METHODIST HOMES REPORT AND FINANCIAL STATEMENTS 31 March 2021

Charity Registered No. 1083995
Company Registered No. 04043124

METHODIST HOMES
CONTENTS

	Page(s)
Board of Directors' Report including Strategic Report	3-29
Board, Officers and Advisors	30-31
Independent Auditors' Report	32-34
Consolidated Statement of Financial Activities for the year ended 31 March 2021	35
Consolidated Statement of Financial Position as at 31 March 2021	36
Statement of Financial Position (Parent Company) as at 31 March 2021	37
Consolidated Cash Flow Statement for the year ended 31 March 2021	38
Notes to the Financial Statements	39-88

INTRODUCTION TO ANNUAL REVIEW

I am pleased to present Methodist Homes (MHA) Report and Financial Statements for 2020/21.

The last twelve months have been extraordinarily difficult for the whole country coping with the pandemic and none more so than for our residents, members, staff and volunteers who have all been exceptional in rising to the challenges presented by the pandemic. With our Homes and Schemes closed to visitors for most of the year I have not been able to visit any Homes or Schemes in person but I and the other Directors have provided support via telephone and video calls. We have had to adapt a number of our services in the last twelve months in order to be able to continue to provide support to as many older people as we can and our staff and volunteers are to be commended for the level of dedication and caring they have delivered. As we now move into the next phase of living with Covid-19 it is vital that we continue to play our part in seeking a proper settlement for older peoples care so that we can enable them to live later life well.

MHA was founded 78 years ago by the Methodist Church, fulfilling a Christian duty to care for all people no matter their faith or background. Today we serve over 18,300 older people across our 89 Care Homes, 70 Retirement Living communities and 49 MHA Communities Schemes (formerly Live at Home Schemes) supported by 6,947 staff and 3,750 volunteers. Our founders can be proud of MHA's work today except I am sure they would be saying that we should do more! And there is much more to do.

One area which makes MHA's work different from others is the support we give through our Chaplaincy service. Chaplains are available to residents, families and staff in all our Care Homes and Retirement Living Schemes and we have been looking at how we can extend this into our MHA Communities Schemes services, making sure we truly care for the mind, body and spirit of all the people we support. This has been particularly important during this time of national crisis due to the Covid-19 pandemic.

We launched our new five year strategy in 2019 and it is important for the success of this strategy that we continue on a firm financial footing. Although this strategy remains our long term focus we have had to change our immediate focus to deal with the effects that the current pandemic has had on our sector and on our services. These Financial Statements cover a period where we were in the grip of the pandemic for most of the financial year, despite this due to accessing Government and Local Authority funds made available to support the care sector during the pandemic and a successful year for fundraised income we made a net income in 2020/21 of £6.2m (2020: £15.0m). We also ended the year with an improved cash position, largely due to the completion of a number of property sales and the reduction in Capital Expenditure as we couldn't access our services during the lockdowns.

The strategy launched in 2019 set the direction for our services for the next five years and beyond. Coming through Covid-19, our intention remains to ensure that we can continue to deliver quality services across all our services and the Board is committed to ensuring that we are in the best place to take the Charity forward into this next phase once we can be certain the current pandemic is over.

Despite the pandemic we have continued our work to improve the governance of the Charity which has included a commitment to be fully compliant with the Charity Governance Code. I am pleased to say that this work is almost complete and we will be formally adopting the Code in the coming financial year.



John Robinson
Chair of MHA Board

METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2021

The Directors of Methodist Homes (MHA) present their audited report and financial statements for the Group and Company for the year ended 31 March 2021. The Directors confirm that the annual report and financial statements of the Charity comply with current statutory regulations, the requirements of the Charity's governing document and the provisions of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2019).

1. STRATEGIC REPORT

Who we are

MHA is an award-winning charity providing care, accommodation and support services for older people throughout England, Scotland and Wales. We are one of the most well-respected care providers in the sector, providing services to older people since we were set up in 1943.

MHA includes the subsidiaries MHA Auchlochan Ltd, our retirement living village in Scotland; and Methodist Homes Housing Association Ltd, our registered social landlord.

As well as residential, specialist dementia and nursing care provision in our care homes we provide community-based services through our Live at Home schemes. During 2020/21 we restructured and rebranded Live at Home into MHA Communities. We also support people to live independently in their own home in our retirement living schemes.

Activities for achieving objectives, now and in the future

MHA's Board and its Executive Leadership Team continue to plan and build a future for the charity so it can deliver its ambition to deliver more and better forms of support and life enhancing services for even greater numbers of older people. In doing this, MHA recognises it is building on the foundations of all that has been achieved in past years and, as has so often been demonstrated in MHA's history, that ambition serves as a challenge and an inspiration.

From February 2020 MHA, along with the rest of the UK and the world, faced into the unprecedented crisis and challenge of Covid-19 - the impact and threat of which continues.

The plans we had for 2020/21, the second year of our OneMHA Strategy, were laid aside, as we sought to respond to the crisis as it hit those most vulnerable to its ravages. After the first wave we put in place our Covid-19 Management and Recovery Programme and, although much was achieved, the second and third lockdowns once again required us to focus our energies on our day to day response to the pandemic. Testing and vaccination programmes alongside support to our residents and their families, our members and colleagues have been our priority.

During 2020/21 our Covid-19 Management and Recovery Programme temporarily replaced our OneMHA Strategy. The focus of the Management and Recovery Programme is:

- Managing the ongoing day to day implications of Covid-19, including testing, vaccinations, visiting, personal protective equipment (PPE) and supporting our people;
- Supporting our residents, tenants and members to maintain strong links with family, friends and community through a range of Covid secure visiting and activities with increased use of digital technology; and
- Supporting our colleagues to recover and move forward post 2020;

Activities for achieving objectives, now and in the future (continued)

- Rebuilding and re-imagining our care and support services, ensuring MHA's financial resilience whilst sustaining and developing our people. The programme comprised of several work-streams, many of which were drawn from the OneMHA strategy:
    - occupancy recovery
    - deliver our refreshed people offer
    - refine our retirement living offer
    - develop our digital MHA Communities offer
    - innovation, research and technology
    - increase the effectiveness and efficiency of central support services
    - sustainable property and services
    - sector reform

As we move into 2021/22, we recognise our Covid-19 Management and Recovery Programme needs to remain our priority, providing all necessary support to our residents, tenants, members and colleagues, whilst ensuring the financial resilience of MHA going forward. This has brought to the fore key elements of our OneMHA Strategy that were already in progress, but now with added priority. Our mission, vision and values hold steady, our strategy given new urgency and focus. We are setting out our route map to not only rebuild after last year, but to refresh and re-imagine how we deliver our care and support services as OneMHA to enable people to live later life well.

Our OneMHA Strategy has the following mission and vision:

> *As a charity, our mission is to enable people to live later life well.*
>
> *By 2024, 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.*

The OneMHA Strategy builds on MHA's history in serving the needs of older people. The principles that have served MHA and older people so well over the decades remain central. These are that MHA is a caring values and Christian-based organisation. It prioritises, operates and grows with a view to the long term. The quality of its services are of utmost importance and in order to maintain this we strive to be the employer of choice within our sector.

The vision brings together our operations activities, connecting care homes, retirement living and MHA Communities in regions for greater collaboration, knowledge exchange and a stronger local offering to communities.

Aligned with the mission and vision, MHA has revised its values on which the organisation is based. These are:

> *Inspired by our Methodist roots, our values are to:*
> - *Respect every person, treating them with dignity*
> - *Nurture mind, body and spirit*
> - *Inspire the best in each other*

MHA currently supports over 18,300 individuals:

- 3,821 older people living in 89 care homes, either in residential, nursing or specialist dementia care;
- 2,900 older people living independently in a range of purpose-built apartments in 70 retirement living schemes with flexible support and personalised care;

Activities for achieving objectives, now and in the future (continued)

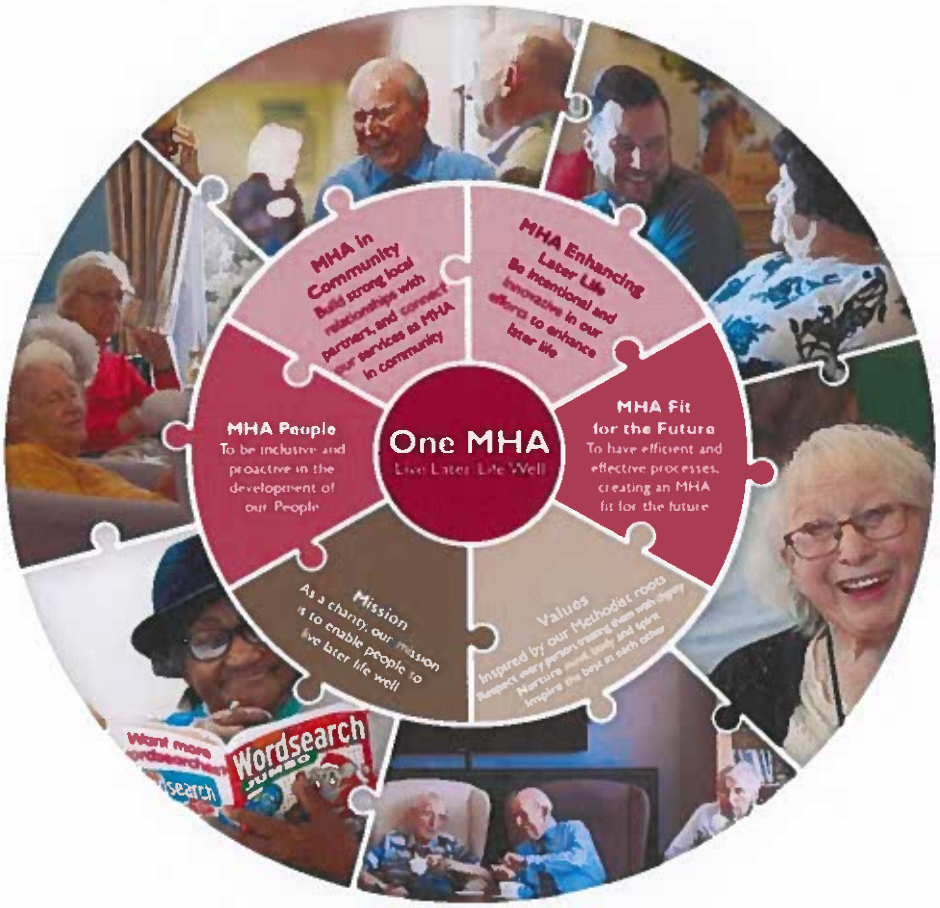
- 11,587 older people supported through 49 community-based MHA Communities services, providing them with services such as digital exercise and activity sessions, befriending services and meal deliveries.

Our services are delivered by 6,947 dedicated staff and enhanced by the commitment of 3,750 volunteers.

Our OneMHA Strategy is underpinned by four strategic objectives – the first two sum up what MHA does while the other two encompass how we will do it:

1. MHA in Community – build strong relationships, connecting our services as MHA in Community
2. MHA Enhancing Later Life – to be intentional and innovative in our efforts to enhance later life
3. MHA Fit for the Future – to have efficient and effective processes, creating an MHA fit for the future
4. MHA People – to be inclusive and proactive in the development of our people

This illustration shows how it all connects:



Activities for achieving objectives, now and in the future (continued)

Underneath the objectives sit a series of work streams to help focus the work of MHA in supporting additional older people through growing our services across more communities.

Work to raise MHA's profile paused during 2020/21 as we focussed on battling the pandemic although our extensive work influencing government on the introduction of routine testing, the Government's approach to vaccination and visiting led to an increase in MHA's profile with Sam Monaghan our Chief Executive Officer (CEO) becoming a regular on many mainstream news outlets such as BBC Radio 4 and The Guardian newspaper. BBC Newsnight also dedicated a programme to MHA and its work during the pandemic. The quality of data that we recorded during the pandemic also led us to feature in a BBC 2 documentary on how data was influencing decisions in the pandemic
Weblinks to these programmes are:
Newsnight - https://www.bbc.co.uk/iplayer/episode/m000jr6j/newsnight-03062020
BBC2 documentary - https://www.bbc.co.uk/iplayer/episode/m000pjr1/lockdown-10-following-the-science.

We built on our first Equality, Diversity and Inclusion Strategy which was launched in 2019 with the introduction of four staff networks to further increase awareness and inclusion in relation to gender, race, sexual orientation and disability.

We measure our success in terms of the number of older people who benefit from our services, our resident satisfaction survey results and the quality of our services, all of which demonstrate how we are providing the right services, and in the right way, to support older people.

By the end of 2020/21, 92% (2019/20: 89%) of care homes and retirement living schemes inspected by the Care Quality Commission in England, the Care Inspectorate Wales and the Care Inspectorate in Scotland were rated as 'good' or 'outstanding' or their equivalent with nine care homes and one retirement living scheme rated as 'outstanding' or equivalent.

To find out more about our work, visit www.mha.org.uk.

Public Benefit

The Board has due regard of the Charity Commission guidance on public benefit, 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 resident and member as a unique individual and addresses their own spiritual and physical needs, with both reassurance and support. Our services are open to all, as demonstrated by our care home residents being broadly split 57:43 (2019/20: 59:41) into those that are fully self-funded and those that are partially or fully funded by the Local Authority or the NHS.

Our care homes, retirement living schemes and MHA Communities schemes not only draw from our diverse communities but are diverse themselves. Opportunities are made available for all individuals to develop and practise their faith as they feel appropriate. Whilst our work is inspired by the Christian faith, we have always welcomed people from all religions or belief traditions. We encourage residents to maintain links with their own faith communities should they wish to do so.

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. 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, as outlined in our Dementia Strategy.

Public Benefit (continued)

MHA has a robust supplier qualification process when tendering new opportunities and this is also applied to existing suppliers. MHA will exclude suppliers who are unwilling to adopt legal obligations and the ethical position MHA has.

Critical supply chains remain within construction and temporary labour and we actively monitor suppliers in these, as all, categories. 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 is fully committed to equality. We pay men and women equally for the same role.
The gender pay gap shows the difference in average pay between all men and women in the workforce. MHA's analysis is very positive with a very small gap.

