



Trustees' Report
and Financial Statements
01 September 2020
– 31 August 2021



Methodist Ministers'
Housing Society

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About us

WHO WE ARE

Methodist Ministers' Housing Society ('MMHS') was founded in 1948. Our story from the very beginning has been one of extraordinary generosity and far-reaching vision. Our purpose is set out in our mission statement below.

OUR VISION

'There was not a single person in need among them'. (Acts 4:34)

OUR MISSION

To meet the housing and housing-related needs of retired Methodist Ministers of limited means, their spouses, widows and widowers – and to offer support for their wellbeing in the key areas of mobility and independence.

OUR CORE VALUES

We have a Christian distinctiveness of which we are proud and it underpins who we are and what we do. Our concern is to show high standards of care in all we do and to be professional both as individuals and as an organisation.

OUR PLAN

We have an ambitious five-year plan. From September 2017 to August 2022, we are focusing on achieving five main strategic objectives that will enable us to deliver our vision and mission.

- 1 We wish to meet the housing and housing-related needs of 50% of retiring ministers and will do so incrementally over the five years of our plan. How will we do that? We will continue to provide houses and permit equity interests in them, but we will add to our mission by taking equity shares ourselves in houses owned by ministers. It may be that we will also offer loans in due course.
- 2 We also plan to offer more wellbeing support so the ministers we serve can keep their mobility and independence for as long as possible. Physical ageing presents considerable challenges, and we aspire to be the 'go to' place for ministers for advice and recommendations – as well as provide well thought through assistance.
- 3 Recognising we cannot do everything ourselves, we will establish collaborative relationships with other agencies, charities and groups we know will help us achieve our objectives. Any collaborations will have to be a good 'fit' with our vision, mission and core values.
- 4 We know if we are to succeed, we must have the right mix of experience, skills and knowledge. To that end, we will invest in and develop our Board and staff team so they are fully equipped to deliver what is required of them.
- 5 We also know we must continue to be good stewards of our considerable assets. To that end, we will ensure we have a number of well-managed sources of income and that our capital assets, in particular our housing stock, are equally well-managed.

Welcome from our Chair

When I wrote to you last year, like everyone else I had no idea that the Covid-19 pandemic would continue for another year and only now would we be seeing 'light at the end of the tunnel'. It is a relief that we now have better visibility, as the UK begins to emerge from the pandemic, but without doubt challenging times lie ahead.

It is very pleasing for MMHS that we were able to keep delivering well throughout a very challenging year. Despite the Guidance and Rules with which MMHS had to comply – which impacted us on all levels – we were not thrown off course in the delivery of our services. The staff team remained resilient and focused. They approached the many problems they had to face with a positive mindset. They looked for solutions rather than focus only on the problems. I would like to record my sincere thanks to our CEO, Mairi Johnstone, for leading MMHS so effectively.

Our Trustees' Report sets out how it is possible to complete projects and activities, in pursuit of strategic objectives, in difficult circumstances. May I commend to you a full reading of it; it provides an interesting account of our successes.

I would also like to thank my fellow Trustees for their commitment to our worthy mission and their willingness to share their expertise and wisdom. One of them needs to be singled out, for 'going the extra mile': Revd Charles New. In addition to serving as a Trustee, Charles also walked many miles for MMHS, to raise funds for our Wellbeing Fund! He decided to match a significant birthday with an equally significant undertaking – 80 miles for 80 years. Thank you, Charles, on behalf of us all.

In our deliberations on the future direction of MMHS – which have continued apace – we have adopted a title that encapsulates our positive view of the future: 'Building Boldly'. As we come to the end of our present five-year strategic plan (2017 to 2022), we are looking to *build boldly* on what has been achieved to date.

It is important that I also express my heartfelt thanks to all our supporters, especially those who bless us with gifts, donations, legacies and bequests. In no small measure, you make what we do possible.

Finally, in concluding, I would like to quote the words we use as our vision statement – 'There was not a single person in need among them (Acts 4:34). Year on year, this is what we aspire to achieve for those we serve and it is the absolute privilege of MMHS's Trustees to support all efforts to reach this goal.



Alexander Campbell OBE

Message from our CEO

One important subject – you could call it a theme – that a CEO has to handle is *change*. In recent pandemic times, we have witnessed a level of change that we might once have thought unlikely, if not impossible. Some change was forced on us and some was initiated by us through choice. Staying the same wasn't ever an option.

Times of crisis are often the catalysts for innovation. At the heart of innovation lies the desire to solve problems. Those times of crisis allow creative thinkers to push the boundaries of what is possible.

MMHS has embraced good change. We have harnessed the use of new technologies for ourselves and provided support to our Ministerial Residents to be able to do the same. We have innovated, for example, in developing new ways of working. We have also begun the process of implementing infrastructure change.

As we emerge from the pandemic – it is wonderful that this opening-up seems to be happening in the UK – MMHS is committed to embracing yet more good change and to innovate wider and deeper. We wish, always, to serve our Ministerial Residents in the best ways possible.

During the year we were able to put in place, a Rent Plan for the period 2021-2033. This provides a high level of visibility on rent and is supported by a Wellbeing Fund which we use to cross-subsidise those less able to pay. We are pleased that we are able to maintain a standard rent which is well below rents set by social housing providers and substantially below market level rents. We are doing so in the face of extraordinary inflationary and cost pressures in the provision of our services.

I hope everyone reading this report will be encouraged by what has been achieved by our small team. We have provided information on mission impact using a mixture of facts and figures, some of which are remarkable, and a selection of case studies, capturing intangible as well as tangible benefits of our mission. As well as providing 'roofs over heads', on very favourable terms, we strive to make living that little bit better and easier for our Ministerial Residents. The sum total of our mission goes some distance in enabling our Ministerial Residents to continue being salt and light in their communities.

I am deeply grateful to everyone who makes our mission possible, whether our members of staff, our Trustees or the many benefactors we are blessed to have. It is in acting together that we achieve what is possible – and more.



Mairi Johnstone

Strategic Report

MORE ABOUT OUR MISSION

MMHS operates in the United Kingdom, the Isle of Man and the Channel Islands. We are delighted to be able to provide housing and associated services across this wide geographical area. It means we are able to offer real choice.

As well as providing for those who retire at a usual retirement age, we also look after those who retire early on health or compassionate grounds. We care, too, for widows, widowers and dependants of ministers who die in active service.

Our equity sharing scheme, whereby retiring ministers can have an equity interest in the properties we provide, extends our mission very effectively. We also have an equity sharing fund whereby MMHS can take an equity share in a property owned by both retiring and retired ministers.

Wellbeing support is very important to us, particularly when it comes to assisting Ministerial Residents with their mobility and their ability to live independently in their own homes for as long as possible. A key element of this enabling is to ensure that our properties are suitably adapted for use, and are also fully accessible.

While we are a housing provider, we are just as focused on the occupants of our houses. Our mission is very much people-centred.

ACHIEVEMENTS AND PERFORMANCE

In this section, we would like to report on a range of matters which we will categorise as follows:

- management of our properties;
- wellbeing initiatives;
- pastoral input;
- collaborative endeavours;
- engagement with our key stakeholders and supporters.

In between each of these sections, we are pleased to share a number of interesting case studies.

Management of our properties

We began the year with 918 properties. During the year, we sold 17 properties, purchased six and received two as bequests.

Of the 909 properties in our portfolio at the end of August 2021, 716 were occupied by our Ministerial Residents, 155 by market rent tenants and 38 were empty. Empty properties are unavoidable due to Ministerial Residents' movements and during marketing periods for sale or rent. Empty property numbers are always kept to a minimum and the time left empty is kept as short as possible.

We were pleased to provide housing for 20 new Ministerial Residents, including two medical retirees. We transferred three Ministerial Residents.

Under our equity share scheme, Ministerial Residents can have an equity share of their retirement homes. Equity interests are calculated by reference to the market value of the property at the time a Ministerial Resident moves in. At the end of August 2021, 418 Ministerial Residents had equity shares with a total fair value of £18,974,000.

In making the best use of all our resources, we prioritise using our existing portfolio when offering accommodation to new Ministerial Residents. Occasionally, however, we will purchase properties for those who have medical or other valid reasons for requiring a particular type of property in a particular area, outside our portfolio.

Our purchasing budget is allocated mainly to transferees. We find that life can be very difficult for our older Ministerial Residents, especially if they are advancing significantly in age – many want to be near to their close family members. We will also respond quickly to needs arising out of ill health.

