



# Methodist Homes Report and Financial Statements

31 March 2023

# Mission, vision and values

## Our Mission

To enable people to live later life well by inspiring the best care and wellbeing at every stage of later life.

## Our Vision

By 2025 we will have connected our communities, realising our potential as OneMHA, to increase the reach, impact and quality of care and support we provide to people in later life.

## Our Values

We **nurture** mind, body and spirit

We **inspire** the best in each other

We **respect** every person, treating them with dignity.



97%



retirement living schemes rated good, outstanding or equivalent  
(100% in 2021/22)

92%



of care home residents satisfied with their care  
(91% in 2021/22)

6,521  
staff

(6,509 in 2021/22)

90%

care homes rated good, outstanding or equivalent  
(92% in 2021/22)

50 MHA  
Communities  
hubs

(50 in 2021/22)

AND

11,481

MHA Communities  
members supported  
(11,662 in 2021/22)



£269m income

(£251m in 2021/22)



£273m expenditure

(£233m in 2021/22)



18,957

older people supported  
(19,212 in 2021/22)



88

care homes  
(89 in 2021/22)



69

retirement living  
communities  
(70 in 2021/22)



3,000

volunteers  
(3,200 in 2021/22)

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**Keeping alive the vision and innovation of our founder has never felt more important as we mark what has been a rewarding, yet at times challenging, year.**

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# Board of Directors' report, including strategic report

**2023 marks MHA's 80th anniversary. Established in 1943 by Methodist Minister, Rev Walter Hall, the charity's vision was, and remains, enabling people to live later life well – being part of a community, feeling safe and secure, cared for and supported. Keeping Rev Hall's vision and innovation alive has never felt more important, as we mark what has been a rewarding yet, at times, challenging year for the charity in the current economic climate and as we continue to build back post-pandemic.**

We've pushed forward with our plans to introduce digital care plans into our care homes, fundraised to make sure our residents and MHA Communities members continue to benefit from life-enhancing services like music therapy, green care and chaplaincy, developed a blueprint for our future housing with care schemes, and introduced our MHA Active app.

All this was done against the backdrop of the cost-of-living crisis which affected not just our residents and their families, our members but also our colleagues, the bills we have to pay, and the ability of our supporters to donate their time, money and resources.

Despite this, we've continued to prioritise investment in our services. Following challenges in undertaking building works during Covid, this year we started a significant investment programme across our estate. We also embarked on an ambitious three-year programme to upgrade our IT systems and equipment in all our homes, schemes and offices, improving accessibility and the effectiveness of our work.

Colleagues across our homes and schemes have also continued to fundraise for items to support residents living with dementia, such as HUG dolls, giant tablets and electronic pets, and more broadly to create opportunities to broaden the range of support and care we offer. We remain hugely grateful to our benefactors and volunteers for enabling us to enhance our residents and members lives.

Alongside this, the profile of MHA continues to grow with Hall Grange care home featuring in the King's Christmas message. We were also delighted to welcome the Archbishop of Canterbury, the Rt Rev Justin Welby, to our Bradbury Grange care home in Whitstable to film his New Year message. Broadcast on the BBC and available online, the programme focused on social care and trailed the Archbishops of Canterbury and York's Commission on Reimagining Care, which was published in January 2023.





This echoed the focus of our influencing and lobbying activity throughout the year, to make sure our voice was heard by Government ministers, MPs in whose constituencies we have services, councils and in the media. The social care sector remains in desperate need of reform and investment, with longstanding workforce and capacity challenges only amplified by the impact of the pandemic and cost of living crisis. Over the past 18 months, our energy bills alone have risen from £5m to £18m.

We hoped the introduction of the National Insurance levy for health and social care, would provide support, and that the Fair Cost of Care exercises being carried out by local authorities would lead to positive change, particularly to the levels of our fees from councils. But sadly, both were paused by the Government with no sign of when these reforms might happen.

With 165,000 vacancies nationally across the sector, MHA, like other providers, has continued to struggle to recruit care and nursing staff. It made our decision to award colleagues a substantial pay uplift in line with our responsibilities as a Real Living Wage employer even more vital. Even though this is improving our recruitment and retention, the situation remains critical as we face the ongoing pressures of funding agency workers to ensure safe staffing and restricting the number of residents who come into some of our homes, due to staff levels.

We continue to call for care workers to be considered skilled workers and for investment so that providers can uplift salaries to the same level as NHS healthcare assistants. We continue working to ensure that social care reform is at the top of the political agenda.

Finally, with our responsibility to ensure that our services remain sustainable, and that our charity is in the best possible financial shape, after careful consideration, we have had to make some difficult decisions regarding a number of our services. These were announced in May 2023 and will lead to the sale of 10 of our homes and placing Auchlochan Garden Village in Scotland and its two associated care homes into administration. In addition, we announced the withdrawal from our other three retirement living schemes in Scotland. We are confident buyers can be found in the course of this year for these homes and schemes.

In the midst of our challenges, we are proud that our regulators continue to score our services highly making MHA one of the most highly rated providers of elderly care in the country. The credit and our heartfelt thanks goes to our amazing staff and their leaders for all their continuing efforts to enable older people to live later life well.

All this will go towards making sure we set MHA on the right course as we mark our 80th anniversary in 2023 and we get ever closer to marking our century in 2043.



**James Reilly**, Chair

**Sam Monaghan**, Chief Executive



# Strategic report

## One MHA: Our Refreshed Strategy 2022/25 – Our Business Plan 2022/23

2023 marks MHA's 80th anniversary. It was the vision of our founder, the Rev Walter Hall, that led to the church expressing its mission to care for and support those who are particularly vulnerable and in need, whatever their faith or background.

Today MHA serves 18,957 older people across 88 care homes, 69 retirement living communities and 50 MHA Communities hubs, supported by 6,521 staff and 3,000 volunteers.

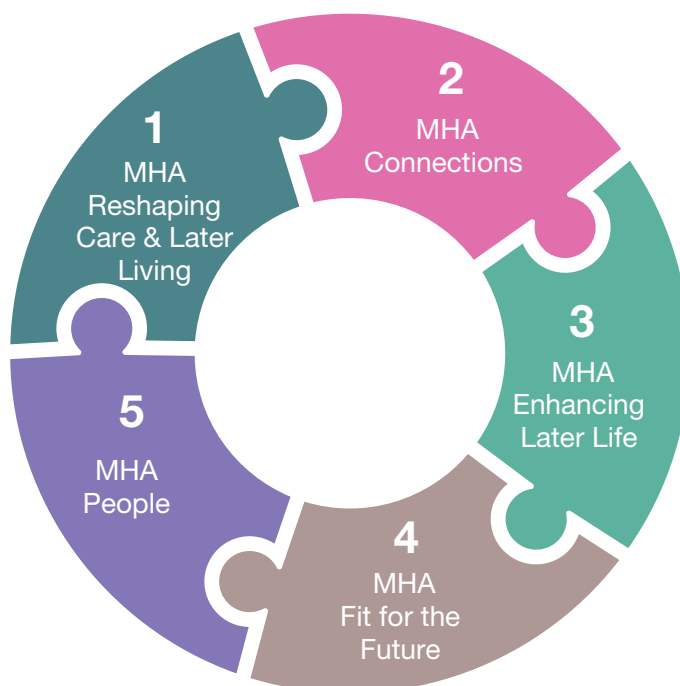
Our founders would be truly proud of the work MHA carries out as we mark our 80th anniversary.

MHA includes the subsidiaries MHA Auchlochan (our retirement living village in Scotland) and Methodist Homes Housing Association Ltd, our registered social landlord which provides rented accommodation at social rent. On 2 May 2023, MHA Auchlochan was placed into administration.

Our mission, vision and values hold strong and steady and continue to guide all that we do. Our refreshed strategy for 2022 to 2025 details our objectives for the next few years and focuses our objectives under five key areas.

The One MHA Strategy builds on our history of serving the needs of older people. It brings together our operational activities, connecting our care homes, retirement living and MHA Communities for greater collaboration, knowledge exchange and a stronger offering to the communities we operate in.

However, in doing this we find ourselves in a different societal and political landscape than we



did at the start of 2022/23. At the beginning of the year, we were working towards the delivery of Fair Cost of Care exercises by local authorities and the promise of additional funds in years to come from the National Insurance Levy.

Sadly the Government paused work on these, despite the calls for social care reform becoming louder. In addition, we have been affected by the exponential rise in energy costs.

Despite this, we are pushing forward on our plans to make sure we can enable older people to live later life well within an infrastructure that can best support this.



# Looking forward

Looking ahead to the next financial year, we have published a 2023/24 Business Plan, which details our main priorities for each strategic objective, which are detailed below. In addition, each section of the Strategic Review gives more information about what we will be doing in these areas.

## Reshaping care and later living

*Defining our vision for future models of Care and Later Living, establishing new services that align with sector reforms.*

1. Define and deliver our future approach to care home provision and contracting for placements.
2. Define and deliver a blueprint model for our housing with care schemes.
3. Develop our domiciliary care offer beyond housing with care schemes and into local communities.

## Connections

*Strengthening collaboration between our beneficiaries, services, central support and partners.*

1. Deliver and roll out the collaborative communities operating model.
2. Develop and deliver a market-leading digital content platform and online community for older people.
3. Increase the impact of our fundraising and volunteering opportunities.

## Enhancing later life

*Influencing policy and enriching the experience of later life through innovative practice.*

1. Sustain and build our campaign to fix care for all.
2. Enrich later life through the delivery of our specialist strategies.
3. To nurture a culture of innovation.

## Fit for the future

*Developing effective infrastructure, enabling efficient processes to support sustainable service delivery.*

1. Create a fit for purpose IT, data and digital capability.
2. Deliver a financially, operationally & environmentally sustainable organisation.
3. Reinvigorate our approach to continuous improvement.

## People

*Valuing, supporting and developing our people's potential in an inclusive culture.*

1. Attract the right people with the right skills at the right time.
2. Foster an empowering and inclusive culture to support and deliver high-quality services.
3. Inspire and support people to fulfil their potential.





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**Our OneMHA strategy builds on our history of serving the needs of older people, connecting our services for greater collaboration.**

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# Key performance indicators

What we said we would achieve	How we did
To sustain our position in the top 20 care home providers on carehome.co.uk	Achieved
To maintain at least 90% good or outstanding or equivalent compliance with regulators across all services	92%
For at least 75% of care homes and retirement living services to achieve an internal quality assurance score of 85% and above	77% of all services achieved or exceeded the target of 85%
To increase our MHA Communities membership to at least 15,000 members by 2025	11,481 members as at 31 March 2023
To maintain at least 84% employee retention	77% Retention and recruitment of staff has been difficult in the current environment
To increase employee engagement index score to at least 75%	76%
To raise at least £4 million in fundraised income, including £600k in communities trusts and grants annually	Total fundraised income was £7.1 million, with £1.7m in communities trusts and grants
To rebuild our care home occupancy to at least 85%	83% Occupancy recovery has been hampered by the staffing crisis in the social care sector
To maintain at least 90% occupancy in our retirement living	93%
To sustain central overheads below 9.2% of income in line with budget	9.0%

# Objective 1

## MHA

### Reshaping care and later living

#### What we said we'd do

1. Define and deliver our future approach to care home provision and contacting for placements.
2. Define and deliver a blueprint model for our Housing with Care Schemes.
3. Develop our domiciliary care offer beyond housing with care schemes and into local communities.

#### What we've done

One of the biggest parts of MHA's work this year was on its blueprint for the future of retirement living and our housing with care offer.

The blueprint is built on seven principles that have been developed from lessons learnt from our schemes, engagement and feedback from our residents and good practice from across the retirement living sector.

The purpose of our offer, defined within this blueprint, is to enable people to 'live the life that they want to lead.'

The Government's Social Care white paper suggests we envisage a future where society will see a move towards a reduction in residential care settings, with new services that are within the housing with care space. This is where we envisage demand will increase in the future. We are already seeing an increase in enquiries for retirement living from people with care needs.

The decision demonstrates how MHA will start to move towards more retirement living services which not only provide accommodation for older people but care to enable people to live independently within a supportive community. This will inform the next stage of work on the blueprint next year in delivering what this means for MHA.

As part of the work on the blueprint, the opportunity was taken to review the management arrangement with Adlington Retirement Living as the five-year term contract was coming up for renewal at the end of 2022/23.

The Board took into consideration how MHA's retirement living service could be structured in the future and decided to hand back the management of Adlington House in Otley, Brooklands House in Stafford and Adlington House, Urmston over to the original developers Adlington Retirement Living. The decision was influenced by our aim to reduce the number of schemes we operate under management agreements and increase our focus on the retirement living with care services we offer. This was effective from 1 April 2023.







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The purpose of our new housing with care blueprint is to enable people to live the life they want to lead.

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**4,782**

care home residents  
(4,840 in 2021/22)



**2,694**

retirement living residents  
(2,710 in 2021/22)





**192**

**MHA Communities  
service delivery locations**  
(175 in 2021/22)



# 13,745

groups, clubs, activities  
and classes for MHA  
Communities members  
(10,620 in 2021/22)



## What we will do next

- Establish a refreshed blueprint for our care homes, including technological developments and incorporating our approach to Collaborative Communities
- Develop new models of partnering and contracting for care home placements, recognising the move towards higher levels of acuity
- Procure and roll out digital care plans across all of our care homes and housing with care services
- Establish a blueprint for our housing with care schemes, including incorporating our approach to Collaborative Communities
- Co-design and deliver a refreshed wellbeing offer
- Undertake a viability study to extend domiciliary care from our retirement living schemes out into their local communities
- Build a sustainable financial model for domiciliary care
- Pilot the new domiciliary care approach ensuring alignment of any new services with emerging trends from across the sector





# Objective 2

## MHA Connections

### What we said we'd do

1. Deliver and roll out our collaborative communities operating model.
2. Develop and deliver a market-leading digital content platform and online community for older people.
3. Increase the impact of our fundraising and volunteering opportunities.

### What we've done

#### Collaborative Communities pilot

MHA has been developing a new way of working called Collaborative Communities. The idea is to take care homes, retirement living schemes and MHA Communities schemes that are located in the same area and bring them together under one integrated offering in a shared location.

We piloted the Collaborative Communities blueprint at MHA Hafan Y Waun care home in Aberystwyth, creating an Aberystwyth MHA Communities scheme to share a site with the care home.

This co-location enabled colleagues to feel more integrated within MHA, work collaboratively with colleagues from different areas of the charity and access development opportunities. Older people and their relatives are better supported in their journey through older life.

Activity and community coordinators are upskilled to become a One MHA Coordinator, who are then able to help residents and members in accessing activities and providing guidance on how to access more of MHA's services. This also provides volunteers with a point of contact within the Collaborative Community.

#### The Later Life Hub

In response to developing and delivering a market-leading digital content platform and online community for older people and in response to the cost of living crisis, MHA launched the Later Life Hub in October 2022. The hub is an area of the MHA website where people can access useful tips, information and advice on everyday matters affecting later life. The Later Life Hub aims to position MHA as a credible voice for ageing and later life, whilst also increasing our online brand awareness.

As well as signposting to trusted organisations, like the NHS and government websites, the Later Life Hub contains content generated by



subject matter experts at MHA. This collaborative effort saw colleagues contributing expertise and ideas to create useful content, including looking after your physical, spiritual, and mental health, managing your finances, end-of-life care, dementia and much more.

To visit the Later Life Hub, please visit [www.mha.org.uk/hub](http://www.mha.org.uk/hub).

## MHA Active app

In addition to the Later Life Hub, the digital content platform has progressed with MHA's Digital Communities team developing MHA Active, an app containing a wide selection of activities and content for residents, members, and MHA colleagues to use for activities.

MHA Active aims to provide resources to keep people in later life physically and mentally active. It also enables those who live in their own homes to engage with MHA. Resources include quizzes, yoga, arts and crafts, green care, and spirituality. There is also a dementia-friendly section, which has received positive feedback from users.

Thanks to a grant from the Wolfson Foundation, MHA has been able to start work on an updated version based on user feedback, whilst also paving the way for new features like clearer layout, pdf activity sheets, seasonal content, and live events.



## Fundraising strategy

In July 2022, MHA's Board of Trustees approved MHA's first-ever Fundraising Strategy, a document that looks to formalise our recent successful fundraising activities whilst also laying out a clear path for where MHA's fundraising is going over the next 10 years.

The strategy has built upon three pillars which set out its main aims. They are:

- improve MHA's back-office processes
- ensure all fundraising work has a supporter focus
- find ways to engage new supporters

Rather than attempting to reinvent fundraising, the strategy aims to build and improve on some of our most successful events and initiatives, whilst also trying to reach and convert new supporters.

The strategy also introduced Charitable Giving Score Cards, which looks at the impact of our fundraising on our supporters, whilst also pulling together some case studies, to showcase MHA's work to our stakeholders.

## What we will do next

- **Review the Collaborative Communities blueprint, comparing rhetoric to reality on launched sites**
- **Establish 15 new Collaborative Communities**
- **Create 'recipe cards' for each piece of content to support delivery in the MHA Active app and create tutorial guides for the second phase app**
- **Launch the Fundraising Strategy delivery plan and review performance monthly**
- **Review Charitable Giving scorecard after three months and implement a measurement approach to ensuring fundraising targets by income stream**











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The petition led to MHA making connections with several Members of Parliament. Baroness Brinton also raised our concerns during a debate on the spring budget.