MHA's gender pay gap details are:

- The mean average gender pay gap is 5%;
- The median average gender pay gap is 1%;
- The mean average gender bonus gap is (33%);
- The median average gender bonus gap is (65%);
- 3% of male colleagues received a bonus;
- 4% of female colleagues received a bonus.

Men are slightly under-represented in the two lowest quartiles and slightly over-represented in the upper quartiles. MHA employ significantly more women than men, almost a 1:6 ratio which results in reasonably significant fluctuations from year to year.

MHA has a good record of commitment to equality and development of our people which we have augmented by the introduction of four staff networks to further awareness and inclusion in relation to gender, race, sexual orientation and disability.

Furthermore, MHA pays the Real Living Wage for all as a minimum which will continue to have a positive impact of our gender pay gap going forward.

Fundraising

Our fundraising income streams are varied which has helped to ensure a level of stability and generated a successful fundraising performance in 2020/21. MHA fundraise in a fair and responsible way and we aim for the highest standards in all its fundraising activities. We are registered with the Fundraising Regulator and are committed to complying with our fundraising promise as we have during the year. All donations are used to support the life-enhancing work that MHA provides for older people.

MHA takes a range of approaches to our public fundraising, looking to engage supporters and the general public as much as possible to raise funds. We also engage colleagues, encouraging and inspiring them to fundraise on behalf of MHA.

MHA has a number of supporters who fundraise on behalf of MHA. These include members of our Methodist Church Representatives scheme who organise MHA Sunday and other activities in their Districts, Circuits and Churches on behalf of MHA. A number of homes, retirement living sites and MHA Communities groups have their own 'friends of' and supporter groups who fundraise on behalf of, and with, their local service.

Fundraising (continued)

We use a selection of third party agencies to support us in our fundraising. None of these deliver face to face fundraising, rather they provide back-office support for technological solutions including online and text giving and donation handling; we monitor the activities of those working on our behalf through regular meetings. No consultants have directly been involved in fundraising this year.

As generally across the sector, our community and events fundraising activities were severely impacted by Covid-19, however trusts and foundations responded favourably to our requests for support in this difficult time as did our generous individual givers. This resulted in our overall income target being exceeded.

During the Covid-19 restrictions, fundraisers picked new and unusual ways of raising funds to help us support older people; with trusts and foundations supportive of our applications. Companies donated personal protective equipment (PPE) for staff and supported their local community-based schemes; with relatives and local communities supporting our homes with gifts to know they were not forgotten.

While MHA Sunday, one of our biggest fundraisers was hampered by the closure of churches during spring and summer, a special online service to mark the day was appreciated. Of particular note was support for MHA from the Methodist Church, which not only kept us in their prayers but also featured interviews with senior members of MHA in their regular podcasts.

We continue to work on reviewing and developing our policies to ensure they are in line with the Fundraising Regulator. The fundraising team are well versed in the code of fundraising practice and provide support to other colleagues to cascade their knowledge.

During 2020 we had one instance where a letter was sent to MHA Communities members which breached both GDPR requirements and our fundraising from vulnerable people policy. We self-referred to the Independent Complaints Officer (ICO) who were happy with the actions we took. Following the incident we changed our processes and reviewed communications sent to members, to ensure they do not include a fundraising ask where we do not have consent.

In addition to the complaints received about the fundraising communication to MHA Communities members detailed above, there have been a total of three complaints received either by the fundraising team or regarding fundraising. These have been considered and responded to by the relevant team with those comments being considered in our review of our Methodist Church Representatives scheme.

With regard to the vulnerable people policy we reviewed all those who had made donations and returned those donations to the small number who were identified as vulnerable. Support was given to scheme managers to ensure all standing orders were cancelled. Training on the fundraising from vulnerable people policy has been developed and undertaken by the fundraising team and will be extended to other relevant colleagues during the year.

During 2020 we also conducted a review of our Methodist Church Representatives Scheme with a view to further understanding the needs and information requirements of those supporters. This review has now been completed and a revamped scheme has been developed and will be rolled out. Direct support for all of these representatives is given through the community fundraising team and those who fundraise on behalf of specific MHA sites are also supported by that individual service who have access to the fundraising team for support and guidance.

We are extremely grateful to our supporters, fundraisers and volunteers whose generous contributions enable us to enhance our ability to enable people to live later life well. Throughout the pandemic, the support for MHA and its services has been heart-warming and incredible.

Significant Activities

The significant charitable activities undertaken by MHA are:

i. Care homes

MHA runs 89 residential, dementia and nursing care homes offering 24-hour person-centred care and support for 3,821 residents in specially designed accommodation.

You can read more about these services at www.mha.org.uk/care-homes.

ii. Retirement living

Our retirement living settings comprise of purpose built apartments, each with individual kitchen, bathroom, bedroom and living areas for independence and privacy; coupled with shared areas for activities, social events and friendship to promote well-being. The manager organises cleaning and maintenance of the building and communal gardens and is also on hand to provide help and assistance when needed.

iii. Retirement living with care

This is the same provision as retirement living but with the addition of 24-hour staffing to provide person-centred care and support to meet individual needs, including specialist dementia care.

Both retirement living and retirement living with care apartments are available for sale, rent and part-purchase (options vary between developments).

MHA operates 70 retirement living or retirement living with care schemes supporting 2,900 older people to live independently with flexible support and personalised care.

You can read more about these services at www.mha.org.uk/retirement-apartments.

iv. MHA Communities

These 49 community-based schemes provide practical and social support to 11,587 older people living in their own homes, promoting independence and wellbeing through clubs, activities, and information and signposting services. Our response during Covid-19 has meant that these services have increasingly been delivered digitally.

You can read more about these services at www.mha.org.uk/communities.

MHA is grateful for the support and commitment of its 3,750 volunteers. Our volunteers help to significantly improve the quality of life for people living within our services. During the Covid-19 pandemic this support has been vital to enable face to face activities such as befriending visits to continue either digitally or on the telephone.

To find out more about MHA, visit www.mha.org.uk.

2020/21 Achievements and Performance

From February 2020 MHA, along with the rest of the UK and the world, faced into the unprecedented crisis and challenge of Covid-19 - the impact and threat of which continues. The plans we had for 2020/21, the second year of our OneMHA Strategy, were laid aside, as we sought to respond to the crisis as it hit those most vulnerable to its ravages.

We made sure our homes and schemes were as updated and informed as possible, always following Government guidelines and advice. Strategically we began following the approach adopted by public bodies when responding to major incidents, establishing a Gold command structure to ensure effective communication and responsive action planning. Gold would consider how we needed to respond across every part of MHA. At Silver command meetings, we would hear updates from across the organisation of how it was being affected and how strategy was being turned into action.

We developed our sector-leading data dashboard to record cases of infection across our services of residents and staff, deaths, levels of personal protective equipment (PPE) expanding as the months rolled on to include testing of staff and residents.

Care homes and retirement living schemes adapted to support contact between residents and their loved ones and our MHA Communities no longer able to provide face to face services, developed telephone befriending and food delivery services combined with garden gate conversations to ensure members weren't left isolated.

Care Homes

Our care home teams rose magnificently to the challenge of keeping our residents active and engaged throughout 2020. Zoom and Skype calls became the norm for many residents. Homes embraced social media, using their Facebook pages to keep people updated, and helping to showcase the many different activities happening across MHA's 89 care homes.

For our residents living with dementia, a fundraising appeal helped buy robotic cats for a number of homes, providing comfort for people. Homes fundraised for large, interactive tablets which not only help residents stay in touch with families more easily but also provides a myriad of activities for them to enjoy.

We introduced our Essential Family Carer for residents whose health was really suffering from lack of contact with family and friends, and indoor and specially-designed pod visits commenced, albeit behind screens with no contact.

Retirement Living

Our retirement living residents live independently in their home while enjoying the support and companionship offered by their individual schemes. The first lockdown in March 2020 meant many of them had to shield due to their vulnerability and communal lounges and facilities had to close. But this is where MHA's wellbeing service came into its own.

Residents felt supported with staff making sure prescriptions were collected, daily calls made to check they were ok and shopping picked up for them. While residents weren't able to meet for meals in our bistros, the bistros brought meals to our residents in their own homes.

MHA's chaplaincy service supported residents, staff, families and friends spiritually throughout the year and helped lead MHA's Memorial Day in September to remember those we had lost.

2020/21 Achievements and Performance (continued)

MHA Communities

MHA Live at Home schemes continued to provide vital services for older people living independently in their own home to help alleviate loneliness and isolation. Each week, thousands of older people would meet up for activities as varied as cheer leading to sessions helping them master technology, to trips out to craft sessions. For many, these groups were a lifeline. But these all had to be paused when lockdown descended with many members having to shield due to their age and health. The focus became meeting their immediate needs.

From that initial response, the service started to look at how it could support people going forward and their focus went to:

- making regular contact with members for wellbeing checks and befriending calls
- developing online activities and helping members to access these
- carrying out doorstep deliveries of food, goodie bags and activity packs to help keep minds active
- turning attention to social distanced walks when guidance allowed, outdoor exercise groups and befriending visits in gardens

In the summer of 2020, a wholesale review of the offer provided by MHA was carried out and in early autumn MHA Live at Home became MHA Communities. The most exciting development was the introduction of MHA Digital Communities which will build into a live and on-demand online programme of different activities along with the necessary support to get members online.

One of the best ways of highlighting the impact of MHA Communities during 2020 is to take a look at Hampshire, where 2,110 members are receiving support, a rise of more than 250 members since lockdown started in March. The following activities have been delivered during 2020;

- Between April and September, the schemes helped members with 6,640 food parcels and collected and delivered 895 prescriptions to shielding older people; and from July to September, delivered 398 afternoon teas, cold lunches and cakes;
- Almost 900 older people in Hampshire have been receiving befriending services with many more linked through the buddy and telephone trees to make sure they remain connected. Volunteer befrienders have commented that the work they are doing is helping them with their own isolation during lockdowns and family members have stated that it alleviates their fears for relatives;
- Already 75 members a week are taking part in Zoom activities ranging from singing for wellbeing, Tai Chi classes, cheer leading and quizzes with 100 more taking part in group chats;
- Members receive a monthly activity pack, including craft supplies and instructions. In addition, schemes also deliver books, DVDs and jigsaws from their lending libraries.

The key is that all members are supported at an early stage if they start to develop any problems or issues, enabling schemes to signpost them to low level interventions if necessary.

Making our voice heard

Our work on lobbying and influencing key people in Government became key to the way we approached our response to the pandemic. But it was not just for MHA that we spoke out. It was for the whole of our sector. We worked to make our voice heard, not just by ourselves but through our trade bodies like Care England, the National Care Forum (NCF) and the Associated Retirement Community Operators (ARCO).

2020/21 Achievements and Performance (continued)

Early on we recognised that testing was key to knowing how widespread cases were in our care homes. But where we knew homes had an outbreak, testing was sporadic and difficult to access in the early days of the outbreak.

Through media interviews with programmes such as Radio 4's Today and PM, discussions with officials in the Department for Health and Social Care (DHSC) and working with our trade organisations, we fought for this recognition. And in May we were successful in joining the pilot for whole home testing. But we didn't give up the battle, continuing to press the Government until it announced routine whole home testing for staff and residents.

We also fought for enough personal protective equipment (PPE) to be made available for care home staff after we recognised it was being held for frontline NHS personnel, arguing our need was as great as theirs. And we won that argument, again after numerous media interviews and discussions with the DHSC.

In June 2020, BBC 2's Newsnight dedicated a programme to how MHA had been affected so far by the pandemic, hearing from care home managers and workers and our directors. The Guardian ran numerous stories with comments from MHA's Chief Executive Sam Monaghan and their podcast interviewed MHA Westbury Grange care home manager Julie Roche about her experiences, following up the initial summer broadcast with interviews in December.

Our work in developing a dedicated dashboard to data on how Covid-19 was affecting MHA's services was featured in a BBC 2 documentary, *Lockdown 1.0 - following the science.*

MHA is a member of the working group of the All Party Parliamentary Group on Adult Social Care. We have given evidence to the Health and Social Care Select Committee inquiries on workforce burnout and resilience in the NHS and social care and on social care - funding and workforce.

In addition, we have met with MPs who have MHA homes and schemes in their constituencies and strengthened links with groups such as Independent Age and John's Campaign. MHA became involved with a number of national groups with the Department for Health and Social care, including testing and the rollout of vaccinations. We will continue to speak out and battle for the voice of our residents and members to be heard as policy changes and decisions are announced and made.

Our People

As an employer, MHA needs to make sure it continues to attract a high calibre of person with the right attributes and values to care for our residents and members. To enable MHA to do that, the Board agreed to pay the Real Living Wage for all colleagues in 2018 and continues to do so as a minimum for all staff. We believe that improving pay and benefits enables us to continue to attract and retain a committed team of colleagues for the benefit of residents within our homes and schemes. We know that the quality of care and residents' wellbeing is positively impacted when we are able to provide continuity of carers.

Throughout the Covid-19 pandemic we followed our OneMHA ethos to implement a number of wellbeing initiatives to support all our colleagues, including volunteers. Our people are incredibly important to us and we knew it was important to protect them and look after them through this difficult and unprecedented time. We saw this as an opportunity to utilise the skills and knowledge available across MHA to include our internal Chaplains, People Development team and the ELT whilst also thinking about how our existing external partner organisations could support us.

2020/21 Achievements and Performance (continued)

The wellbeing initiatives implemented included:

- **Manager wellbeing webinars** developed to support managers and give them an opportunity to explore and share the early challenges that they were facing through COVID-19;
- **Online wellbeing toolkit** providing access to a wealth of self-help guides and tools, accessible for all colleagues, alongside wellbeing webinars developed and delivered by the People Development team;
- **Executive leader wellbeing calls** offering support with regular calls to our managers to keep in touch with the issues our people were facing and to develop our offering to ensure the right support was in place;
- **Communication** by our executive leaders with regular zoom meetings for all MHA staff alongside weekly emails to provide clarity on the situation across the organisation;
- **Wellbeing survey** launched in June 2020 to provide invaluable feedback about the challenges that our colleagues were facing, which supported us in further development of our COVID-19 wellbeing strategy;
- **Group counselling sessions** were provided with an external counsellor to provide virtual reflective sessions for up to six colleagues at a time;
- **Volunteers wellbeing** was supported through a wellbeing newsletter and the extension of our Employee Assistance Programme to volunteers
- **Chaplaincy** support was extended with a 24/7 phone line for both colleagues and our resident's relatives;
- **Virtual Lounge** was set up to support our people to be more connected and combat feelings of loneliness and isolation.