Best possible management of our property portfolio is at the heart of our mission. We strive to get things right.

We have a rolling programme for maintaining our properties, including kitchen and bathroom refits. We also take the opportunity when properties are empty to undertake major refurbishments. These refurbishments comprise the replacement of kitchens and bathrooms with upgrades to joinery, heating, plumbing and electrical installations together with building fabric repairs, complete redecoration and replacement of finishes.

We work to a comprehensive specification and this prevents projects drifting beyond refurbishment into remodelling, extensions and structural alterations requiring external consultants to design and manage. Although this may be a consideration in highly exceptional circumstances, this is not the norm.

We continue to manage all our projects in-house.

We delivered 24 refurbishment projects with a total spend of £354,000. We continue to achieve highly competitive quotations for our refurbishments using smaller contractors with limited overheads, all despite a very difficult climate in the building industry. Typically, we will use five contractors for every refurbishment tender, with at least one selected from the locality of the property.

We maintained a tight control of refurbishment contracts by ensuring our documentation of works included all that they should, at the time of tender. This meant that 63% of our projects were delivered below budget.

Equally impressive is the fact that half of the refurbishments were delivered ahead of time despite Covid-19 pandemic restrictions impacting material delivery and labour supply.

More than 1,300 jobs were completed relating to the maintenance and repair of our properties. These included 16 bathroom and 9 kitchen refits.

In addition to maintaining and repairing our properties, we routinely inspect them to ensure compliance with electrical and gas safety standards including CO₂, heat and smoke detectors. Electrical inspections and associated remedial works are administered and undertaken by HES Fire Protection Limited. Boiler Plan UK Limited remain our national supplier for annual gas compliance checks. Boiler Plan make use of the management software *Joblogic* which is available to us, too, and provides us with real-time information on compliance and appointments.

CALL THE CONTRACTOR!

Homes are being transformed across the country – and our residents are loving the results!

Retired Deacon Kathleen Hutton (pictured) was surprised when her house in Gloucestershire was inspected, as part of our external decoration programme. However, our contractor found issues with the brick path to Kathleen's back door, which is the main entrance to her home.

'Without being asked, they re-laid it, and it's smashing,' she said.

Despite a dreadful winter, the workers did a similar job on another path, tidying up the slabs. Amid freezing conditions, they repainted facias, cleaned windows and frames and smartened up the garage door.

'They seemed to do everything they could to make the place look great,' said Kathleen. 'They went above and beyond. And they



were nice. They were good to have around – especially in lockdown.'

Aged 85, Kathleen has been an MMHS resident since 1999. She had been a Deacon for 11 years, and before that, she was a nurse and midwife. She spent part of her 33 years with the NHS in London in the early 60s.

'Everybody says to me, "Do you watch *'Call the Midwife'?*"' said Kathleen. 'I say, no, I don't, because I was a midwife in the East End...I've done it all!'

We had to manage the continuing disruption from the enforcement of Covid-19 response Guidance and Regulations. This included the following:

- a reduction in requests from residents for non-urgent works;
- many residents shielding, precluding the attendance of workpeople at their homes;
- difficulties in procuring and ordering works;
- many contractors working at reduced capacity.

This resulted in an underspend of 15% on our major repair items which should be considered modest given the circumstances. We are looking forward to all restrictions being lifted and spending levels returning to our budget levels.

As responsible landlords, we also have an external decorating programme, in order to maintain the external fabric of our properties. As carrying out internal works were affected by Covid-19 Guidance and Regulations, we focused on the general external 'kerb appeal' of our properties, substantially increasing the spend for external decorations, driveway upgrades and fencing.

Over our reporting period, 366 satisfaction questionnaires were received from Ministerial Residents providing us with vital feedback on the quality of contractors' work. Levels of satisfaction can be indicated

on a 5-point scale ranging from Excellent to Poor; 75% rated their satisfaction as Excellent and a further 18% as Very Good.

Overall Quality of Service	No. of responses	Percentage
Excellent	275	75.1%
Very Good	67	18.3%
Good	18	4.9%
Satisfactory	1	0.3%
Poor	5	1.4%
Total Questionnaires Received	366	100%

Maintenance and repair jobs are prioritised on a scale from 'Routine' to 'Emergency Call Out' and each classification is assigned a target number of days to completion.

Priority classification	Target (days)	Number of jobs	Number within target	Percentage within target
Planned	40	483	341	71%
Urgent	7	53	50	94%
Emergency	1	9	8	89%
Routine	21	763	725	95%
Em/Call Out	1	n/a	n/a	n/a
Total		1308	1124	86%

As part of our 'paperless' drive as an organisation, the satisfaction questionnaires are now being dealt with digitally. New policies have been put in place to fine-tune the satisfaction questionnaires so that we obtain more targeted results and reduce office administration.

We remain very committed to 'greening' our property portfolio. Energy efficiency and insulation levels are constantly being upgraded whenever works are undertaken. We are pleased to confirm the following:

- we have a rolling programme of boiler replacement taking out old inefficient boilers and replacing them with modern combination boilers. A total of 72 new boilers were installed in the period. We are also eliminating cold water storage tanks which can harbour diseases such as legionella;
- heating systems are being upgraded to provide better controls including thermostatic radiator valves throughout to allow our Ministerial Residents to minimise their use of fuel while still remaining comfortable;
- instantaneous low flow shower fittings are being provided;
- loft insulation is being installed when missing and also increased where appropriate;
- our window and external door replacement programme provides modern double glazed units that improve insulation levels and eliminate draughts. A total of 24 properties benefited from new windows and external doors;
- all light fitting replacements to kitchens and bathrooms are safe, low energy fittings.

We continue to monitor closely the availability of Government grants in connection with 'the green agenda' and will utilise them if we can.

AMBUSHED BY GOD

A driver for American Presidents, Martin Swan trained to escape ambushes. But there was no getaway route when he felt ambushed by God.

Martin (pictured) used to be a driver for the State Department of America. That meant he drove for past US presidents Jimmy Carter, Ronald Reagan and George Bush Sr on their UK visits. His job brought him in regular contact with the Queen, Margaret Thatcher and others.

Eventually he felt called to Methodist ministry. Martin had left the American diplomatic corps and was working for Deutsche Bank. His boss gave him space for his ministerial training.

Martin was ordained at Ipswich in 2001.

A lifelong fan of Chelsea Football Club, Martin served as club chaplain for six years. He led the memorial service for team legend Peter Osgood



in 2006. He made a presentation to Chelsea's oldest living player Reg Williams in 2011. 'I've had more conversations about God at football than I have at church,' Martin explained.

He and wife Marilyn became MMHS residents in 2019. They moved to one of our properties in the East Midlands. 'We're in a lovely house and we're being very well looked after,' said Martin.

Wellbeing initiatives

Our initiatives range from contributing to decorating costs to providing financial help with rent. We also signpost to where help on a range of subjects can be obtained – for this we use our website and our newsletter.

We will also link up with other organisations if we can see benefit for our Ministerial Residents. We were pleased to enter into a collaborative relationship with *AbilityNet*, an organisation which, as they put it, 'believe in a digital world accessible to all'. One part of their mission is providing free IT support to older people. Enjoy reading the Case Study on the benefits enjoyed by one of our Ministerial Residents who used their services (page 12).

Our responsibilities as a landlord do not normally cover internal decoration. We became aware, however, that some of our Ministerial Residents struggle with this matter both physically and financially. A new grant scheme was launched. We had 44 claims in the period with a total commitment of just under £35,000. Due to the success of this particular initiative, we are continuing with the grant scheme into our next financial year.

We recently put a Rent Plan in place for the period 2021-2033. In support of it, we were pleased to ringfence funds in our Wellbeing Fund, to cross-subsidise those who cannot afford the increases. The operation of this Fund goes to the heart of who we are and our aspiration, as expressed in our Vision Statement, to meet need.

Pastoral input

There are many times and contexts when we are able to provide timely pastoral support. Our Ministerial Residents seek our services at a time in their lives when they are facing substantial change. For those who retire at a more usual time, the two big changes which they face are a change of location and a change of vocation. Supernumerary ministry is of importance but loss of stipendiary ministry can be difficult. A change of location involves new relationships, new people and a new environment. Some find these changes easier than others. We are there to support as needed.

Ministerial Residents who retire for health or compassionate reasons often have particular vulnerabilities and again, we offer support as needed. Death in service presents a particular challenge as we are often supporting families in the early stages of bereavement.