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# Objective 3

## MHA

### Enhancing later life

#### What we said we'd do

1. Sustain and build our campaign to fix care for all.
2. Enrich later life through the delivery of our specialist strategies.
3. Nurture a culture of innovation.

#### What we've done

##### MHA's Cost of Living petition

In February 2022, MHA launched a petition, aimed at putting the impact of the cost of living crisis in the care sector on the political agenda, by taking the voice of those who live and work in care straight to the heart of government.

MHA colleagues and supporters were asked to sign an e-petition which asked the Chancellor of the Exchequer, Jeremy Hunt, to bring in further financial support for the care sector. The secondary purpose of the petition was to start to build a campaigner network and to build links between the campaign team and all other areas of MHA, in preparation for the launch of new campaigns over the next few years.

MHA used trusted internal communications channels and external channels like social media and email to spread the word about the petition. Overall we collected 1,147 signatures, with 703 people also opting in to hear about future campaigns, showing there is an appetite for reform in the social care sector.

The petition led to MHA making connections with several Members of Parliament. Baroness Brinton also raised our concerns during a debate on the spring budget.

Several other charities and organisations from the care sector shared our petition, including The Care Provider Alliance, The National Care Forum, The Brain Charity and Pilgrims' Friend Society.





## Specialist Strategies

Our specialist strategies aim to further enhance the care and support we deliver for older people across the UK. MHA has five specialist strategies which have all progressed in various ways over the last year.

### Dementia Strategy

The Dementia Strategy has six commitments for people living with dementia and their families/friends. The focus is on uniting people together to make sure people are not experiencing dementia in isolation.

Work this year means there is now a family advisory group which provides insight and contributes to improving dementia care at MHA. We now offer training to help family members with supporting a person living with dementia. Finally, the dementia strategy interlinks with the other four strategies, providing guidance and support on how to make their commitments dementia-friendly.

### Music Strategy

The commitments in our Music Strategy are based on what residents, members, families and colleagues said was important to them regarding the use of, and access to, music at MHA.

Music Therapy is now delivered in our 67 dementia specialist care homes and we are partnered with Middlesex University to see whether we can launch the service in MHA Communities and residential care.

The Digital Communities team has also been working to make music therapy and guidance about music available to a much wider audience.

There has been a focus on educating colleagues about music therapy. New colleagues now learn about music therapy in their inductions.

Additionally, MHA has partnered with Purple Angels, a charity that has committed to supplying each of our homes with five MP3 players. We're currently evaluating the best ways for us to implement this technology.

### Spirituality Strategy

MHA's commitment to spiritual care dates back to the foundation of the charity in 1943. In our 80th year, that commitment finds new expression in our strategy for spirituality.

We have developed a new equality impact assessment which has been implemented for chaplaincy recruitment to make sure we have chaplains with the right gifts, knowledge, and skills to serve the communities in which they serve.

Over the past year, we have implemented a programme of 'spiritual insights'. This has involved colleagues sharing a reflection about what spirituality means for them. These have featured people from a wide background of faiths and no faith and have enabled colleagues to hear from their peers what spirituality is and how it impacts people's lives. Many of these insights received extensive positive feedback.

While recognising the role we all play in spiritual care, chaplains have a particular responsibility for pastoral, spiritual and religious care. In 2022 we developed and distributed new 'Professional Practice Development' portfolios. These folders enable chaplains to identify areas for their personal and professional development and keep an accurate record of the things that they learn.



## End-of-Life Care Strategy

The End-of-Life Care Strategy was launched in May 2021. It has continued to be supported by a dedicated team who all have a passion for supporting residents, relatives, members, and colleagues in their thinking about, talking about and planning for the best possible end-of-life care.

We aim to make end-of-life care at MHA holistic and person-centred. This includes creating comfort boxes for care home residents and exploring how music therapy can enhance people's experience at the end of their lives.

We want to bring about a culture change at MHA where it's ok to talk about dying. Colleagues in all areas of MHA have access to our Final Lap training, which equips colleagues with the necessary skills and confidence to have these conversations about death.



## Green Care Strategy

The Green Care Strategy was finalised in early 2023 with the aim of developing wellbeing through nature for everyone at MHA. This refers to the physical, psychological, emotional, and spiritual benefits that we all gain from interacting with the natural world.

This strategy was developed using a co-production approach, gaining the views of residents, members, families, and colleagues, through individual interviews, surveys and focus groups. It is also aligned with recent external academic research. The Green Care Strategy will be launched in Spring 2023.

## Ethics and Research Committee

Fifteen research project applications were received between 1 April 2022 – 31 March 2023, compared to five the previous year.

The role of the Ethics and Research Committee (E&RC) provides strategic direction, oversight and leadership to ensure research undertaken internally or externally (including requests for partnerships and tenders) is in line with the values and mission of MHA and wider strategic objectives. The committee covers speculative proposals and also makes recommendations for pieces of research which would advance the mission of MHA.

A specialist services initiative was introduced in 2022 called Journal Club, which meets every quarter to review academic papers on dementia care, music therapy, green care and spirituality for older adults. The Journal Club is open to all colleagues across MHA.



## Digital Care Plans

MHA has been piloting digital care plans with some of our care homes and retirement living schemes, to be fit for the future. Digital care plans have recently been made a regulatory requirement and provide evidence of good care to CQC inspectors.

### Benefits of digital care plans include:

- Reduction in time spent writing or searching for information
- Improved accuracy of support plans
- Improved family participation in care planning
- Improved data security
- Greener method of care – no more paper or printing
- Improved colleague and resident satisfaction

In the last financial year, we set out to select a provider for the software and settled with Nourish. Work was then undertaken to configure it to the needs of our colleagues.

Three care homes and a retirement living scheme were selected to be part of a pilot. Based on feedback we received on other product launches, we decided to embed the system in the pilot homes and scheme and worked to action feedback from colleagues to try and remove any flaws before we began rolling the system out to the other homes and schemes. To be thorough with the feedback, we decided to delay the full rollout to care homes, which started in June 2023.

The retirement living pilot produced different results. Due to the differing levels of care needed at each scheme as well as the different ways the scheme is run, the decision was made

to pause the rollout and extend the pilot to more schemes in the next financial year. This will allow us to tailor the system to the unique needs of retirement living.

### What we will do next

- **Continue to raise awareness of the ongoing care workforce issues**
- **Input and stimulate debate regarding the Government's reform of social care, including a fair price for care and addressing the current cost pressures such as the energy crisis**
- **Work on each strategy to make explicit its application in practice, identifying the cross-overs between different strategies and associated tasks to ensure benefits are realised**
- **Defining the role, resource and requirements of chaplains, music therapists and activity/community coordinators in the implementation of the specialist strategies**
- **Reinvigorate the Innovation Fund including clarifying the rules, governance and promoting pilot activities**
- **Create a movement as MHA and with partners to proactively raise the voice of older people and their needs into the next general election and beyond**







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We were delighted to welcome the Archbishop of Canterbury to MHA Bradbury Grange to record his New Year message, which focused on social care.

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# Objective 4

## MHA

### Fit for the future

#### What we said we'd do

1. Create a fit-for-purpose IT, data and digital capability.
2. Deliver a financially, operationally and environmentally sustainable organisation.
3. Reinvigorate our approach to continuous improvement.

#### What we've done

##### Investments in MHA's IT Infrastructure

MHA has embarked on a multi-phase update of our IT systems. The first phase involved bringing MHA's IT systems and infrastructure into a more modern and flexible environment. Before this rollout began, MHA had antiquated technology, many of the applications and systems that we used were end-of-life and no longer supported, leaving us at a higher risk of cyber threats and without access to modern features.

To address this, MHA replaced over 1,300 computers, providing colleagues, homes and schemes with new laptops and desktops. We have also rationalised our servers, shutting down 44 out-of-date servers whilst launching a project to migrate the remaining servers to a cloud computing platform.

One of the most visible projects the IT Team undertook was migrating colleagues from our old Exchange 2010 email system to Office 365.

##### MHA's property portfolio review

During 2022/23 MHA's property portfolio review looking at the long-term viability of all our services concluded. This review started in 2019 but was interrupted by the pandemic and, following its completion, has led to several difficult decisions taken by our Board of Trustees. The review

included looking at the location and size of our care homes and retirement living schemes, their proximity to other services for older people, their financial viability, the quality of our buildings, and their fit with emerging trends regarding the types of care and support that older people will want in the future.

Within the outputs of the review was the decision to sell ten of our care homes as going concerns, and this will progress in 2023/24. A further decision was to place MHA Auchlochan Garden Village, our retirement living community in Scotland and its two associated care homes into the hands of administrators. The changes also mean MHA withdrawing from three other retirement living schemes in Scotland as, without Auchlochan, it would be too difficult for MHA to continue supporting the three retirement living schemes in Scotland. This means MHA will no longer have any presence in Scotland. These difficult decisions were announced on 2 May 2023.



## Continuous improvement champions

A cohort of MHA managers were selected in 2022/23 and trained on continuous improvement techniques. Their training included the review and improvement of processes within the areas the individuals worked within so that they could bring to life the training that they were receiving. The first cohort is coming to the end of their training and are ready to become continuous improvement champions across the organisation.

## SugarCRM

Throughout this financial year, MHA Communities has successfully configured and rolled out SugarCRM, a customer relationship management (CRM) system to manage our MHA Communities members engagement and interaction.

Before the rollout of SugarCRM, MHA Communities schemes were managing their members via paper-based assessments and several pieces of software that were unreliable or not fit for purpose. Now, schemes can use one system to provide an overview of members. The key benefits of the system include:

- reduced time spent on assessments
- teams at the scheme and in Central Support can pull reports from the CRM instantly, instead of waiting for reports to be produced and submitted via managers
- provides a real-time overview of who our members are and what activities and services they engage with at their scheme
- removing reliance on outdated systems and paper-based records and repeated data re-entry
- highlights upcoming and overdue activities like member reviews – allowing schemes to action plans

The new system was piloted with two MHA Communities schemes. Initial feedback was positive, with colleagues reporting that they spent less time on assessments and that members were less likely to be overlooked during their customer journey with the scheme.

Feedback has also enabled the project team to tailor the system to the needs of colleagues, adding new data fields and features.

## What we will do next

- **Continued delivery of the strategic IT review**
- **Refresh our existing website and intranet**
- **Define our data and knowledge management governance model**
- **Develop and build the data warehouse capability**
- **Review, define and deliver internal assurance, compliance and governance framework and measures**
- **Determine and implement Property Portfolio Plan including Lease and Service review**
- **Scope and develop our Environmental Social and Governance Policy (ESG) approach and plan**
- **Implement and embed Best Practices and Continuous Improvement of core business applications**



# Objective 5

## MHA people

### What we said we'd do

1. Attract the right people with the right skills at the right time.
2. Foster an empowering and inclusive culture to support and deliver high-quality services.
3. Inspire and support people to fulfil their potential.

### What we've done

Recruitment and retention continue to be a high priority for MHA in making sure we have enough people to care for and support our residents and members.

The market for care workers in 2022/23 continued to be difficult. Nationally, Skills for Care estimates there are around 165,000 vacancies in the sector overall. MHA is no exception to this and in March 2023 we had around 400 vacancies in our care homes.

One of our priorities is our nursing colleagues. They are important to us, which is why we developed and published our first MHA Nursing Workforce Strategy. In it, we set out our intention to be the place where the best nurses want to work and where the best nurses want to stay.

Working with and consulting our nurses, we developed commitments to:

- provide a framework for the recruitment and induction of nurses and nurse associates to attract those who have compassion, high standards, and the right skills and with leadership potential
- support, develop and provide a career pathway for our nursing workforce with the aim of the retention of high-performing compassionate nurses across MHA
- support the future of nursing in adult social care
- celebrate the value of our nursing workforce

Our people remain the lynchpin for us being able to provide our care and support services. Their hard work, dedication, compassion and empathy continues to shine through.

We recognised this hard work and dedication through our Outstanding Services and Recognition (OSCAR) Awards in which we marked the tremendous work being carried out by our colleagues across the charity.

We continue to invest in robust technologies to support tendering, contract and supplier management and will use these technologies to help in our efforts to manage, educate and support our suppliers so that together we can drive out modern slavery from our supply chains.

MHA's Modern Slavery and Human Trafficking Statement can be found at: [www.mha.org.uk](http://www.mha.org.uk)

MHA provides competitive pay which recognises and rewards dedication. The importance of caring for and supporting older people has never been greater and we value all those working to deliver this mission.





“

**Our intention is to be the place  
where the best nurses want to  
work and where the best nurses  
want to stay.**

”



This respect drives our pay principles, fundamental to which is paying at least the Real Living Wage as a minimum for all within MHA since 2018 (and since 2016 for those delivering care). The cost of living, economic circumstances and the market for roles including benchmarking with the NHS and others within the sector and beyond, informed our thinking and decision to award a 5% increase in 2022/23 and 10% for 2023/24 with an 8% rise for those earning £70,000 and above.

Pay is determined as part of the budget process where overall affordability is a key consideration along with our principles of rewarding our colleagues whilst balancing affordability of fee and service charge increases to older people and ensuring our charity is sustainable in the future.

Proposals are considered at ELT and Board and as part of our pay agreement with UNISON. All roles are included within this process, with the exception of ELT pay awards which are determined by the Nominations Committee, to avoid any conflict of interest, but within the context of the organisational award.

We also believe that all colleagues who continue to deliver critical services to people in need, deserve greater recognition and reward. MHA continues to campaign on their behalf. We recognise that a fundamental shift in pay, conditions and career opportunities for all who

work in care is required and we continue to lobby the Government for a commitment to fair pay and terms and conditions for all who work in the care sector with fair fees from local authorities.

### **MHA's gender pay data in 2023**

MHA is fully committed to equality. We pay men and women equally for the same role. Our gender pay data shows the difference in average pay between all men and women in the workforce.

MHA's analysis is positive with a small gap compared to the UK generally, and we remain committed to driving equality through our EDI strategy, policies and practices every day.

Across the organisation men were paid 1.3% more than women in 2023, using a median average calculation. None of our colleagues in the organisation are paid a bonus. MHA employs significantly more women than men, almost a 4.5:1 ratio which results in reasonably significant fluctuations in our gender pay data.

We have a good record of commitment to equality and the development of our people. This is augmented through five staff networks which help further awareness and inclusion for gender, religion, race, sexual orientation and disability. The networks host a variety of events and activities to raise awareness among colleagues and support issues relating to race, faith and belief, gender, disability and sexual orientation.







The median pay gap figure is the most commonly used for the gender pay gap. However, no single metric will capture the full picture of what is happening at an organisation, so it is useful to look at both median and mean pay.

	Female	Male	Pay Gap
Mean Pay	<b>£13.79</b>	£14.22	<b>3.1%</b>
Median Pay	<b>£11.59</b>	£12.09	<b>1.3%</b>
Total Staff	<b>5,314</b>	1,207	

## What we will do next

- **Attract the right people with the right skills at the right time. This includes continuous improvement of our recruitment life cycle including process, systems and approach, recruiting overseas nurses and carers, and establishing an apprentice academy**
- **Foster an empowering and inclusive culture to support and deliver high-quality services. This includes continuing to develop and embed our EDI strategy, broaden our wellbeing offer and review our hardship and welfare fund, and strengthen our approach to performance management and further develop our leadership development offer**
- **Inspire and support people to fulfil their potential. This includes developing career paths, introducing nurse associate roles and succession plans in place for all key roles**

# Fundraising at MHA

During 2022/23 all of our key fundraising objectives were met:

- Net income from fundraising raised centrally and into local services, exceeded our income target.
- The ten-year fundraising strategy was developed, signed off and implementation started.
- The supporter acquisition strategy was developed.
- The focus of making our fundraising processes more efficient delivered some of the desired efficiencies.

Fundraising at MHA helps older people live later life well by specifically supporting the provision of our charitable endeavours such as MHA Communities, chaplaincy and music therapy.

All fundraising activities at MHA are undertaken directly by the charity, with no external party acting on our behalf. No material expenditure was incurred to raise income in the future.

MHA is signed up to the Fundraising Regulators Code of Practice and pays the levy to the regulator. We continue to undertake awareness

activities to increase the profile of the code among colleagues outside the fundraising team. There were no failures or breaches of the code at MHA in 2022/23.

There were no complaints directly about fundraising received in 2022/23. However, nine complaints were received regarding associated communications and speed of response. These complaints were all satisfactorily resolved, and the team has focused on improving associated processes.

We are committed to supporting vulnerable people in our fundraising and have established a fundraising for vulnerable people policy, in 2021/22 we piloted training to support this policy which was rolled out across MHA in 2022/23.

Fundraising at MHA includes the following key activities:

- Philanthropic support – the support of trusts, foundations and companies
- Legacies – generous gifts given by people in their wills
- Digital – engagement from digital supporters
- Stewardship – support from individuals
- Community – fundraising events including MHA Sunday our flagship annual event.

Our key income driver is from our Legacies income stream. We are always grateful to people who remember MHA in this special way, whatever the size of the gift.







