNH	75	(321)	9	-	-	-	448	211
Funds for grants and allowances	726	26	90	-	-	-	10	852
Funds for residents' subsidies	28	164	-	-	-	-	533	725
Community services	52	(3)	-	-	-	-	-	49
Community projects	95	(40)	-	-	-	-	(10)	45
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	**2,114**	**(176)**	**99**	**-**	**-**	**-**	**473**	**2,510**
Endowed funds:								
Expendable endowment - RNNH	1,156	-	259	-	-	-	(448)	967
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,138	-	1,245	-	-	-	(450)	5,933
Endowed property - RNNH	1,676	(35)	-	-	-	-	-	1,641
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,397	1	408	-	-	-	-	2,806
Funds for residents' subsidies	2,605	-	545	-	-	-	-	3,150
Funds for grants and allowances	897	-	187	-	-	-	-	1,084
Total permanent endowment	12,948	(34)	2,385	-	-	-	(450)	14,849
Total endowed funds	**14,104**	**(34)**	**2,644**	**-**	**-**	**-**	**(898)**	**15,816**
Total funds	**38,711**	**(1,880)**	**3,146**	**-**	**-**	**-**	**-**	**39,977**

21. Movement in funds (continued)

Fund movements for the Charity for the year ended 31 March 2021:

(b) Charity	**As at 1 April 2020 £**	**Net income/ (expenditure) £**	**Other gains and losses £**	**Depreciation movement £**	**Net capital expenditure £**	**Loan movement £**	**Funds Transferred £**	**As at 31 March 2021 £**
Unrestricted funds:								
Designated funds	18,580	-	-	(480)	90	220	-	18,410
General reserves:								
Revaluation reserve	1,991	-	-	-	-	-	-	1,991
Other reserve	2,156	(1,693)	418	480	(90)	(220)	425	1,476
Pension reserve	(125)	28	(15)	-	-	-	-	(112)
Total unrestricted funds	**22,602**	**(1,665)**	**403**	**-**	**-**	**-**	**425**	**21,765**
Restricted funds:								
Funds for the upkeep of residential homes	731	(2)	-	-	-	-	(508)	221
Funds restricted to RNNH	75	(321)	9	-	-	-	448	211
Funds for grants and allowances	726	26	90	-	-	-	10	852
Funds for residents' subsidies	28	164	-	-	-	-	533	725
Community services	52	(3)	-	-	-	-	-	49
Community projects	95	(40)	-	-	-	-	(10)	45
Other restricted funds	407	-	-	-	-	-	-	407
Total restricted funds	**2,114**	**(176)**	**99**	**-**	**-**	**-**	**473**	**2,510**
Endowed funds:								
Expendable endowment - RNNH	1,156	-	259	-	-	-	(448)	967
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,138	-	1,245	-	-	-	(450)	5,933
Endowed property - RNNH	1,676	(35)	-	-	-	-	-	1,641
Endowed properties - other	235	-	-	-	-	-	-	235
Funds for the upkeep of residential homes	2,397	1	408	-	-	-	-	2,806
Funds for residents' subsidies	2,605	-	545	-	-	-	-	3,150
Funds for grants and allowances	897	-	187	-	-	-	-	1,084
Total permanent endowment	12,948	(34)	2,385	-	-	-	(450)	14,849
Total endowed funds	**14,104**	**(34)**	**2,644**	**-**	**-**	**-**	**(898)**	**15,816**
Total funds	**38,820**	**(1,875)**	**3,146**	**-**	**-**	**-**	**-**	**40,091**

21. Movement in funds (continued)

Designated funds – nature of funds

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

Restricted funds – nature of funds

- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations specific to certain care homes.

- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.

- Funds for residents' subsidies provide income to subsidise the care of residents.

- Funds for community services are donations or grants received for specific branches within community services.

- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.

- All funds that were within the RNNH prior to the merger on 31 March 2019 remain restricted, or endowed, within the Charity, other than where subsequently spent in accordance with the terms of the relevant restriction.