When our Ministerial Residents are much older, we can become involved in supporting families as they grapple with dementia and end-of-life issues. One big decision for any individual or family is the move from independent living as a fully active, self-sufficient person, to something more appropriate for incapacity, whether supported or assisted living housing or a care home. We can signpost to what might be available.

Sometimes it is in the middle of dealing with the very ordinary that we find we are able to offer pastoral support, for example, when someone has made contact for a repair but what they really want more than anything is a conversation or a listening ear. Loneliness is a problem that we help alleviate in delightfully incidental and unexpected ways.

Collaborative endeavours

Collaborating with other organisations is useful for all charities, not least for MMHS.

As mentioned in the earlier section on Wellbeing, we collaborated with *AbilityNet* in order to provide our Ministerial Residents with a service we ourselves could not provide. We advertised the service under the heading '*Make friends with your computer.*' Digital inclusion is of great importance for older people and we are pleased, in a small way, to have acted as a catalyst for connectivity and the development of digital skills.

We also collaborated with the Methodist Church and fellow charities in the Methodist family to produce a Legacy booklet '*Thine be the glory.*' It was excellent to be a contributor in a joint Methodist Charities Initiative.

In collaborating with other faith-linked housing providers, we are able to learn from peers with the same values and aims. Very much on a mutual basis, we access and offer information and share skills and knowledge. In time, it may be that services will be shared – we are ever on the look-out for benefits to our Ministerial Residents.

Engagement with our key stakeholders and supporters

Engagement with our stakeholders and supporters is crucial to our success as an organisation.

We are hugely grateful for the kindness shown to us in so many ways, particularly financially, whether through gifts, donations, bequests or legacies. MMHS's story is one of extraordinary generosity as well as far-reaching vision.

We engage with the Methodist Church through networking events, regular conversations and attendance at the Methodist Conference and Retirement Courses.

We always express our thankfulness for financial gifts, especially from Methodist churches and chapels around the country. This is sacrificial giving.

HOW TO FACE YOUR FEAR OF COMPUTERS

Computers used to leave him cold. Now Revd Derek Lund is warming to them – thanks to the creative collaboration between MMHS and tech support group AbilityNet.

This 86-year-old Society resident was about to pack in his PC. Then *Roof 'n' Roots*, our newsletter, dropped on his doormat. Derek (pictured, with wife Kathleen) read the story about our new initiative and phoned AbilityNet.

They put him in touch with one of their network of 300 volunteers, Scott Thomas. Derek experienced a breakthrough. 'I'm making progress – and sticking with it,' he enthused.

Previously, Derek had tried attending other computer classes. The first session focused on making Christmas cards. 'I didn't even know



where the space bar was,' he said.

He tried a second class. 'Everyone knew how to boot up the computer and how to cut and paste – even though it was supposed to be a beginners' lesson. I was out of my depth.' Derek felt he was the only beginner. 'It was a disaster,' he said.

Now AbilityNet is changing Derek's world. 'I get up every day to see what emails have come,' he explained. 'I've got an interest in it now.'

It is also important for us to have good relationships with those we contract for services. We aspire, at all times, to live out our core values in our business dealings – by being professional as individuals and as an organisation, by showing high standards of care and by having a Christian distinctiveness.

The beneficiaries of our mission, our Ministerial Residents, are a central stakeholder group of course and we are totally committed to serving them as best we can. We engage with them through a wide variety of media. It is important for us to be fully aligned with their needs.

PLANS FOR THE FUTURE

We are in the last year of our five-year Strategic Plan, 2017-2022 and because of that, we have begun the process of planning for the next Plan period, 2022-2027. Our initial discussions have been captured under a heading *'Building Boldly'* which speaks to our wish to build courageously and ambitiously, mindful of MMHS's rich history meeting need for over 70 years.

Like most, if not all, organisations, we need to recover from the significant impact of the pandemic and the measures taken to deal with it. That said, we are confident that we will be able to deliver what is planned for the last year of our present Plan.

We have a 17-point plan and we would like to highlight the main points, as follows:

- as in all previous years, we will ensure that we meet the housing needs of all those who are eligible for and seek our assistance. In 2020/21, we welcomed 20 new ministerial households. This year, we have set a target of providing for 25% of those who will retire, though in doing so we know that MMHS has no influence over the numbers who retire in any given year – and are of limited means;
- we will continue to operate our Equity Sharing Scheme whereby qualifying retiring ministers have an equity interest in their MMHS house. We will also continue to operate our Equity Sharing Fund, whereby MMHS takes a share in a house owned by a retired or retiring minister who meets our criteria;
- we will seek to meet the ongoing housing related needs of the c716 ministerial households in our care. We will continue to offer pastoral support, where we can, as a continuing expression of our values.
- our Wellbeing Fund supports our Wellbeing Programme. Use of this Fund this year will focus on
 - cross-subsidising Ministerial Residents who are unable to pay rent increases
 - the provision of a decorating grant for those who qualify
 - the provision of a fuel grant for those who qualify
 - the continued use of the Fund to alleviate poverty generally;
- we are also committed to providing a good signposting service mainly through our newsletter, *Roof 'n' Roots* and our website. We will continue to highlight the services of other organisations that may be able to help our Ministerial Residents keep mobile and live independently, beyond what we can do. We recognise that we can only meet needs that are within the parameters of our mission;
- we know our communications need to be excellent and we will continue to develop our website as a 'go

THE WONDER OF DEREK

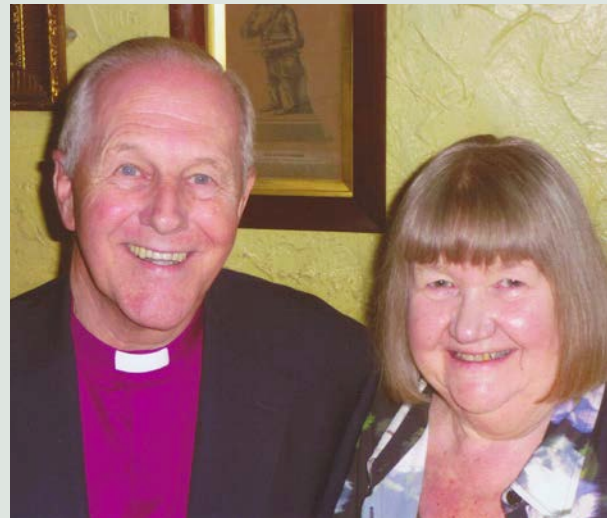
Mixing Wesley with Presley sounds like the work of a clever DJ. But it's just what MMHS resident Revd Derek Aldridge did in becoming chaplain of UK fan organisation Strictly Elvis.

Derek (pictured, with wife Janet) was all shook up when he retired – as this nationwide network of Elvis devotees became his parish.

Like many other kids in the 50s and 60s, 13-year-old Derek heard an Elvis record. It wasn't Hound Dog or Blue Suede Shoes, but a sentimental ballad, *Old Shep*.

A cultural bomb went off in his heart – just as it did for countless other teenagers. As John Lennon said later, 'Before Elvis, there was nothing'. Derek was hooked.

Derek became a local preacher in 1975, linking his



sermon points with Elvis songs. Derek studied for ministry at Wesley College, Bristol, in 1976.

He was ordained in 1981. Derek led churches in Wales and North-east England, completing nearly 40 years of local ministry until retirement in 2012.

to' place for information. This year we are also continuing with our theme of thankfulness. We will make good use of our well-established connections within the Methodist Church family. Our newsletter, *Roof 'n' Roots*, is a good tool for marketing as well as communicating. We will produce an Annual Review for wide circulation;

- we will continue to develop collaborative relationships, especially with faith-linked organisations with whom we share similar values and objectives;
- MMHS has an asset management strategy ('AMS'). The following will be implemented during the year:
 - further refinement of our tenant satisfaction processes and records
 - completion of a digital library of our market rented portfolio
 - we will reach a long-term strategic target of market renting 175 properties, the income from which is a vital cross-subsidy to our ministerial rents. From that portfolio, we will ring-fence 15 properties for investment purposes only
 - we will continue to monitor our existing suite of KPIs closely and develop new ones and refine existing ones
 - we will tender for and undertake a Stock Condition Survey and will include extra enquiries which will assist us in our mission;
- we will continue to invest in learning and development and praise achievement. Our Trustees now have an excellent Learning and Development Programme which is being rolled out over the year. Staff members follow bespoke learning and development plans that are tailored to their roles and personal aspirations. At all times, we are in pursuit of being the very best we can be, hence the importance of learning and development.