# Public benefit

The MHA Board of Trustees has due regard to the Charity Commission guidance on the public benefit requirement under the Charities Act 2011, in particular the requirement that public benefit can no longer be presumed but must be demonstrated. We are confident in our role as a charity delivering services to the public and meeting the Charity Commission's public benefit requirements now and into the future.

MHA's person-centred care recognises each older person as a unique individual and addresses their own spiritual and physical needs, with reassurance, care and support. Our services are open to everyone, with our care home residents being broadly split 55:45 (2021/22: 56:44) into those places which are fully self-funded and those that are partially or fully funded by the local authority or the NHS alongside our commitment to social rent tenants in retirement living.

Our care homes, retirement living and MHA Communities schemes all support people to develop and practise faith and spirituality as it applies to them as individuals. Our work is inspired by the Christian faith, and we welcome people from all religions, beliefs and traditions as well as those with none. We encourage residents to maintain links with their own faiths and communities should they wish to do so. We celebrate religious festivals and events from all faiths throughout the year in our homes and schemes.

For many residents, MHA will provide them with their last home. Our chaplains have a particular role in helping residents and their relatives approach their final years, hopefully with a sense of acceptance, peace and fulfilment.

MHA aims to support and care for people living with dementia with understanding and expertise, and we are proud of our dementia strategy. We focus on the individual needs of our residents with our person-centred approach and make sure everyone is able to lead a fulfilled and satisfying life.

We have further demonstrated our public benefit throughout these financial statements.





# Financial Review

The Statement of Financial Activities for the year 2022/23 shows total incoming resources of £268,825,000 (which last year was £251,089,000) a 7% increase on the previous financial year. This is largely a result of increased charitable activities within care homes where we have seen occupancy recovery following the Covid-19 pandemic.

MHA had a strong start to 2022/23 with promising occupancy recovery and the receipt of several significant legacies. Initially, this partly offset the exponential increase in costs that MHA experienced, with our energy costs increasing from £5m in 2021/22 to £12m in 2022/23. These are expected to further increase to £18m in 2023/24. Financial performance weakened in the latter half of the year however as the cost of living crisis began to hit harder and the social care workers crisis began to have a greater impact.

Occupancy slowed in our care homes as we were unable to recruit sufficient staff to look after new residents, meaning we had to close many homes for periods of time to new admissions. We also experienced an increase in agency worker utilisation as we were unable to resource current resident requirements. This saw our agency worker costs rocket, costing MHA in excess of £28m during the year, more than double the total for the previous year.

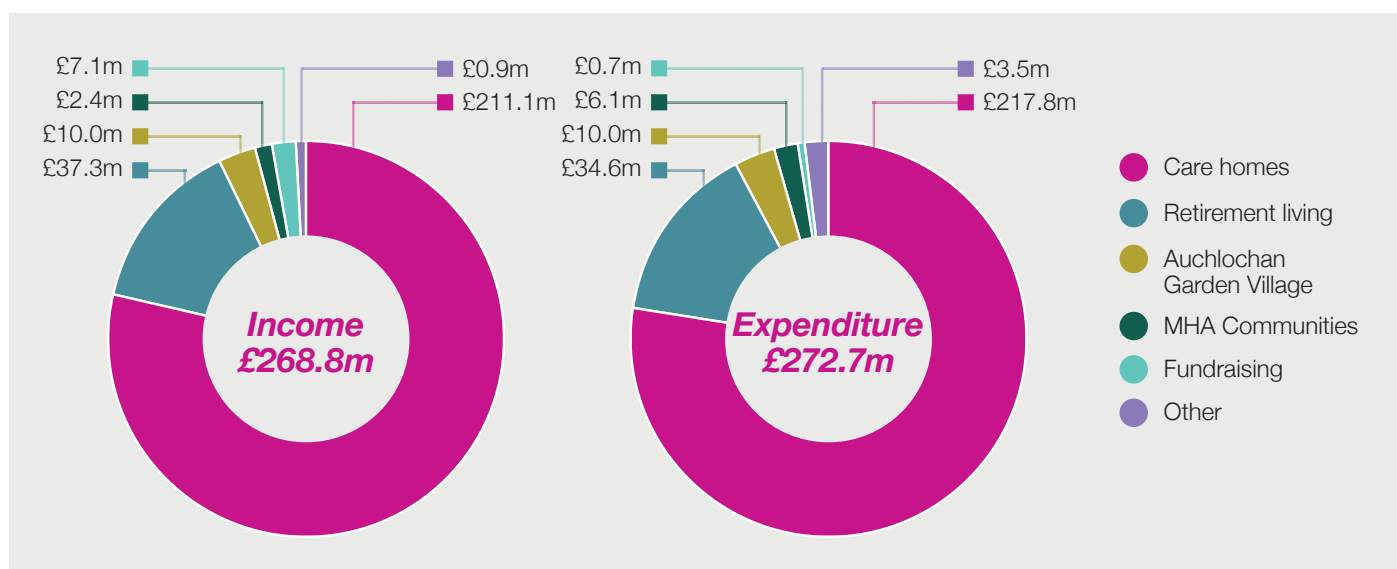
Key Performance Indicators for the group	2022/23 Actual £'000	2021/22 Actual £'000
Total income	268,825	251,089
Operating costs excluding exceptional costs	272,655	233,312
Exceptional costs	113,590	(309)
(Deficit)/Surplus for the year (after investment gains and losses)	(117,525)	18,090

Service users, capacity	Number	Number
Care homes	4,782	4,840
Number of retirement living properties	2,694	2,710
Community services members supported	11,481	11,662

Occupancy	2022/23	2021/22
Care homes	82%	78%
Retirement living	93%	90%
Cost of fundraising to voluntary income	10%	17%

These financial statements include the financial benefits (although to a lesser extent than in previous years) of accessing Government and local authority funds made available to support the care sector as a result of Covid-19 mainly via the Infection Prevention Control Fund (ICF), the Rapid Testing Fund (RTF) and the Workforce Recruitment and Retention Fund (WRRF).





A total of £1,279,000 (2022: £11,659,000) has been received during the financial year to support infection control, testing, visiting, staff absences due to Covid-19 and to support the recruitment and retention of the social care workforce. We have not benefited this year £nil (2022: £105,000) from the furlough scheme and from the Government provision of free Protective Personal Equipment (PPE). These monies are accounted for within charitable income.

As detailed, 2022/23 has been a very difficult year for charities and the fundraising sector, which is why we are even more grateful for the generous donations that we have received during the year of £7,112,000 (2022: £3,734,000) which have contributed towards:

- Underpinning MHA Communities services
- Providing chaplaincy services in our residential settings
- Providing music therapy in our dementia care settings
- Contributing towards the capital costs of our existing services.

During 2022/23 a review looking at the long term viability of all our services concluded; this review started in 2019 but was interrupted by the pandemic. Upon completion of the review a number of difficult decisions were taken by our Board of Trustees.

The review looked at services through a variety of lenses such as the location and size of our care homes, their proximity to other services for older people, their financial viability, the quality of our buildings and their fit with the emerging trends regarding the types of care and support that older people will want in the future.

The first decision was to sell ten of our care homes as going concerns. The second decision was to place MHA Auchlochan Garden Village, our retirement living community in Scotland and its two associated care homes into the hands of administrators.

The changes in Scotland also include MHA withdrawing from our three Scottish retirement living schemes with a view to selling these schemes to alternative providers. These difficult decisions were announced on 2 May 2023. These decisions have led to exceptional costs of £114,194,000 which are detailed shortly.

Despite the increase in total incoming resources and despite careful cost management MHA reached a net loss of £117,525,000 (2022: surplus £18,090,000). This net decrease in funds of £114,517,000 (2022: increase £21,247,000) is added to the total balances brought forward of £346,232,000 which reflects non-cash items.

Despite this year's performance we are fortunate to have a strong balance sheet, as reflected in these statutory accounts. We have enough liquidity to support our activities for several months and, should we need more working capital, we have access to £25,000,000 of rolling credit facilities which have not yet been drawn on.

With the exception of the services noted above, the Directors consider the market value at 31 March 2023 of the freehold and leasehold land and buildings to be in excess of the costs or valuation as stated in note 13 to the financial statements, based on independent valuations.

Exceptional items in the current year constitute impairments on operating assets across MHA's property portfolio of £112,378,000 reflecting the reduction of the holding value of the sites to their anticipated net realisable values. Provisions for the disposal costs of the operating assets are held at £1,817,000. Prior year impairments have been partially reversed £103,000 and a prior year provision has also been released £500,000.

Exceptional items in the prior year constitute an impairment of MHA Richmond care home in Bexhill-on-Sea, the closure of which was announced in February 2022 £1,311,000. The impairment of MHA Foxton Grange care home was also partly reversed £1,620,000 while the property was held for disposal after release of the restrictive covenant, the part reversal of the original impairment brought the holding value of the site to its anticipated net realisable value.

## Reserves Policy

The Board of Directors has carried out their annual review of the minimum level of free reserves, which should be maintained within the Group which remains at a minimum of three months operational expenditure.

Our reserves policy seeks to make sure free reserves are maintained at a level that enables MHA to manage financial risk, allowing us to maintain and improve the future standards of service and care offered to older people over the medium to long-term and ensuring that financial commitments can be met as they fall due.

At the end of 2022/23 total reserves were £231,715,000 (2022: £346,232,000) of which £24,253,000 (2022: £25,411,000) were restricted and endowed and were not available for the general purposes of the charity. There are no designated funds nor are there any funds in deficit.

Total unrestricted funds at the end of 2022/23 were £207,462,000 (2022: £320,821,000) which included the net book value of fixed assets of £309,492,000 (2022: £417,437,000). Fixed assets can be excluded from the Group's definition of free reserves as the Group considers the level of cash and other liquid funds as a more appropriate measure of its ability to meet its commitments and invest in the future.

Actual free reserves which MHA defines as cash or liquid funds were £57,651,000 (2022: £63,688,000). The Board considers that minimum free reserves of approximately £63,000,000 (2022: £53,000,000) are needed to cover such items and to enable the Group to continue to operate to meet its charitable objectives.

This level of financial reserves equates to just below three months of operational expenditure which is just below the reserves policy requirement. Management and Board will manage reserves to remain in line with the three-month requirement during the coming financial year notwithstanding the intention to address the backlog of maintenance and capital expenditure works that built up during the pandemic.

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Our financial reserves provide an important financial buffer in the current climate of heightened economic uncertainty. We anticipate that economic uncertainty will continue for at least the next 12 months.

Since MHA is confident that it can meet the required pension contributions from projected future income without significantly impacting on its planned level of charitable activity, it continues to calculate its free or general reserves without setting aside designated reserves to cover the pension liability.

The Directors are satisfied that there are sufficient reserves to meet pension liabilities arising from the MHA defined benefit scheme, which was closed to new entrants on 31 March 2010.

## Treasury Management Policy

The Treasury Management Policy sets the boundaries for acceptable financial risks and delegates treasury decisions for managing those risks in a controlled manner.

The policy makes sure MHA is actively and regularly monitoring, measuring and managing treasury risks in a robust and consistent manner, clarifying responsibilities between the various stakeholders to ensure that adequate funds are available for ongoing operational requirements as well as for the longer-term strategic aspirations of the organisation.

The policy incorporates the different types of funds held. These are:

- general funds to provide working capital in line with the reserves policy
- restricted funds (excluding MHA Communities and service specific amenity funds)
- permanent endowment funds.

The management of investments is delegated to the Central Finance Board of the Methodist Church. Performance of investments is reviewed annually by the Board and is judged to be satisfactory. Investments are held in equities, fixed interest deposits and cash totalling £1,364,000 (2022: £1,469,000) at the balance sheet date.

## Principal Funding Sources

MHA has drawn loan facilities with the Allied Irish Bank, balance at 31 March 2023, being £18,919,000 and Barclays Bank Plc, balance at 31 March 2023 being £70,000,000.

Furthermore, MHA is able to bolster funding by a £25,000,000 undrawn revolving cash facility (RCF) that we have in place with Barclays Bank. This is designed to support operational funding and liquidity requirements as required.

Methodist Homes Housing Association Ltd has a loan facility with the Nationwide Building Society with the balance at 31 March 2023 being £2,227,000 and a loan facility with Capita totalling £1,116,000 as at 31 March 2023.

Fixed asset additions of £22,256,000 were financed by accessing existing reserves. This expenditure enables MHA to develop existing properties to maintain existing standards and meet new standards where relevant.

As part of care home operations MHA operates 28 (28 in 2022) leased homes which have been established via sale and lease back arrangements.

## Going Concern

Financial sustainability continues to be a critical issue for the social care sector. The long shadow cast by the Covid-19 pandemic, particularly on occupancy recovery, the current social care staffing crisis, the energy crisis and cost of living crisis have magnified that risk. Unfortunately, despite our strong financial position at the beginning of the pandemic, MHA has not been immune to that risk.



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The financial strains as a consequence of the Covid-19 pandemic have been further exacerbated by the energy crisis, the cost of living crisis and the social care workers crisis. These combined have led to an exponential and unavoidable increase in MHAs cost base during 2022/23. Based on this experience and supported by external analysis which is forecasting a long-term occupancy issue for the sector, one of the key areas of focus for the organisation is on mitigating actions to support the ongoing financial sustainability of the organisation. These include:

- Attracting more older people to our care homes to recover occupancy rates whilst balancing the need to care for those residents without employing costly agency staff
- Recruitment and retention of colleagues
- Reducing costs where feasible, without reducing quality
- Increasing the effectiveness and efficiency of the organisation.

As we move into 2023/24 MHA has undertaken significant financial scenario and sensitivity analysis, modelling various plausible scenarios including a severe but plausible scenario. These scenarios take into account various assumptions including levels of occupancy, weekly fee levels, and the financial impact of the current cost of living crisis, social care workers crisis and the energy crisis. Whilst none of the scenarios modelled results in liquidity shortfalls, the budget adopted by the Board for 2023/24 does lead to covenant breaches at the specified measurement dates. As such, MHA has discussed the position with the lending banks (Barclays and AIB) both of whom remain supportive, progressing covenant resets for the coming financial year.

MHA has existing loan facilities that include a £70,000,000 loan to March 2025 and a £25,000,000 undrawn revolving credit facility (RCF) to February 2025, both with Barclays and a £24,000,000 loan with AIB to December 2030.

Whilst ELT and the Board do not consider it likely, based on current information, if performance was to be significantly adverse to our latest forecasts for a considerable period of time there could be a substantial impact on MHA's surplus generation and cash flows which could potentially put the organisation at risk of breaching the reset financial covenants on our loans. As a consequence, MHA would require further support from the banks by means of a covenant waiver or deferral. Whilst ELT believes that the Group would continue to have the support of the banks, in these circumstances there is no certainty that this would be the case.

Based on our financial scenario modelling and latest forecasts, ELT and the Board feel it remains appropriate to continue to prepare the financial statements on a going concern basis.

## Risk Management

The Board retains overall responsibility for risk management and decides the level of risk it is prepared to tolerate. The Board promotes a culture of prudence with resources.

Risk management is exercised across MHA through the functional heads of department, ELT, relevant Board Committees and the Board. Risks can surface throughout the organisation and are recorded through department risk registers, and where required (either as a result of severity or pervasiveness to the organisation) are reported through to ELT, Board Committees and Board. ELT carry out monthly reviews of key operational risks and half-yearly reviews of strategic risks for their areas, which are subsequently reviewed by the Audit and Risk committee. The Board completes six monthly reviews of strategic risk.

MHA's revised procedure for the recording and monitoring of risk was implemented in 2019/20 with regular reviews and evaluation of risk registers being embedded during subsequent years. These processes remained in place during 2022/23. Risk register reviews assess and document risk from both a strategic and operational viewpoint. MHA continues to recognise the following key strategic risks which are overseen by the Board and reviewed on an ongoing basis by the ELT.

