Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

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

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Supported over 1,700 older people in our communities

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

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Following high care staff vacancies earlier in the year, this gap was reduced by **47%** ↓ through successful recruitment.

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

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

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£1,000,000
A £1.0m donation received from a trust to pay for 10 years of future grant-giving.

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

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

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Chief Executive’s introduction

Welcome to our 2022-23 report.

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

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

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

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

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

Chief Executive's introduction (continued)

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

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

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

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

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

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

Steve Allen
Chief Executive

Trustees' Report for the year ended 31 March 2023

People supported during the year

Friends of the Elderly

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

One 'REQUIRES IMPROVEMENT' rating remains

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

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

A **9%** increase in the number of grants given

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

Over **1700** people supported in our communities

412
payments for regular and winter comfort allowances

374
people and their carers supported by *day care* services

290
residents on average, living in 11 care homes

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

Who we are and what we do

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

Our core values

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

Our aims

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

Our strategic objectives

Achieve better outcomes for all

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

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.

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).*

Deliver financial sustainability and accountability

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

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

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

Objective: achieve better outcomes for all

Grant-giving adapts to changing need

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

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

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

(* name changed to protect identity)

Welcoming back our local communities

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

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

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

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

Objective: provide outstanding care

Care quality

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

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

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

Excellence in dementia care

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

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

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

Nursing care

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

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

Objective: become an employer of choice

Pay and reward

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

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

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

Employee support

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

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

Recruitment

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

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

Objective: deliver financial sustainability and accountability

Financial stability

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

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

Building for the future

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

Investment in our care homes

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

Accountability to our service users

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

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

Future plans

Continued operational challenges

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

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

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

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

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

Care sector changes

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

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

Fundraising activities

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

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

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

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

Grant making

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

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

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

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

Financial Review

Financial results

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

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

Financial results (continued)

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

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

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

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

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

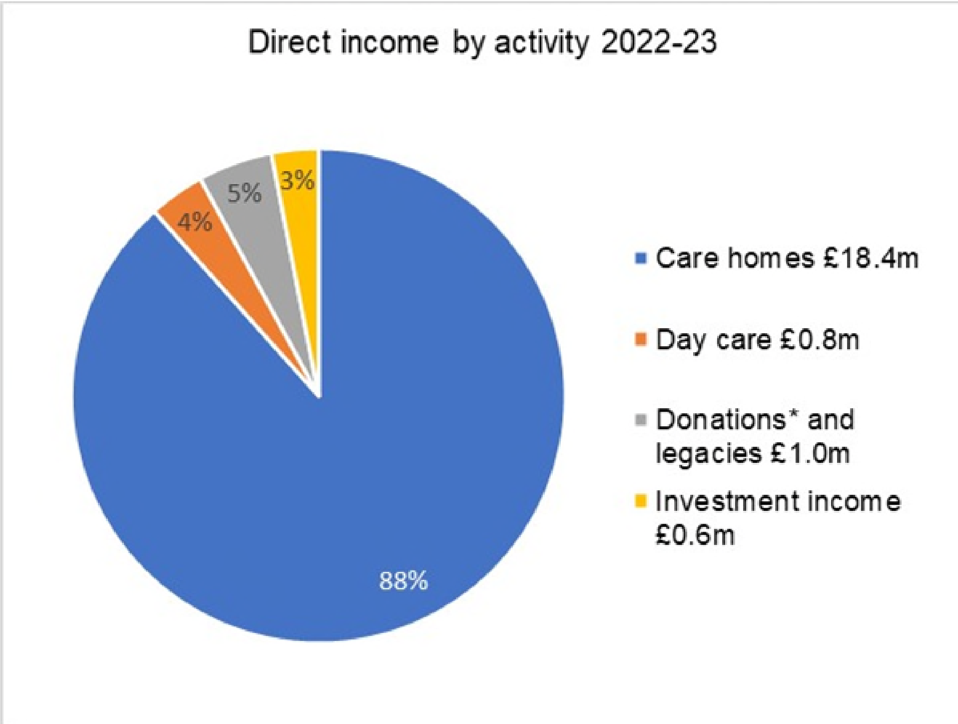
Changes after the year-end

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

Financial results (continued)