Risk Management

Risk is an everyday element of charitable activity. Managing it effectively is essential if MMHS is to achieve its key objectives and safeguard its funds and assets. Our risk management framework has been designed to support informed decision making.

Individual risks are identified, assessed and managed by the Senior Management Team. Our Trustees have ultimate responsibility for statutory and governance oversight of the risks faced by MMHS.

We are committed to managing risks in five distinct areas:

- strategic
- governance
- finance
- property
- operational.

In each of these areas of risk, we identify our top risks.

Our Risk Register is reviewed regularly. We carried out a number of comprehensive reviews in response to the Covid-19 pandemic, most recently to take account of the UK-wide expectations that, shortly, Covid-19 will become endemic.

The Senior Management Team sets aside time regularly to focus on new and developing risks. We are fully aware that risks can present opportunities as well as threats. Anything of note is fed back into the Risk Register. The Risk Register is examined thoroughly by our Audit and Risk Committee with recommendations made, as appropriate, to our Trustees. Our Trustees, as a body, have regular sight of the Risk Register.

Here are some key risks that we have identified in each of the five areas referred to above, and details of the mitigation we have in place:

STRATEGIC *Declining number of Ministerial Residents*

There has been a steady decline since 2008 from a peak of 923 households to c716 now. Given the Church's trajectory for Presbyters and Deacons in service, we are planning for a continued steady decline and even a marked 'drop off.' We have noted, gratefully, that Covid-19 did not have a significant impact on our Ministerial Residents in terms of loss of life.

Mitigation

- the CEO is in regular conversation with the Church;
- Strategic Plan for 2017-2022 addresses this decline in numbers;
- we have begun the process of planning for the period 2022-2027;
- numbers are being monitored for any acceleration of decline.

GOVERNANCE *Board - failure to handle conflicts of interest correctly and in the best interests of MMHS*

Conflicts of interest need to be handled carefully by all Boards. In the case of MMHS, some of our Trustees are also Ministerial Residents which compounds the responsibility to act in the best interests of MMHS.

Mitigation

- implement an appropriate and robust declaration of interest process;
- review Declaration of Interest forms regularly;
- ensure good understanding of any issues arising;
- remind Trustees of their responsibilities.

FINANCE *Lack of budgetary control and financial reporting failure*

MMHS loses control of the budget and accounting process leading to over/under spend. This results in inaccurate and/or insufficient information produced to appropriately manage the business.

Mitigation

- annual and monthly accounting processes followed correctly;
- financial monitoring undertaken and monthly management accounts and written reports provided to explain figures;
- regular Finance Team and SMT meetings held.

PROPERTY *Property Repair*

Properties not kept in a good state of repair, causing risk to Ministerial Residents and also reputational risk. Lack of knowledge of property condition due to insufficient inspection.

Mitigation

- maintenance of accurate property records;
- robust repair and maintenance policies;
- use of Key Performance Indicators;
- periodic inspection of properties (if delayed, visit ASAP);
- use of a comprehensive Asset Management Strategy;
- continuous review of policies, processes and procedures.

OPERATIONAL *Data governance failure*

MMHS holds and makes use of sensitive personal data. Confidentiality around this data is of paramount importance. As with other data owners, MMHS is aware that a breach of data security is a very serious risk.

Mitigation

- adherence to all our Security Policies and specifically our Data Protection and Privacy Policy;
- undertaking regular testing of our IT systems vulnerabilities, with our IT provider;
- training of all staff on data protection and privacy expectations;
- regular monitoring of regulatory changes.

Financial Review

OVERVIEW

Income for the year ended 31 August 2021 totalled £5m. Of this amount, revenues generated from rental income stream amounted to £3.8m.

Donations amounting to £57k were received from individual supporters, churches and circuits within the Methodist family. Legacies, bequests and grants amounted to £579k. We are extremely pleased and grateful for the continued generosity of those who value our mission.

The net surplus derived from the sale of surplus properties amounted to £506k. Due to the global decline in stock markets and deposit interest rates, investment income from cash deposits amounted to £15k and dividends from funds invested in Central Finance Board (CFB) long term investments yielded £33k. These CFB investments are held in a combination of equities, fixed interest securities and cash. Over the 12-month reporting year, an unrealised revaluation gain of £377k was calculated on the CFB investments.

Overall expenditure in the year was £6.2m. Although this expenditure exceeded income and the unrealised gain on CFB investments by £847k, it was around 20% below anticipated annual spend. The main components of the cost base were property maintenance, refurbishment, office-based operating costs, depreciation and salaries. The financial year straddled the months during the height of the Covid-19 pandemic which had a significant impact on the ability to conduct normal property maintenance and refurbishment work.

The number of properties requiring refurbishment was lower compared to previous years. MMHS remains committed to maintenance and refurbishment spend to keep its properties well maintained to a good standard.

The closing year balance sheet was £184m of net assets – with £19.4m of this being represented by its unrestricted income funds at year end. We aim to maintain a stable financial position for the coming years with the aid of strengthened financial processes and service reviews to ensure a strong underpinning for MMHS's ongoing activities.

RESERVES POLICY

MMHS's reserves policy is to maintain an appropriate level of reserves to support the operational activities of MMHS, taking into consideration the risks to which MMHS is exposed, as well as existing and projected future levels of income and expenditure.

The policy and the fixing of the required level of reserves are set in accordance with Charity Commission guidelines and are reviewed annually by our Trustees. Our Trustees consider that operational reserves should be maintained at six months' worth of operational expenditure.

As at 31 August 2021, MMHS's total free reserves was £9.9m of which the total cash balance was £8.023m. The free reserves are equivalent to 19 months' worth of operational expenditure.

INVESTMENT POLICY

MMHS has the power to invest in such investments, securities or property as the Trustees may determine.

MMHS's investment policy states that its objective is to produce the best financial return within an acceptable level of risk. Capital preservation is of paramount importance.

As at 31 August 2021, we held £2.507m with Epworth Investment Management in a managed investment portfolio and just over £500k with Close Brothers in deposits. Epworth Investment Management is dedicated to serving the needs of churches and charities. It is wholly owned by the Central Finance Board (CFB) of the Methodist Church. During the year, an investment subgroup conducted a review of investment matters and reported to the Board.

Surplus cash is held in the deposit fund of the CFB which meets the ethical standards of the Methodist Church. During the reporting year, interest rates averaged 0.01%p.a.

We also hold investment properties. As at 31 August 2021, the investment properties were valued at £21.8m. It is the policy and practice of the Trustees to use the rental income from those properties for the furtherance of the objectives of the Society. These assets provide essential income streams for our service delivery.

GOING CONCERN

In order to assess the appropriateness of the *going concern* assumption basis, the Trustees have considered MMHS's financial position, liquidity, unrestricted reserves and forecasts for the foreseeable future, considering the risks to which MMHS is exposed including the ongoing impacts of the pandemic and potential decarbonisation costs of properties. The external UK and global economy remain vulnerable as they struggle to withstand the uncertain impacts of the Covid-19 pandemic and economic hardship.

Our Trustees have concluded that the risk of MMHS being unable to continue is remote. Accordingly, the Trustees have a reasonable expectation that MMHS will be able to continue in operation and meet its liabilities as they fall due, for at least 12 months from the date of this report. They continue to adopt the *going concern* basis in preparing the financial statements.

Structure, Governance and Management

The Methodist Ministers' Housing Society is a charitable company limited by guarantee.

Company Number 11929754
Charity Number 1186758 (England and Wales)
Charity Number SC050661 (Scotland)

The Board of Trustees is the body responsible for the management of MMHS and the number is required to consist of:

- not less than seven but not more than fifteen;
- at any one time no less than two and no more than five shall be tenants of MMHS.

Trustees are appointed for a fixed term not exceeding three years and are eligible for reappointment for up to a further two consecutive terms, each of three years. They are not eligible for reappointment after the end of their third consecutive term until after an interval of at least three years has elapsed.

If Trustees consider it would be in the best interests of MMHS for a particular Trustee to continue to serve beyond nine consecutive years, the Trustees may resolve to reappoint that particular Trustee for a further fixed term of a year.

MMHS has eight Trustees at present. The Senior Management Team comprises the CEO and three directors (Finance, Operations & Property). All of their details are set out at the end of this document.