We introduced mymha (employee self-service) empowering our people to access and own their own data and mhapeople (managers' self-service) to give managers ownership of recruitment and team information. We also reviewed and refreshed our people offer, standardising both our pension schemes and remuneration offer.

Other achievements in the year

Despite the Covid-19 pandemic, the quality of MHA's services continued to be high throughout the year with one more 'outstanding' inspection report bringing the total number of top rated homes and extra care housing services run by MHA to ten.

In total 92% (2019/20: 89%) of MHA's services inspected by the Care Quality Commission in England, the Care Inspectorate Wales and the Care Inspectorate in Scotland are rated as 'good' or 'outstanding', - one of the highest in the sector.

MHA was once again named as a Top 20 care provider by carehome.co.uk with many of our homes featuring in their regional top 20 care homes. This year MHA carried out its own resident and family/friends satisfaction survey. This found that, despite the pandemic and its challenges, 92% of residents were satisfied with the overall service provided by MHA along with 94% of family and friends.

We embraced remote working in response to the pandemic, increasingly collaborating online and becoming a more digitally connected organisation. We also increased the efficiency of our Central Support Services, restructuring and reshaping the way we work to provide better services to our sites.

MHA launched a corporate approach to risk management which is now actively owned and monitored across all areas of the charity. This is expanded on in the Risk Management section that follows.

2020/21 Achievements and Performance (continued)

Sadly in February 2021 we announced the closure of MHA's Foxton Grange care home in Leicester. This was not as a result of the pandemic but due to it being a small, specialist dementia and nursing home, the continued financial losses of which were becoming too much for MHA to bear.

MHA continues to work closely with the Associated Retirement Care Operators (ARCO) – of which we are a founding member – to improve the clarity and quality of materials provided to prospective residents in our retirement housing. We are delighted that all our schemes assessed so far against the ARCO consumer code are compliant.

You can read more about MHA's work at www.mha.org.uk or by following us at www.facebook.com/MethodistHomes and on Twitter @MethodistHomes. In addition, many of our homes and schemes have their own Facebook and Twitter accounts.

Future Plans

As we move into 2021/22, we recognise that our Covid-19 Management and Recovery Programme need to remain our priority, providing all necessary support to our residents, members and colleagues, whilst ensuring the financial resilience of MHA going forward. This has brought to the fore key elements of our OneMHA Strategy that were already in progress, but now with added priority. Our mission, vision and values hold steady, our strategy given new urgency and focus. We are setting out our route map to not only rebuild after last year, but to refresh and re-imagine how we deliver our care and support services as OneMHA to enable people to live later life well.

Our strategic objectives for 2021/22 are summarised below, with the thread of our Covid Recovery Programme weaving through them:

- Care Homes occupancy recovery
- Implement our refreshed People offer to enhance the recruitment, support and retention of our workforce
- Implement our redesigned Retirement Living offer, comprising a more efficient operating model with a focus on housing with care and support
- Develop and expand our Digital Communities offer to extend our reach, alongside re-establishing face to face activities
- Transform our homes and schemes through innovation and research partnerships, using technology and practice-based evidence to enhance the quantity and quality of care and support
- Collaborate with Government and key stakeholders for Social Care Reform, focussing upon: workforce remuneration and development; funding and financial regulation; and improved collaboration between health and social care.

A suite of Key Performance Indicators have been developed to measure the success of the delivery of our strategic objectives in 2021/22; these will be reported to Board regularly.

As the external environment changes and the economic impact of Covid-19 is felt, alongside an inevitable shift in public attention, we expect 2021/22 to be another challenging year in fundraising. The focus will continue on improving processes to deliver effective fundraising; delivering effective support to colleagues across MHA; focusing on the supporter experience and looking to reach potential supporters to share our impact and harness their support.

Future Plans (continued)

Fundraised monies already support older people to live later life well by supporting the delivery of MHA Communities as well as our Chaplaincy and music therapy provision. Our Fundraised income in 2021/22 will enable us to support MHA Communities return to face-to-face services and by doing so, expand their reach.

We will fundraise for Dementia specific products such as robotic cats that have such a positive impact on our residents. We are also aiming to improve the outdoor spaces in our services and in some instances introduce sensory gardens, again for the benefit of dementia residents, by doing so we will facilitate greater 'Green Care' in our services.

Financial Review

The Statement of Financial Activities shows total incoming resources of £242,998,000 (2020: £251,238,000), a 3% decrease on the previous financial year which is largely a result of decreased charitable activities within the care homes following the impact of the Covid-19 pandemic. Despite our best efforts and with great regret, we have experienced a reduction in occupancy in line with the sector as a whole. It will take time to build occupancy back up to the levels we consistently achieved prior to the pandemic; this is one of our strategic objectives this year.

These financial statements include the financial benefits of accessing Government and Local Authority funds made available to support the care sector during the pandemic mainly via the Infection Control Fund (ICF). A total of £12,902,000 (2020: nil) has been received during the financial year to support infection control, testing, visiting and staff absences due to Covid-19. We have also benefitted to a lesser extent £2,286,000 (2020: nil) from the Furlough scheme and from the Government provision of free Protective Personal Equipment (PPE). These monies are accounted for within Charitable income.

Key Performance Indicators for the group		
	2020/21	**2019/20**
	Actual £'000	**Actual £'000**
Total income	242,998	251,238
Operating costs excluding exceptional costs	231,141	235,646
Exceptional costs	5,670	518
Surplus for the year (after investment gains and losses)	6,232	15,044
Service users capacity	**Number**	**Number**
Care Homes	4,840	4,876
Number of Retirement Living Properties	2,829	2,829
Community services	11,587	12,220
Occupancy		
Care Homes	78%	92%
Retirement Living	90%	91%
Cost of fundraising to voluntary income	13%	17%

Financial Review (continued)

2020 has been a difficult year for charities and the fundraising sector, which makes us even more grateful for the generous donations that we have received during the year of £5,214,000 (2020: £4,219,000) which have contributed towards:

- providing chaplaincy services in all our residential services
- providing music therapy in our dementia care services
- underpinning MHA Communities services
- contributing towards the capital costs of our existing services

Despite our reduction in incoming resources, we have delivered a surplus in the year £6,232,000 (2020: £15,044,000), which will be reinvested to support older people to live later life well.

The net increase in funds of £5,761,000 is added to the total balances brought forward of £302,528,000.

We are fortunate to have a strong balance sheet, as reflected in these statutory accounts. We have enough liquidity to support our activities during our forecast period and should we need more working capital, we have access to £25m of rolling credit facilities which have not yet been drawn on.

The Directors consider the market value at 31 March 2021 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 an impairment of the care home, Foxton Grange which was closed in February 2021 £1,903,000; the impairment of the assets of a retirement living site where MHA wish to dispose of assets £3,267,000 and a self-provision for insurance following the withdrawal of provision by insurers'.

Exceptional items in the previous year constitute costs relating to the termination of a project to implement a new housing management system of £295,000 and the write off of £223,000 relating to the Deferred Tax asset transferred following the hive-up of assets from the Silk Group which is no longer recoverable.

Reserves Policy

The Board of Directors has undertaken their annual review of the minimum level of reserves which should be maintained within the Group, which remains as a minimum of 3 months operational expenditure.

Our reserves policy seeks to ensure that 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 our service users over the medium to long term and ensuring that financial commitments can be met as they fall due.

Our reserves policy takes in to consideration the nature of our most costly activity, operating our services, which require us to commit expenditure over the medium to long term on for example, working capital requirements, maintenance and improvement of our property portfolio and other contingencies, whilst also recognising that as a fundraising charity we are subject to the effects of short-term volatility of income.

Reserves Policy (continued)

The Board considers that minimum unrestricted reserves of cash and investments of approximately £59,000,000 (2020: £59,000,000 restated) are needed to cover such items; and to enable the Group to continue to operate to meet its charitable objectives. Actual unrestricted cash reserves were £53,992,000 (2020: £35,035,000). The level of financial reserves equates to just over 2.5 months of operational expenditure which is below the reserves policy requirement; reserves are able to be bolstered by a £25m undrawn revolving cash facility (RCF) that we have in place with Barclays Bank. Management and Board expect that reserves will return to an acceptable level, in line with the reserves policy within the next 24 months.

The financial reserves provide an important financial buffer in the current climate of heightened uncertainty where we have seen a considerable reduction in charitable income in the year and anticipate that reduction, although reducing, to continue for at least the next 12 months.

Since MHA is still 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 policy covering treasury management functions 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.

Investment Management Policy

The management of investments is delegated to the Central Finance Board. 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 £1,360,000 (2020 £1,315,000) at the balance sheet date.

Principal Funding Sources

MHA has drawn loan facilities with the Allied Irish Bank, balance at 31 March 2021 being £22,361,000 and Barclays Bank Plc balance at 31 March 2021 being £70,000,000. In addition there is a £25,000,000 RCF with Barclays Bank plc which has not been drawn down.

Methodist Homes Housing Association Ltd has a loan facility with the Nationwide Building Society the balance at 31 March 2021 being £2,625,000, and a loan facility with Capita totalling £1,132,000 as at 31 March 2021.

Fixed asset additions of £5,440,000 were financed mainly by existing reserves. This expenditure enables us to redevelop existing properties to maintain existing standards and meet new standards where relevant.

As part of care home operations, MHA operates 28 (2020: 28) leased homes, which have been established via sale and lease back arrangements.

Going Concern

Financial sustainability is a critical issue for the social care sector, Covid-19 has magnified that risk and unfortunately, despite our strong financial position at the beginning of the pandemic, MHA has not been immune to that risk. Occupancy has being monitored constantly yet, despite our best efforts and with great regret we have seen our occupancy reduce over the course of the pandemic with higher mortality rates than we have experienced historically. On this basis and in light of external analysis forecasting a long term occupancy issue, one of the key areas of focus for the organisation is on mitigating actions to sustain the ongoing financial sustainability of the organisation. These include:

- Occupancy recovery
- Reducing costs where feasible without reducing quality
- Increasing the effectiveness and efficiency of the organisation
- Sector reform

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, levels of government funding and the possible impact of further waves of Covid-19. None of the scenarios modelled result in either liquidity shortfalls or covenant breaches at the specified measurement dates. As such MHA is comfortable with its ongoing financial sustainability with no reasonably plausible circumstances on the horizon that undermine that position.

MHA has existing loan facilities that include a £70 million loan to March 2025 and a £25 million undrawn RCF to February 2023, both with Barclays, and a £22 million loan with AIB to December 2030.

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.

In light of the emerging risks posed by Covid-19, and a desire to strengthen the organisations' risk management processes, a full review of MHA's risk registers was completed during 2019/20. This review sought to assess and document risk from a strategic and operational viewpoint. This work identified six key strategic risks, which are overseen by the Board and reviewed on an ongoing basis by ELT.

Risk management is exercised across MHA through the functional heads of department, ELT, relevant Board Committees and the Board. ELT carry out monthly reviews of key operational risks, and half yearly reviews of strategic risks for their areas; whilst Board complete six monthly reviews of strategic risk.

Risk Management (continued)

The key risks identified as likely to affect the Group's ability to meet its objectives include:

- The financial pressures caused by the Covid-19 pandemic and the ongoing impact of state funding available in the care and housing sector. Local Authority funding continues to be at a level significantly below that which is required to deliver the quality of care for older people that MHA seeks to deliver; particularly against a backdrop of rising costs, exacerbated by the additional costs caused by the Covid-19 pandemic. Management monitors the levels of funding on a monthly basis and report these to the Board, who take appropriate commercial and pricing decisions to protect the Charity.

- The annual Budget is recommended by the Finance and Capital Expenditure Committee to the Board and monitored regularly by the ELT. Financial performance is reported to the Finance and Capital Expenditure Committee for further scrutiny. Key areas of risk that impact the Group's operations include the management of working capital and MHA has a policy of maintaining cash reserves to mitigate this risk. The Group takes a risk-averse approach to the effect of interest rates on its borrowings and has entered into appropriate hedging.

- Reputational risk – quality management is a high priority for MHA. We have an internal system of risk monitoring that focuses on key factors that might indicate potential quality concerns, which are then investigated; alongside this 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. A poor reputation can undermine confidence of supporters and lenders.

- The resilience and capacity of MHA's people has been tested through the Covid-19 pandemic, which has the potential to exacerbate longstanding pressures on our workforce. The ongoing national shortage of nurses alongside restrictions on recruitment from abroad will continue; and recruitment for non-nursing positions remains competitive.

- MHA continues to pay the Real Living Wage as a minimum (as approved by the Board through the annual pay review process), and has offered substantial wellbeing support to the workforce throughout the Covid-19 pandemic (as recognised by Skills for Care). Opportunities offered by the Apprenticeship Levy continue to be explored; and progress against the recruitment strategy and key indicators regarding performance are monitored at an ELT and Board level.

- Change management - MHA operates within a dynamic sector and has adopted an integrated approach to managing cultural, process and systems change. The framework that this team operates within has been refined in the year, and governance around key strategic projects strengthened by the inclusion of an Internal Audit review of these fundamental projects to ensure benefit realisation.

- The identification and use of innovative technology to support our residents, tenants and members is a key area which MHA monitors; to ensure that appropriate risk management is in place around new technologies, but also to ensure that where appropriate new technology is identified and put in place. A strategic review of IT and digital services has been launched, alongside a data strategy review to ensure that MHA's approach to technological advances is co-ordinated and fit for the future.

Risk Management (continued)

- MHA, alongside adult social care providers, continues to operate in a challenging external environment. Whilst Government support to the sector during the Covid-19 pandemic has been welcome; the longer term future state of social care has not yet been addressed. This impacts on many of the risks identified above, and MHA has sought to highlight concerns to, and work alongside, the UK Government to develop meaningful solutions to these issues. Outside of specific sector issues; the 'individual charitable donor' market continues to face scrutiny and criticism which has led to further regulation and increased donor suspicion.

