Financial & Operating Performance

The organisation's main area of activity continues to be residential care, with income here accounting for 70% of turnover from social housing lettings.

Reflecting the experience of much of the UK social care sector, the organisation's residential care activity has been heavily impacted by the Covid-19 global pandemic. A number of homes saw an increase in the level of voids from April 2020 due to a significant reduction in the number of enquiries from those seeking to enter into residential care, with the two homes with the largest numbers of self-funding residents having been affected the greatest.

Residential care occupancy for the six months to the end of March 2020 was 80.9%. This overall rate included a rate of 62.7% at the organisation's Barnes Lodge Care Home with the third floor, of 34 beds, having opened at the start of the year to allow for the introduction of nursing care. Excluding Barnes Lodge, residential care occupancy for the first six months of the year was 92.1% with this an increase from the equivalent figure of 86.3% seen for the previous year.

Occupancy fell sharply across all homes, excluding only one, during the last six months of the year, with an overall occupancy rate across this period of 72.9%. Excluding Barnes Lodge, where occupancy fell to 51.9%, occupancy across the remaining four homes was 85.4%.

The majority of this fall in occupancy has been seen within the self-funding market, with the proportion of beds that are occupied by residents who are responsible for funding their own care having fallen to 56.2% from 66.8% at the start of the year.

Despite the pandemic, demand for the organisation's housing has remained good. Occupancy in extra care housing schemes has remained high throughout the year, with an overall rate across all three schemes of 97.9%, albeit this dipped slightly during the summer with the suspension of lettings due to the pandemic.

The organisation's occupancy rate for its supported housing schemes was 89.6%, with this an increase from the rate of 83.6% seen in the previous year. Excluding one scheme, where a number of rooms became empty during the height of the pandemic and could not be re-let due to the national restrictions; occupancy across the two remaining schemes was 94.5%.

The financial statements show a surplus for the year of £801,003 before any transfers from reserves. Included in this figure is a £1,292,767 surplus on the disposal of fixed assets, with this relating to the sale of six properties as part of the organisation's asset disposal programme. These included five former supported housing properties and a single terraced property, which had been closed due to concerns regarding their financial viability.

The operating results for the year show a deficit of £171,256, with this a significant reduction from the operating surplus of £395,202 for the previous year. Within this figure however is a surplus of £239,689 in respect of Older Persons Shared Ownership (OPSO) property sales. These sales relate solely to the organisation's extra care housing scheme in Tonbridge, with the bulk of these completing in the prior year. The last of the Tonbridge properties was sold in December 2019.

Unfortunately, the delay in the completion of the organisation's extra care housing scheme in Wateringbury to November 2020, meant that the forecast property sales here also slipped into the next financial year. Excluding the surplus from property sales, the underlying operating deficit was £410,944, with this an improvement from the equivalent deficit of £550,180 seen in the prior year. The bulk of this deficit was attributable to the care homes, although reflecting an improvement on the previous year despite the impact of the pandemic over the last six months. This is due to the occupancy improvements seen during the first six months including the successful introduction of nursing care at Barnes Lodge, with performance here significantly higher than that anticipated.

The organisation welcomes residents from all backgrounds. In particular, the organisation believes it is important that access to accommodation is not restricted to those who can afford to pay its fees. All the organisation's housing rents are set in accordance with guidance from the housing regulator on social and affordable rents. Subject to their own personal circumstances, many of those who benefit from our supported housing, extra care housing and domiciliary care services also receive subsidy from a local authority towards their costs.

As at the end of the financial year, 63% of all of the organisation's residential accommodation, including both residential care and housing, was either occupied by, or available to, those who are unable to meet the cost of such accommodation from their own means. Completion of the organisation's extra care housing scheme, Meadow View Court, in November 2020 saw this figure increasing to 67%.

As at the end of the financial year, 44% of residents within organisation's care homes were in receipt of subsidy from a local authority towards the payment of their fees. This compares to the equivalent figure of 33% seen at the end of September 2019, with the increase reflecting the reduction in the number of self-funding clients seeking to enter residential care during the Covid-19 global pandemic, which affected the UK from early March 2020.

Investing For the Future

From the organisation's beginnings over 50 years ago to the current day, the organisation's success has come from understanding the needs of our residents. The board recognise that the organisation's future care and support must therefore continue to be person-centred, as well as adaptable and staff, along with volunteers, must be competently trained and feel valued. Further, the organisation's environments need to reflect the expectations of older people who have to make the immensely difficult decision to leave their current home to live with us.