Risk	Explanation	Mitigations
<b>Financial Performance</b>	Ongoing poor financial performance and mismanagement of financial resources would significantly disable the group.	<p>The ELT presents the annual budget to the Finance and Capital Expenditure Committee who review it prior to recommending it to the Board.</p> <p>Financial performance is monitored regularly by the ELT and reported to the Finance and Capital Expenditure Committee for further scrutiny.</p> <p>MHA monitors performance and compliance against the 'Golden Rules' a series of financial KPIs which indicate the long term financial health of the organisation.</p> <p>MHA has a policy of maintaining cash reserves to mitigate the risk of inadequate working capital.</p> <p>The group takes a risk averse approach to the effect of interest rates on its borrowings and has entered into the appropriate hedging.</p>
<b>Reputational Risk</b>	A poor reputation can undermine the confidence of potential residents, supporters and external stakeholders such as lenders.	<p>Quality management is a high priority for MHA. Safeguarding is a critical aspect of this.</p> <p>We have an internal system of risk monitoring that focuses on key factors that might indicate potential quality concerns which are then investigated. Alongside there is a programme of regular quality-focused audits across all our regulated settings. The Board, relevant Board Committees and ELT are regularly appraised of the results of this monitoring and associated actions.</p>

Risk	Explanation	Mitigations
<b>Our People</b>	The resilience and capacity of MHA's people was tested throughout the Covid-19 pandemic and continues to be tested through the current social care workforce crisis; this continues to exacerbate the long-standing pressures on our workforce.	<p>MHA continues to pay the Real Living wage as a minimum and has offered substantial wellbeing support to the workforce through and since the Covid-19 pandemic.</p> <p>Progress against the recruitment strategy and key indicators reflecting performance are monitored at ELT and Board level.</p>
<b>Change Management</b>	There are significant change projects being undertaken at MHA. If these projects are poorly managed, operational and financial performance will be adversely impacted as will the culture of the organisation.	<p>MHA operates within a dynamic sector and has adopted an integrated approach to managing cultural, process and systems change.</p> <p>The framework that this team operates within has been refined with governance around key strategic projects strengthened by the inclusion of an Internal Audit review to ensure benefit realisation.</p>
<b>Technological Innovation</b>	The increased use of innovative technology is critical to continue to best support our residents and members.	A strategic review of IT, Data and Digital services is ongoing to ensure that MHA's approach to technological advances is coordinated and fit for the future.
<b>External Factors</b>	<p>MHA alongside other adult social care providers continues to operate in a challenging external environment.</p> <p>Government plans to address the longer-term future state of social care were announced but have now been delayed.</p> <p>The social care workers crisis, energy crisis, cost of living crisis and the long shadow cast by Covid-19 exacerbate an already challenging external environment.</p>	<p>MHA has sought to highlight concerns and work alongside the UK Government to develop meaningful solutions to these issues.</p> <p>In the absence of UK Government action, MHA will revert to lobbying for change in the social care arena.</p>



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## Director's Duties

The Directors of MHA, as those of all UK companies, must act in accordance with a general set of rules. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of all its stakeholders as a whole, and in doing so, have regard (amongst other matters) to:

- The likely consequences of any decisions in the long term
- The interest of the company's employees
- The need to foster the company's business relationships with suppliers, residents and others
- The impact of the company's operations on the community and environment
- The desirability of the company maintaining a reputation for high standards of business conduct.

As part of their induction, Directors are briefed on their duties and they can access professional advice on these either through the Company Secretary or, if they judge necessary, through independent professional advisors.

As is typical in charities and large organisations, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to ELT. Further details can be found in the Governance Report on pages 44 to 47.

### **The following summarise how the Directors fulfil their duties:**

#### **Our People**

Our employees are fundamental to the delivery of our OneMHA strategy, one objective of which is to be inclusive and proactive in the development of our people. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. Communication and consultation take place with employees across the organisation and at all levels with a variety of communication and feedback tools being used to ensure that employee views are taken into account when decisions are made that are likely to impact them.

#### **Business Relationships**

MHA applies robust qualification processes for suppliers and excludes any suppliers from the tendering processes who do not comply with the legal and ethical standards which MHA demands. MHA has developed excellent relationships with suppliers in all key supply chain areas with formalised supply contracts and utilisation of technology to facilitate the tendering, contract and management of supplies.

## Energy and Emissions Consumption

We take our impact on the global climate seriously and in 2023/24 we will continue to develop our strategy to reduce our carbon and energy emissions. MHA are committed to year-on-year improvements in our operational energy efficiency. As such, a register of available energy efficiency measures has been compiled, with a view to determining and implementing these measures over the coming years in line with the strategy being implemented.

All our sites have a good level of energy awareness. This is in the use of installed efficient equipment (such as LED lighting or modern heating boilers), optimised controls for lighting and plant rooms or the initiatives of individuals such as managers and maintenance colleagues.

Electricity is used in all services and accounts for 23% of the total energy consumption. Use is predominantly for lighting and small domestic appliances, with major users varying from service to service, but including kitchen appliances, laundry and hair salons.

Natural gas consumption accounts for 75% of the total energy consumption, with most of our homes using this for heating and hot water, laundry and cooking.

Transport accounts for 2% of the total energy consumption covering the minibuses that some of our services use and a small number of company cars, as the majority of employees use their own vehicles for business use. Data for this grey fleet has been derived from mileage, sourced from the expense claims of individual colleagues.

The following is a summary of the energy usage, associated emissions, energy efficiency actions and energy performance for Methodist Homes under the government policy Streamlined Energy & Carbon Reporting (SECR). This is implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Energy Category	2022/23 Consumption (kWh)	2021/22 Consumption (kWh)	2022/23 %	2021/22 %	2022/23 Emissions (tCO <sub>2</sub> e)	2021/22 Emissions (tCO <sub>2</sub> e)
Electricity (Scope 2)	20,330,670	23,106,950	23%	26%	3,932	4,906
Gas (Scope 1)	66,447,605	66,410,634	75%	73%	12,153	12,187
Transport (Scope 3)	1,366,672	946,807	2%	1%	320	221
<b>Total</b>	<b>88,144,947</b>	<b>90,464,391</b>	<b>100%</b>	<b>100%</b>	<b>16,405</b>	<b>17,314</b>

An intensity metric of kgCO<sub>2</sub>e per m<sup>2</sup> has been applied for the annual total emissions. The methodology of the intensity metric calculations is detailed shortly. MHA operations have an intensity metric of 50.36 tCO<sub>2</sub>e (2022: 53.15 tCO<sub>2</sub>e) per gross internal area m<sup>2</sup> for this reporting year. This represents a year-on-year reduction in the operational carbon intensity of 5.26%.

The overall consumption during 2022/23 has reduced by 3% compared to 2021/22 with energy efficiency measures implemented over the last three years reducing electricity consumption. Transport consumption has increased again representing an expected return of business travel closer to pre pandemic levels.

## Measures ongoing and undertaken through 2022/23

### Replaced Boilers

This year Methodist Homes have replaced their boilers with more energy-efficient boilers at several sites.

### Emergency lighting

Methodist Homes have installed emergency lighting in some of their buildings. This is a safe and efficient way to protect their employees.

## Measures prioritised for implementation in 2023/2024

- Energy and Environment Strategy – MHA are working towards implementing an Energy and Environment Strategy that ensures ongoing energy and carbon reductions over the coming years in line with the UK's 2050 net zero targets.
- Lighting replacement policy – We will continue to replace lighting in our refurbishment programme with energy efficient LED.
- Renewal of invertors and the cleaning of solar panels and the crown clearing of trees to ensure the full performance of previously installed solar panels are upheld to ensure maximum recovery of the Solar FIT.
- All Capital and Revenue investment programme contractors will need to demonstrate their 'green credentials' as part of the procurement process before being awarded capital projects.
- Capital and Revenue programmes via procurement will target local contractors (where feasible) for specific elements of work to limit travel and carbon footprint.
- National contractors will need to demonstrate their strategic shift to electric and/or hybrid fleet vehicles as well as regional office locations that limits travel and carbon footprint.

## Reporting Methodology

**Scope 1** – consumption and emissions include direct combustion of natural gas, and fuels utilised for transportation operations, for example, company vehicle fleets.

**Scope 2** – consumption and emissions refer to indirect emissions related to the consumption of purchased electricity in day-to-day business operations.

**Scope 3** – consumption and emissions cover emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

The consumption data (including the Scope 1, 2 and 3 consumption and CO<sub>2</sub>e emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Business Council for Sustainable Development and World Resources Institute, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO<sub>2</sub>e emissions factors relevant for reporting period 01/04/2022 – 31/03/2023.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Methodist Homes.

These were calculated on a kWh/day pro-rata basis at meter level.

All estimations equated to 5.03% of reported consumption.

Intensity metrics have been calculated using total tCO<sub>2</sub>e figures and the selected performance indicator agreed with Methodist Homes for the relevant reporting period:

- Gross internal area (m<sup>2</sup>) **325,781** (Same as Prior year)



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# Structure, governance and management

## Governing Document

Methodist Homes (MHA) is a company limited by guarantee (Companies House No. 4043124) and a registered Charity (Registered Charity No. 1083995). It is governed by its Memorandum and Articles of Association dated 31 March 2011.

Methodist Homes is the parent company of two connected charitable organisations Methodist Homes Housing Association Ltd and MHA Auchlochan Ltd.

The charitable objective of the charity is “the relief of elderly people and other adults in need, particularly (but not limited to) those with mental illness or physical and/or learning disabilities by providing: care and support services; and/or accommodation; and/or any other provision, which may facilitate an improved quality of life for such persons in the United Kingdom”.

In furtherance of this objective, MHA provides care to older people through care homes (including residential, dementia and nursing homes) offering 24-hour person-centred care and support for our residents in specially designed accommodation; retirement living settings comprising purpose-built apartments with shared areas for activities and in retirement living with care schemes the option to have additional 24-hour staffing to provide person-centred care and support to meet individual needs; MHA communities which are community-based schemes providing practical and social support to older people living in their own homes, promoting independence and wellbeing.

## Organisational Structure

The Board consists of up to fifteen members, one of whom is nominated by the Methodist Church. Board Members decide the strategic aims of the charity and hold management to account in performing executive functions. Decisions are taken in accordance with the instructions laid down in the charity's Delegated Authorities and related policy documents.

The Board delegates authority for day-to-day management to ELT led by the Chief Executive.

The Committees' activities during the year were as follows.

### Audit and Risk Committee

- Carried out a self review of its Terms of Reference and method of operating to ensure that they are appropriate and relevant to the current financial reporting and governance environment.
- Provided input to the external governance review commissioned by the Board and carried out by Campbell Tickell.
- Considered key accounting judgements made by ELT in 2022/2023 financial statements.
- Challenged and supported ELT to consider key risks for MHA, together with mitigation plans continuing the ongoing review and evaluation of risk registers across MHA with a summary of key risks maintained by ELT and approved by the Board.
- Received and scrutinised report on audits undertaken by the Quality Assurance & Internal Audit team and reviewed the progress of any remedial actions.

- Scrutinised and reviewed the reports received in relation to Special Projects to ensure appropriate due diligence and governance were followed.
- Reviewed the work of our external statutory auditors, Crowe UK LLP, including their independence and non-audit services provided.
- Reviewed the work of our tax advisers, Deloitte LLP.

### **Nominations Committee**

- Determined on behalf of the Board the remuneration of ELT in line with our People Strategy at a fair rate and competitive in our markets.
- Proposed for Board approval appointment of Andrew Cozens as Senior Independent Director.
- Oversaw the delegated responsibilities for ensuring good governance of the charity.
- Commissioned an external governance review by Campbell Tickell of all governance arrangements across the charity to identify best practice and any recommended improvements (final report to May 2023 Board).
- Managed recruitment and approval by the Board of two new Trustees to replace two trustees who retired in Autumn 2022.
- Initiated recruitment of Trustee to replace a retiring trustee in the Autumn of 2023.

### **Operations Committee**

- Carried out a self-review of its terms of reference to ensure they continued to cover the full remit of the committee.
- Oversaw how MHA worked to maintain and improve quality and how it has addressed and is learning from issues of concern raised by regulators, internal and external assessments, complaints and unexpected events.
- Oversaw the delivery of improvement plans for those homes and schemes which required improvement.
- Oversaw the development and delivery of specialist strategies aimed at improving the quality of life for all our service users.
- Monitored the external environment for our regulated services, working to continually develop our own definition of quality.
- Continued tracking of health & safety issues, fire safety and infectious disease reporting, as well as Coroner enquiries into deaths in our care. There have been a number of complex cases with important lessons for our practice.
- Continued to review our safeguarding arrangements, including all safeguarding incidents reported during the year to ensure learning for our practice
- Monitored MHA's success in the recruitment, retention and development of our staff as well as the quality of leadership offered by our registered managers.

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## Finance and Expenditure Committee

- Carried out a self-review of its terms of reference to ensure they continued to cover the full remit of the committee.
- Reviewed financial performance, comparing management accounts, actuals to forecast and budget including cash flow and scrutinised the forecasting process; also reviewed bank loan covenant compliance and status against MHA's Golden Rules, a series of financial measures indicating long term financial viability.
- Reviewed the financial aspects of the business plan, alongside the longer-term cash needs compared to funding plans.
- Reviewed and challenged all aspects of the IT remediation plan, including risk, skills in the department and ensured the investment provided a sound return; we also ensured the plan addressed the objectives. During the year the IT Sub-Committee was incorporated into the Committee.
- Evaluated the annual budget for recommendation to the Board including planned capital expenditure and agreed the programme of work with ELT.
- Reviewed the funding strategy and recommended it to Board, assessing bank facilities and the adequacy of available funding.
- Monitored and reviewed the pension schemes and the performance of the fund managers as well as the reviewing the proposals on Salary sacrifice which were recommended to the Board.
- Gained assurance on fundraising activities and how MHA are ensuring they were ethical and compliant.
- Brought to the Board's attention material financial issues on a timely basis.
- Reviewed key procurement activity, particularly utilities procurement.
- Developed a set of Property KPIs including capital expenditure, planned maintenance, and voids; monitored performance against those KPIs during the year. Reviewed the outputs of the stock condition survey and monitored maintenance and capital expenditure spend.
- Approved the Environmental, Sustainability and Governance (ESG) Report and recommended to Board.

The Board delegates authority for day-to-day management to ELT led by the Chief Executive. Whilst ELT may have the title of Director they are not Statutory Directors. References within this report to Directors refer to Board Members with statutory responsibilities.

## Charity Governance Code

The Charity has been reviewing and updating its governance arrangements over the last few years to bring it broadly in line with the Charity Governance Code for larger charities. To help assess our progress and to ensure best practice in our governance arrangements, in November 2022 we appointed Campbell Tickell to conduct an external governance review. The report from Campbell Tickell was received by the Board in March 2023 and confirmed that overall our governance works well and there was particular praise in the report for the professionalism and commitment of our Board and Executive Team. The report identified some areas for improvement and the Board is drawing up an action plan to address these areas. We will continue with our programme of improvements to ensure we continue to comply with the seven principles of the Code.

## Election, Appointment and Training of Board Members

Board Members are appointed by the Board through an open recruitment process led by the Nominations Committee. The process follows Charity Commission guidelines in making sure there is an appropriate range of skills, knowledge and experience among its members.



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The Chair is eligible to serve for one term of four years. Board Members are eligible to serve for three terms of three years. The maximum term of office for any Board Member is nine years, subject to re-election during that period.

The Church representative is nominated in conjunction with the Secretary of the Conference of the Methodist Church and/or their representative, and reported to the Conference of the Methodist Church.

New Board Members receive a full induction which includes our Code of Conduct, constitutional documents, Board Manual, policies and information relevant to the work of the charity. All Board Members visit services and further develop understanding of the work of the organisation as well as appropriate training. A full training programme has been implemented on a rolling basis to ensure all Directors remain up to date with all regulatory regimes that apply to the Charity's work. Insurance has been taken to indemnify Board Members against liability for wrongful acts which was in place throughout the financial year.

Members who served on the Board during the year are shown in the list of officers on page 50.

## Remuneration

The remuneration of Executive Directors and other colleagues is reviewed annually. Remuneration levels are benchmarked against the care sector and organisations of a similar size run on a not-for-profit basis, from time to time to ensure we retain our talent and remain competitive. Board members receive no remuneration.

## Patrons

We would like to take this opportunity to thank our Patrons, former President of the Methodist Church – Baroness Kathleen Richardson of Calow, OBE, broadcaster and writer Pam Rhodes and Dame Denise Platt, current chair of the Commission for Social Care Inspection. Their support is invaluable in raising the profile of MHA and its work, helping us to reach out to more elderly people in need. Supporting national events and backing high profile appeals helps us generate essential charitable income. The time and contribution given by our Patrons is greatly appreciated.

## Connected Companies

During the year to 31 March 2023 Methodist Homes worked closely with two associated charitable organisations:

- Methodist Homes Housing Association Ltd (MHHA) – subsidiary undertaking
- MHA Auchlochan Ltd (MHAA) – subsidiary undertaking

## Colleagues

MHA is fortunate in employing colleagues who share our values and provide an exceptional service to older people. We are careful in our recruitment and committed to retaining good colleagues through rewards, training, personal development and career opportunities, flexible benefits and engagement. We are grateful for the contribution and work of all colleagues, who together make a real difference to the lives of older people.

We have a commitment not to discriminate against any person or group on any basis which underpins our policies and actions. We are open to all and actively support those with disabilities giving full and fair consideration at recruitment and support throughout employment. MHA continues to work to reflect the diversity of the local population.

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# Statement of Board's Responsibilities

The Board Members (who are also directors of Methodist Homes for the purposes of company law) are responsible for preparing the Board of Directors' Report, including the Strategic Report, and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 financial year.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015) and the Housing Statement of Recommended Practice
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the Group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of 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.

## Internal Financial Controls Assurance

The Board is responsible for the Group systems of internal financial control. Such systems can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board and ELT are reviewing the controls around key risks, which will evolve as the sector environment changes.

The Board confirms there is an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Group strategic objectives. It has established a number of procedures, which are designed to provide effective internal financial controls:

- **Control environment and procedures** – the Board has approved an ELT delegation document, giving clear management responsibilities in relation to financial control and limits to management discretion. Financial processes are supervised by staff with appropriate experience and qualification
- **Risk Management** – the Board has adopted financial strategies, designed to identify and control significant risks facing the organisation. All significant initiatives and capital investments are subject to formal authorisation procedures
- **Management Information** – the Board approves a rolling plan annually, which incorporates an annual budget and receives regular financial and management reports that identify variances from budget and key financial indicators
- **Monitoring systems** – the Board has an Audit and Risk Committee, which reviews reports from management, external auditors and internal control assessments to provide reasonable assurance that control procedures are in place and being followed. The Committee makes regular reports to the Board.