Directors 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 of 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 interests 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; and
- 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 Director's fulfil their duties partly through a governance framework that delegates day-to-day decision-making to an Executive Leadership Team. Further details can be found in the Governance Report on pages 25 to 29.

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 takes 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 that MHA demand. 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.
- **Community and Environment** - Through the OneMHA strategy, MHA has the objective to build strong relationships with partners and connect our services as MHA in community. The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable our people to support the communities around us.

Energy and Emissions Consumption

We take our impact on the global climate seriously and in 2021/22 we will develop our strategy to reduce our carbon and energy admissions. More will be published on this next year. 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 in the next 5 years in line with the strategy being developed.

All our sites have a good level of energy awareness. This is either in the use of installed efficient equipment (such as LED lighting or modern hearing 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 25% 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 74% of the total energy consumption, with most of our homes using this for heating and hot water, laundry and cooking.

Transport accounts for 1% 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), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Energy Category	2020/21 Consumption (kWh)	2019/20 Consumption (kWh)	2020/21 %	2019/20 %	2020/21 Emissions (tCO2e)	2019/20 Emissions (tCO2e)
Electricity (Scope 2)	23,339,861	26,546,906	25%	26%	5,441	6,786
Gas (Scope 1)	69,752,547	75,346,959	74%	73%	12,841	14,045
Transport (Scope 1)	493,087	1,477,065	1%	1%	116	353
Total	93,585,495	**103,370,930**	**100%**	**100%**	**18,398**	**21,184**

An intensity metric of $kgCO_2e$ per m^2 has been applied for the annual total emissions. The methodology of the intensity metric calculations are detailed below. Methodist Homes operations have an intensity metric of 56.30kgCO2e/kWh (2020: 64.83KgCO2e/kWh) per m2 occupied floor area.

The consumption during 2020/21 has reduced by 9% compared to 2019/20 with energy efficiency measures implemented over the last two years reducing electricity and gas consumption. Transport consumption has reduced as a direct consequence of restrictions on business travel during the pandemic.

Energy and Emissions Consumption (continued)

Measures ongoing and undertaken in 2020/2021

An initiative as a consequence of Covid-19 has been the introduction of Zoom conferencing hardware, which has been installed on all IT hardware allowing colleagues to join meetings from anywhere; this has considerably reduced our organisational requirement to travel.

Despite the difficulties accessing services during the Covid-19 lockdowns we have also continued to update lighting with LED replacements, with over 22 sites benefitting from partial or full roll outs improving light levels and reducing energy usage and carbon whilst also minimising future maintenance. Improvements to heating plant were undertaken through 2020/21 to 31 properties, these included full and partial boiler replacements, new water cylinders and calorifiers which has improved plant efficiency and reduced energy usage on site. Inverter replacements took place for a Solar PV installation to ensure maximum system output and generation; new inverter lifetimes will ensure the system is working optimally for at least the next 10 years.

MHA have also bolstered already rigorous recycling measures for all wastepaper, plastics and food waste resulting from operations; additional measures were introduced to accommodate the increased level of PPE usage in services.

Measures prioritised for implementation in 2021/2022

- 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 cleaning of trees to ensure the full performance of previously installed solar panels are upheld to ensure maximum recovery of the Solar FIT.
- Renewable heat implementation - MHA are investigating renewable heating options for Auchlochan and are currently completing site feasibilities with a view to future implementation.
- 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 relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet.

Scope 2: consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

Energy and Emissions Consumption (continued)

Reporting Methodology (continued)

Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting year [01/04/2020 – 31/03/2021]:

- Database 2020, Version 1.0
- Estimations undertaken to cover missing billing periods for properties directly invoiced to Methodist Homes were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 12% of reported consumption.
- Intensity metrics have been calculated utilising the 2020/2021 reportable figures for the following metrics, and kgCO2e for both individual sources and total emissions were then divided by this figure to determine the kgCO2e per metric:
    - Gross internal area (m^2) **326,757**

2. 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.

Organisational Structure

The Board consists of up to fifteen Board 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 has the following committees, all of which have a group-wide remit. The work of each committee in respect of the year is summarised below:

Audit and Risk Committee

- Undertook 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;
- Considered key accounting judgements made by the Executive Leadership Team in the 2020 and 2021 financial statements;
- Challenged and supported the Executive Leadership Team to consider key risks for MHA, together with mitigation plans. This led to the development of a summary of key risks by the Executive Leadership Team which has now also been approved by the Board as a whole;
- Reviewed the work of our external statutory auditors, PricewaterhouseCoopers LLP, including their independence and non-audit services provided;
- Reviewed the work of our tax advisors, Deloitte LLP;
- Agreed a programme of work with the new Quality Assurance and Internal Audit team established during the year and received reports on the audits undertaken;
- Reviewed the progress on gap analysis between MHA governance practise and best practice set out in the Charity Governance Code.

Finance and Capital Expenditure Committee

- Revised the terms of reference to ensure they covered the full remit of the new committee and obtained approval of the Board;
- Reviewed financial performance, comparing management account actuals to forecast and budget including cash flow; scrutinised the forecasting process;
- Reviewed the financial aspects of the business plan, alongside the longer term cash needs compared to funding plans;
- Evaluated the annual budget for recommendation to the Board including planned capital expenditure and agreed the programme of work with the Executive Leadership Team;

Finance and Capital Expenditure Committee (continued)

- Reviewed the funding strategy and recommended it to the Board, assessing bank facilities and the adequacy of available funding;
- Reviewed investment policies including our stance on ethical investments, the performance of investments and the investment managers;
- Monitored and reviewed the pension schemes and the performance of the fund managers as well as the asset allocation for the final salary scheme;
- Brought to the Boards' attention material financial issues on a timely basis;
- Reviewed fundraising activities.

Operations Committee

- Reviewed its terms of reference to ensure they covered the wider remit and obtained the approval of the Board;
- Oversaw how MHA worked to maintain and improve quality; how it has addressed and is learning from issues of concern raised by internal and external assessments, complaints and unexpected events;
- Oversaw the delivery of improvement plans for those homes and schemes which required improvement;
- Monitored the external environment for our regulated services; working to continually develop our own definition of quality;
- Continued the tracking of health and safety issues, fire safety and infectious disease reporting, as well as coroner inquiries into deaths in our care. There have been a number of complex cases during the year with important lessons for our practice;
- Reviewed the significance for practice of safeguarding incidents for which MHA has a low threshold for reporting. All incidents are reported;
- Ongoing tracking of MHA success in the recruitment and retention of staff as well as the quality of leadership offered by our registered managers.

Nominations Committee

- Determined, on behalf of the Board, the remuneration of the Executive Leadership Team, in line with our People Strategy at a fair rate and competitive in our markets;
- Oversaw the delegated responsibilities for ensuring good governance of the Charity and identified and proposed new Board Members;
- Oversaw the restructure of Board committees and their membership;
- Authorised the recruitment of two new Trustees to replace those retiring in summer 2021.

The Board delegates authority for day-to-day management to the Executive Leadership Team. Whilst the Executive Leadership Team may have the title of Director they are not Statutory Directors. References within this report to Directors refer to Board Members with statutory responsibilities. Board Members receive no remuneration.

Charity Governance Code

The Charity's governance is currently broadly aligned with the Charity Governance Code endorsed by the Charity Commission. It also draws on guidance from other appropriate governance codes reflecting the size and complexity of the organisation. For the last eighteen months the Charity has been working to improve governance in areas where it identified that current practice was not in line with best practice set out in the Code. This work is now largely complete and the Charity intends to formally adopt the Charity Governance Code in the 2021/22 financial year.

Election, Appointment and Training of Board Members

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

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

New Board Members receive 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 30.

Patrons

We would like to take this opportunity to thank our Patrons - Baroness Kathleen Richardson of Calow, OBE; broadcaster and writer Pam Rhodes and Dame Denise Platt. Their support is invaluable in raising the profile of MHA and its work, helping it 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 2021 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.

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; and;
- 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 Executive Leadership Team 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 the Executive Leadership Team 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;

Internal Financial Controls Assurance (continued)

- 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 2021 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 ought to have taken as a Director in order to make himself 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 recommended as MHA's auditors during the year following a comprehensive tender process. A resolution concerning their appointment will be proposed at the Annual General Meeting.

The report of the board including the Strategic Report was approved on 28th July 2021 and signed on its behalf by:



John Robinson

Chair
Epworth House,
Stuart Street
Derby
DE1 2EQ

METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2021

Reference and administrative details

Patrons

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

Board	Term of Office Start	Finish	Committee Membership
John Robinson (Chair)	Aug 2017		Nominations Committee

Other Board Members

Hilary Cocker	Aug 2014	Operations & Nominations Committees
Ian Ailles	Nov 2014	Finance and Capital Expenditure Committee
Andrew Cozens	Aug 2015	Operations & Nominations Committees
Bala Gananpragasam	Aug 2015	Operations Committee
James Reilly	July 2016	Operations & Audit and Risk Committees
Martin Burkitt	Oct 2016	Audit and Risk Committee & Finance and Capital Expenditure Committee
Ruth Gee	Apr 2019	Operations & Nominations Committees
Lisa Commane	Apr 2019	Finance and Capital Expenditure Committee
Janet Haugh	Apr 2019	Audit and Risk Committee
Keith Hickey	Apr 2019	Audit and Risk Committee

Executive Leadership Team

Name	Appointed	Resigned	Position
Anna Marshall-Day	2006		Director of People & Corporate Services
Rev. Dr Chris Swift	2017		Director of Chaplaincy & Spirituality
Simon Monaghan	2018		Chief Executive
Mandy Mottram	2018		Company Secretary & General Counsel
Andrew White	2019		Director of Property
Daniel Ryan	2019		Director of Operations
Victoria Parkinson	2020		Director of Finance

METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2021

Company Secretary

Mandy Mottram

Registered Office

Methodist Homes
Epworth House
Stuart Street
Derby
DE1 2EQ

Tel: (01332) 296200
Website: 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	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Chamberlain Square Birmingham B3 3AX	
Bankers	Barclays Bank Plc Corporate Banking 1, Churchill Place Canary Wharf London E14 5HP	HSBC Plc 70 Pall Mall London SW1Y 5EZ
	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	

Independent auditors' report to the members of Methodist Homes

Report on the audit of the financial statements

Opinion

In our opinion, Methodist Homes' group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2021 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, and cash flows and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and parent company statement of financial position as at 31 March 2021; the consolidated statement of financial activities (incorporating an income and expenditure statement), , the consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and parent charitable company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Board of Directors' Report including Strategic Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Board of Directors' Report including Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and Board of Directors' Report including Strategic Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in Board of Directors' Report including Strategic Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the *Statement of Board' Responsibilities*, 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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they 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 group's and parent charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group and parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and charitable company/industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and regulations, health and safety regulation and taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Accounting standards (FRS102), Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2019), Housing SORP 2018: Statement of Recommended Practice for social housing providers (Housing SORP (FRS 102)), Co-operative and Community Benefit Societies Act 2014, Housing and Regeneration Act 2008, Schedule 1 to the Housing Act 1996, Housing (Scotland) Act 2010, Accounting Direction for private registered providers of social housing 2019, Accounting Requirements for Social Landlords Registered in Wales: General Determination 2015, Determination of Accounting Requirement 2019, The Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended) and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue, expenses or cash and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed included:

- enquiry of management and those charged with governance around actual and potential frauds, litigations or claims against or by the company; reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations;
- evaluating management's controls designed to prevent and detect fraudulent financial reporting;
- auditing the risk of management override of controls, through testing journal entries by adopting a risk-based approach for appropriateness and testing significant accounting estimates and judgements to identify potential management bias;

- evaluating the business rationale and accounting for significant or unusual transactions outside the normal course of business, in particular to those relating to claims under the Job Retention Scheme and Infection Control Fund;
- auditing the risk of fraud in revenue recognition by identifying and testing journals with unusual revenue account combinations;
- performing unpredictable audit procedures; and
- reviewing minutes of meetings of the MHA Board.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 July 2021

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31st March 2021

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2021 £'000	Total 2020 £'000
Income and endowments from:						
Donations and legacies	2.a	2,295	2,919	-	5,214	4,219
Charitable activities						
Homes		181,783	14,425	-	196,208	200,853
Retirement Living		35,782	649	-	36,431	41,533
MHA Communities		-	3,139	-	3,139	3,266
Other		1,735	111	-	1,846	1,082
Total charitable activities	3.a/6.a	219,300	18,324	-	237,624	246,734
Investments	4.a	128	25	7	160	285
Total		221,723	21,268	7	242,998	251,238
Expenditure on:						
Raising funds		672	-	-	672	714
Charitable activities						
Homes		173,405	15,091	-	188,496	188,182
Retirement living		36,840	814	-	37,654	38,853
MHA Communities		-	5,030	-	5,030	5,915
Other		3,929	112	2	4,043	1,931
Total charitable activities	6.a	214,174	21,047	2	235,223	234,881
Other	7.a	916	-	-	916	569
Total	5.a	215,762	21,047	2	236,811	236,164
Net (losses)/gains on investments	11.a	-	57	(12)	45	(30)
Net income		5,961	278	(7)	6,232	15,044
Transfer between funds		434	(434)	-	-	-
Other recognised (losses)/gains:						
Actuarial (loss)/gain on defined benefit pension schemes	25.	(1,539)	-	-	(1,539)	1,965
Other – interest rate swaps gains/(losses)	18.	1,068	-	-	1,068	(1,371)
Net movement in funds		5,924	(156)	(7)	5,761	15,638
Reconciliation of funds:						
Total funds brought forward	24.a	277,173	24,335	1,020	302,528	286,890
Total funds carried forward		283,097	24,179	1,013	308,289	302,528

All activities in both years are continuing activities.