The Trustees may delegate, on such terms as they think fit, any of their powers or functions to any committee comprising three or more Trustees as the Trustees may appoint. The Trustees may delegate the implementation of their decisions or day-to-day management of the affairs of MMHS to any person or committee.

The Board of Trustees has three committees – Property, Finance & Resources, and Audit & Risk. They act in accordance with the terms of reference by which powers or functions are delegated.

The Board and its committees meet regularly during the year, as follows:

The Board	Four times a year
Property Committee	Three times a year
Finance & Resources Committee	Four times a year
Audit & Risk Committee	Two times a year, the second jointly with the Finance & Resources Committee

Additional meetings are organised if needed.

The CEO is responsible for the implementation of the decisions of the Trustees and the day-to-day management of the affairs of MMHS. She is also the Company Secretary. Together with the Chair, she works to enable the Board to fulfil its functions. She is responsible for effective management systems to ensure all staff have clarity about their roles and objectives and have the appropriate appraisals and training to enable them to fulfil their roles and contribute to MMHS's strategic objectives.

The requirement for Trustees to demonstrate effective governance of charities increases year on year. Our Trustees give priority to good governance and some of the issues they have considered are detailed below.

PUBLIC BENEFIT

MMHS's purpose, as set out in its Articles, is to provide housing or financial assistance towards the housing needs of Methodist Presbyters and Deacons ('ministers') of limited means who are in receipt of their full Methodist Church pension, and also to various categories of persons connected to the ministers. In this report, we have been pleased to provide full details of all those who have benefitted from the charitable activities and objectives of MMHS during the year for which we are reporting, 1 September 2020 to 31 August 2021.

We are always mindful of the Charity Commission's general guidance on public benefit whenever we review both what we are doing at present and what we hope to do in the future.

SAFEGUARDING

We know we have a responsibility to ensure that we don't cause harm to anyone who has contact with us. We promote a strong safeguarding culture. We make sure that our Trustees and staff are suitable persons for their roles and to that end we have robust recruitment processes, obtain references and carry out Disclosure and Barring Service (DBS) checks. We have policies in place covering bullying and harassment and whistleblowing. We have procedures in place to ensure safe handling of incidents or allegations of abuse.

ENVIRONMENTAL RESPONSIBILITIES

You will have read earlier in this document about our commitment to greening our property portfolio. We are pleased to report we have more initiatives which are improving our environmental impact significantly. These include:

- participating in a recycling scheme;
- emailing letters and materials if at all possible rather than using the postal system;
- reviewing the operation of our office's heating and cooling system;
- pursuing becoming a paperless office (insomuch as this is possible in practical terms);
- encouraging full use of our Board Management Software;
- being careful with our travel footprint. The Covid-19 pandemic has led to a much-increased use of video-conferencing and we have every expectation this will continue in use, indefinitely, once the pandemic has ended.

EQUALITY AND DIVERSITY

We are an equal opportunities employer and employ staff from a wide variety of backgrounds, origins, experiences and cultures. We respect and value people's differences in terms of skills, experience, background, ethnicity and gender.

We believe in treating each other fairly, creating a workplace where every person has access to opportunities to fully develop their potential.

We also adhere to the following practices:

- we are transparent;
- we do not tolerate any form of intimidation, bullying or harassment;
- we listen to and respect one another's opinions;
- we promote an inclusive culture.

STAFF REMUNERATION POLICY AND PERFORMANCE MANAGEMENT

We seek to set pay in line with the market and to this end, we benchmark to market every three years using the services of external consultants. In intervening years, we give due regard to the remuneration ranges recommended in the benchmarking data, market pressures for particular roles and inflationary pressures.

A comprehensive package of benefits is also offered to staff including a contributory pension scheme, life and critical illness insurance, generous annual leave and flexible working options.

We support staff and Trustees' development through learning and development programmes. For staff, performance is evaluated through a comprehensive appraisal system and includes capturing qualitative and quantitative feedback. Targets are set in line with strategic objectives.

FUNDRAISING

We do not carry out charitable fundraising, expend resources on fundraising activities or engage the services of third parties to do so on our behalf.

At any time in the future, were we to undertake fundraising activities, we would comply with the Fundraising Standards Board regulations.

Notwithstanding the foregoing, we are registered with the Fundraising Regulator. We are aware of the Regulator's Code of Practice and its core values.

Statement of Trustees' Responsibilities

In accordance with applicable law and United Kingdom Accounting Standards, the Trustees are required to prepare the Trustees' Report and Financial Statements for each financial year which give a true and fair view of the state of affairs of MMHS and of the income and expenditure of MMHS for that period.

In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards and Charities SORP (FRS 102);
- prepared the financial statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of MMHS, and enable them to ensure the financial statements comply with applicable law.

The Trustees are also responsible for safeguarding the assets of MMHS and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees' Report on pages 3 to 22 was approved by the Board of Trustees on 17 February 2022 and signed on their behalf.



Alexander Campbell OBE

Chair of Trustees



Christopher Firth

Trustee

Independent Auditors' Report

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE METHODIST MINISTERS' HOUSING SOCIETY

OPINION

We have audited the financial statements of Methodist Ministers' Housing Society ('the charity') for the year ended 31 August 2021 which comprise the Income and Expenditure Account, the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charity's affairs as at 31 August 2021 and of the 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 charity 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 charity'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 other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.

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

We have nothing to report in this regard.

OPINIONS ON 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 Report of the Trustees which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Report of the Trustees has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Report of the Trustees.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Trustees' responsibilities statement set out on page 22, the Trustees (who are also the directors of the charity 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charity'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 charity or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the 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. Based on our understanding of the charity and its activities, we identified that the principal risks of non-compliance with laws and regulations related to the Charities Act 2011, UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006 and the Charities Statement of Recommended Practice.

We evaluated the Trustees' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to use of restricted funds, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the Trustees and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the group and the parent charity which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the Trustees and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing among the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

Financial Statements

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2021

	Year ended 31 August 2021	17 month period ended 31 August 2020
	Note	£000
		£000
Income		
Voluntary income		636
Investment income		2,508
Income from charitable activities		1,803
Realised net gain on sale of properties		2,424
		506
	2	5,013
		7,956
Expenditure		
Raising funds		113
Housing maintenance & repair		139
Buying & selling properties		5,405
Ministerial resident support		8,207
Equity		272
		208
		239
	3	6,237
		9,326
Operating (Deficit) for the year		(1,224)
		(1,370)
Statement of Total Recognised Gains and Losses		
(Deficit) for the year		(1,224)
		(1,370)
Statement of Total Unrecognised Gains and Losses		
Unrecognised gain on fixed asset investments		377
		40
		(847)
		(1,330)

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2021

		Unrestricted funds 2021	Restricted funds 2021	Total funds Year ended 31 August 2021	Total funds 17-month period ended 31 August 2020
	Note	£000	£000	£000	£000
Income from					
Donations, legacies and grants		636	-	636	2,508
Charitable activities		2,424	-	2,424	3,412
Investments		1,447	-	1,447	1,803
Gain on disposal of properties		506	-	506	233
Total	2	5,013	-	5,013	7,956
Expenditure on					
Raising funds	3.1	113	-	113	139
Charitable activities					
Housing maintenance & repair		5,405	-	5,405	8,207
Buying & selling properties		272	-	272	363
Ministerial resident support		208	-	208	300
Equity		239	-	239	317
Total	3	6,237	-	6,237	9,326
Net income before revaluation and investment gains					
		(1,224)	-	(1,224)	(1,370)
Unrealised gain on fixed asset investment	4	377	-	377	40
Unrealised (loss)/gain on valuation of functional properties	7.1	(103)	-	(103)	-
Unrealised gain on valuation of investment properties	7.2	2,590	-	2,590	-
Net movement in funds		1,640	-	1,640	(1,330)
Funds					
Total funds brought forward	11/12	182,512	9	182,521	183,851
Total Funds carried forward	11/12	184,152	9	184,161	182,521