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2023 and until the date of approval of the financial statements. No weaknesses were found that resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

## Statement as to Disclosure of Information to Auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the company at the date when this report is approved confirms that:

- a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## Independent Auditors

Crowe U.K. LLP were re-appointed during the year as MHA's auditors. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

The Board of Directors' Report including the strategic report was approved on 24 July 2023 and signed on its behalf by



**James Reilly**

Chair  
Epworth House  
Stuart Street  
Derby  
DE1 2EQ



# Reference and administrative details

Patrons
Baroness Kathleen Richardson of Calow, OBE
Dame Denise Platt
Pam Rhodes

Board	Term of Office		Committee Membership
	Start	Finish	
James Reilly Chair of the Board	Jul 2016		Nominations Committee

Other Board Members			
Hilary Cocker	Jul 2014	Oct 2022	Operations & Nominations Committees
Ian Ailles	Nov 2014		Finance and Capital Expenditure Committee
Andrew Cozens	Aug 2015		Operations & Nominations, Hardship & Welfare Committees
Bala Gananpragasam	Aug 2015		Finance and Capital Expenditure Committee
Martin Burkitt	Oct 2016		Finance and Capital Expenditure Committee
Ruth Gee	Apr 2019		Operations & Nominations, Hardship & Welfare Committees
Lisa Commane	Apr 2019		Finance and Capital Expenditure Committee
Janet Haugh	Apr 2019		Audit and Risk, Nominations Committee
Keith Hickey	Apr 2019		Audit and Risk, Hardship & Welfare Committee
Catherine Biddle	Oct 2021	Oct 2022	Finance and Capital Expenditure Committee
Denise Sanderson-Estcourt	Oct 2021		Operations Committee
Anne Anketell	Nov 2022		Audit and Risk, Operations Committee
Richard Vautrey	Nov 2022		Operations Committee

Executive Leadership Team			
Name	Appointed	Resigned	Position
Anna Marshall-Day	2006		Director of People & Communications
Rev Dr Chris Swift	2017		Director of Chaplaincy & Spirituality
Simon (known as Sam) Monaghan	2018		Chief Executive
Mandy Mottram	2018		Company Secretary & General Counsel
Andrew White	2019	Mar 2023	Director of Property
Daniel Ryan	2019		Chief Operating Officer
Victoria Parkinson	2020		Director of Finance, IT & Procurement
Jonathan Mace	2022		Director of Communities

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## Company Secretary

Mandy Mottram

## Registered Office

### Methodist Homes

Epworth House  
Stuart Street  
Derby  
DE1 2EQ

Tel: (01332) 296200

Website: [www.mha.org.uk](http://www.mha.org.uk)

Charity Registered Number – 1083995

Company Registered in England and Wales Number – 4043124

## Professional Advisors

### *Solicitors*

#### **Capsticks Solicitors LLP**

1 St George's Road  
Wimbledon  
London  
W19 4DR

### *External Independent Auditors*

#### **Crowe U.K. LLP**

55 Ludgate Hill  
London  
EC4M 7JW

### *Bankers*

#### **Barclays Bank Plc**

Corporate Banking  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

### *Bankers – continued*

#### **AIB Group (UK) Plc**

Podium Floor  
St. Helens  
1 Undershaft  
London  
EC3A 8AB

#### **Nationwide Building Society**

Kings Park Road  
Moulton Park  
Northampton  
NN3 6NW

### *Tax Advisors*

#### **Deloitte LLP**

Four Brindley Place  
Birmingham  
B1 2HZ

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# Independent Auditor's Report to the Members and the Trustees of Methodist Homes

## Opinion

We have audited the financial statements of Methodist Homes ('the charitable company') and its subsidiaries ('the group') for the year ended 31 March 2023 which comprise The Consolidated Statement of Financial Activities, Group and Company Balance Sheets, 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 group's and the charitable company's affairs as at 31 March 2023 and of the group's 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 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 charitable company's or the group'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.

## Emphasis of Matter

We draw attention to Note 10 of the financial statements, which highlights the impairment recognised in the year on the Methodist Homes property portfolio and the inherent uncertainty in assessing the realisable value of these assets. Our opinion is not modified in respect of this matter.



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## Other information

The trustees are responsible for the other information contained within the annual report. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

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

## Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing the 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 charitable company or to cease operations, or have no realistic alternative but to do so.

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## Auditor's responsibilities for the audit of the financial statements

We have been appointed under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were, CQC Regulations for service providers and managers, taxation legislation, health and safety legislation, employment legislation and General Data Protection Regulation (GDPR).

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing and recognition of contract income, recording the impact of CQC regulatory reviews and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and income, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading regulatory reports and minutes of meetings of those charged with governance.

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Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

## Use of our report

This report is made solely to the 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 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 charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



### Julia Poulter

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

26 July 2023



# Consolidated Statement of Financial Activities

For the year ended 31 March 2023

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2023 £'000	Total 2022 £'000
<b>Income and endowments from:</b>						
Donations and legacies	2	3,510	3,602	-	7,112	3,734
<b>Charitable activities</b>						
Homes		217,262	1,160	-	218,422	201,344
Retirement living		39,657	251	-	39,908	43,077
MHA Communities		-	2,389	-	2,389	2,706
Other		25	1	-	26	189
<b>Total charitable activities</b>	3/5	<b>256,944</b>	<b>3,801</b>	<b>-</b>	<b>260,745</b>	<b>247,316</b>
Investments		821	139	8	968	39
<b>Total</b>		<b>261,275</b>	<b>7,542</b>	<b>8</b>	<b>268,825</b>	<b>251,089</b>
<b>Expenditure on:</b>						
Raising funds		741	-	-	741	647
<b>Charitable activities</b>						
Homes		257,579	2,151	-	259,730	188,001
Retirement living		114,588	442	-	115,030	34,889
MHA Communities		(193)	6,341	-	6,148	5,116
Other		3,372	2	2	3,376	3,260
<b>Total charitable activities</b>	5	<b>375,346</b>	<b>8,936</b>	<b>2</b>	<b>384,284</b>	<b>231,266</b>
Other	6	1,220	-	-	1,220	1,090
<b>Total</b>	4	<b>377,307</b>	<b>8,936</b>	<b>2</b>	<b>386,245</b>	<b>233,003</b>
Net (losses)/gains on investments		-	(42)	(63)	(105)	4
<b>Net (loss)/income</b>		<b>(116,032)</b>	<b>(1,436)</b>	<b>(57)</b>	<b>(117,525)</b>	<b>18,090</b>
<b>Transfer between funds</b>		<b>(335)</b>	<b>335</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other recognised (losses)/gains:</b>						
Actuarial (loss) on defined benefit pension schemes	21	(497)	-	-	(497)	(1,586)
Other – interest rate swaps gains	15	3,505	-	-	3,505	4,743
<b>Net movement in funds</b>		<b>(113,359)</b>	<b>(1,101)</b>	<b>(57)</b>	<b>(114,517)</b>	<b>21,247</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward	20	320,821	24,429	982	346,232	324,985
<b>Total funds carried forward</b>		<b>207,462</b>	<b>23,328</b>	<b>925</b>	<b>231,715</b>	<b>346,232</b>

All activities in both years are continuing activities.

# Statement of Financial Position

As at 31 March 2023

Company Registered No. 4043124

	Note	Group		Company	
		Total 2023 £'000	Total 2022 £'000	Total 2023 £'000	Total 2022 £'000
Fixed assets					
Intangible fixed assets	9	786	1,309	786	1,309
Tangible fixed assets	10	309,492	417,437	251,129	327,074
Investments	12	1,364	1,469	1,364	1,468
		311,642	420,215	253,279	329,851
Current assets					
Debtors	13	21,057	17,685	18,308	39,589
Cash at bank and in hand		68,963	75,230	49,412	61,595
Total current assets		90,020	92,915	67,720	101,184
Liabilities					
Creditors: Amounts falling due within one year	14	(56,333)	(43,924)	(53,976)	(41,183)
Net current assets/(liabilities)		33,687	48,991	13,744	60,001
Total assets less current liabilities		345,329	469,206	267,023	389,852
Creditors: Amounts falling due after more than one year	15	(87,648)	(92,755)	(83,697)	(89,004)
Provisions for liabilities	16	(25,966)	(30,219)	(15,672)	(19,627)
Total net assets before defined benefit pension liability		231,715	346,232	167,654	281,221
Defined benefit pension scheme liability	21	-	-	-	-
Total net assets		231,715	346,232	167,654	281,221
Funds					
Endowment funds	18	925	982	925	982
Restricted income funds	19	23,328	24,429	23,288	24,389
Unrestricted income fund: General fund	20	207,462	320,821	143,441	255,850
Total Funds	20	231,715	346,232	167,654	281,221

A deficit before gains and losses for year of £116,574,000 (2022: £17,335,000 gain) has been included within these financial statements for the company. The financial statements on pages 56 to 91 were approved on behalf of the Board and authorised for issue on 24th July 2023 and signed on its behalf by:



**James Reilly**  
Chair

# Consolidated Cash Flow Statement

For the year ended 31st March 2023

	Note	2023		2022	
		£'000	£'000	£'000	£'000
Cash flow from operating activities:					
Net cash inflow by operating activities	22a		13,529		15,100
Cash flow from investing activities:					
Investment income		968		39	
Purchase of tangible fixed assets		(22,256)		(10,299)	
Purchase of Intangible fixed assets		(69)		(965)	
Purchase of Investment		-		(105)	
Proceeds from the sale of tangible fixed assets		7,520		12,439	
Net cash generated investing activities			(13,837)		1,109
Cash flow from financing activities:					
Interest paid and similar charges		(3,918)		(3,373)	
Repayments of borrowings		(2,041)		(1,912)	
Net cash outflow financing activities			(5,959)		(5,285)
Net change in cash and cash equivalents			(6,267)		10,924
Cash and cash equivalents at the beginning of the year			75,230		64,306
Cash and cash equivalents at the end of the year			68,963		75,230



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# Notes to the Financial Statements

For the year ended 31 March 2023

## 1 Principal Accounting Policies

### *Statement of Compliance*

The financial statements of Methodist Homes have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

### *General information*

Methodist Homes (MHA) is a company limited by guarantee (Companies House No. 4043124) and a registered Charity (Registered Charity No. 1083995). It is governed by Memorandum and Articles of Association dated 31 March 2011. It is domiciled and registered in the UK. The address of its registered office is Methodist Homes, Epworth House, Stuart Street, Derby, DE1 2EQ.

### *Summary of significant accounting policies*

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### *Basis of preparation*

These financial statements have been prepared under the historical cost convention, with the exception of owned freehold care homes, long leasehold care homes and investments which are shown at deemed cost. They have also been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019) and the Companies Act 2006.

Due to the announcement of MHA Auchlochan (MHAA) being put into administration on the 2 May 2023, MHAA is consolidated on a non-going concern basis.

Owned freehold and leasehold care homes are valued at deemed cost as permitted by the transitional arrangements to FRS102 (adopted at 31 March 2015). The deemed cost is the historic value or market value at transition. The valuations of land and buildings for care homes were made in 2013 by Knight Frank on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice Note 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. The method used and significant assumptions applied in estimating the fair values for the care homes were by reference to the 'profits method' as this is the basis on which such properties are commonly bought or sold. In undertaking the valuation of the property, Knight Frank made an assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property and purchaser sentiment. Knight Frank then applied these to the properties, taking into account size, location, aspect. Other material factors, such as where planned works were due to take place creating a reduced occupancy, have been factored in.

Open Market Value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Additions to owned freehold and leasehold care homes after the date of transition are recognised at cost in accordance with the accounting policy.

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## 1 Principal Accounting Policies (continued)

### ***Basis of preparation (continued)***

The Charity constitutes a public benefit entity as defined by FRS102.

### ***Going concern***

The Charity's business activities, its current financial position and factors likely to affect its future development are set out in the Board of Directors' Report. The Charity has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Charity's day to day operations.

MHA has undertaken significant financial scenario and sensitivity analysis, modelling various plausible scenarios including a severe but plausible scenario. These scenarios take into account various assumptions including levels of occupancy, weekly fee levels, and the financial impact of the current cost of living crisis, social care workers crisis and the energy crisis.

Whilst none of the scenarios modelled results in liquidity shortfalls, the budget adopted by the Board for 2023/24 does lead to covenant breaches at the specified measurement dates.

As such, MHA has discussed the position with the lending banks (Barclays and AIB) both of whom remain supportive, progressing covenant resets for the coming financial year. These will be in place prior to the first covenant measurement date that is expected to lead to a breach.

MHA has existing loan facilities that include a £70 million loan to March 2025 and a £25 million undrawn revolving credit facility (RCF) to February 2025, both with Barclays, and a £24 million loan with AIB to December 2030.

On this basis, ELT and the Board has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

### ***Basis of consolidation***

The consolidated Group financial statements of Methodist Homes and its subsidiary undertakings are presented using acquisition accounting on a line by line basis. Intra-Group profits are eliminated on consolidation. A separate Statement of Financial Activities and Income and Expenditure Account for the company has not been presented because the company has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

The wholly controlled subsidiaries which are consolidated are:

Methodist Homes Housing Association Ltd- Registered Provider of Social Housing

MHA Auchlochan Ltd – Charity

Due to the announcement of MHA Auchlochan (MHAA) being put into administration on the 2 May 2023, MHAA is consolidated on a non-going concern basis.

A subsidiary is an entity controlled by the Parent. The parent Charity can exercise control through trusteeship, which gives a parent Charity the ability to govern the financial and operating policies of the subsidiary. The above two entities are subsidiaries of Methodist Homes by means of various inter-Group agreements. Methodist Homes has the power to appoint and/or remove a majority of the Trustees and thus demonstrate control.

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## 1 Principal Accounting Policies (continued)

### **Income recognition**

All income is recognised once the Charity has entitlement to the income, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the Charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Donations are recognised on a cash basis as this is considered the point at which the charity has entitlement.

For legacies, entitlement is taken as the earlier of the date on which either: the Charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Charity or the Charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank.

### **Charitable activities**

Fees, charges and rents – Income represents the amounts charged for occupation costs and services provided in the year, and is recognised on an accruals basis.

Retirement housing for sale – Income and expenditure represents amounts relating to individual units sold during the year on long-term leases. A sale is recognised on completion where the contract is unconditional and the risks and rewards of ownership have passed.

Transactions with a guaranteed buyback commitment are not recognised at the date of completion, but are accounted for as operating leases for the period to when it is considered probable that the property will be bought back (currently considered by the Directors to be ten years from the completion date). This principle applies irrespective of the duration of the buyback commitment.

The difference between the sale price and the buyback price is recognised as rental revenue on a straight-line basis over the duration of the buyback commitment. The property is initially recognised at production cost in property, plant and equipment. Depreciation expense is calculated over expected useful economic life of the property by the straight-line method, on the basis of the property's cost less its estimated residual value, representing the anticipated resale price on the property market.

Provision is made for the expected value of the buy-back commitment in the future, discounted at the appropriate risk-free rate (being the relevant nine and five year government bond rates depending on the remaining expected life of the individual commitments by property). The carrying value of the provision is reassessed at each financial reporting period end to adjust for transactions during the period, changes in remaining lives of the commitments, and periodic fluctuations in the risk-free rate. The unwinding of the associated discount factor is recognised within interest payable and similar charges.

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## 1 Principal Accounting Policies (continued)

### **Charitable activities (continued)**

provision is re-assessed at each financial reporting period end to adjust for transactions during the period, changes in remaining lives of the commitments, and periodic fluctuations in the risk free rate.

The unwinding of the associated discount factor is recognised within interest payable and similar charges.

On the buyback of a property under the guaranteed commitment by the company, any resulting gain or loss is recognised within the Operating Surplus / (Deficit) in the period, as is the release of any associated buyback provision. The remaining unwound discount is released to interest.

### **Expenditure recognition**

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

### **Central costs**

All staff employed in the central office are employed by Methodist Homes, the office premises are jointly occupied and office services are shared.

Within the financial statements of the group, these expenses are allocated on the basis of time spent on three items:

#### *(i) Charitable activities*

These costs relate to services provided centrally and identified as wholly or mainly in support of direct charitable expenditure, together with an appropriate proportion of management and office overheads.

#### *(ii) Expenditure on raising funds*

All expenses relating to fund-raising, publicity and public relations (except the marketing of accommodation and care services) are charged to this heading. This item bears an appropriate proportion of management and office overheads.

#### *(iii) Governance costs*

These costs relate to the corporate management of the organisation itself. They include expenses of Directors' meetings, audit fees, office costs and other corporate management costs.

### **Allocation of support and governance costs**

Support costs have been allocated between governance costs and other support costs. Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel and payroll. Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 6.



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## 1 Principal Accounting Policies (continued)

### ***Intangible assets and amortisation***

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the amortisable amount of the assets to their residual values over their estimated useful lives. Intangible assets are amortised over the following useful economic lives:

- Software 3-5 years

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Charity are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### ***Tangible fixed assets and depreciation***

Land is stated at cost, except where it forms part of a revalued care home – in which case it is stated at valuation, and is not depreciated.