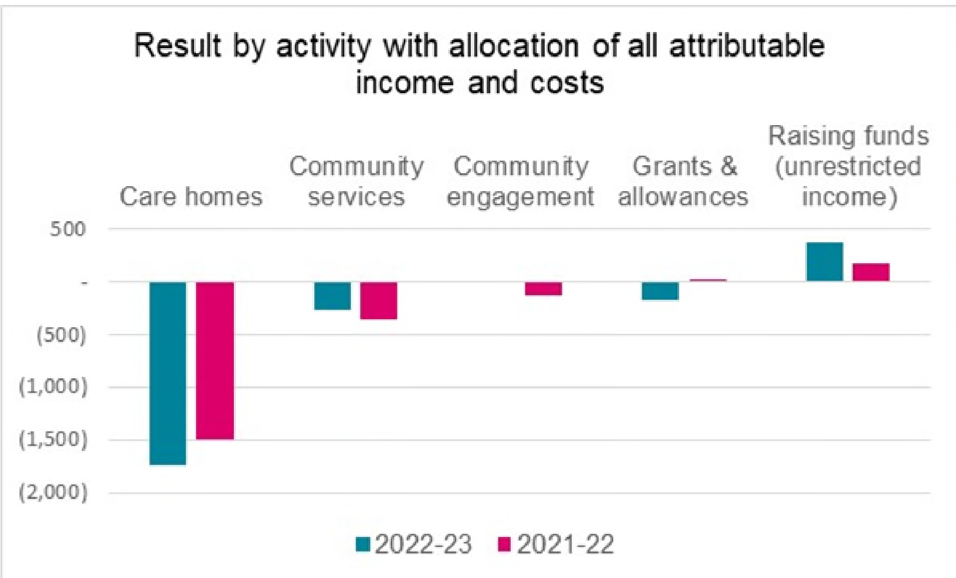
Results by activity

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



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

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



Financial results (continued)

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

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

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

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

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

Grants and allowances

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

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

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

Investments

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

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

Financial results (continued)

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

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

Investment performance 2022-23

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

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

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

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

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

Financial Review (continued)

Investment property

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

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

Tangible fixed assets – risk of impairment

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

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

Pension schemes

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

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

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

Financial Review (continued)

Funds

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

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

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

Reserves policy

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

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

Financial Review (continued)

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

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

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

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

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

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

Going concern

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

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

Financial Review (continued)

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

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

Going concern – key risks and uncertainties

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

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

Going concern – conclusions

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

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

Principal risks and uncertainties

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

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

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

Principal risks and uncertainties (continued)

Risk	Mitigating actions
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 people who draw on our services. Whistleblowing procedures for staff and volunteers. • Subscriptions to a full suite of policies and procedures from a third-party platform, which are written and reviewed by specialists and kept up to date by an internal review panel.
Financial failure – increased risk as a result of current low occupancy	• Access to capital of £3.7m approved by the Charity Commission. • Budgeting and re-forecasting, with scenario planning, reviewed by board of trustees to identify if and when further mitigating actions are required. Key Performance Indicators and Management Information provided quarterly to SLT and trustees. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 18-19), and the level of general reserves against target is monitored at least annually.
Significant pandemic outbreak at a care home or a service	• Local written response plan for each care home and service. Charity-level response and business continuity plans. • A significant network of connections and key relationships to draw upon and share current and emerging best practice, including active membership of the National Care Forum and Care England. • Project team ready to ensure Government (UK Health Security Agency), Care Quality Commission and Local Authority/ local public health team latest guidance is incorporated into Charity policies and addressed. • Several months' stock of Personal Protective Equipment held at a central location
Failure to comply with legislation or regulatory requirements	• Care quality policies, procedures and protocols established and kept under review. • Quality assurance programme embedded and ongoing to monitor compliance and completion of actions from previous assessments. Individual lessons learned from each regulatory inspection captured and disseminated.

Principal risks and uncertainties (continued)

Risk	Mitigating actions
Failure to comply with legislation or regulatory requirements (continued)	• Assurance processes in place for regulatory areas including governance, data and cyber security, and health and safety.
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 Integrated Care Boards 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. • Comprehensive property compliance system in place, overseen by central Estates and Facilities team. • Primary Authority Partnership actively maintained with Surrey Fire and Rescue Service. Fire awareness and evacuation training for staff. Annual Fire Risk Assessments carried out by external risk management specialists with action plans implemented. • Health and Safety obligations overseen by SAP team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.