**BALANCE SHEET AS AT 31 AUGUST 2021**

	Note	31 August		31 August	
		2021	2021	2020	2020
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	6	113		106	
Programme related investments	7	152,184		157,116	
Investment properties	7	21,831		17,492	
Fixed term investment	4	2,507		2,091	
MMHS equity share investment		69		50	
<i>Total fixed assets</i>			176,704		176,855
Current assets					
Debtors	8	171		219	
Investments	9	7,522		6,299	
Cash at bank and in hand		515		91	
<i>Total current assets</i>		8,208		6,609	
Liabilities					
Creditors: Amounts falling due within one year	10	(751)		(943)	
<i>Net current assets</i>			7,457		5,666
<i>Net Assets</i>			184,161		182,521
The funds of MMHS					
Restricted income funds	11		9		9
Unrestricted income funds			19,442		14,246
<i>Income funds</i>			19,451		14,255
Designated fixed asset reserves	12		152,296		157,222
Designated rent reserves	12		600		800
Revaluation reserve	12		11,661		10,094
Designated equity share fund	12		84		100
Equity share investment revaluation reserve	12		69		50
<i>Total MMHS funds</i>			184,161		182,521

[The notes on pages 31 to 47 form part of these accounts]

Approved by the Trustees and signed on their behalf by

Alexander Campbell OBE Chair of Trustees

Date 25 March 2022

Christopher Firth Trustee

Date 25 March 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2021

	Note	Year ended 31 August		17 months ended 31 August	
		2021 £000	2021 £000	2020 £000	2020 £000
Net cash (used in) / provided by operating activities	16		(635)		956
Cashflows from investing activities:					
Investment income		1,447		1,803	
Purchase of MMHS Equity investments		(16)		(50)	
Purchase of COIF investments		(2)		(1)	
Purchase of properties		(1,052)		(5,420)	
Purchase of tangible fixed assets		(51)		(32)	
Proceeds from sale of properties		2,006		4,902	
Residents' equity contributions received		49		587	
Residents' equity contributions repaid		(101)		(1,002)	
Net cash provided by investing activities			2,280		787
Change in cash in the year/period			1,645		1,743
Cash brought forward at 1 September 2020 / 5 April 2019			6,378		4,635
Cash at 31 August			8,023		6,378
Reconciliation of cash balances:					
Cash at bank			515		91
Investment cash	9		7,508		6,287
Cash at 31 August			8,023		6,378

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2021

The Financial Statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

1 ACCOUNTING POLICIES

a) *Basis of preparation*

The Trustees consider that it is appropriate for these accounts to be prepared on the going concern basis given the level of properties and reserves held. The charity has adequate financial resources and is able to manage the business risks. The planning processes, including financial projections, take into consideration the prevailing economic climate, including the impact of Covid-19, and its potential impact on the various sources of income and planned expenditure. The Trustees have looked at least twelve months ahead and are satisfied that the charity has adequate resources to continue in operational existence for the near future and there are no material uncertainties that call into doubt the charity's ability to continue in operation.

b) *Accounting Convention*

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, and in accordance with the Statement of Recommended Practice, (SORP), 'Accounting and Reporting by Charities: Statement of Recommended Practice', applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) – Charities SORP (FRS 102) and Companies Act 2006.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

c) *Accounting for Fixed Assets*

Land and buildings are shown at cost less depreciation of the buildings. Where there is evidence of impairment fixed assets are written down to their recoverable amount.

No depreciation is provided for on freehold land. The principal annual rates used for assets are:

Properties	2% straight line
Office equipment	25% straight line.

d) *Valuation of Properties*

At the date of incorporation properties were included in the accounts at fair value and treated as deemed cost. A ratio of 1/3 land and 2/3 building costs was taken as the split between the two components. The building costs were depreciated at 2% annually from the date of incorporation.

The equity share of the properties held by tenants is valued as a percentage of the valuation of the properties. An adjustment is made to adjust the acquisition cost of the equity to equal the percentage of the valuation of the properties. The amount of the adjustment is offset against the depreciation charge set against the total values of the properties.

e) *Valuation of Investment Properties*

Properties held for the purpose of generating income are considered to be investment properties and are held at fair value. External valuations are conducted at regular intervals with an internal review in intermediate years. These properties are let on short term arrangements so that they are available for future retiring ministers. The value of the properties will be regularly reviewed in order to identify any permanent impairment.

f) *Value Added Tax*

As the work of MMHS is classified as exempt or non-business activities for the purpose of Value Added Tax the Society is unable to reclaim the Value Added Tax, which it suffers on purchases. Expenditure in these financial statements is shown inclusive of Value Added Tax paid.

g) *Income*

Income is recognised in the period in which MMHS is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period. In accordance with this policy, legacies are included when the Society is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

The treatment of void properties has been changed so that the void adjustment is calculated on the basis of lost market rent rather than calculating the loss of income based on the rent paid by ministers. This does not affect the overall result but increases income and void losses.

h) *Expenditure and basis of allocation of costs*

Expenditure is included when incurred.

The majority of costs are directly attributable to specific activities. Certain shared costs are apportioned to activities in furtherance of the objects of the charity. Staff costs and office costs are allocated in the same proportion as directly attributed staff costs.

i) *Fund Accounting*

Funds held by MMHS are either:

Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

Designated funds – these are funds set aside by the Trustees out of unrestricted general funds for specific future purposes or projects.

Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor when funds are raised for particular restricted purposes.

Revaluation reserve – these funds represent the revaluation gains on the properties transferred to investment properties from functional fixed assets.

Further explanation of the nature and purpose of each fund is included in these notes to the financial statements.

j) *Planned Maintenance Expenditure*

To show the full costs incurred in maintaining properties, planned maintenance costs are included in the Statement of Financial Activities and are not capitalised to the balance sheet.

k) *Capitalisation*

MMHS has capitalised part of the cost of refurbishments. The basis of the amount capitalised is the lower of costs incurred and the difference between the market value before and after refurbishment.

l) *Pension Scheme*

MMHS operated a defined benefit pension scheme with the Methodist Church up to May 2019. A defined contribution scheme and an auto enrolment scheme are also operated with Scottish Widows. The assets of the schemes are invested and managed independently of the finances of MMHS. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the statement of financial activities over the average remaining service lives of current employees.

m) *Liquid Resources*

MMHS's liquid resources consist of cash invested in deposit accounts with the Central Finance Board

of the Methodist Church, which can be accessed on demand. During the year, cash is also held on fixed term deposits with Close Brothers Limited and Virgin Money & Clydesdale plc and cash in its HSBC current account. The account with Virgin Money & Clydesdale plc was closed on 27/11/2021. A 12-month notice period was given on 20/09/2021 to close the account with Close Brothers.

n) *Allocation of salary and support costs*

Salary and support costs are allocated between expenditure headings on the basis of staff time and the number of staff working on departmental activities. Governance costs are allocated in line with the support costs.

o) *Restatement of prior period support costs*

During 2021 MMHS reviewed the allocation of support costs between categories; there has therefore been a restatement of the allocation between categories of support costs for the period ended 31 August 2020. The total cost remains unchanged.

2 TOTAL INCOME

2.1 Voluntary income

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Grants		
Fund for Support for Presbyters and Deacons	23	35
	<u>23</u>	<u>35</u>
Legacies		
Legacies received in the year	156	1,259
Legacies regarded as receivable	-	-
	<u>156</u>	<u>1,259</u>
Donations		
District contributions	53	116
General donations	4	118
Donated facilities	-	-
	<u>57</u>	<u>234</u>
Bequests/Gifted Properties		
Bequests received in the year	400	980
Gifted property regarded as receivable	-	-
	<u>400</u>	<u>980</u>
Voluntary Income	<u>636</u>	<u>2,508</u>

2.2 Investment income

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Unrestricted funds		
Interest receivable on deposits	15	57
Market rents receivable	1,399	1,688
Dividends	33	58
	<u>1,447</u>	<u>1,803</u>

2.3 Income from charitable activities

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Charitable rents receivable	<u>2,424</u>	<u>3,412</u>
Rental analysis	No	No
Charitable ministerial rents	716	736
Market rent tenants	155	145
Vacant units	38	37
	<u>909</u>	<u>918</u>

2.4 Gain on disposal of properties

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Gains on sale of properties	607	391
(Loss)/Gain on reimbursement of equity	(101)	(158)
	<u>506</u>	<u>233</u>

3 TOTAL EXPENDITURE

3.1 Analysis of expenditure

Summary	Year ended 31 August 2021	Staff costs	Support costs	Direct costs	Restated 17-month period ended 31 August 2020
	£000	£000	£000	£000	£000
Raising funds	113	60	29	24	139
Housing maintenance & repair	5,405	489	241	4,675	8,207
Buying & selling properties	272	180	88	4	363
Ministerial resident support	208	130	64	14	300
Equity	239	140	69	30	317
	<u>6,237</u>	<u>999</u>	<u>491</u>	<u>4,747</u>	<u>9,326</u>

3.2 Analysis of salary costs

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Salaries	799	1,047
Employers national insurance contributions	80	106
Employers pension & phi contributions	120	155
	<u>999</u>	<u>1,308</u>

The full-time equivalent number of employees in 2021 was 15.8 (2020: 16). The head count in 2021 was 17 (2020: 17).