Freehold and long leasehold buildings include applicable overhead expenditure and capitalised interest. Interest on loans deemed to be financing a development is capitalised up to the date of practical completion.

All Fixed assets are stated at cost less depreciation and impairment.

Fixed assets with a cost of more than £500 are capitalised and depreciated. Improvements which enhance the future economic benefits of the property or extend its overall useful life are capitalised and are fully written off over the expected useful life of the property.

The Charity has previously adopted a policy of revaluing freehold and long leasehold care homes and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The Charity has at 31 March 2015 adopted the transition exemption under FRS102 paragraph 35.10(d) and elected to use the previous revaluation as deemed cost. All subsequent additions are recognised at historical cost.

Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

Freehold and long leasehold buildings are depreciated over their expected useful life of forty years, or the life of the lease if shorter, on a straight-line basis. Improvements to buildings are depreciated over between five and forty years on a straight line basis.

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## 1 Principal Accounting Policies (continued)

### ***Tangible fixed assets and depreciation (continued)***

Furniture, equipment and motor vehicles are depreciated over between three and twenty years on a straight line basis dependent upon their component type except for minibuses financed from restricted funds, which are written off in the year of purchase.

Assets in the course of construction are stated at cost and are not depreciated until they are available for use. The assets in the course of construction are recognised where it is probable economic benefit will flow to the Charity and can be reliably measured.

### ***Social housing grants***

The group's housing developments are financed wholly or partly by Social Housing or other capital grants. Section 24 of FRS102, 'Government grants' permits either the performance model or the accrual model to recognise the government grants. As required by the Housing SORP (FRS102), housing properties accounted at valuation must recognise government grants using the performance model and those accounted at cost must recognise government grants using the accrual model.

The Group accounts for its housing property at cost and recognises government grants using the performance model. Under this model in line with the Charity SORP (FRS102), grants are recognised in income through the Statement of Financial Activities on entitlement to the funds.

On disposal of an asset for which government grants were received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the statement of financial position related to such asset is derecognised as a liability and recognised as revenue in the statement of financial activities.

There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised as income.

### ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### ***Retirement housing stock***

Unsold units of retirement housing stock and work in progress at the yearend are treated as fixed assets and are therefore valued at the lower of cost and estimated selling price less cost to complete. Cost includes capitalised interest incurred on specific projects during the period of development and any other relevant applicable costs.

### ***Impairment of non-financial assets***

Where the carrying values of care/housing properties or retirement housing stock are considered to have suffered a permanent diminution in value, the fall in value is recognised in the Statement of Financial Activities. The trigger for this would usually be an operational or financial review which may identify that a service can no longer fulfill our charitable purpose. An impairment review is carried out and appropriate impairment provisions made. In assessing an asset for impairment, the recoverable amount of an asset is determined to be the higher of the fair value less costs to sell the asset and its value in use. The method used to determine the value in use of an asset will depend on whether the asset is primarily held to generate cash as a commercial return or for its service potential to the charity's beneficiaries. Where the service potential measurement can be reliably made, and this exceeds the carrying value of the asset, then no impairment is recognised.

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## 1 Principal Accounting Policies (continued)

### **Fund accounting**

Unrestricted funds are available to spend on activities that further any of the purposes of the Charity.

#### *i) Restricted income funds*

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Charity's work or for specific projects being undertaken by the Charity. They represent voluntary income or grants from statutory authorities and fees and charges in MHA Communities Schemes, which have been received for purposes set out in note 19.

The application of these funds is restricted by the terms of a special appeal, the expressed wishes of the donor, the will of the testator, or the terms of the grant.

#### *ii) Endowment funds*

These represent money given for a particular purpose and are intended to be permanent with the original capital being maintained and the income and capital growth being utilised.

### **Pensions**

The Group's pension arrangements comprise various defined benefit and defined contribution schemes.

Where the underlying assets and liabilities of the defined benefit schemes can be separately identifiable, the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included in the Consolidated Statement of Financial Activities.

Current and past service costs, curtailments and settlements are recognised within net incoming resources. Returns on scheme assets and interest on obligations are recognised as other finance income or expenses.

Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme, the amount charged to the Consolidated Statement of Financial Activities represents the contributions payable in the year.

The defined benefit schemes are funded, with the assets held separately from the Group in separate Trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each Statement of Financial Position date. The pension scheme assets are measured at fair value.

The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reducing future contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date.

A pension scheme liability is recognised to the extent the group has a legal or constructive obligation to settle the liability. For defined contribution schemes contributions are charged to the Consolidated Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

No element of the pension scheme liability or scheme expenses relate to restricted activities of the charity.

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## 1 Principal Accounting Policies (continued)

### ***Pensions (continued)***

The Charity participates in a defined benefit scheme, as detailed in note 21, which was closed to new entrants on 31 March 2010. Where it is not possible in the normal course of events to identify the schemes underlying assets and liabilities belonging to individual participating employers, under accounting standards the accounting charge for the year represents the employer contributions payable. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

### ***Employee benefits***

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

### ***Taxation***

The group has charitable status and is therefore not subject to Corporation Tax on its surplus from charitable activities.

The group is registered for VAT. Most of the group's income (residential charges, rents and grants) is exempt for VAT purposes, which significantly restricts the recovery of VAT on expenditure.

### ***Leased assets and obligations***

Leases are considered operating leases where the risks and rewards equivalent to ownership have not been passed to the Group. As such, the annual rentals are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS102 (1 April 2013) as per FRS102 para 35.10(p) and continues to credit such lease incentives to the Statement of Financial Activities over the period to the first review date on which the rent is adjusted to market rates.

### ***Critical judgements in applying the accounting policies***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

#### ***i) Provisions for liabilities***

The Charity has recognised provisions for the re-purchase of properties sold as leasehold interests under guaranteed buy-back arrangements, on the basis that the timing of the re-purchase is uncertain. Additionally provisions have been recognised in relation to liabilities in respect of exceptional items. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience, professional advice and other reasonable factors.



## 1 Principal Accounting Policies (continued)

### **Critical judgements in applying the accounting policies (continued)**

#### *ii) Exceptional items*

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as exceptional. By their nature, exceptional items include estimation uncertainty, mitigated by historical experience and expert professional advice.

Impairments are included within exceptional items. In the current year there are impairments relating to the MHA Auchlochan subsidiary which was placed into administration on 2 May 2023 and to other operating assets across MHA's property portfolio. A degree of judgment has been necessary in determining impairment values, incorporating professional and expert advice, however there remains considerable uncertainty regarding the estimation of recoverable values.

### **Future amendments to FRS102**

The Charity will adopt any new provisions arising from future developments to FRS102 where relevant. As at the date of approval of the financial statements, the Directors do not consider that any current or proposed amendments will have a material impact on the reported results.

## 2 Donations and legacies

	2023 Total £'000	2022 Total £'000
Donations	1,148	572
Big Lottery Fund grant	50	76
Legacies receivable	5,914	3,086
	<b>7,112</b>	<b>3,734</b>

The estimated value of legacies notified but neither received nor recognised in income is £1,733,000 (2022: £3,483,000).

### 3 Charitable activities

	2023 Total £'000	2022 Total £'000
Fees and charges	240,360	213,452
Rents	7,160	7,306
Grants	1,723	2,380
Government Funding	1,279	11,764
Sale of Housing	7,707	10,189
Miscellaneous property sales	2,516	2,225
	<b>260,745</b>	<b>247,316</b>

Forms of government assistance from which the Charity has benefitted amounts to £1,853,000 (2022: £12,456,000).

Included within Grants is £574,000 (2022: £692,000) relating to government grants received by our MHA Communities schemes.

Government Funding consists of £1,279,000 (2022: £11,659,000) infection control and workforce retention support and £nil (2022: £105,000) from the government Covid Job Retention Scheme.

### 4 Analysis of expenditure

	Note	Homes £'000	Retirement living £'000	MHA Communities £'000	Other £'000	2023 Total £'000	2022 Total £'000
Staff costs		116,550	15,503	4,339	12,586	148,978	140,297
<b>Operational costs/(income):</b>							
Supplies and services		57,786	8,669	1,127	8,159	75,741	48,581
Repairs and rents		18,431	3,005	211	35	21,682	19,830
Retirement housing cost of sales		-	3,075	-	4	3,079	3,608
Depreciation		8,229	4,865	36	475	13,605	13,252
Amortisation	9	-	-	-	592	592	550
Finance (income)/charges		-	(963)	-	1	(962)	33
Bank loan interest		3,294	770	-	-	4,064	3,475
Other costs		429	357	6	2,475	3,267	2,596
Loss on disposals		1,374	15	-	-	1,389	-
Exceptional items		35,498	76,776	-	1,316	113,590	(309)
Allocated costs/(income)		18,139	2,958	429	(21,526)	-	-
Governance costs	6	-	-	-	1,220	1,220	1,090
<b>Total expenditure 2023</b>		<b>259,730</b>	<b>115,030</b>	<b>6,148</b>	<b>5,337</b>	<b>386,245</b>	<b>233,003</b>
<b>Total expenditure 2022</b>		<b>188,001</b>	<b>34,889</b>	<b>5,116</b>	<b>4,997</b>		<b>233,003</b>

Allocated costs represent central overheads. Allocation has been performed based on an assessment of the utilisation of each function by the operating business streams.

## 5 Summary analysis of expenditure and related income for charitable activities

	Note	Homes £'000	Retirement living £'000	MHA Communities £'000	Other £'000	2023 Total £'000	2022 Total £'000
<b>Income from charitable activities</b>							
Fees and charges		214,817	24,851	669	23	240,360	213,452
Rents		32	7,129	-	(1)	7,160	7,306
Grants		-	-	1,720	3	1,723	2,380
Government Funding		1,057	221	-	1	1,279	11,764
Sale of Housing		-	7,707	-	-	7,707	10,189
Miscellaneous Property sales		2,516	-	-	-	2,516	2,225
<b>Total income</b>	3	<b>218,422</b>	<b>39,908</b>	<b>2,389</b>	<b>26</b>	<b>260,745</b>	<b>247,316</b>
<b>Expenditure on charitable activities</b>							
Staff costs		(116,550)	(15,503)	(4,339)	(12,027)	(148,419)	(139,792)
Operational costs		(89,543)	(19,793)	(1,380)	(11,559)	(122,275)	(91,783)
Allocated (costs)/income		(18,139)	(2,958)	(429)	21,526	-	-
Exceptional items		(35,498)	(76,776)	-	(1,316)	(113,590)	309
<b>Total</b>		<b>(259,730)</b>	<b>(115,030)</b>	<b>(6,148)</b>	<b>(3,376)</b>	<b>(384,284)</b>	<b>(231,266)</b>
<b>Total (deficit)/surplus from charitable activities 2023</b>		<b>(41,308)</b>	<b>(75,122)</b>	<b>(3,759)</b>	<b>3,350</b>	<b>(123,539)</b>	<b>-</b>
<b>Total surplus/(deficit) from charitable activities 2022</b>		<b>13,343</b>	<b>8,188</b>	<b>(2,410)</b>	<b>(3,071)</b>		<b>16,050</b>

## 6 Analysis of governance and support costs

The Group initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the key charitable activities undertaken (see note 5) in the year. Refer to the table on the following page for the basis for apportionment and the analysis of support and governance costs.

	Support Costs £'000	Governance Costs £'000	2023 Total £'000	2022 Total £'000	Basis of allocation
Employment costs	-	967	967	828	Staff time
Director expenses	-	2	2	7	Invoiced events
External auditors – audit services:					
Parent	-	146	146	186	Governance
Subsidiaries	-	32	32	30	Governance
Bank covenants	-	-	-	5	Governance
Directors' Insurances	20	-	20	20	Cost
Other costs	-	53	53	14	Governance
<b>Total 2023</b>	<b>20</b>	<b>1,200</b>	<b>1,220</b>	<b>1,090</b>	
<b>Total 2022</b>	<b>20</b>	<b>1,070</b>		<b>1,090</b>	

## 7 Operating lease commitments

	2023 Total £'000	2022 Total £'000
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### Operating leases

The following lease payments were made during the year in respect of operating leases:

Land and buildings	12,670	12,141
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	2023 Land & Buildings Total £'000	2022 Land & Buildings Total £'000
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At 31 March the Group and Charity had commitments under non-cancellable operating leases as follows:

– expiring in one year or less	12,986	12,370
– expiring in one to two years	12,986	12,370
– expiring in two to five years	38,959	37,110
– expiring in more than five years	208,094	208,942
	<b>273,025</b>	<b>270,792</b>

Included in the commitments above are a number of leases where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, making these onerous leases.



However, in order to recognise the present obligation under the onerous leases as a provision, in accordance with FRS102 the following criteria must be met:

- it is probable (ie more likely than not) that the entity will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

At the present time due to the range of options being explored and discussed with landlords it is not possible to estimate reliably the amount required in settlement. As such this is considered a contingent liability at 31 March 2023.

## 8 Analysis of staff costs and remuneration of key management personnel

	2023 Number	2022 Number
<b>Average monthly number employed</b>		
Care homes	4,436	4,510
Retirement living	575	604
MHA Communities	107	105
Office staff	392	376
	<b>5,510</b>	<b>5,595</b>

The average number of staff employed represents the full time equivalent including staff on zero hour contracts. The total number of staff employed on zero hour contracts was 754 (2022: 757). The use of zero hour contracts for care staff allows the employee the flexibility to control their work preferences. The average monthly number of employees was 6,521 (2022: 6,509).

	2023 £'000	2022 £'000
<b>Group staffing costs</b>		
Wages and salaries	134,898	127,348
Social security costs	11,293	10,203
<b>Other pension costs</b>		
- Defined benefit pension costs (note 21)	170	120
- Defined contribution pension costs	3,582	3,406
	<b>149,943</b>	<b>141,077</b>

The key management personnel is comprised of the Executive Leadership Team alongside the Directors of the Charity. During the year the total remuneration received by the Executive Leadership Team was £1,231,542 (2022: £1,108,662). The employer's pension contribution for the key management personnel staff was £61,972 (2022: £55,652).

The key management personnel of the Group are all remunerated from the parent Charity. These comprise the Leadership Team listed on page 50 of the financial statements. The total employee benefits of the Executive Leadership Team of the Charity were £Nil (2022: £Nil).

The number of Directors who received reimbursement for the cost of travel to and from meetings was 9 (2022: 9). The cost of travel expenses reimbursed was £2,000 (2022: £2,000). During the year an insurance premium of £24,192 (2022: £20,160) was paid to indemnify Directors against liability for wrongful acts. No remuneration or benefits were paid during the year to any Director of the Board. 142 (2022:94) employees earned over £60,000 in the year excluding pension contribution within the following bands:

## 8 Analysis of staff costs and remuneration of key management personnel (continued)

	2023 Number	2022 Number
Between £60,001 and £70,000	77	56
Between £70,001 and £80,000	38	20
Between £80,001 and £90,000	14	9
Between £90,001 and £100,000	2	3
Between £100,001 and £110,000	3	-
Between £110,001 and £120,000	3	2
Between £120,001 and £130,000	2	1
Between £130,001 and £140,000	-	2
Between £140,001 and £150,000	1	-
Between £160,001 and £170,000	1	-
Between £190,001 and £200,000	-	1
Between £200,001 and £210,000	1	-

146 (2022:172) employees were members of the defined contribution pension scheme.

Included in staff costs are £283,000 (2022: £224,000) of redundancy payments made to employees on termination of employment following restructures of staff within operations and central support. Previous year costs were as a result of a restructure of staff within the retirement living operations. Redundancy costs are accounted for on an accruals basis with no unpaid commitments carried forward at the balance sheet date.

## 9 Intangible Fixed Assets

Group and Company	Software £'000	Total £'000
<b>Cost</b>		
At 1 April 2022	2,246	2,246
Additions	69	69
<b>At 31 March 2023</b>	<b>2,315</b>	<b>2,315</b>
<b>Accumulated amortisation</b>		
At 1 April 2022	937	937
Amortisation charge	592	592
<b>At 31 March 2023</b>	<b>1,529</b>	<b>1,529</b>
<b>Net Book Value</b>		
<b>At 31 March 2023</b>	<b>786</b>	<b>786</b>
At 31 March 2022	1,309	1,309

Amortisation charges of £592,000 have been recognised in other expenditure.