Employees and volunteers

Equal opportunities

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

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

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

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

Employees and volunteers (continued)

Key management personnel

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

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

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

Staff and volunteer engagement

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

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

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

Engagement with stakeholders

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

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

Engagement with stakeholders (continued)

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

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

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

Promoting the success of the charity

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

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

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

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

Health and safety

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

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

Carbon emission reporting

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

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

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

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

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

Governance report

The Charity's constitution

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

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

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

Group structure

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

Governance report (continued)

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

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

Trustees and their support

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

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

Trustees and their support (continued)

- One example of continuous improvement relating to the Charity Governance Code is the safeguarding review carried out by a third party in the year, with actions undertaken to address the findings overseen by the board-appointed Safeguarding Adults Sub-Committee who then report to the board.

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

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

Public benefit

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

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

Basis of preparation

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

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

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

Statement of trustees' responsibilities

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

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

Statement of trustees' responsibilities (continued)

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

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

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

Statement of disclosure of information to auditors

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

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

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

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

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

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

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

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

Bankers
HSBC plc
89 Buckingham Palace Road
Belgravia
London SW1W 0QL

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

CCLA Investment Management Limited
80 Cheapside
London EC2V 6DZ

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

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

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Use of our report

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

....

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

71 Queen Victoria Street
London, EC4V 4BE

Date: 25 October 2023

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

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

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

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

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

Group and Charity balance sheets as at 31 March 2023

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

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

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

Chris Maidment, *Chair*

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

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

Analysis of net debt

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

Analysis of net debt for the prior year

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

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

1. Principal accounting policies

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

(a) Basis of accounting

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

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

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

Going concern

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

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

Going concern – key risks and uncertainties

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

Going concern – conclusions

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

1. Principal accounting policies (continued)

Going concern – conclusions (continued)

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

(b) Consolidation

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

(c) Fund accounting

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

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

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

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

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

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

(d) Income

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

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

1. Principal accounting policies (continued)

(d) Income (continued)

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

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

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

(e) Expenditure

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

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

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

(f) Support costs

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

(g) Donated services and facilities

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

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

(h) Intangible fixed assets and amortisation

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

Computer software: 3 years

1. Principal accounting policies (continued)

(i) Tangible fixed assets and depreciation

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

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

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

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

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

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

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

(j) Impairment of fixed assets

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

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

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

1. Principal accounting policies (continued)

(k) Investment properties

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

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

(l) Other investments

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

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

(m) Debtors

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

(n) Resident deposits

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

(o) Cash at bank and in hand

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

(p) Creditors and provisions

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

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

(q) Financial instruments

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

1. Principal accounting policies (continued)

(q) Financial instruments (continued)

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

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

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

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

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

(r) Operating leases

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

(s) Pension schemes

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

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

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

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

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

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

1. Principal accounting policies (continued)

(s) Pension Schemes (continued)

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

(t) Key judgements and estimates

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

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

The review of impairment indicators and assessment of impairment loss

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

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

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

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

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

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

Pension Schemes

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

1. Principal accounting policies (continued)

(t) Key judgements and estimates (continued)

Tangible fixed assets and depreciation

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

Investment property valuations

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

2. Consolidated statement of financial activities by fund 2022

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

3. Subsidiaries' performance

Summary of results for the year ended 31 March 2023:

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

Summary of results for the year ended 31 March 2022:

	Potential Limited £'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	-

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

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

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

4. Donations and legacies

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

5. Investment income

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

6. Other income and other expenditure

Other income

	2023	2022
	£'000	£'000
Gain on disposal of fixed assets	7	17
Gain on sale of homecare services	-	387
	7	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:

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

Other expenditure

Other expenditure within charitable activities includes:

	2023	2022
	£'000	£'000
Impairment charge	-	74
	-	74

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

7. Government grants

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

7. Government grants (continued)

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

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

8. Analysis of income and expenditure by charitable activity

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

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

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

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

The analysis for 2022 is as follows:

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

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

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

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

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

9. Net expenditure for the year

Net expenditure for the year is stated after charging:

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

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

10. Staff costs

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

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

	2023 £'000	2022 £'000
Redundancy payments	-	6

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

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

10. Staff costs (continued)

Key management personnel

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

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

11. Staff numbers

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

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

12. Related party transactions

Trustees

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

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

Key management personnel

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

Intercompany transactions

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

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

12. Related party transactions (continued)

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

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

13. Intangible fixed assets

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

14. Tangible fixed assets

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

14. Tangible fixed assets (continued)

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

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	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**
Cost	1,653	1,921	1,711	1,960
Net book value	1,653	1,561	1,711	1,592

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

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

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

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

15. Fixed asset investments

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

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

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

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

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

16. Debtors

	Group 2023 £'000	Group 2022 £'000	Charity 2023 £'000	Charity 2022 £'000
Trade debtors	1,031	743	1,031	743
Other debtors	176	161	166	152
Prepayments and accrued income	697	1,002	697	1,002
	1,904	1,906	1,894	1,897

17. Creditors: amounts falling due within one year

	Group		Charity	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	926	843	896	790
Amounts due to subsidiary undertakings	-	-	19	44
Other creditors	315	393	310	388
Resident deposits	1,109	904	1,109	904
Taxation and social security	276	248	276	248
Accruals	619	945	619	945
Loans: Amounts Due Within One Year	137	148	137	148
	3,382	3,481	3,366	3,467

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

	Group and Charity	
	2023	**2022**
	£'000	**£'000**
Secured bank loan:		
Falling due within more than one year but less than five years	639	632
Falling due after five years	692	822
Total amounts falling due after one year:	1,331	1,454
Amounts falling due within one year (Note 17)	137	148
Total of all loans	1,468	1,602

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

The loans are basic financial instruments carried at amortised cost. £977,000 of the debt has an interest rate at 1.75% above the Bank of England's sterling base rate, with a 20-year term ending in 2031. £491,000 of debt has an interest rate at 3.0% above the Bank of England's sterling base rate, with a 15-year term ending in 2034.

19. Pension schemes

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

	Group and Charity	
Defined benefit pension scheme liability by Scheme	**2023**	**2022**
	£'000	**£'000**
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(14)	(24)
Career Average Revalued Earnings (CARE) Pension Scheme	(10)	(13)
	(24)	(37)

19. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme

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

Reconciliation of opening and closing provision by Scheme for 2022:

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

19(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by the Charity and amounted to £547,000 in the year (2022: £523,000).

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

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

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

19. Pension schemes (continued)

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

There are two categories of members:

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

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

The pension scheme surplus as at 31 March 2023 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

The amounts recognised and the balance sheet positions, for 2023 and 2022, are as follows:

	Group and Charity: 2023			Group and Charity: 2022		
	Assets	Defined benefit obligation	Net position	Assets	Defined benefit obligation	Net position
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	1,472	(1,400)	**72**	1,641	(1,614)	**27**
Limit on recognition of assets	(72)	-	**(72)**	(27)	-	**(27)**
Scheme surplus recognised at 1 April	1,400	(1,400)	**-**	1,614	(1,614)	**-**
Benefits paid	(250)	250	**-**	(149)	149	**-**
Employer contributions	10	-	**10**	15	-	**15**
Amounts charged to Statement of Financial Activities:						
Interest income/ (cost)	34	(34)	**-**	26	(26)	**-**
Remeasurement gains/(losses)						
- Actuarial gains/(losses)	-	183	**183**	-	91	**91**
- Return on assets excluding interest income	(228)	-	**(228)**	(61)	-	**(61)**
- Change in the effect of asset ceiling	35	-	**35**	(45)	-	**(45)**
Total amounts charged to Statement of Financial Activities	(159)	149	**(10)**	(80)	65	**(15)**
Fair value at 31 March (less surplus not recognised)	1,001	(1,001)	**-**	1,400	(1,400)	**-**

The fair value of the assets of the scheme was:

	Group and Charity			
	2023 £'000	2023 % of total plan assets	2022 £'000	2022 % of total plan assets
Trustees bank account/ net current assets	8	0.8%	3	0.2%
Annuities	787	75.8%	967	65.7%
Gilts fund	230	22.2%	414	28.1%
Diversified fund	13	1.3%	88	6.0%
Total	1,038	100.0%	1,472	100.0%