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March 2021
Company Registered No. 4043124

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2021 £'000	Total 2020 £'000
Fixed assets						
Intangible fixed assets	12.a	894	-	-	894	265
Tangible fixed assets	13.a	407,488	15,947	-	423,435	447,719
Investments	15.a	90	507	763	1,360	1,315
		408,472	16,454	763	425,689	449,299
Current assets						
Debtors	16.	13,587	-	-	13,587	14,821
Cash at bank and in hand		53,992	10,064	250	64,306	45,735
Total current assets		67,579	10,064	250	77,893	60,556
Liabilities						
Creditors: Amounts falling due within one year	17.	(36,791)	(2,339)	-	(39,130)	(43,056)
Net current assets/(liabilities)		30,788	7,725	250	38,763	17,500
Total assets less current liabilities		439,260	24,179	1,013	464,452	466,799
Creditors: Amounts falling due after more than one year	18.	(114,913)	-	-	(114,913)	(119,135)
Provisions for liabilities	19.a	(41,250)	-	-	(41,250)	(45,136)
Total net assets before defined benefit pension liability		283,097	24,179	1,013	308,289	302,528
Defined benefit pension scheme liability	25.	-	-	-	-	-
Total net assets		283,097	24,179	1,013	308,289	302,528
Funds						
Endowment funds	22.a	-	-	1,013	1,013	1,020
Restricted income funds	23.a	-	24,179	-	24,179	24,335
Unrestricted income fund: General fund	24.a	283,097	-	-	283,097	277,173
Total Funds	24.a	283,097	24,179	1,013	308,289	302,528

The financial statements on pages 35 to 88 were approved on behalf of the Board and authorised for issue on 28th July 2021 and signed on its behalf by:

John Robinson – Chair

METHODIST HOMES
STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)
As at 31st March 2021
Company Registration No. 4043124

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2021 £'000	Total 2020 £'000
Fixed assets						
Intangible fixed assets	12.c	894	-	-	894	265
Tangible fixed assets	13.c	315,866	15,947	-	331,813	353,941
Investments	15.a	90	507	763	1,360	1,315
		316,850	16,454	763	334,067	355,521
Current assets						
Debtors	16.	35,640	-	-	35,640	35,339
Cash at bank and in hand		39,999	10,013	250	50,262	35,099
Total current assets		75,639	10,013	250	85,902	70,438
Liabilities						
Creditors: Amounts falling due within one year	17.	(33,742)	(2,339)	-	(36,081)	(39,842)
Net current assets		41,897	7,674	250	49,821	30,596
Total assets less current liabilities		358,747	24,128	1,013	383,888	386,117
Creditors: Amounts falling due after more than one year	18.	(95,565)	-	-	(95,565)	(98,498)
Provisions for liabilities	19.a	(27,594)	-	-	(27,594)	(31,056)
Total net assets before defined benefit pension liability		235,588	24,128	1,013	260,729	256,563
Defined benefit pension scheme liability	25.	-	-	-	-	-
Total net assets		235,588	24,128	1,013	260,729	256,563
Funds						
Endowment funds	22.a	-	-	1,013	1,013	1,020
Restricted income funds	23.c	-	24,128	-	24,128	24,299
Merger Reserve	24.c	(1,566)	-	-	(1,566)	(3,132)
Unrestricted income fund: General fund	24.c	237,154	-	-	237,154	234,376
Total Funds	24.c	235,588	24,128	1,013	260,729	256,563

A surplus for year of £4,637,000 (2020: £13,183,000) has been included within these financial statements for the company.

The financial statements on pages 35 to 88 were approved on behalf of the Board and authorised for issue on 28th July 2021 and signed on its behalf by:

John Robinson – Chair

METHODIST HOMES
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2021

	Note	2021 £'000	£'000	2020 £'000	£'000
Cash flow from operating activities:					
Net cash inflow by operating activities	26a		20,851		18,552
Cash flow from investing activities:					
Investment income		160		285	
Purchase of tangible fixed assets		(2,778)		(18,850)	
Purchase of Intangible fixed assets		-		-	
Purchase of Investment		-		(29)	
Proceeds from the sale of tangible fixed assets		5,998		11,499	
Net cash generated (outflow) investing activities			3,380		(7,095)
Cash flow from financing activities:					
Interest paid and similar charges		(3,490)		(3,578)	
Repayments of borrowings		(2,170)		(3,755)	
Net cash outflow financing activities			(5,660)		(7,333)
Net change in cash and cash equivalents			18,571		4,124
Cash and cash equivalents at the beginning of the year			45,735		41,611
Cash and cash equivalents at the end of the year			64,306		45,735

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 except for the treatment of MHHA Social Housing Grants. These would normally be shown through the Statement of Financial Activities as Restricted Funds. MHA has chosen to maintain the Housing Association treatment of recognising grants under accrual model which is a departure from the Charity SORP (FRS102), but is in line with the Companies Act 2006 and the Statement of Recommended Practice "Accounting by Registered Housing Providers" which is adopted by MHHA. The Directors believe this is the appropriate policy to use within the consolidated financial statements.

Owned Freehold and Long Leasehold Care Homes are valued at deemed cost as permitted by the transitional arrangements to FRS102. 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.

The properties have been valued separately with the exception of Nethanvale and Lower Johnshill which would be sold as a single asset. As a result the values reported on an individual basis are an apportionment of the value as a whole.

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.

1. Principal Accounting Policies (continued)

Basis of preparation (continued)

The subject properties are valued having regard to trading potential, having been well maintained and effectively operated, offering high standards of care and meeting the requirements of the relevant regulatory bodies.

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. The Charity also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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, levels of government funding and the impact of a third wave of Covid-19. None of the scenarios modelled result in either liquidity shortfalls or covenant breaches at the specified measurement dates; as such MHA is comfortable with its ongoing financial sustainability with no reasonably plausible circumstances on the horizon that undermine that position. MHA has existing loan facilities that include a £70 million loan to March 2025 and a £25 million undrawn RCF to February 2023, both with Barclays, and a £22 million loan with AIB to December 2030.

On this basis, 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 performance of the Charity is set out in note 24.

The wholly controlled subsidiaries which are consolidated are:

Methodist Homes Housing Association Ltd- Registered Provider of Social Housing

MHA Auchlochan Ltd – Charity

1. Principal Accounting Policies (continued)

Basis of consolidation (continued)

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.

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 when the Charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the Charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the Charity and it is probable that those conditions will be fulfilled in the reporting period. The Charity received substantial amounts of voluntary help from its supporters but no attempt is made to place a financial value on these services and they are not included in these financial statements. Voluntary help covers a range of activities from fundraising to helping with activities in the Homes.

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 lease. 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 nine years from the completion date). This principle applies irrespective of the duration of the buyback commitment.

1. Principal Accounting Policies (continued)

Charitable activities (continued)

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 buyback 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 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) Costs of generating 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.

1. Principal Accounting Policies (continued)

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 7.

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:

- Customer relationships 2 years
- Goodwill 2 years
- 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.

Furniture, equipment and motor vehicle are stated at cost less depreciation.

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.

1. Principal Accounting Policies (continued)

Tangible fixed assets and depreciation (continued)

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 adopted the transition exemption under FRS102 paragraph 35.10(d) and elected to use the previous revaluation as deemed 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.

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 accrual model. Under this model, grants are recognised in income on a systematic basis over the expected useful life of the housing property structure (not land and structure), even if the fair value of the grant exceeds the carrying value of the structure in the financial statements, or over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis.

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.

Financial instruments

The Group has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction value unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

1. Principal Accounting Policies (continued)

Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the consolidated Statement of Financial Activities.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated Statement of Financial Activities.

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

ii) Financial liabilities

Basic financial liabilities, including trade creditors, bank loans, loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their mark-to-market fair value based on current market conditions. Changes in the fair value of derivatives are recognised in "Other recognised gains/(losses)" of the Statement of Financial Activities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

1. Principal Accounting Policies (continued)

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. 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.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's) that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be two years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the statement of financial position date using the closing quoted market price. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1. Principal Accounting Policies (continued)

Investments (continued)

The main form of financial risk faced by the Charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired during the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

At the transfer of a subsidiary's trade and assets to the company the net assets of that investment are retained in investments and the balance transferred to a merger reserve. The merger reserve is transferred to the general fund in line with the expected utilisation of the assets transferred to the company.

Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of Charity. Designated funds are unrestricted funds of the Charity which the Directors have decided at their discretion to set aside to use for a specific purpose.

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 23.

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.

1. Principal Accounting Policies (continued)

Pensions (continued)

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.

The Charity participates in a defined benefit scheme, as detailed in note 25, 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.

Liabilities

Liabilities are recognised when either a constructive or legal obligation exists.

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.

1. Principal Accounting Policies (continued)

Leased assets and obligations (continued)

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.

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. Details of these items categorised as exceptional are outlined in note 8.

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

2.a Donations and legacies (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
Donations	138	1,684	-	1,822	1,344
Big Lottery Fund grant	-	192	-	192	211
Legacies receivable	2,157	1,043	-	3,200	2,664
	2,295	2,919	-	5,214	4,219

2.b Donations and legacies (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Donations	477	867	-	1,344	1,834
Big Lottery Fund grant	-	211	-	211	191
Legacies receivable	1,099	1,565	-	2,664	3,046
	1,576	2,643	-	4,219	5,071

3. Charitable activities

3.a Charitable activities (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
Fees and charges	204,268	508	-	204,776	223,554
Rents	7,175	-	-	7,175	7,420
Grants	1,053	2,628	-	3,681	3,141
Government Funding	-	15,188	-	15,188	-
Sale of Housing	6,804	-	-	6,804	12,619
	219,300	18,324	-	237,624	246,734

3.b Charitable activities (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Fees and charges	222,174	1,380	-	223,554	210,153
Rents	7,420	-	-	7,420	7,358
Grants	1,056	2,085	-	3,141	2,436
Consultancy income	-	-	-	-	55
Sale of Housing	12,619	-	-	12,619	20,525
	243,269	3,465	-	246,734	240,527

3. Charitable activities (continued)

Forms of government assistance from which the Charity has benefitted amounts to £15,188,000 (2020: £414,000). The government assistance consists of £909,000 government grants for our MHA Communities schemes; £12,902,000 infection control support and £2,286,000 from the government Covid Job Retention Scheme.

4. Investments

4.a Investments (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
Investment securities – UK	-	6	7	13	18
Bank and deposit interest	128	19	-	147	267
	128	25	7	160	285

4.b Investments (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Investment securities – UK	-	11	7	18	16
Bank and deposit interest	257	9	1	267	145
	257	20	8	285	161

5. Analysis of expenditure

5.a Analysis of expenditure (current year)

	Note	Homes £'000	Retirement Living £'000	MHA Communities £'000	Other £'000	2021 Total £'000	2020 Total £'000
Staff costs		113,635	15,112	3,606	12,260	144,613	143,180
Operational costs/(income):							
Supplies and services		34,373	6,214	833	4,883	46,303	46,997
Repairs and rents		16,150	2,797	246	44	19,237	19,404
Retirement housing cost of sales		-	3,088	-	126	3,214	5,820
Depreciation	13.a	7,649	4,717	11	318	12,695	13,725
Amortisation	12.a	-	-	-	155	155	166
Finance charges		-	10	-	2	12	1,286
Bank loan interest		2,925	587	-	34	3,546	3,730
Other (income)/costs		458	19	-	602	1,079	1,557
(Profit) on disposals		(497)	(132)	-	-	(629)	(788)
Exceptional items	8	1,901	3,269	-	500	5,670	518
Allocated costs/(income)		11,902	1,973	334	(14,209)	-	-
Governance costs	7.a	-	-	-	916	916	569
Total expenditure		188,496	37,654	5,030	5,631	236,811	236,164

5. Analysis of expenditure (continued)

5.a Analysis of expenditure (current year) (continued)

5.b Analysis of expenditure (prior year)

	Note	Homes £'000	Retirement Living £'000	MHA Communities £'000	Other £'000	2020 Total £'000	2019 Total £'000
Staff costs		114,113	15,094	3,661	10,312	143,180	135,006
Operational costs/(income):							
Supplies and services		33,369	6,412	1,570	5,646	46,997	50,743
Repairs and rents		16,340	2,548	288	228	19,404	19,234
Retirement housing cost of sales		-	5,686	-	134	5,820	8,949
Depreciation	13.b	8,228	4,836	6	655	13,725	13,490
Amortisation	12.b	-	-	-	166	166	1,218
Finance charges		-	1,285	-	1	1,286	2,296
Bank loan interest		3,068	627	-	35	3,730	3,786
Other (income)/costs		528	88	2	939	1,557	2,433
(Profit) on disposals		(779)	(9)	-	-	(788)	(3,925)
Exceptional items	8	-	-	-	518	518	2,174
Allocated costs/(income)		13,315	2,286	388	(15,989)	-	-
Governance costs	7.b	-	-	-	569	569	576
Total expenditure		188,182	38,853	5,915	3,214	236,164	235,980

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

6. Summary analysis of expenditure and related income for charitable activities

6.a Summary analysis of expenditure and related income for charitable activities (current year)

	Note	Homes	Retirement Living	MHA Communities	Other	2021 Total	2020 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities							
Fees and charges		181,865	21,863	369	679	204,776	223,554
Rents		54	7,121	-	-	7,175	7,420
Grants		-	-	2,660	1,021	3,681	3,141
Government Funding		14,289	643	110	146	15,188	-
Sale of Housing		-	6,804	-	-	6,804	12,619
Total income	3.a	196,208	36,431	3,139	1,846	237,624	246,734
Expenditure on charitable activities							
Staff costs		(113,635)	(15,112)	(3,606)	(11,803)	(144,156)	(142,401)
Operational costs		(61,058)	(17,300)	(1,090)	(5,949)	(85,397)	(91,962)
Allocated (costs)/income		(11,902)	(1,973)	(334)	14,209	-	-
Exceptional items		(1,901)	(3,269)	-	(500)	(5,670)	(518)
Total		(188,496)	(37,654)	(5,030)	(4,043)	(235,223)	(234,881)
Total surplus/(deficit) from charitable activities 2021		7,712	(1,223)	(1,891)	(2,197)	2,401	
Total surplus/(deficit) from charitable activities 2020		12,671	2,680	(2,649)	(849)		11,853

6.b Summary analysis of expenditure and related income for charitable activities (prior year)

	Note	Homes	Retirement Living	MHA Communities	Other	2020 Total	2019 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities							
Fees and charges		200,788	21,559	1,165	42	223,554	210,153
Rents		65	7,355	-	-	7,420	7,358
Grants		-	-	2,101	1,040	3,141	2,436
Consultancy income		-	-	-	-	-	55
Sale of Housing		-	12,619	-	-	12,619	20,525
Total income	3.b	200,853	41,533	3,266	1,082	246,734	240,527
Expenditure on charitable activities							
Staff costs		(114,113)	(15,094)	(3,661)	(9,533)	(142,401)	(134,681)
Operational costs		(60,754)	(21,473)	(1,866)	(7,869)	(91,962)	(98,052)
Allocated (costs)/income		(13,315)	(2,286)	(388)	15,989	-	-
Exceptional items		-	-	-	(518)	(518)	(2,174)
Total		(188,182)	(38,853)	(5,915)	(1,931)	(234,881)	(234,907)
Total surplus/(deficit) from charitable activities 2020		12,671	2,680	(2,649)	(849)	11,853	
Total surplus/(deficit) from charitable activities 2019		9,554	5,063	(3,135)	(5,862)		5,620

7. 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 6) in the year. Refer to the table on the following page for the basis for apportionment and the analysis of support and governance costs.