Employees receiving remuneration in excess of £60,000:	Year ended 31 August 2021	17-month period ended 31 August 2020
	No	No
£70,000 - £79,000	3	1
£80,000 - £89,000	-	1
£90,000 - £99,000	1	1
£100,000 - £109,000	-	1
£140,000 - £149,000	-	1
	<u>4</u>	<u>5</u>

The key management personnel of MMHS comprise the CEO, Finance Director, Operations Director and Property Director. Total benefits paid were £311,796 (2020: £421,923 for the 17-month period). The total employer's pension contribution of the key management personnel was £43,563 (2020: £45,170 for the 17-month period).

3.3 Analysis of support costs

	Year ended 31 August 2021	Raising Funds	Housing maintenance & repair	Buying & selling properties	Ministerial resident support	Equity	Restated 17- month period ended 31 August 2020
	£000	£000	£000	£000	£000	£000	£000
Staff training	6	-	3	1	1	1	10
Staff recruitment	8	-	4	2	1	1	7
Temporary staff	9	1	4	2	1	1	3
Travel & subsistence	24	2	12	4	3	3	32
Office rent, rates & services	61	4	30	10	8	9	85
Office administration costs	282	17	138	51	37	39	418
Professional charges	74	4	36	13	10	11	69
Depreciation	27	2	13	5	3	4	25
Support costs	491	30	240	88	64	69	649

3.4 Analysis of direct costs

3.4.1 Costs of raising voluntary income

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Publicity & advertising	24	21
Direct costs	24	21

3.4.2 Charitable activities – housing maintenance and repair

	Year ended 31 August 2021	Restated 17-month period ended 31 August 2020
	£000	£000
Refurbishment	354	1,338
Refurbishments capitalised	(247)	(540)
Planned work	910	1,429
Repairs & maintenance	110	137
Gas & electrical contract	207	288
Electrical remedial work	88	198
Electrical testing programme	32	41
External painting	208	226
Primary	<u>1,662</u>	<u>3,117</u>
Property depreciation	2,262	3,123
Property insurance	71	97
Leasehold charges	66	100
Empty property costs	106	165
Management fees	440	581
Grants to tenants	21	6
Other	40	41
Governance	7	17
Secondary	<u>3,013</u>	<u>4,130</u>
	<u>4,675</u>	<u>7,247</u>

3.4.3 Charitable activities – buying and selling of properties

	Year ended 31 August 2021	Restated 17-month period ended 31 August 2020
	£000	£000
Loan interest	-	-
Professional charges	1	2
Applicants' interview costs	-	1
Governance costs	<u>3</u>	<u>7</u>
Direct costs	<u>4</u>	<u>10</u>

3.4.4 Governance costs allocated to charitable activities

	Year ended 31 August 2021	Restated 17-month period ended 31 August 2020
	£000	£000
Auditors' remuneration – audit	14	19
Board expenses	1	8
Direct costs	<u>15</u>	<u>27</u>

The Board expenses of £545 (2020: £8,498 for the 17-month period) is made up of travel and subsistence expenses amounting to £103 (2020: £4,304 for the 17-month period) which were reimbursed to one board member (2020: 11); and board expenses of £442 (2020: £4,194 for the 17-month period). No member of the Board received any remuneration in the current year or prior period.

3.4.5 Charitable activities – ministerial resident support

	Year ended 31 August 2021	Restated 17-month period ended 31 August 2020
	£000	£000
Wellbeing – general expenditure	11	11
Wellbeing – repairs and maintenance	1	29
Governance costs	2	5
Direct costs	<u>14</u>	<u>45</u>

3.4.6 Charitable activities – equity

	Year ended 31 August 2021	Restated 17-month period ended 31 August 2020
	£000	£000
Professional charges	28	38
Governance costs	2	5
Direct costs	<u>30</u>	<u>43</u>

4 FIXED ASSET INVESTMENTS

	Year ended 31 August 2021	Restated 17-month period ended 31 August 2020
	£000	£000
Fair value at 1 September 2020	2,091	2,037
Purchase of investments	190	318
Sale of investments	(151)	(304)
Gain on revaluation	377	40
Fair value at 31 Aug 2021	<u>2,507</u>	<u>2,091</u>
Represented by:		
CFB UK equity fund	888	716
CFB overseas fund	841	747
CFB corporate bond fund	413	334
CFB short fixed interest fund	365	294
Total investments	<u>2,507</u>	<u>2,091</u>

Investments are held in accordance with MMHS's investment policy detailed in the Trustees' Report.

5 PENSION COSTS

MMHS is a participating employer of the Pension and Assurance Scheme for Lay Employees of the Methodist Church (the Scheme), a defined benefit scheme.

FRS102 DISCLOSURES

A valuation of the Scheme for the purposes of these disclosures was carried out at 31 August 2021 by an independent actuary. The major assumptions used by the actuary, together with those used in the previous year, were:

	31 August 2021	31 August 2020
	% pa	% pa
Discount rate	1.7	1.6
RPI inflation rate	3.5	3.1
CPI inflation rate	2.8	2.2
Rate of increase in pensionable earnings	2.8	2.2
Rate of increase in pension payments	2.3 / 3.3 / 5.0	2.1 / 3.0 / 5.0

The major categories of the Scheme's assets (excluding money purchase AVCs) as a percentage of the total Scheme assets, were as follows:

	31 August 2021	31 August 2020
	% pa	% pa
Equities	44	53
Corporate bonds	5	5
Property	9	9
Cash	8	8
Liability Driven Investment	30	20
Annuities	4	5

The following amounts at 31 August 2021 were measured in accordance with the requirements of FRS102.
£ million

Total market value of assets	95.1
Present value of scheme liabilities	96.4
Net Defined Benefit Asset/(Liability)	<u>(1.3)</u>

The Scheme operated by the Methodist Church is a defined benefit scheme. However, MMHS is not the only participating employer in the Scheme and it is unable to determine its share of the underlying assets and liabilities on a consistent and reasonable basis. This is because contributions paid into the Scheme are not invested separately to those paid by other employers participating in the Scheme. As such no separate fund is identifiable in respect of the Society. In order to determine a current fund for each participating employer it would be necessary to separately account for contributions, benefit payments and investment returns for each participating employer.

Under the terms of the Scheme, the assets and liabilities are pooled among the participating employers. If a participating employer were to cease to participate then that employer would be required to pay a debt to fully fund their share of the Scheme's liabilities. MMHS would not be liable for another employer's debt but has an option to assume responsibility under an apportionment arrangement.

The Scheme closed to new entrants and the future accrual of pensionable service with effect from 31 May 2019 and therefore regular employer contributions ceased on this date.

A full actuarial valuation of the Scheme was carried out at 1 September 2020 by the Scheme Actuary. The valuation disclosed a past service deficit of £16.7m. It was agreed that the shortfall revealed at 1 September 2020 should be eliminated by contributions to be paid from the Pension Reserve Fund of the Methodist Church to the Scheme as follows:

- £2,380,000 per annum each August, starting August 2021¹ up to and including August 2026; and
- between £0 and £529,000 each December, starting December 2021 up to and including December 2026. The precise amount payable will be determined by the Scheme Actuary having regard to Scheme experience.

The next actuarial valuation is due as at 1 September 2023.

6 TANGIBLE ASSETS

	2021	2020
	£000	£000
Office equipment		
Cost at 1 September 2020	245	213
Addition in period	51	32
Cost at 31 August 2021	296	245
Depreciation at 1 September 2020	139	90
Depreciation in the period	44	49
Depreciation at 31 August 2021	183	139
Net book value at 31 August	113	106

¹ In practice, due to the timing of the signing of the revised Recovery Plan, the core contribution of £650,000 under the 2018 Recovery Plan was paid in August 2021, and the difference between this and the revised core contribution amount (ie £2,380,000 – £650,000 = £1,730,000) was paid in December 2021.