## 10 Tangible Fixed Assets

### 10a Tangible Fixed Assets

Group	Care homes: Freehold land and buildings at cost £'000	Care homes: Leasehold land and buildings at cost £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
<b>Cost/valuation</b>							
1 April 2022	265,707	37,986	183,566	9,536	35,205	5,236	537,236
Additions during the year	2,194	-	3,053	-	636	16,373	22,256
Completions during the year	10,356	-	1,432	-	1,964	(13,752)	-
Disposals during the year	(1,620)	-	(3,222)	-	(21)	-	(4,863)
<b>31 March 2023</b>	<b>276,637</b>	<b>37,986</b>	<b>184,829</b>	<b>9,536</b>	<b>37,784</b>	<b>7,857</b>	<b>554,629</b>
<b>Accumulated depreciation/impairment</b>							
1 April 2022	49,966	9,364	35,911	2,094	22,464	-	119,799
Charge for the year	5,796	911	4,194	217	2,385	-	13,503
On disposals	(17)	-	(516)	-	(10)	-	(543)
Impairment	20,514	14,483	75,800	-	1,581	-	112,378
<b>31 March 2023</b>	<b>76,259</b>	<b>24,758</b>	<b>115,389</b>	<b>2,311</b>	<b>26,420</b>	<b>-</b>	<b>245,137</b>
<b>Net book value</b>							
<b>31 March 2023</b>	<b>200,378</b>	<b>13,228</b>	<b>69,440</b>	<b>7,225</b>	<b>11,364</b>	<b>7,857</b>	<b>309,492</b>
<b>31 March 2022</b>	<b>215,741</b>	<b>28,622</b>	<b>147,655</b>	<b>7,442</b>	<b>12,741</b>	<b>5,236</b>	<b>417,437</b>

Completions during the year relate to the reclassification of assets in the course of construction upon completion of the relevant project. Any assets in the course of construction, whose nature does not meet the definition of capital expenditure or where the project was aborted, are taken to the Statement of Financial Activities upon project completion. The cost of such projects in the year was £Nil (2022: £60,000).

As outlined on page 24 of the trustees report, as part of the MHA's property portfolio review, the Board have made a strategic decision about the future of a number of services. In accordance with FRS102 the plan to dispose of an asset before the previously expected date is an indicator of impairment that triggers the calculation of the asset's recoverable amount for the purpose of determining whether the asset is impaired. The assessment of recoverable value for these properties resulted in impairment of £112,378,000 to reduce the assets carrying value to the recoverable amount. There is inherent estimation uncertainty in making this assessment due to a range of options being explored for disposal of these assets in order to preserve the charitable activities.

The prior year impairments relate to the MHA Richmond care home, announced for closure in February 2022 £1,311,000 and the reversal of the impairment of MHA Foxton Grange care home, which is being held for disposal £1,620,000.

### 10a Tangible Fixed Assets (continued)

Included within our freehold land and buildings above is land of £36,547,000 (2022: £51,578,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £nil (2022: £Nil). The cumulative amount of capitalised interest included is £3,917,000 (2022: £3,917,000).

### 10b Tangible Fixed Assets (continued)

Company	Care homes: Freehold land and buildings at cost £'000	Care homes: Leasehold land and buildings at cost £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
<b>Cost/valuation</b>							
1 April 2022	242,203	37,986	108,195	139	29,521	4,999	423,043
Additions during the year	2,182	-	1,886	-	1,163	15,348	20,579
Completions during the year	10,344	-	775	-	1,761	(12,880)	-
Disposals during the year	(1,620)	-	(2,207)	-	(21)	-	(3,848)
<b>31 March 2023</b>	<b>253,109</b>	<b>37,986</b>	<b>108,649</b>	<b>139</b>	<b>32,424</b>	<b>7,467</b>	<b>439,774</b>
<b>Accumulated depreciation/impairment</b>							
1 April 2022	46,769	9,364	20,876	29	18,931	-	95,969
Charge for the year	5,265	911	2,334	3	2,047	-	10,560
On disposals	(17)	-	(451)	-	(10)	-	(478)
Impairment	14,275	14,483	52,531	-	1,305	-	82,594
<b>31 March 2023</b>	<b>66,292</b>	<b>24,758</b>	<b>75,290</b>	<b>32</b>	<b>22,273</b>	<b>-</b>	<b>188,645</b>
<b>Net book value</b>							
<b>31 March 2023</b>	<b>186,817</b>	<b>13,228</b>	<b>33,359</b>	<b>107</b>	<b>10,151</b>	<b>7,467</b>	<b>251,129</b>
<b>31 March 2022</b>	<b>195,434</b>	<b>28,622</b>	<b>87,319</b>	<b>110</b>	<b>10,590</b>	<b>4,999</b>	<b>327,074</b>

Included within freehold land and buildings above is land of £31,988,000 (2022: £44,391,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £nil (2022: £Nil). The cumulative amount of capitalised interest included is £3,813,000 (2022: £3,813,000).



## 11 Capital Commitments

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Expenditure contracted, less certified</b>	<b>1,246</b>	<b>2,947</b>	<b>980</b>	<b>2,893</b>

Included within the capital commitments of the Group and Company are contracts relating to the development of sites which are executory contracts in nature as at 31 March 2023. A liability for these items has not been recorded in the financial statements as neither party has yet performed their obligations and the contracts are not onerous.

## 12 Investments – Group and Company

	2023 Total £'000	2022 Total £'000
1 April 2022	1,469	1,360
Additions during the year	-	105
Net (loss)/gain on revaluation	(105)	4
<b>31 March 2023</b>	<b>1,364</b>	<b>1,469</b>

### The securities represent:

Methodist Church Central Finance Board:		
Equity fund units	410	443
Fixed interest fund units	954	1,026
<b>31 March 2023</b>	<b>1,364</b>	<b>1,469</b>

All investments are carried at their fair value. Investment in equities and fixed interest units are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

## 13 Debtors

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	11,880	9,087	9,400	7,925
Due from group undertakings	-	-	-	23,274
Other debtors	847	485	809	443
Prepayments and accrued income	8,330	8,113	8,099	7,947
	<b>21,057</b>	<b>17,685</b>	<b>18,308</b>	<b>39,589</b>

Amounts receivable from Group undertakings comprise a formal loan of £3,500,000 (2022: £3,500,000) which is interest bearing at a rate of 1% per annum (2022: 1%) unsecured and repayable on demand, and £24,641,000 (2022: £19,774,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand both due from MHA Auchlochan. Following the placing of MHA Auchlochan into administration on 2nd May 2023 a full provision has been included in MHA company accounts against the outstanding loan and intercompany balance.

## 14 Creditors: Amounts falling due within one year

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Loans – principal and interest	2,031	1,900	1,777	1,649
Trade creditors	6,941	5,514	6,939	5,512
Charges and rents in advance	4,820	5,241	4,713	5,119
Deferred Income – buy-back properties	269	241	125	146
Unpaid pension contributions	894	976	879	961
Taxation and social security	5,204	5,222	5,054	5,056
Due to group undertakings	-	-	253	-
Other creditors	16,129	13,653	15,242	12,955
Accruals and deferred income	20,045	11,177	18,994	9,785
	<b>56,333</b>	<b>43,924</b>	<b>53,976</b>	<b>41,183</b>

## 15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Derivative financial instruments	(3,310)	195	(3,310)	195

### Loans:

- Between one and two years	2,270	2,164	2,046	1,909
- Between three and five years	77,744	77,265	77,064	76,589
- In five years or more	10,087	12,835	7,901	10,421
Less loan arrangement fees	(132)	(264)	(132)	(264)
	<b>89,969</b>	<b>92,000</b>	<b>86,879</b>	<b>88,655</b>

### Deferred Income – buy-back properties:

- Between one and two years	185	143	45	52
- Between three and five years	432	286	54	68
- In five years or more	372	131	29	34
	<b>989</b>	<b>560</b>	<b>128</b>	<b>154</b>
<b>Total</b>	<b>87,648</b>	<b>92,755</b>	<b>83,697</b>	<b>89,004</b>

The loans are secured on certain care home and housing properties, representing 51% of the value of Freehold Land and Buildings (2022: 51%) with a Net Book Value of £144,069,562 (2022: £143,356,000). The interest rates payable on these loans, plus the short-term loans of £2,031,000 (2022: £1,900,000), are as detailed below, confirming the drawn down amounts as at 31 March 2022, the interest rate and the respective terms.

Entity	Loan Amount		Rate		Expiry Date
	Current Year	Prior Year	Current Year	Prior Year	
Methodist Homes Ltd	£70,000,000	£70,000,000	SONIA plus 2.2%	SONIA plus 2.2%	April 2025
Methodist Homes Ltd	£18,919,000	£20,700,000	SONIA plus 0.8%	SONIA plus 0.8%	December 2030
<b>Total</b>	<b>£88,919,000</b>	<b>£90,700,000</b>			
MHA Housing Association Ltd	£1,184,000	£1,300,000	Variable Rate 4.55%	Variable Rate 0.5%	April 2033
MHA Housing Association Ltd	£1,012,000	£1,111,000	Variable Rate 4.68%	Variable Rate 0.5%	May 2033
MHA Housing Association Ltd	£31,000	£61,000	Fixed Rate at 4.5%	Fixed Rate at 4.5%	January 2024
MHA Housing Association Ltd	£1,116,000	£1,124,000	Fixed Rate at 10.7%	Fixed Rate at 10.7%	March 2049
<b>Total</b>	<b>£3,343,000</b>	<b>£3,596,000</b>			
<b>Group Total</b>	<b>£92,262,000</b>	<b>£94,296,000</b>			

## 15 Creditors: Amounts falling due after more than one year (continued)

Of the outstanding loan balance £70,000,000 (2022: £70,000,000) relates to loans that are non-amortising.

The Company has fixed interest rates to guard against future rate movements on £70,000,000 (2022: £70,000,000) of the loan balance through an interest rate swap. The overall cost of the derivative arrangement is fixed at 4.3%. The fair value of the interest swaps as at 31st March 2023 is a £3,310,000 asset (2022: £195,000 liability) representing the cost of exiting this arrangement, which is not currently intended by the company. The recognised gain on cash flow hedges in the year is £3,505,000 (2022: gain of £4,743,000). This reflects the net of the fair value gain on derivatives of £7,050,000 (2022: gain of £3,545,000) and the gain recycled to bank loan interest of £167,000 (2022: losses recycled of £1,346,000). The amounts recycled to bank loan interest represent the cash paid on derivatives during the year.

## 16 Provisions for liabilities

	1 April 2022 £'000	Created on new transactions £'000	Charge for year £'000	Increase/ (release) in provision £'000	Utilisation of provision £'000	31 March 2023 £'000
<strong>Group</strong>						
Guarantee property buy-backs	29,719	1,293	(964)	-	(4,082)	25,966
Public Liability provision	500	-	-	(500)	-	-
	<strong>30,219</strong>	<strong>1,293</strong>	<strong>(964)</strong>	<strong>(500)</strong>	<strong>(4,082)</strong>	<strong>25,966</strong>
<strong>Company</strong>						
Guarantee property buy-backs	19,127	-	(369)	-	(3,086)	15,672
Public Liability provision	500	-	-	(500)	-	-
	<strong>19,627</strong>	<strong>-</strong>	<strong>(369)</strong>	<strong>(500)</strong>	<strong>(3,086)</strong>	<strong>15,672</strong>

The guarantee property buy-backs provision arises when MHA enters into transactions to sell the leasehold interest in retirement living properties with an option (exercisable by either party) for MHA to re-purchase the leasehold at a pre-agreed amount. Buy-back commitments have been estimated to average ten years (2022: nine years). Provisions are discounted at the appropriate risk free rate. The relevant ten and five year government bond rates have been used depending on the remaining expected life of the individual commitments by property, these being 3.59% and 3.44% respectively (2022: 1.63% and 1.51%).

The Public Liability Provision provides for the potential costs of future Covid-19 public liability claims following the withdrawal of provision by our insurers is no longer required.

## 17 Share Capital

The company is limited by guarantee and has no share capital.



## 18 Endowment Funds

### 18a Endowment funds (current year)

#### Movement in Funds

Group and Company	1 April 2022 £'000	Incoming £'000	Outgoing £'000	(Losses)/ gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2023 £'000
H D Clarke Memorial	913	7	(2)	(63)	-	-	855
Redcroft Residential Home	69	1	-	-	-	-	70
	<b>982</b>	<b>8</b>	<b>(2)</b>	<b>(63)</b>	<b>-</b>	<b>-</b>	<b>925</b>

### 18b Endowment funds (prior year)

#### Movement in Funds

Group and Company	1 April 2021 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2022 £'000
H D Clarke Memorial	944	5	(2)	(34)	-	-	913
Redcroft Residential Home	69	-	-	-	-	-	69
	<b>1,013</b>	<b>5</b>	<b>(2)</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>982</b>

## 19 Restricted income funds

### 19a Restricted income funds (current year)

#### Movement in Funds

Group	1 April 2022 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2023 £'000
Care homes	14,407	2,932	(1,802)	(42)	-	410	15,905
Retirement living	4,757	266	(392)	-	-	48	4,679
Big Lottery Fund grant	-	50	(50)	-	-	-	-
MHA Communities	3,150	3,837	(6,292)	-	-	(61)	634
Amenity funds	2,115	457	(400)	-	-	(62)	2,110
Other	-	-	-	-	-	-	-
	<b>24,429</b>	<b>7,542</b>	<b>(8,936)</b>	<b>(42)</b>	<b>-</b>	<b>335</b>	<b>23,328</b>

## 19 Restricted income funds (continued)

### 19b Restricted income funds (prior year)

#### Movement in Funds

Group	1 April 2021 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2022 £'000
Care homes	14,386	11,386	(11,364)	39	-	(40)	14,407
Retirement living	4,872	883	(1,017)	-	-	19	4,757
Big Lottery Fund grant	-	76	(76)	-	-	-	-
MHA Communities	2,919	5,346	(5,040)	-	-	(75)	3,150
Amenity funds	2,002	412	(338)	-	-	39	2,115
Other	-	-	-	-	-	-	-
	<b>24,179</b>	<b>18,103</b>	<b>(17,835)</b>	<b>39</b>	<b>-</b>	<b>(57)</b>	<b>24,429</b>

### 19c Restricted income funds (current year)

#### Movement in Funds

Company	1 April 2022 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2023 £'000
Care homes	14,407	2,933	(1,802)	(42)	-	410	15,906
Retirement living	4,757	254	(380)	-	-	48	4,679
Big Lottery Fund grant	-	50	(50)	-	-	-	-
MHA Communities	3,151	3,837	(6,292)	-	-	(61)	635
Amenity funds	2,074	443	(382)	-	-	(67)	2,068
Other	-	-	-	-	-	-	-
	<b>24,389</b>	<b>7,517</b>	<b>(8,906)</b>	<b>(42)</b>	<b>-</b>	<b>330</b>	<b>23,288</b>

## 19 Restricted income funds (continued)

### 19d Restricted income funds (prior year)

#### Movement in Funds

Company	1 April 2021 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2022 £'000
Care homes	14,386	11,033	(11,011)	39	-	(40)	14,407
Retirement living	4,872	782	(916)	-	-	19	4,757
Big Lottery Fund grant	-	76	(76)	-	-	-	-
MHA Communities	2,920	5,346	(5,040)	-	-	(75)	3,151
Amenity funds	1,950	398	(320)	-	-	46	2,074
Other	-	-	-	-	-	-	-
	<b>24,128</b>	<b>17,635</b>	<b>(17,363)</b>	<b>39</b>	<b>-</b>	<b>(50)</b>	<b>24,389</b>

The care homes and retirement living funds relate to amounts donated for use and subsequently used to improve specific Homes or Schemes. The MHA Communities Scheme funds relate to amounts raised by local schemes to fund their day to day running costs. Amenity funds relate to amounts raised for the provision of additional benefits for residents and tenants within a specific Home or Scheme.

Big Lottery Fund Grants of £50,000 (2022: £76,000) were received in the year to support MHA Communities Schemes.

## 20 Net Assets by Fund

### 20a Net Assets by Fund (current year)

Group	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2023 £'000
Fixed assets	294,967	16,009	666	311,642
Current assets	78,708	11,053	259	90,020
Current liabilities	(52,599)	(3,734)	-	(56,333)
Long term liabilities	(113,614)	-	-	(113,614)
<b>Total Net Assets</b>	<b>207,462</b>	<b>23,328</b>	<b>925</b>	<b>231,715</b>

## 20 Net Assets by Fund (continued)

### 20b Net Assets by Fund (prior year)

Group	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2022 £'000
Fixed assets	403,353	16,132	730	420,215
Current assets	81,373	11,290	252	92,915
Current liabilities	(40,931)	(2,993)	-	(43,924)
Long term liabilities	(122,974)	-	-	(122,974)
<b>Total Net Assets</b>	<b>320,821</b>	<b>24,429</b>	<b>982</b>	<b>346,232</b>

### 20c Net Assets by Fund (current year)

Company	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2023 £'000
Fixed assets	236,604	16,009	666	253,279
Current assets	56,454	11,007	259	67,720
Current liabilities	(50,248)	(3,728)	-	(53,976)
Long term liabilities	(99,369)	-	-	(99,369)
<b>Total Net Assets</b>	<b>143,441</b>	<b>23,288</b>	<b>925</b>	<b>167,654</b>

### 20d Net Assets by Fund (prior year)

Company	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2022 £'000
Fixed assets	312,989	16,132	730	329,851
Current assets	89,682	11,250	252	101,184
Current liabilities	(38,190)	(2,993)	-	(41,183)
Long term liabilities	(108,631)	-	-	(108,631)
<b>Total Net Assets</b>	<b>255,850</b>	<b>24,389</b>	<b>982</b>	<b>281,221</b>



## 21 Pensions and Similar Obligations

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 146 (2022: 172) employees. The contribution rate of MHA for the year varied between 3% and 6% depending on the employee's contribution, which is a minimum of 5%.

MHA operates a number of pension schemes;

- (i) The Methodist Homes Final Salary Scheme, a defined benefit scheme, which was a funded scheme, with the assets held in separate Trustee administered funds, was closed to new members and future accrual on 31 March 2010.