7. Analysis of governance and support costs (continued)

7.a Analysis of governance and support costs (current year)

	Support Costs £'000	Governance Costs £'000	2021 Total £'000	2020 Total £'000	Basis of allocation
Employment costs	-	575	575	287	Staff time
Director expenses	-	8	8	10	Invoiced events
External auditors – audit services:					
Parent	-	175	175	148	Governance
Subsidiaries	-	30	30	30	Governance
Bank covenants	-	5	5	6	Governance
Directors Insurances	9	-	9	9	Cost
Other costs	-	123	123	88	Governance
Total	9	916	925	578	

7.b Analysis of governance and support costs (prior year)

	Support Costs £'000	Governance Costs £'000	2020 Total £'000	2019 Total £'000	Basis of allocation
Employment costs	-	287	287	218	Staff time
Director expenses	-	10	10	17	Invoiced events
External auditors – audit services:					
Parent	-	148	148	112	Governance
Subsidiaries	-	30	30	85	Governance
Bank covenants	-	6	6	6	Governance
Directors Insurances	9	-	9	9	Cost
Other costs	-	88	88	138	Governance
Total	9	569	578	585	

8. Exceptional items

	2021 £'000	2020 £'000
Impairment of assets	5,170	-
Change programme and admin costs	-	295
Silk Deferred Tax Asset	-	223
Self-provision	500	-
Total costs	5,670	518

8. Exceptional Items (continued)

The current year exceptional items constitute an impairment of the care home, Foxton Grange which was closed in February 2021 £1,903,000, the impairment of the assets of a retirement living site where MHA wish to dispose of assets between the book value of £2,000,000, impairing the assets by £3,267,000; and a self-provision for insurance following the withdrawal of provision by our insurers' £500,000.

The prior year exceptional items constitute £295,000 costs relating to the termination of new housing management system project and £223,000 deferred tax asset transferred following the hive-up of assets from the Silk Group which was no longer recoverable.

9. Operating lease commitments

	2021 Total £'000	2020 Total £'000
Operating leases		
The following lease payments were made during the year in respect of operating leases:		
Land and buildings	11,866	11,820

	2021 Land & Buildings Total £'000	2020 Land & Buildings Total £'000
At 31 March the Group and Charity had commitments under non-cancellable operating leases as follows:		
- expiring in one year or less	12,014	11,607
- expiring in one to two years	12,014	11,607
- expiring in two to five years	36,042	34,821
- expiring in more than five years	213,778	218,709
	273,848	276,744

10. Analysis of staff costs and remuneration of key management personnel

	2021 Number	2020 Number
Average monthly number employed		
Care Homes	4,810	4,796
Retirement Living	781	798
MHA Communities	123	133
Office staff	347	289
	6,061	6,016

10. Analysis of staff costs and remuneration of key management personnel (continued)

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 922 (2020: 1,038). The use of zero hour contracts for care staff allows the employee the flexibility to control their work preferences.

	2021 £'000	2020 £'000
Group staffing costs		
Wages and salaries	131,382	129,617
Social security costs	10,023	9,878
Other pension costs		
- Defined benefit pension costs (note 26)	121	242
- Defined contribution pension costs	3,660	3,731
	145,186	143,468

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 £1,002,989 (2020: £992,000). The employer's pension contribution for the key management personnel staff was £49,984 (2020: £57,000).

The key management personnel of the Group are all remunerated from the parent Charity. These comprise the Leadership Team listed on page 30 of the financial statements. The total employee benefits of the Executive Leadership Team of the Charity were £Nil (2020: £Nil).

The number of Directors who received reimbursement for the cost of travel to and from meetings was 3 (2020: 7). The cost of travel expenses reimbursed was £2,000 (2020: £5,000). During the year an insurance premium of £8,848 (2020: £9,000) 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. 91 (2020:87) employees earned over £60,000 in the year excluding pension contribution within the following bands:

	2021 Number	2020 Number
Between £60,001 and £70,000	56	45
Between £70,001 and £80,000	19	29
Between £80,001 and £90,000	6	4
Between £90,001 and £100,000	2	2
Between £100,001 and £110,000	2	1
Between £110,001 and £120,000	2	2
Between £120,001 and £130,000	1	2
Between £130,001 and £140,000	2	1
Between £140,001 and £150,000	-	-
Between £150,001 and £160,000	-	-
Between £160,001 and £170,000	-	-
Between £170,001 and £180,001	-	-
Between £180,001 and £190,000	-	-
Between £190,001 and £200,000	1	-
Between £200,001 and £210,000	-	1
Between £210,001 and £220,000	-	-

10. Analysis of staff costs and remuneration of key management personnel (continued)

173 (2020:87) employees were members of the defined contribution pension scheme.

Included in staff costs are £887,000 of redundancy payments made to employees on termination of employment following a restructure of staff as a result of the Covid-19 pandemic and the closure of a care home. Redundancy costs are accounted for on an accruals basis with no unpaid commitments carried forward at the balance sheet date.

11. Net (losses)/gains on investment

11.a Net (losses)/gains on investments (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
Unrealised (losses)/gains	-	57	(12)	45	(30)
	-	57	(12)	45	(30)

11.b Net gains/(losses) on investments (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Unrealised gains/(losses)	(1)	(47)	18	(30)	36
	(1)	(47)	18	(30)	36

12. Intangible Fixed Assets

12.a Intangible Fixed Assets (current year)

Group	Customer relationships £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 April 2020	2,782	379	497	3,658
Transfer of expenditure between category	-	-	784	784
At 31 March 2021	**2,782**	**379**	**1,281**	**4,442**
Accumulated amortisation				
At 1 April 2020	2,782	379	232	3,393
Amortisation charge	-	-	155	155
At 31 March 2021	**2,782**	**379**	**387**	**3,548**
Net Book Value				
At 31 March 2021	-	-	**894**	**894**
At 31 March 2020	-	-	265	265

12. Intangible Fixed Assets (continued)

Amortisation charges of £155,000 have been recognised in other expenditure.

12.b Intangible Fixed Assets (prior year)

Group	Customer relationships	Goodwill	Software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2019	2,782	379	497	3,658
At 31 March 2020	**2,782**	**379**	**497**	**3,658**
Accumulated amortisation				
At 1 April 2019	2,782	379	66	3,227
Amortisation charge	-	-	166	166
At 31 March 2019	**2,782**	**379**	**232**	**3,393**
Net Book Value				
At 31 March 2020	**-**	**-**	**265**	**265**
At 31 March 2019	-	-	431	431

12. Intangible Fixed Assets (continued)

12.c Intangible Fixed Assets (current year)

Company		Software	Total
		£'000	£'000
Cost			
At 1 April 2020		497	497
Transfer of expenditure between category	784	784	
At 31 March 2021		**1,281**	**1,281**
Accumulated amortisation			
At 1 April 2020		232	232
Amortisation charge		155	155
At 31 March 2021		**387**	**387**
Net Book Value			
At 31 March 2021		**894**	**894**
At 31 March 2020		265	265

12.d Intangible Fixed Assets (prior year)

Company	Software	Total
	£'000	£'000
Cost		
At 1 April 2019	497	497
At 31 March 2020	**497**	**497**
Accumulated amortisation		
At 1 April 2019	66	66
Amortisation charge	166	166
At 31 March 2020	**232**	**232**
Net Book Value		
At 31 March 2020	**265**	**265**
At 31 March 2019	431	431

13. Tangible Fixed Assets

13.a Tangible Fixed Assets (current year)

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Cost / valuation							
1 April 2020	266,544	37,671	189,508	7,019	32,191	11,018	543,951
Additions during the year	1,153	-	1,512	-	449	2,326	5,440
Completions during the year	6,315	-	3,971	-	568	(11,553)	(699)
Disposals during the year	(7,337)	-	(4,241)	-	(120)	-	(11,698)
Impairment during the year	(2,027)	-	(3,354)	-	(154)	-	(5,535)
Transfer between category	(314)	315	-	-	-	(1)	-
31 March 2021	**264,334**	**37,986**	**187,396**	**7,019**	**32,934**	**1,790**	**531,459**
Accumulated depreciation / impairment							
1 April 2020	39,739	7,528	29,460	1,071	18,434	-	96,232
Charge for the year	5,527	906	4,077	168	2,017	-	12,695
On disposals	(116)	-	(349)	-	(74)	-	(539)
Impairment	(221)	-	(87)	-	(56)	-	(364)
Transfer between category	(19)	19	-	-	-	-	-
31 March 2021	**44,910**	**8,453**	**33,101**	**1,239**	**20,321**	**-**	**108,024**
Net book value							
31 March 2021	219,424	29,533	154,295	5,780	12,613	1,790	423,435
31 March 2020	226,805	30,143	160,048	5,948	13,757	11,018	447,719

13. Tangible Fixed Assets (continued)

13.b Tangible Fixed Assets (prior year)

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Cost / valuation							
1 April 2019	275,046	37,672	179,790	9,832	30,610	675	533,625
Additions during the year	1,825	-	3,334	-	1,026	10,710	16,895
Completions during the year	-	-	-	-	(8)	-	(8)
Disposals during the year	-	-	(6,189)	-	(77)	-	(6,266)
Impairment during the year	-	-	-	-	-	(295)	(295)
Transfer between category / company	(16,191)	9,303	6,468	572	(76)	(76)	-
31 March 2020	**260,680**	**46,975**	**183,403**	**10,404**	**31,475**	**11,014**	**543,951**
Restatement	5,864	(9,304)	6,105	(3,385)	716	4	-
31 March 2020 restated	**266,544**	**37,671**	**189,508**	**7,019**	**32,191**	**11,018**	**543,951**
Accumulated depreciation / impairment							
1 April 2019	35,847	6,627	23,989	903	15,770	-	83,136
Charge for the year	5,569	864	4,077	166	3,049	-	13,725
Impairment	-	-	-	-	-	-	-
On disposals	-	-	(529)	-	(77)	-	(606)
Transfer between category / company	(624)	626	(51)	28	(2)	-	(23)
31 March 2020	**40,792**	**8,117**	**27,486**	**1,097**	**18,740**	**-**	**96,232**
Restatement	(1,053)	(589)	1,974	(26)	(306)	-	-
31 March 2020 restated	**39,739**	**7,528**	**29,460**	**1,071**	**18,434**	**-**	**96,232**
Net book value							
31 March 2020	**219,888**	**38,858**	**155,917**	**9,307**	**12,735**	**11,014**	**447,719**
Restatement	6,917	(8,715)	4,131	(3,359)	1,022	4	-
31 March 2020 restated	**226,805**	**30,143**	**160,048**	**5,948**	**13,757**	**11,018**	**447,719**
31 March 2019	239,199	31,045	155,801	8,929	14,840	675	450,489

13. Tangible Fixed Assets (continued)

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 £64,000 (2020: £295,000).

The current year impairments relate to Foxton Grange which was closed in February 2021 £1,903,000; the impairment of the assets of a retirement living site where MHA wish to dispose of the assets £3,267,000;

The prior year impairments relate to a write off of costs relating to the termination of a project. Further detail can be found in note 8.

During the year ended 31 March 2021, the Directors determined that certain asset transfers made in the prior period should be reassessed to achieve a more appropriate classification and the prior period closing balances for fixed asset cost, accumulated depreciation and net book value by category have been restated for this reassessment. FRS 102 requires the accounts to be corrected for the earliest period that is practicable which per the movement schedule is 1 April 2019. Due to the initial reclassification exercise taking place during the year-ended 31 March 2020, it is not considered practicable to restate the 1 April 2019 balances and as such, a restatement has been made to the 31 March 2020 amounts only. The restatement has impacted the fixed asset cost and accumulated depreciation within a number of categories of assets, as presented in the movement schedule above. There was no impact to the total cost, total accumulated depreciation or total net book value for fixed assets as a result of this change.

The net book value at 31 March 2021 represents fixed assets used for:

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Direct charitable purposes:							
Homes	219,424	29,533	-	-	9,921	808	259,686
Retirement Living	-	-	150,552	5,780	2,131	28	158,491
Support offices	-	-	3,743	-	561	954	5,258
	219,424	**29,533**	**154,295**	**5,780**	**12,613**	**1,790**	**423,435**

Included within our freehold land and buildings above is land of £51,587,000 (2020: £58,286,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £nil (2020: £Nil). The cumulative amount of capitalised interest included is £3,917,000 (2020: £3,917,000).

Included within freehold land and buildings is £nil (2020: £nil) of assets in the course of construction.