Endowed funds – nature of funds

The Sir Thomas Lipton Memorial Home endowment fund represented the proceeds from the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property of the Sir Thomas Lipton Charity. The Sir Thomas Lipton Charity is a linked charity of Friends of the Elderly, with Friends of the Elderly being the sole trustee. Its charitable objects are the relief of people who are in need by reason of age, infirmity or financial hardship by the provision of care and accommodation, with priority given to those who have worked in health or social care roles. There were also endowed funds for the upkeep of the original home.

On 1 July 2020 the Charity Commission made an Order, allowing Friends of the Elderly's request for up to £3m of the capital from this endowment to be passed to Friends of the Elderly in furtherance of the Sir Thomas Lipton Charity purpose. This will provide financial support to Friends of the Elderly during the COVID-19 pandemic and allow Friends of the Elderly to provide specific additional support to former healthcare and social care workers. £1.5m of these funds had been transferred as at 31 March 2022. From July 2020, the income from the Sir Thomas Lipton endowed investments has also been used to subsidise a number of Local Authority-funded residents whose needs meet the objects of the Sir Thomas Lipton Charity.

On 14 March 2022, the Charity Commission made a new Order, allowing Friends of the Elderly to spend all of the Sir Thomas Lipton Charity's permanent endowment, as income to further the objects of the Sir Thomas Lipton Charity. This was as the result of a request made by Friends of the Elderly. This provides Friends of the Elderly with sufficient resources to address the ongoing challenges of Covid-19, and to face any further unexpected hurdles in the recovery of the care sector. As a result of this Order, the Sir Thomas Lipton Funds are held within restricted funds, instead of endowed funds, as at 31 March 2022.

21. Movement in funds (continued)

Fund transfers in the year

- The Sir Thomas Lipton funds totalled £7m within endowed funds (some of which was classified within funds for the upkeep of residential homes). These endowed funds were all transferred in the year as follows: £1.1m, being the amount withdrawn from investments and spent, was transferred to unrestricted funds; £6m, the remainder, was transferred to restricted funds. These transfers were in accordance with the Charity Commission Orders dated July 2020 and March 2022.

- A transfer of £260,000 was made from an expendable endowment to a restricted fund to support operating losses of the Retired Nurses National Home.

- The interest charge on a loan from a restricted fund to unrestricted funds, of £25,000, is shown as a fund transfer.

22. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2022	**2021**
	£'000	**£'000**
Land and buildings		
Within one year	82	82
Within 2 to 5 years	317	322
> 5 years	1,051	1,128
	1,450	1,532
Other		
Within one year	61	56
Within 2 to 5 years	55	93
	116	149
Total	1,566	1,681

As at 31 March 2022 there was £nil (2021: £nil) of capital expenditure contracted for but not provided in the financial statements.

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

	2022	2021
	£'000	£'000
Net movement in funds	90	1,266
Unrealised and realised (gains) on investments	(1,570)	(3,161)
Net (gains)/losses on disposal of fixed assets	(17)	89
Net (gains) on disposal of services	(387)	-
Actuarial losses on pension schemes	15	15
Investment income	(649)	(548)
Interest payable	27	31
Depreciation on tangible assets	958	920
Impairment of tangible assets	74	351
Amortisation on intangible assets	50	42
Difference between pension contributions and net costs	(90)	(28)
Decrease/(increase) in debtors	21	(21)
Increase/(decrease) in creditors	40	(118)
(Decrease) in provisions	-	(15)
Net cash (used in) operating activities	(1,438)	(1,177)

24. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	**2022**	**2021**
	£'000	**£'000**
Financial assets measured at fair value through the SoFA	17,077	17,054

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

25. Post balance sheet events

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

26. Taxation

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

27. Members

At 31 March 2022 there were 11 members (2021: 13 members) who each pledge to pay £1 on winding up.

28. Ultimate controlling party

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

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