As per para 28.38 of FRS102, where an entity participates in a defined benefit plan that shares risks between entities under common control it shall obtain information about the plan as a whole measured in accordance with this FRS on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with this FRS to individual group entities, the entity shall, in its individual financial statements, recognise the net defined benefit cost of a defined benefit plan so charged. If there is no such agreement or policy, the net defined benefit cost of a defined benefit plan shall be recognised in the individual financial statements of the Group entity which is legally responsible for the plan. The other Group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the year. Methodist Homes is the sponsoring employer of the defined benefit pension scheme and has legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual Group entities and therefore the Company has recognised the entire net defined benefit cost and the relevant net defined benefit liability of the defined benefit pension scheme in its individual financial statements.

The FRS102 disclosures below have been produced by TPT Retirement Solutions, the group actuaries using the projected unit method to calculate the Scheme liabilities at 31 March 2022. No adjustments have been made to measure the defined benefit obligation at the reporting date to their valuation.

The financial assumptions used to calculate the Group's scheme liabilities are as follows:

	2023 %pa	2022 %pa	2021 %pa	2020 % pa
Inflation (CPI)	2.9%	3.3%	2.9%	1.7%
Inflation (RPI)	3.2%	3.6%	3.3%	2.7%
Rate of increase in salaries	0.0%	0.0%	0.0%	3.2%
Rate of increase for pensions in payment	2.3%	2.4%	2.3%	1.5%
Rate of increase for deferred pensions	3.2%	3.6%	3.3%	2.7%
Discount rate	4.9%	2.8%	2.1%	2.3%

Pensions accrued before 1 January 2000 for members who joined the scheme before 1 November 1998 are subject to guaranteed fixed increases of 5% (2022: 5%) per annum in deferment and in payment.

## 21 Pensions and Similar Obligations (continued)

The current mortality assumptions used in the valuation of the pension liabilities were:

Life expectancy	2023 S1PA Year of birth CMI21 with a minimum improvement of 1.5% p.a. for males and 1.3% p.a. for females	2022 S1PA Year of birth CMI20 with a minimum improvement of 1.3% p.a. for males and 1.3% p.a. for females	2021 S1PA Year of birth CMI19 with a minimum improvement of 1.3% p.a. for males and 1.0% p.a. for females	2020 S1PA Year of birth CMI18 with a minimum improvement of 1.5% p.a. for males and 1.3% p.a. for females
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The assumed life expectations on retirement age 65 are:

	2023 Years	2022 Years	2021 Years	2020 Years
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**Pensioner currently aged 65:**

Male	21.5	21.7	21.4	21.9
Female	23.9	24.1	23.4	23.7

**Non-Pensioner currently aged 45:**

Male	23.1	23.3	22.7	23.2
Female	25.4	25.6	24.9	24.9

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the Statement of Financial Position date, whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

The fair value of assets in the scheme, the present value of the liabilities in the scheme and the long-term rate of return expected at the Statement of Financial Position date were:

	Fair value 2023 £'000	Fair value 2022 £'000
Equities	73	417
Government bonds	12,797	28,939
Property	6,886	9,142
Cash	580	1,442
Other	7,129	11,906
LDI	18,503	14,376
<b>Total market value of assets</b>	<b>45,968</b>	<b>66,222</b>
Present value of scheme liabilities	(42,858)	(58,279)
<b>Surplus in the scheme</b>	<b>3,110</b>	<b>7,943</b>
<b>Effect of asset ceiling</b>	<b>(3,110)</b>	<b>(7,943)</b>
<b>Net pension asset/(liability) under FRS102</b>	<b>-</b>	<b>-</b>

An asset ceiling has been applied to limit the impact of the surplus on the scheme calculated on an Accounting provision FRS102 basis in line with the advice from TPT Retirement Solutions and the pension scheme rules.

## 21 Pensions and Similar Obligations (continued)

The last formal valuation of the scheme was performed as at 30 September 2021 by a professionally qualified actuary.

The actuary has confirmed that the existing contribution level is adequate and therefore no deficit contributions are currently being made to the scheme.

The Group works directly with TPT Retirement Solutions in relation to the multi-employer pension scheme to ensure compliance with scheme rules. Where an issue is identified, the Group ensures proper understanding and investigation is carried out to meet the Group's obligations, and where these meet the requirements of the relevant accounting standard they are appropriately accounted for.

The Group's pension charge for the year calculated under FRS102 assumptions is included in the financial statements.

### Analysis of amounts charged to net incoming resources

	2023 £'000	2022 £'000
Current service cost	-	-
Expenses	(170)	(120)
Expected return on scheme assets	1,820	1,369
Interest on pension scheme liabilities	(1,592)	(1,321)
<b>Net income/(cost)</b>	<b>58</b>	<b>(72)</b>
Interest on effect of asset ceiling	(228)	(48)
<b>Total cost</b>	<b>(170)</b>	<b>(120)</b>

### Analysis of amount recognised as Actuarial gain/(loss)

	2023 £'000	2022 £'000
Actuarial (loss) recognised in the Consolidated Statement of Financial Activities	(497)	(1,586)
Employer contribution adjustment	-	-
	<b>(497)</b>	<b>(1,586)</b>
Total (charge) to Consolidated Statement of Financial Activities	(667)	(1,706)
<b>Cumulative actuarial losses</b>	<b>(13,549)</b>	<b>(13,052)</b>

Statement of Financial Position impact	2023 £'000	2022 £'000
Present value of funded obligations	(42,858)	(58,279)
Fair value of scheme assets	45,968	66,222
<b>Surplus in the scheme at 31 March</b>	<b>3,110</b>	<b>7,943</b>
Effect of asset ceiling	(3,110)	(7,943)
<b>Net pension asset/(liability) under FRS102</b>	<b>-</b>	<b>-</b>

## 21 Pensions and Similar Obligations (continued)

Changes in the present value of the defined benefit obligation	2023 £'000	2022 £'000
Opening defined benefit obligation	58,279	63,766
Service cost	-	-
Interest cost	1,592	1,321
Actuarial (gains)	(14,993)	(5,087)
Net benefits paid	(2,020)	(1,721)
<b>Closing defined benefit obligation</b>	<b>42,858</b>	<b>58,279</b>

Changes in fair value of plan assets	2023 £'000	2022 £'000
Opening fair value of plan assets	66,222	65,247
Interest Income	1,820	1,369
Actuarial (loss)	(20,551)	(259)
Contributions by employer	667	1,706
Net benefits paid	(2,020)	(1,721)
Expenses	(170)	(120)
<b>Closing fair value of plan assets</b>	<b>45,968</b>	<b>66,222</b>

<b>Return on plan assets</b>	<b>(18,731)</b>	<b>1,110</b>
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- (ii) The previous Growth Plan (Series 1-3) is a multi-employer defined benefit scheme which is administered by TPT Retirement Solutions. The actuary has completed a tri-annual valuation as at 30 September 2021 showing a funding level of 98%. Additional contributions of £30,000 (2022: £56,000) were paid during the year.
- (iii) The contribution by the Group to the defined benefit scheme paid during the year amounted to £667,000 (2022: £1,706,000). Following the elimination of the funding shortfall the Trustee as agreed to the cessation of deficit contributions.
- (iv) The current growth plan (Series 4) is a multi-employer defined contribution scheme. Contributions paid during 2022/23 in respect of the defined contribution scheme were £268,000 (2022: £294,000).
- (v) During the year all employees were eligible to join the auto-enrolment scheme. The new scheme is compulsory for all employees who have not specifically opted out of the scheme. MHA contributes between 3%-6% of pensionable pay for all those included in the scheme. The contributions for the year were £3,292,000 (2022: £3,058,000).



## 22 Notes to the Cash Flow Statement

### a) Reconciliation of net income to net cash inflow from operating activities

	2023 £'000	2022 £'000
Net income	(117,525)	18,090
Unrealised losses/(gains) on investment	105	(4)
Investment income	(968)	(39)
Interest charge	4,064	3,475
Profit on sale of retirement living housing	(3,200)	(9,085)
Depreciation charges	13,503	13,252
Amortisation	592	550
Impairment of fixed assets	112,378	(309)
Defined benefit scheme pension contributions paid in the year	(667)	(1,706)
Defined benefit scheme pension cost charged in the year	170	120
Increase in debtors	(3,372)	(4,098)
Increase/(decrease) in creditors and provisions	8,449	(5,146)
<b>Net cash provided by operating activities</b>	<b>13,529</b>	<b>15,100</b>

Movements in debtors and creditors which relate to capital and interest transactions are excluded from the movements in debtors and creditors shown.

Cash and cash equivalents amounting to £259,000 (2022: £252,000) held in endowment funds are not available for use to further charitable activities as they are held for particular purposes and are intended to be permanent.

### b) Reconciliation of net cash flow to movement in net debt

	2023 £'000	2022 £'000
(Decrease)/increase in cash and cash equivalents	(6,267)	10,924
Cash movement in borrowings	2,041	5,431
<b>Change in net funds resulting from cash flows</b>	<b>(4,226)</b>	<b>16,355</b>
<b>Change in net funds resulting from non-cash flows</b>	<b>(138)</b>	<b>(3,653)</b>
<b>Movement in net debt</b>		
Net debt as at 1 April	(18,670)	(31,372)
<b>Net debt as at 31 March</b>	<b>(23,034)</b>	<b>(18,670)</b>

### c) i) Analysis of changes in net debt (current year)

	1 April 2022 £'000	Cash flow £'000	Non-cash changes £'000	31 March 2023 £'000
Cash at bank and in hand	75,230	(6,267)	-	68,963
Loans due within one year	(1,900)	2,041	(2,170)	(2,029)
Loans due after more than one year	(92,000)	-	2,032	(89,968)
	<b>(18,670)</b>	<b>(4,226)</b>	<b>(138)</b>	<b>(23,034)</b>

## 23 Group Structure

Methodist Homes has the following subsidiary undertakings:

### Methodist Homes Housing Association Ltd

Incorporation: Co-operative and Community Benefit Societies Act 2014  
Registered Office: Epworth House, Stuart Street, Derby, DE1 2EQ, United Kingdom  
Registered Number: LH2343  
Principal activity: Charitable provision and management of social housing.

### MHA Auchlochan Ltd

Incorporation: Charity Registered Number SCO40155  
Company Registered Number: SC352117  
Registered Office: Auchlochan House, New Trows Road, Lesmahagow, ML11 0JS, United Kingdom  
Principal activity: Charitable provision and management of residential care homes.

The two (2022: two) organisations are deemed to be subsidiaries of Methodist Homes by means of various intra-group agreements.

	Methodist Homes Housing Association Ltd		MHA Auchlochan Ltd	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Assets	67,770	72,786	13,147	33,204
Liabilities	(18,866)	(19,817)	(40,466)	(36,867)
<b>Funds</b>	<b>48,904</b>	<b>52,969</b>	<b>(27,319)</b>	<b>(3,663)</b>
Incoming resources	7,983	7,313	9,983	9,043
Resources expended	(12,048)	(5,418)	(34,061)	(9,191)
<b>Movement in funds</b>	<b>(4,065)</b>	<b>1,895</b>	<b>(24,078)</b>	<b>(148)</b>

The numbers for MHA Auchlochan include impairments made to the carrying value of assets of £24,039,00 following the decision by the MHA board to withdraw financial support and place the subsidiary into administration. MHA Auchlochan has therefore been included on a non going concern basis.

## 24 Related party transactions

The group operates a defined benefit scheme where MHA is the sponsoring employer. The contribution by the group to the scheme paid during the year amounted to £667,000 (2022: £1,706,000).

During the financial year to 31 March 2023 no (2022: one) members of the Leadership Team and the Board had close family members residing in the company's care homes. In both situations arrangements were established and continue to be monitored in accordance with the company's published relatives' policy. The policy stipulates line management oversight of all instances where MHA services are provided to relatives of Board Members and employees. The policy ensures that there is no preference given to the availability or price of MHA's services and also ensures the safeguarding of family members and carers.

Related party transactions with Group undertakings relate to recharges arising from operational activities. Amounts receivable from Group undertakings comprise a formal loan of £3,500,000 (2022: £3,500,000) which is interest bearing at a rate of 1% per annum (2022: 1%) unsecured and repayable on demand, and £24,641,000 (2022: £19,774,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand. Following the placing of MHA Auchlochan into administration on 2nd May 2023 a full provision has been included in MHA company accounts against the outstanding intercompany balance.

	2023 £'000	2022 £'000
<b>Transactions</b>		
Recharges to Group Undertakings	(23,274)	7,854
Pension scheme – Defined benefit	667	1,706
	<b>(22,607)</b>	<b>9,560</b>
	2023 £'000	2022 £'000
<b>Balances</b>		
Due from Group Undertakings	-	23,274
Pension scheme – Defined benefit	-	-
	<b>-</b>	<b>23,274</b>

## 25 Statement of Financial Activities for prior year

	Note(s)	Unrestricted Funds (restated) £'000	Restricted Funds £'000	Endowment Funds £'000	2022 £'000
<b>Income and endowments from:</b>					
Donations and legacies	2	225	3,509	-	3,734
Charitable activities					
Homes (restated)		190,348	10,996	-	201,344
Retirement living (restated)		42,197	880	-	43,077
Live at Home		-	2,706	-	2,706
Other		189	-	-	189
<b>Total charitable activities</b>	3/5	<b>232,734</b>	<b>14,582</b>	<b>-</b>	<b>247,316</b>
Investments		22	12	5	39
<b>Total</b>		<b>232,981</b>	<b>18,103</b>	<b>5</b>	<b>251,089</b>
<b>Expenditure on:</b>					
Raising funds		647	-	-	647
Charitable activities					
Homes (restated)		176,332	11,669	-	188,001
Retirement living (restated)		33,840	1,049	-	34,889
Live at Home		-	5,116	-	5,116
Other		3,260	-	-	3,260
<b>Total charitable activities</b>	5	<b>213,432</b>	<b>17,834</b>	<b>-</b>	<b>231,266</b>
Other		1,087	1	2	1,090
<b>Total</b>	4	<b>215,166</b>	<b>17,835</b>	<b>2</b>	<b>233,003</b>
Net gain/(loss) on investments		(1)	39	(34)	4
<b>Net income</b>		<b>17,814</b>	<b>307</b>	<b>(31)</b>	<b>18,090</b>
<b>Transfer between funds</b>		<b>57</b>	<b>(57)</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses):</b>					
Actuarial gains on defined benefit pension schemes	21	(1,586)	-	-	(1,586)
Other losses – interest rate swaps		4,743	-	-	4,743
<b>Net movement in funds</b>		<b>21,028</b>	<b>250</b>	<b>(31)</b>	<b>21,247</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward (restated)		299,793	24,179	1,013	324,985
<b>Total funds carried forward</b>		<b>320,821</b>	<b>24,429</b>	<b>982</b>	<b>346,232</b>



## 26 Contingent assets and liabilities

MHA have been notified by the trustees of the Methodist Homes for the Aged Final Salary Pension Scheme of legal uncertainties over the way in which historic scheme benefit changes have been applied to the scheme. The scheme Trustee's legal advisor has carried out a review of the changes made and is now seeking direction from the high court on the interpretation of the scheme rules and documentation against the benefit changes implemented. The Trustee has carried out a review of all schemes under its administration and concluded that the uncertainties are common amongst the majority of the schemes it administers. The outcome of the high court review is not expected to be known until late 2024. The estimated impact on scheme liabilities if the court rules that the changes have not been appropriately applied is £5.4m (2022:£5.4m).

The group had no other contingent assets or liabilities at 31 March 2023 (2022: same).

## 27 Post Balance Sheet Events

During 2022/23 a review looking at the long term viability of all our services concluded; this review started in 2019 but was interrupted by the pandemic. Upon completion of the review a number of difficult decisions were taken by our Board of Trustees which were approved in late April 2023 and announced on the 2nd May 2023. The first decision was to sell ten of our care homes as going concerns; the second decision was to place MHAA into administration.

This has resulted in the following adjustment:

Group	2023 £'000
<b>Consolidated Statement of Financial Activities</b>	
Expenditure – Charitable activities – Exceptional Items	114,194
	<b>114,194</b>
<b>Consolidated Statement of Financial Position</b>	
Tangible fixed assets	112,377
Debtors	-
Creditors: amounts falling due within one year – Accruals	1,817
	<b>114,194</b>

Company	2023 £'000
<b>Consolidated Statement of Financial Activities</b>	
Expenditure – Charitable activities – Exceptional Items	112,595
	<b>112,595</b>
<b>Consolidated Statement of Financial Position</b>	
Tangible fixed assets	82,593
Debtors	28,185
Creditors: amounts falling due within one year – Accruals	1,817
	<b>112,595</b>



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MHA is the trading name of a group of companies.

Methodist Homes is a registered Charity in England & Wales (No.1083995) and Company limited by Guarantee (No. 4043124) with registered office MHA, Epworth House, Stuart Street, Derby DE1 2EQ

MHA Auchlochan is a registered Scottish Charity (No. SC040155) and Company limited by Guarantee (No. SC352117) with registered office Auchlochan House, New Trows Road, Lesmahagow, Lanarkshire ML11 0JS


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