13. Tangible Fixed Assets (continued)

The net book value at 31 March 2020 represents fixed assets used for:

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Direct charitable purposes:							
Homes	226,805	30,143	-	-	11,152	5,974	274,074
Retirement Living	-	-	157,561	5,948	2,238	2,775	168,522
Support offices	-	-	2,487	-	367	2,269	5,123
	226,805	**30,143**	**160,048**	**5,948**	**13,757**	**11,018**	**447,719**

13. Tangible Fixed Assets (continued)

13.c Tangible Fixed Assets (current year)

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Cost / valuation							
1 April 2020	244,386	37,671	114,114	139	27,104	8,482	431,896
Additions during the year	1,089	-	949	-	292	2,148	4,478
Completions during the year	5,583	-	2,044	-	513	(8,839)	(699)
Disposals during the year	(7,337)	-	(3,902)	-	(120)	-	(11,359)
Impairment during the year	(2,027)	-	(3,354)	-	(154)	-	(5,535)
Transfer between category / company	(314)	315	-	-	-	(1)	-
31 March 2021	**241,380**	**37,986**	**109,851**	**139**	**27,635**	**1,790**	**418,781**
Accumulated depreciation / impairment							
1 April 2020	37,542	7,528	17,273	23	15,589	-	77,955
Charge for the year	5,040	906	2,235	3	1,680	-	9,864
Impairment	(221)	-	(87)	-	(56)	-	(364)
On disposals	(116)	-	(297)	-	(74)	-	(487)
Transfer between category / company	(19)	19	-	-	-	-	-
31 March 2021	**42,226**	**8,453**	**19,124**	**26**	**17,139**	**-**	**86,968**
Net book value							
31 March 2021	**199,154**	**29,533**	**90,727**	**113**	**10,496**	**1,790**	**331,813**
31 March 2020	206,844	30,143	96,841	116	11,515	8,482	353,941

13. Tangible Fixed Assets (continued)

13.d Tangible Fixed Assets (prior year)

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Cost / valuation							
1 April 2019	246,021	37,672	110,192	2,952	25,698	599	423,134
Additions during the year	1,745	-	2,492	-	904	8,178	13,319
Completions during the year	-	-	-	-	(8)	-	(8)
Disposals during the year	-	-	(4,226)	-	(23)	-	(4,249)
Impairment during the year	-	-	-	-	-	(295)	(295)
Transfer between category / company	(9,243)	9,303	(557)	572	(80)	-	(5)
31 March 2020	**238,523**	**46,975**	**107,901**	**3,524**	**26,491**	**8,482**	**431,896**
Restatement	5,863	(9,304)	6,213	(3,385)	613	-	-
31 March 2020 restated	**244,386**	**37,671**	**114,114**	**139**	**27,104**	**8,482**	**431,896**
Accumulated depreciation / impairment							
1 April 2019	32,743	6,627	14,889	21	13,283	-	67,563
Charge for the year	5,093	864	2,221	-	2,637	-	10,815
Impairment	-	-	-	-	-	-	-
On disposals	-	-	(374)	-	(24)	-	(398)
Transfer between category / company	(624)	626	(53)	28	(2)	-	(25)
31 March 2020	**37,212**	**8,117**	**16,683**	**49**	**15,894**	**-**	**77,955**
Restatement	330	(589)	590	(26)	(305)	-	-
31 March 2020 restated	**37,542**	**7,528**	**17,273**	**23**	**15,589**	**-**	**77,955**
Net book value							
31 March 2020	**201,311**	**38,858**	**91,218**	**3,475**	**10,597**	**8,482**	**353,941**
Restatement	5,533	(8,715)	5,623	(3,359)	918	-	-
31 March 2020 restated	**206,844**	**30,143**	**96,841**	**116**	**11,515**	**8,482**	**353,941**
31 March 2019	213,278	31,045	95,303	2,931	12,415	599	355,571

13. Tangible Fixed Assets (continued)

As part of a new system implementation for the management of fixed assets a detailed review and classification exercise was undertaken resulting in reclassification of assets between categories shown in Transfer between category/company.

The net book value at 31 March 2021 represents fixed assets for:

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Direct charitable purposes:							
Homes	199,154	29,533	-	-	9,625	808	239,120
Retirement Living	-	-	86,984	113	310	28	87,435
Support offices	-	-	3,743	-	561	954	5,258
	199,154	29,533	90,727	113	10,496	1,790	331,813

Included within freehold land and buildings above is land of £44,399,000 (2020: £51,098,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £nil (2020: £Nil). The cumulative amount of capitalised interest included is £3,813,000 (2020: £3,813,000).

Included within our freehold land and buildings is £nil (2020: £nil) of assets in the course of construction.

13. Tangible Fixed Assets (continued)

The net book value at 31 March 2020 represents fixed assets for:

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'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
Direct charitable purposes:							
Homes	206,844	30,143	-	-	10.858	5,311	253,156
Retirement Living	-	-	94,354	116	290	902	95,662
Support offices	-	-	2,487	-	367	2,269	5,123
	206,844	30,143	96,841	116	11,515	8,482	353,941

14. Capital Commitments

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Expenditure contracted, less certified	624	2,443	599	2,245

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 2021. 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.

15. Investments

15.a Investments - Group and Company (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2021 Total £'000	2020 Total £'000
1 April 2020	88	451	776	1,315	1,316
Additions during the year	-	-	-	-	29
Net (loss)/gain on revaluation	-	57	(12)	45	(30)
31 March 2021	88	508	764	1,360	1,315
The securities represent:					
Methodist Church Central Finance Board:					
Equity fund units	-	400	-	400	342
Fixed interest fund units	88	108	764	960	973
31 March 2021	88	508	764	1,360	1,315

15.b Investments - Group and Company (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
1 April 2019	59	499	758	1,316	1,180
Additions during the year	29	-	-	29	100
Net gain/(loss) on revaluation	-	(48)	18	(30)	36
31 March 2020	88	451	776	1,315	1,316
The securities represent:					
Methodist Church Central Finance Board:					
Equity fund units	-	342	-	342	392
Fixed interest fund units	88	109	776	973	924
31 March 2020	88	451	776	1,315	1,316

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).

16. Debtors

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	8,276	7,003	7,384	6,458
Due from group undertakings	-	-	23,062	21,104
Other debtors	791	583	737	549
Prepayments and accrued income	4,520	7,235	4,457	7,228
	13,587	14,821	35,640	35,339

Amounts receivable from Group undertakings comprise a formal loan of £3,500,000 (2020: £3,500,000) which is interest bearing at a rate of 1% per annum (2020: 1%) unsecured and repayable on demand, and £19,562,000 (2020: £17,604,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand.

17. Creditors: Amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans – principal and interest	1,780	2,035	1,529	1,789
Trade creditors	4,898	3,754	4,899	3,752
Charges and rents in advance	3,219	5,622	3,112	5,473
Deferred Income – buy back properties	424	610	301	457
Unpaid pension contributions	986	1,111	971	1,086
Taxation and social security	4,826	4,525	4,685	4,396
Other creditors	13,942	13,277	12,338	11,673
Accruals and deferred income	9,055	12,122	8,246	11,216
	39,130	43,056	36,081	39,842

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

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Derivative financial instruments	4,938	6,006	4,938	6,006
Loans:				
- Between one and two years	2,035	1,909	1,781	1,661
- Between three and five years	76,848	6,450	76,148	5,735
- In five years or more	15,412	87,849	12,771	84,965
Less loan arrangement fees	(396)	(527)	(396)	(527)
	93,899	95,681	90,304	91,834
Unamortised grants – deferred income:				
- Between one and two years	991	991	-	-
- Between three and five years	2,821	2,894	-	-
- In five years or more	11,471	12,389	-	-
	15,283	16,274	-	-
Deferred Income – buy back properties:				
- Between one and two years	294	483	186	354
- Between three and five years	365	551	103	281
- In five years or more	134	140	34	23
	793	1,174	323	658
Total	114,913	119,135	95,565	98,498

The loans are secured on certain Care Home and housing properties, representing 51% of the value of Freehold Land and Buildings (2020:51%) with a Net Book Value of £145,395,000 (2020: £149,493,000). The interest rates payable on these loans, plus the short-term loans of £1,780,000 (2020: £2,035,000), are as detailed below, confirming the drawn down amounts as at 31 March 2021, the interest rate and the respective terms.

Company £'000

- £70,000 is payable at LIBOR plus a margin of 2.2% until March 2025
- £22,361 is payable at LIBOR plus a margin 0.8% until December 2030

£92,361 **Company total**

Subsidiaries £'000

- £1,415 is a variable rate of 0.5% until April 2033.
- £1,210 is a variable rate of 0.5% until May 2033.
- £88 is fixed at a rate of 4.5% until 1 January 2024
- £1,132 is fixed at a rate of 10.7% until 31 March 2049

£3,845 **Subsidiaries total**

£96,206 **Group total**

18. Creditors: Amounts falling due after more than one year (continued)

Below are the drawn down amounts as at 31 March 2020, the interest rate and the respective terms.

Company £'000

- £70,000 is payable at LIBOR plus a margin of 2.2% until March 2025
- £24,282 is payable at LIBOR plus a margin 0.8% until December 2030

£94,282 **Company total**

Subsidiaries £'000

- £2,840 is payable at LIBOR plus a margin of 0.5% until 31 December 2021
- £116 is fixed at a rate of 4.5% until 1 March 2023
- £1,138 is fixed at a rate of 10.7% until 31 March 2049

£4,094 **Subsidiaries total**

£98,376 **Group total**

Of the outstanding loan balance £70,000,000 (2020: £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 (2020: £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 2021 is a £4,938,000 liability (2020: £6,006,000 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 £1,068,000 (2020: loss of £1,371,000). This reflects the net of the fair value loss on derivatives of £1,198,000 (2020: loss of £2,266,000) and the losses recycled to bank loan interest of £1,207,000 (2020: losses recycled of £895,000). The amounts recycled to bank loan interest represent the cash paid on derivatives during the year.

19. Provisions for Liabilities

19.a Provisions for liabilities (current year)

	1 April 2020 £'000	Created on new transactions £'000	Charge for year £'000	Increase/ (release) in provision £'000	Utilisation of provision £'000	31 March 2021 £'000
Group						
Guarantee property buy-backs	42,203	1,719	10	-	(5,609)	38,323
Remediation provision	422	-	-	-	-	422
Retirement Living provision	1,728	-	-	187	-	1,915
Housing for Sale provision	783	-	-	(520)	(173)	90
Public Liability provision	-	500	-	-	-	500
	45,136	2,219	10	(333)	(5,782)	41,250
Company						
Guarantee property buy-backs	28,545	478	(36)	-	(3,898)	25,089
Retirement Living provision	1,728	-	-	187	-	1,915
Housing for Sale provision	783	-	-	(520)	(173)	90
Public Liability provision	-	500	-	-	-	500
	31,056	978	(36)	(333)	(4,071)	27,594

19.b Provisions for liabilities (prior year)

	1 April 2019 £'000	Created on new transactions £'000	Charge for year £'000	Increase/ (release) in provision £'000	Utilisation of provision £'000	31 March 2020 £'000
Group						
Guarantee property buy-backs	46,170	1,671	1,280	-	(6,918)	42,203
Remediation provision	422	-	-	-	-	422
Retirement Living provision	1,276	-	-	452	-	1,728
Housing for Sale provision	833	-	-	-	(50)	783
	48,701	1,671	1,280	452	(6,968)	45,136
Company						
Guarantee property buy-backs	32,426	129	784	-	(4,794)	28,545
Retirement Living provision	1,276	-	-	452	-	1,728
Housing for Sale provision	833	-	-	-	(50)	783
	34,535	129	784	452	(4,844)	31,056

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 nine years (2020: nine years). Provisions are discounted at the appropriate risk free rate. The relevant nine and five year government bond rates have been used depending on the remaining expected life of the individual commitments by property, these being 0.9% and 0.4% respectively (2020: 0.3% and 0.2%). The approximate effects of changes to the discount rate by 1% or a one year change to the buy-back commitment life has been sensitised and deemed not to have a material effect on the provision.

The remediation provision relates to ongoing works at Auchlochan village for planned refurbishment. It is expected to be settled in the next 12 months.

The Retirement Living provision relates to a possible outflow from a consultation process and is expected to be settled in the next 12 months.

The Housing for Sale provision relates to two onerous contracts at a retirement living scheme. The first relates to an onerous contract regarding the operational management of the site. During 2020/21 MHA have terminated this contract with effect from October 2021, the balance remaining at 31st March 2021 relates to the cost of operational services to that termination date. The second related to the purchase price of 'Put Option' properties that MHA bought in line with the contractual agreement where the purchase price of those properties was estimated to exceed the likely net sale proceeds. This transaction was completed in May 2019 when MHA took ownership of 14 apartments. This element of the provision has been released following a wider review of the valuation of the site and the subsequent impairment that has been booked in the current year.

The Public Liability Provision provides for the potential costs of future Covid-19 public liability claims following the withdrawal of provision by our insurers.

20. Financial instruments

Group

The Group has the following financial instruments:

	Note(s)	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	16	8,276	7,003
Other debtors and accrued income		130	2,684
		8,406	9,687
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	15	1,360	1,315
Financial liabilities measured at amortised cost:			
Trade creditors	17	(4,898)	(3,754)
Accruals		(6,347)	(9,446)
Loans (including interest)	17/18	(95,679)	(97,716)
Other creditors		(14,699)	(13,725)
		(121,623)	(124,641)
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	18	(4,938)	(6,006)

Company

The Company has the following financial instruments:

	Note(s)	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	16	7,384	6,458
Due from Group members	16	23,062	21,104
Other debtors and accrued income		25	2,645
		30,471	30,207
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	15	1,360	1,315
Financial liabilities measured at amortised cost:			
Trade creditors	17	(4,899)	(3,752)
Due to Group undertakings	17	-	-
Accruals		(5,850)	(8,892)
Loans (including interest)	17/18	(91,833)	(93,623)
Other creditors		(13,688)	(12,730)
		(116,270)	(118,997)
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	18	(4,938)	(6,006)

20. Financial instruments (continued)

Derivative financial instruments

The Group has entered into interest rate swaps to mitigate the risk from future rate movement. The fair value of the interest rate swaps as at 31 March 2021 is £4,938,000 (2020: £6,006,000). The fair values of the assets and liabilities held at fair value through the Statement of Financial Activities at the Statement of Financial Position date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. These instruments are included within cash flow hedge relationships.