19. Pension schemes (continued)

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

The return on assets was:

	Group and Charity	
	2023	2022
	Market value	Market value
	£'000	£'000
Interest income	34	26
Return on assets less interest income	(228)	(61)
Total return on assets	(194)	(35)

Actuarial assumptions

	Group and Charity	
	2023	2022
Discount rate	4.80% pa	2.70% pa
RPI inflation	3.40% pa	4.20% pa
CPI inflation	2.40% pa	3.20% pa
Revaluation of deferred pensions	2.40% pa	3.20% pa

Mortality assumptions

	Group and Charity	
	2023	2022
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S3PA CMI_2021_M/F [1.25%] (yob)	100% of S3PA CMI_2021_M/F [1.25%] (yob)

Life expectancies (in years)

	2023		2022	
	Males	Females	Males	Females
For an individual aged 60	26.6	29.3	26.6	29.2
At age 60 for an individual aged 40	28.2	30.7	28.1	30.7

19(c) Multi-employer pension schemes

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

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

19. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

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

SVSPS

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

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

CARE

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

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

Discount rates

	Group and Charity	
	2023	**2022**
Discount rate: SVSPS	5.40%	2.30%
Discount rate: CARE	5.18%	2.55%

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

20. Analysis of net assets between funds

Fund balances at 31 March 2023, represented by:

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

20. Analysis of net assets between funds (continued)

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

Fund balances at 31 March 2022 were:

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

(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

21. Movement in funds

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

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

21. Movement in funds (continued)

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

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

21. Movement in funds (continued)

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

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

21. Movement in funds (continued)

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

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

21. Movement in funds (continued)

Designated funds – nature of funds

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

Restricted funds – nature of funds

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

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

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

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

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

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

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

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

Endowed funds – nature of funds

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

Other endowments generate income for the restricted funds described above.

21. Movement in funds (continued)

Fund transfers in the year

- A transfer of £2,050,000 from restricted funds to unrestricted funds represents the investment withdrawals from the Sir Thomas Lipton funds to support care home operations as the Charity recovers from the impact of Covid-19.
- A transfer of £300,000 was made from an expendable endowment to a restricted fund to support operating losses of the Retired Nurses National Home.
- A transfer of £250,000 was made from a restricted fund to unrestricted funds as a donation was used for capital expenditure, in accordance with the purpose of the donation.
- The interest charge on a loan from a restricted fund to unrestricted funds, of £25,000, is shown as a fund transfer. Other small transfers relate to movement of small balances outside of their original classification but still within the scope of the original restriction.

22. Operating leases and capital commitments

The following total amounts are payable for lease commitments:

	Group and Charity	
	2023	**2022**
	£'000	**£'000**
Land and buildings		
Within one year	82	82
Within 2 to 5 years	311	317
> 5 years	975	1,051
	1,368	1,450
Other		
Within one year	53	61
Within 2 to 5 years	2	55
	55	116
Total	1,423	1,566

As at 31 March 2023 there was £nil (2022: £nil) of capital expenditure contracted for but not provided in the financial statements.

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

	2023	2022
	£'000	£'000
Net movement in funds	(1,674)	90
Unrealised and realised losses/(gains) on investments	873	(1,570)
Receipt of endowment	(1,000)	-
Net (gains) on disposal of fixed assets	(7)	(17)
Net (gains) on disposal of services	-	(387)
Actuarial losses on pension schemes	10	15
Investment income	(638)	(649)
Interest payable	54	27
Depreciation on tangible assets	951	958
Impairment of tangible assets	-	74
Amortisation on intangible assets	49	50
Difference between pension contributions and net costs	(23)	(90)
(Increase)/decrease in debtors	(98)	21
(Decrease)/ increase in creditors	(88)	40
Net cash used in operating activities	(1,591)	(1,438)

24. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group and Charity	2023	2022
	£'000	£'000
Financial assets measured at fair value through the SoFA	13,868	17,077

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

25. Post balance sheet events

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

26. Taxation

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

27. Members

At 31 March 2023 there were 11 members (2022: 11 members) who each pledge to pay £1 on winding up.

28. Ultimate controlling party

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

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