7 PROGRAMME RELATED INVESTMENTS

7.1 Land and buildings

	Freehold £000	Leasehold £000	31 August 2021 £000	31 August 2020 £000
Cost				
Balance at 1 September 2020/5 April 2019	165,693	13,438	179,131	172,445
Revaluations during the year/period	-	(103)	(103)	-
Additions in year/period	1,637	263	1,900	4,882
Capitalisation of refurbishments	247	-	247	539
Disposals in year/period	(2,549)	(429)	(2,978)	(5,135)
Transfer from/to leasehold/freehold properties	174	(174)	-	-
Transfer to investment properties	(3,038)	(402)	(3,440)	(3,622)
Transfer from investment properties	1,691	-	1,691	3,022
Balance at 31 August 2021	163,855	12,593	176,448	179,131
less				
Depreciation				
Depreciation at 1 September 2020	2,859	232	3,091	-
Depreciation for disposals	(54)	(9)	(63)	(31)
Depreciation written off		(3)	(3)	(66)
Depreciation re investments	(97)	(13)	(110)	-
Depreciation for period	2,205	170	2,375	3,188
Depreciation at 31 August 2021	4,913	377	5,290	3,091
Balance at 31 August 2021	158,942	12,216	171,158	176,040
Balance at 31 August 2020	162,834	13,206	176,040	
No of units at 1 September 2020	836	82	918	925
No of acquisitions	7	1	8	21
No of disposals	(14)	(3)	(17)	(28)
No of units at 31 August 2021	829	80	909	918

The assets under this heading comprise 909 (2020: 918) units of accommodation which include 155 (2020: 145) units which are occupied by market rent tenants who have security of tenure as at the 31 August 2021. Note 1d describes how the properties are valued. The revaluation reserve is included within General Reserves, in accordance with the Charities SORP.

7.2 Equity sharing scheme

The equity share scheme enables Ministerial Residents to acquire a financial interest in their retirement homes. This interest is determined by the amount contributed by a Ministerial Resident in proportion to the value of the property at the relevant date. At the year-end, 418 MMHS ministerial tenants had an equity share. (2020: 425).

	No	2021 £000	No	2020 £000
At Cost				
Balance at 1 September 2020	425	18,922	438	19,337
Additions in year	9	637	16	587
Disposals in year	(16)	(600)	(29)	(1,002)
Balance at 31 August 2021	418	18,959	425	18,922
Less				
Depreciation adjustment				
Balance at 1 September 2020		2		2
Annual adjustment		13		-
Balance at 31 August 2021		15		2
Combined		18,974		18,924

Total Programme related investments

	2021 £000	2020 £000
Land and buildings	171,158	176,040
Equity sharing scheme	(18,974)	(18,924)
	152,184	157,116

Investment Properties

	2021 £000	2020 £000
Balance brought forward	17,492	16,892
Transfer from tangible fixed assets	3,440	3,622
Transfer to tangible fixed assets	(1,691)	(3,022)
Revaluation of properties	2,590	-
Balance carried forward	21,831	17,492

8 DEBTORS

	2021	2020
	£000	£000
Sundry debtors	79	23
Prepayments & accrued income	42	124
Legacies	50	72
	<u>171</u>	<u>219</u>

9 INVESTMENTS

	2021	2020
	£000	£000
Restricted Funds		
COIF Inc Shares	14	12
Deposits with Central Finance Board	1	1
	<u>15</u>	<u>13</u>
Unrestricted Funds		
Deposits with Central Finance Board	6,963	5,235
Other investments	544	1,051
Total investments	<u>7,522</u>	<u>6,299</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£000	£000
Creditors	264	287
Accruals	485	654
Loans – interest free	2	2
	<u>751</u>	<u>943</u>

11 RESTRICTED FUNDS

11.1 The Piggott Trust

	31 August 2021	31 August 2020
	£000	£000
Charities Official Investment Fund income shares	9	9
	<u>9</u>	<u>9</u>

In September 1960 the Charity Commissioners approved and established a Scheme whereby the Charity of Mary Piggott and the specified endowment thereof could be administered and managed under the title of the Piggott Trust by MMHS.

The capital sum is invested with the Central Finance Board of the Methodist Church and the Charities Official Investment Fund and in accordance with the Scheme the income is applied to defray the cost of repair and upkeep of the property belonging to MMHS and situated at 47 Gainsford Road, Clacton, Essex.

12 UNRESTRICTED FUNDS

	At 1 September 2020	Revaluation/ Other	Movements in the year	Transfers between funds	At 31 August 2021
	£000	£000	£000	£000	£000
Revaluation reserve	10,094	1,567	-	-	11,661
Fixed asset reserve	157,222	-	-	(4,926)	152,296
Rent reserve	800	-	-	(200)	600
Equity share reserve	100	-	-	(16)	84
Equity share revaluation reserve	50	-	-	19	69
Total designated funds	168,266	1,567		(5,123)	164,710
General funds	14,246	920	(847)	5,123	19,442
Total	182,512	2,487	(847)	-	184,152

Designated funds are those earmarked by the Trustees for specific purposes or projects as noted in the above designations.

13 CAPITAL COMMITMENTS

At the year end MMHS had no commitments to purchase properties.

14 OPERATING LEASE COMMITMENTS

Commitments under operating leases are as follows:

	31 August 2021	31 August 2020
	£000	£000
Payments within one year	152	152
Expiring between two-five years	188	342
	<u>340</u>	<u>494</u>

15 RELATED PARTIES

There are two Board members, Revd C T F New and Revd A M Taylor who are Ministerial Residents of the Society. Their tenancies are on normal terms.

16 CASH FLOW INFORMATION

16.1 Reconciliations of net income to net cash flow from operating activities

	Year ended 31 August 2021	17-month period ended 31 August 2020
	£000	£000
Net (expenditure)	(847)	(1,331)
Adjustments for:		
Decrease/(increase) in debtors	48	(219)
(Decrease)/increase in creditors	(192)	938
Net realised (gain)/loss on sale of properties	(607)	391
Net realised loss/(gain) on reimbursement of equity	101	(158)
Depreciation	2,309	3,138
Investment income	(1,447)	(1,803)
Net cash (used in)/provided by operating activities	<u>(635)</u>	<u>956</u>

17 COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDED 31 AUGUST 2020

	Unrestricted funds	Restricted funds	Total funds Restated 17-month period ended 31 August
	2020	2020	2020
	£000	£000	£000
Income from			
Donations, legacies and grants	2,508	-	2,508
Charitable activities	3,412	-	3,412
Investments	1,803	-	1,803
Gain on disposal of properties	233	-	233
Total	7,956	-	7,956
Expenditure on			
Raising funds	139	-	139
Charitable activities			
Housing maintenance and repair	8,207	-	8,207
Buying and selling properties	363	-	363
Ministerial resident support	300	-	300
Equity	317	-	317
Total	9,326	-	9,326
Net income before revaluation and investment gains	(1,370)	-	(1,370)
Unrealised gain/(loss) on fixed asset investment	40	-	40
Net movement in funds	(1,330)	-	(1,330)
Reconciliation of funds			
General funds	10,892	9	10,901
Revaluation reserve	11,719	-	11,719
Equity share investment revaluation reserve	-	-	-
Designated funds	1,000	-	1,000
Designated fixed asset reserves	64,134	-	64,134
Fair value adjustment on transfer	96,097	-	96,097
Total funds transferred from MMHS (Co-operative & Community Benefit Society) on 5 April 2019	183,842	9	183,851
Total Funds carried forward	182,512	9	182,521

Administrative Details

TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS (as at 31 August 2021)

Trustees

Mr Alexander Campbell OBE (*Chair*) *

Revd Alan Taylor (*Vice Chair*) ^{[1][2]}

Revd Jacquie Evans (*Chair of Audit and Risk Committee*) ^[2]

Mr Christopher Firth (*Chair of Finance & Resources Committee*) ^[1]

Mr Paul Reynolds (*Chair of Property Committee*) ^[3]

Mrs Sharon Green ^[3]

Revd Paul Martin ^[2]

Revd Charles New ^[3]

[1] Member of the Finance & Resources Committee

[2] Member of the Audit & Risk Committee

[3] Member of the Property Committee

* *Ex-officio* member of all Committees

Senior Management Team

Mrs Mairi Johnstone CEO

Mrs Atawa Aryee Finance Director

Mr Richard Hawkins Operations Director

Mr Paul Gillam Property Director

Principal Bankers

HSBC

The Peak, 333 Vauxhall Bridge Road, Victoria, London SW1V 1EJ

Auditor

Mazars LLP

6 Sutton Plaza, Sutton Court Road, Sutton, Surrey SM1 4FS



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Housing Society

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