21. Share Capital

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

22. Endowment Funds

22.a Endowment funds (current year)

	Movement in Funds						
Group and Company	1 April 2020	Incoming	Outgoing	(Losses)/gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H D Clarke Memorial	952	6	(2)	(12)	-	-	944
Redcroft Residential Home	68	1	-	-	-	-	69
	1,020	7	(2)	(12)	-	-	1,013

22.b Endowment funds (prior year)

	Movement in Funds						
Group and Company	1 April 2019	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H D Clarke Memorial	928	7	(1)	18	-	-	952
Redcroft Residential Home	67	1	-	-	-	-	68
	995	8	(1)	18	-	-	1,020

23. Restricted income funds

23.a Restricted income funds (current year)

Movement in Funds

Group

	1 April 2020 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2021 £'000
Care Homes	14,562	15,081	(14,735)	57	(92)	(487)	14,386
Retirement Living	4,910	632	(786)	-	(124)	240	4,872
Big Lottery Fund grant	-	192	(192)	-	-	-	-
MHA Communities	3,048	4,680	(4,838)	-	60	(31)	2,919
Amenity funds	1,815	572	(385)	-	-	-	2,002
Other	-	111	(111)	-	-	-	-
	24,335	21,268	(21,047)	57	(156)	(278)	24,179

23.b Restricted income funds (prior year)

Movement in Funds

Group

	1 April 2019 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2020 £'000
Care Homes	15,379	219	(990)	(47)	-	1	14,562
Retirement Living	5,050	-	(141)	-	-	1	4,910
Big Lottery Fund grant	-	211	(211)	-	-	-	-
MHA Communities	2,190	5,022	(4,164)	-	(6)	6	3,048
Amenity funds	1,658	676	(525)	-	6	-	1,815
	24,277	6,128	(6,031)	(47)	-	8	24,335

23. Restricted income funds (continued)

23.c Restricted income funds (current year)

Movement in Funds

Company

	1 April 2020	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Care Homes	14,562	14,793	(14,447)	57	(92)	(487)	14,386
Retirement Living	4,910	628	(782)	-	(124)	240	4,872
Big Lottery Fund grant	-	192	(192)	-	-	-	-
MHA Communities	3,048	4,681	(4,838)	-	60	(31)	2,920
Amenity funds	1,779	544	(373)	-	-	-	1,950
Other	-	111	(111)	-	-	-	-
	24,299	20,949	(20,743)	57	(156)	(278)	24,128

23.d Restricted income funds (prior year)

Movement in Funds

Company

	1 April 2019	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Care Homes	15,379	219	(990)	(47)	-	1	14,562
Retirement Living	5,050	-	(141)	-	-	1	4,910
Big Lottery Fund grant	-	211	(211)	-	-	-	-
MHA Communities	2,190	5,022	(4,164)	-	(6)	6	3,048
Amenity funds	1,652	647	(493)	-	6	(33)	1,779
	24,271	6,099	(5,999)	(47)	-	(25)	24,299

The 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 £192,000 (2020: £211,000) were received in the year to support MHA Communities Schemes.

24. Funds

24.a Funds (current year)

	Restricted Income Funds	Endowment Funds	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000
Group				
At 1 April 2020	24,335	1,020	277,173	302,528
Surplus for the year	278	(7)	5,961	6,232
Actuarial gain	-	-	(1,539)	(1,539)
Deficit on interest rate swaps	-	-	1,068	1,068
Transfers	(434)	-	434	-
At 31 March 2021	24,179	1,013	283,097	308,289

24.b Funds (prior year)

	Restricted Income Funds	Endowment Funds	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000
Group				
At 1 April 2019	24,277	995	261,618	286,890
Surplus for the year	50	25	14,969	15,044
Actuarial gain	-	-	1,965	1,965
Deficit on interest rate swaps	-	-	(1,371)	(1,371)
Transfers	8	-	(8)	-
At 31 March 2020	24,335	1,020	277,173	302,528

24.c Funds (current year)

	Restricted Income Funds	Endowment Funds	Merger Reserve	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000	£'000
Company					
At 1 April 2020	24,299	1,020	(3,132)	234,376	256,563
Surplus for the year	263	(7)	-	4,381	4,637
Actuarial gain	-	-	-	(1,539)	(1,539)
Deficit on interest rate swaps	-	-	-	1,068	1,068
Transfers of subsidiary	-	-	1,566	(1,566)	-
Transfers	(434)	-	-	434	-
At 31 March 2021	24,128	1,013	(1,566)	237,154	260,729

24. Funds (continued)

24.d Funds (prior year)

	Restricted Income Funds	Endowment Funds	Merger Reserve	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000	£'000
Company					
At 1 April 2019	24,271	995	(4,698)	222,218	242,786
Surplus/(loss) for the year	53	25	-	13,105	13,183
Actuarial gain	-	-	-	1,965	1,965
Deficit on interest rate swaps	-	-	-	(1,371)	(1,371)
Transfer of subsidiary	-	-	1,566	(1,566)	-
Transfers	(25)	-	-	25	-
At 31 March 2020	24,299	1,020	(3,132)	234,376	256,563

The company's loss before donations for the year to 31 March 2021 amounted to £539,000 (2020: profit of £9,200,000). The company's surplus after donations for the year to 31 March 2021 amounted to £4,637,000 (2020: surplus of £13,183,000) from a gross income of £228,871,000 (2020: £234,878,000).

25. Pensions and Similar Obligations

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 205 (2020: 320) 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) 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 2021. No adjustments have been made to measure the defined benefit obligation at the reporting date to their valuation.

25. Pensions and Similar Obligations (continued)

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

	2021	2020	2019	2018
	%pa	%pa	% pa	% pa
Inflation (CPI)	2.9%	1.7%	2.3%	2.2%
Inflation (RPI)	3.3%	2.7%	3.3%	3.2%
Rate of increase in salaries	0.0%	3.2%	3.8%	4.2%
Rate of increase for pensions in payment	2.3%	1.5%	1.8%	1.7%
Rate of increase for deferred pensions	3.3%	2.7%	3.3%	3.2%
Discount rate	2.1%	2.3%	2.4%	2.6%

Pensions accrued before 1 January 2000 for members who joined the scheme before 1 November 1998 are subject to guaranteed fixed increases of 5% (2020: 5%) per annum in deferment and in payment.
The current mortality assumptions used in the valuation of the pension liabilities were:

	2021	2020	2019	2018
Life expectancy	S1PA Year of birth CMI20 with a minimum improvement of 1.3% p.a. for males and 1.3% p.a. for females	S1PA Year of birth CMI19 with a minimum improvement of 1.3% p.a. for males and 1.0% p.a. for females	S1PA Year of birth CMI18 with a minimum improvement of 1.3% p.a. for males and 1.0% p.a. for females	S1PA Year of birth CMI16 with a minimum improvement of 1.5% p.a. for males and 1.3% p.a. for females

The assumed life expectations on retirement age 65 are:

	2021	2020	2019	2018
Pensioner currently aged 65:	Years	Years	Years	Years
Male	21.4	21.9	22.0	22.4
Female	23.4	23.7	23.7	24.0
Non-Pensioner currently aged 45:				
Male	22.7	23.2	23.4	23.8
Female	24.9	24.9	24.9	25.3

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.

25. Pensions and Similar Obligations (continued)

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 2021 £'000	Fair value 2020 £'000
Equities	7,020	6,668
Government bonds	34,274	33,729
Property	1,510	3,140
Other	22,443	19,829
Total market value of assets	65,247	63,366
Present value of scheme liabilities	(63,766)	(59,577)
Surplus/(deficit) in the scheme	1,481	3,789
Effect of asset ceiling	(1,481)	(3,789)
Net pension asset/(liability) under FRS102	-	-

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.

The last formal valuation of the scheme was performed as at 30 September 2018 by a professionally qualified actuary.

The actuary has confirmed that the existing contribution level can be reduced given the deficit which is forecast to be removed within 10 years.

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

	2021 £'000	2020 £'000
Expenses	(121)	(177)
Expected return on scheme assets	1,446	1,353
Interest on pension scheme liabilities	(1,341)	(1,418)
Net cost	(16)	(242)
Interest on effect of asset ceiling	(105)	-
Total cost	(121)	(242)

25. Pensions and Similar Obligations (continued)

Analysis of amount recognised as Actuarial gain/(loss)

	2021 £'000	2020 £'000
Actuarial (loss)/gain recognised in the Consolidated Statement of Financial Activities	(1,539)	1,965
Total (charge)/credit to Consolidated Statement of Financial Activities	(1,555)	1,723
Cumulative actuarial losses	(11,466)	(9,927)

Statement of Financial Position impact	2021 £'000	2020 £'000
Present value of funded obligations	(63,766)	(59,577)
Fair value of scheme assets	65,247	63,366
Surplus/(deficit) in the scheme at 31 March	1,481	3,789
Effect of asset ceiling	(1,481)	(3,789)
Net pension asset/(liability) under FRS102	-	-

Changes in the present value of the defined benefit obligation	2021 £'000	2020 £'000
Opening defined benefit obligation	59,577	59,946
Interest cost	1,341	1,418
Actuarial (gain)/loss	5,395	(39)
Net benefits paid	(2,547)	(1,748)
Closing defined benefit obligation	63,766	59,577

Changes in fair value of plan assets	2021 £'000	2020 £'000
Opening fair value of plan assets	63,366	56,431
Interest Income	1,446	1,353
Actuarial gain	1,443	5,715
Contributions by employer	1,660	1,792
Net benefits paid	(2,547)	(1,748)
Expenses	(121)	(177)
Closing fair value of plan assets	65,247	63,366
Return on plan assets	2,889	7,068

25. Pensions and Similar Obligations (continued)

(ii) The previous Growth Plan 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 2018 showing a funding level of 74%. Additional contributions of £55,000 (2020: £76,000) were paid during the year.

(iii) The contribution by the Group to the defined benefit scheme paid during the year amounted to £1,660,000 (2020: £1,792,000). Further payments will be made in future years to further reduce the pension deficit shown in the last tri-annual valuation.

(iv) The current growth plan is a multi-employer defined contribution scheme. Contributions paid during 2020/21 in respect of the defined contribution scheme were £553,000 (2020: £603,000).

(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 contributed 3% of pensionable pay for all those included in the scheme from 1 April 2013. The contributions for the year were £3,263,000 (2020: £2,686,000).

26. Notes to the Cash Flow Statement

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

	2021	2020
	£'000	£'000
Net income	6,232	15,044
Unrealised losses/(gains) on investment	(45)	30
Investment income	(160)	(285)
Release of capital grants	(991)	(1,021)
Interest charge	3,546	3,730
Profit on sale of Retirement Living Housing	5,161	(5,862)
Depreciation charges	12,695	13,725
Amortisation	(629)	166
Impairment of fixed assets	5,171	295
Defined benefit scheme pension contributions paid in the year	(1,660)	(1,792)
Defined benefit scheme pension cost charged in the year	121	242
Increase in debtors	1,234	(359)
(Decrease)/increase in creditors and provisions	(9,824)	(5,361)
Net cash provided by operating activities	20,851	18,552

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 £250,000 (2020: £244,000) 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.

26. Notes to the Cash Flow Statement (continued)

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

	2021	2020
	£'000	£'000
Increase in cash and cash equivalents	18,571	4,124
Cash movement in borrowings	2,036	3,756
Change in net funds resulting from cash flows	20,607	7,880
Change in net funds resulting from non-cash flows	-	(132)
Movement in net debt		
Net debt as at 1 April	(51,979)	(59,727)
Net debt as at 31 March	(31,372)	(51,979)

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

	1 April 2020	Cash flow	Non-cash changes	31 March 2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	45,735	18,571	-	64,306
Loans due within one year	(2,035)	2,036	(1,783)	(1,782)
Loans due after more than one year	(95,679)	-	1,783	(93,896)
	(51,979)	20,607	-	(31,372)

c) ii) Analysis of changes in net debt (prior year)

	1 April 2019	Cash flow	Non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	41,611	4,124	-	45,735
Loans due within one year	(2,241)	2,034	(1,828)	(2,035)
Loans due after more than one year	(99,097)	1,722	1,696	(95,679)
	(59,727)	7,880	(132)	(51,979)

27. 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.

	2021	2020
	£'000	£'000
Assets	72,188	71,808
Liabilities	(21,114)	(22,505)
Funds	51,074	49,303
Incoming resources	6,940	6,618
Resources expended	(5,169)	(5,170)
Movement in funds	1,771	1,448

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.

	2021	2020
	£'000	£'000
Assets	34,898	33,288
Liabilities	(38,413)	(36,627)
Funds	(3,515)	(3,339)
Incoming resources	7,347	9,801
Resources expended	(7,523)	(9,383)
Movement in funds	(176)	418

The two (2020: two) organisations are deemed to be subsidiaries of Methodist Homes by means of various intragroup agreements.

28. Related party transactions

The Charity has taken advantage of the exemption conferred by paragraph 33.1A of FRS102, 'related party transactions', that transactions with wholly controlled subsidiaries do not need to be disclosed.

The contribution by the Group to the defined benefit scheme paid during the year amounted to £1,660,000 (2020: £1,769,254).

During the financial year to 31 March 2021 one (2020: 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.

The related party transactions are as follows:

	2021	2020
	£'000	£'000
Transactions		
Pension scheme – Defined benefit	1,660	1,769
	1,660	1,769

	2021	2020
	£'000	£'000
Balances		
Pension scheme – Defined benefit	-	-
	-	-

29. Statement of Financial Activities for prior year

	Note(s)	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 £'000
Income and endowments from:					
Donations and legacies	2	1,576	2,643	-	4,219
Charitable activities					
Homes		200,673	180	-	200,853
Retirement Living		41,498	35	-	41,533
Live at Home		16	3,250	-	3,266
Other		1,082	-	-	1,082
Total charitable activities	3/6	243,269	3,465	-	246,734
Investments	4	257	20	8	285
Total		245,102	6,128	8	251,238
Expenditure on:					
Raising funds		714	-	-	714
Charitable activities					
Homes		186,733	1,449	-	188,182
Retirement Living		38,633	220	-	38,853
Live at Home		1,556	4,359	-	5,915
Other		1,927	3	1	1,931
Total charitable activities	6	228,849	6,031	1	234,881
Other		569	-	-	569
Total	5	230,132	6,031	1	236,164
Net (losses) on investments	11	(1)	(47)	18	(30)
Net income		14,969	50	25	15,044
Transfer between funds		(8)	8	-	-
Other recognised gains/(losses):					
Actuarial gains on defined benefit pension schemes	25	1,965	-	-	1,965
Other losses – interest rate swaps		(1,371)	-	-	(1,371)
Net movement in funds		15,555	58	25	15,638
Reconciliation of funds:					
Total funds brought forward		261,618	24,277	995	286,890
Total funds carried forward		277,173	24,335	1,020	302,528