The year to September 2020 saw work continue on plans to redevelop the site of one of the organisation's former residential care home in Wateringbury, in the Borough of Tonbridge and Malling, as an extra care housing scheme. Supported by capital grant funding secured from Homes England, building works started on site in November 2018 with the scheme completing in late November 2020 - having been delayed from summer by the pandemic. The scheme includes 51 one and two bedroom apartments, with a mix of affordable rent, OPSO and market sale.

The pandemic has also delayed further work on the development of the organisation's next planned extra care housing scheme, again on another former care home site, in Kemsing, Sevenoaks. Supported by capital grant funding from Homes England, the completed scheme will provide 51 one and two bedroom apartments, with a mix of affordable rent, OPSO and market sale. Some pre construction works, including demolition of the former care home were completed during 2018. Subject to the receipt of identified loan funding, full building works are planned to start later in 2021**.**

Together, the Wateringbury and Kemsing schemes will provide an additional 102 extra care housing apartments, with 57 (56%) of these available as affordable units. As a condition of planning all the apartments will only be available, for rent or purchase, to those over 55 years of age with a minimum care need of three and a half hours a week.

Following completion of the Wateringbury scheme in November 2020, the organisation now provides accommodation and support to over 600 older persons, across six district/borough local authority areas, including one London Borough (Bromley), but mostly within the county of Kent, and one unitary local authority area, being Medway Council.

As part of the organisation’s strategic planning process, the operational and financial implications identified as part of all planned development and expansion works are modelled into the organisation’s longer term financial projections and business plan and used to shape the organisation’s overall financial strategy.

The focus of the organisation’s strategic plan, as reflected in the business plan, goes beyond simply ‘bricks and mortar’ and considers the sustainability of the market for its services, in terms of the changing housing and care needs and demands and aspirations of older people, including both those paying privately and those whose care needs are commissioned via a local authority. As such, the business plan is underpinned by the need to ensure that the organisation’s property portfolio is sustainable, both in terms of meeting housing and residential care needs and aspirations and that it is economically viable and ‘fit for purpose’.

Capital Structure

Prior to 2010, the organisation was financed largely from retained surpluses, some of which have arisen through the receipt of a number of legacies and donations, which are restricted as to their use.

In July 2009 the organisation developed its first five-year business plan (2008-2013), which was used primarily, to secure funding for its first extra care housing development, Watling Court, on the site of a former care home in Gravesend. Whilst the plan also included proposals for the future redevelopment of a number of the organisation’s other care home properties as extra care housing schemes, these were more aspirational and based on the assumption that the organisation would be able to secure further capital grant and additional loan funding to do so.

Funding for the Watling Court development was obtained from the then Homes and Communities Agency (now known as Homes England) in the form of a £5 million capital grant, with the balance being met by a private loan secured from Triodos Bank. The loan agreement with Triodos was completed in June 2010 and afforded a total of £7.65 million of loan funding, which was used to repay a previous loan with the NatWest bank, as well as to fund the Watling Court development. Some monies were also used to fund the extension of two of the organisation's existing care homes to provide an additional 15 residential care beds. As at 30th September 2020, the £7.65 million facility had been fully drawn down with a balance owing to Triodos of £5.3 million. It is due to be repaid, in full, by September 2035.

Further capital grant funding of £4.7m was subsequently secured from Homes England towards the development of a further two extra care housing developments. In October 2016, the organisation secured loan funding from Triodos towards the construction of the Lawson House Extra Care Housing Scheme in Larkfield. The funding obtained included access to a development finance facility to be drawn down during the construction period, plus a long-term loan of £5.5m, on completion of the scheme. The long-term loan was drawn in August 2018 and used to repay the previous development finance in full.

Access to additional long term funding of £3.14m for the Rosewell House Extra Care Housing Scheme in Tonbridge, plus a further development finance facility, was agreed with Triodos in January 2017. The long-term loan was drawn down on completion of the scheme in June 2018 with the development loan subsequently repaid in full in December 2018.

Alongside Homes England, capital funding of £1m loan funding for the development of the organisation's Wateringbury extra care housing scheme was secured from Triodos in November 2018. This loan funding provided access to a to a £4m development finance facility to be drawn down during the construction period, plus a long-term loan of £1.46m, which was drawn down, following completion of the scheme in December 2020. As at the end of September 2020, the £4m development facility had been drawn in full with repayments due to be made from the sale receipts of those properties developed for sale within the scheme. The total estimated sale values of these properties was £8.3m as at September 2020, with the first sale completing in December 2020.

The facilities agreed are subject to annual approval of the business plan and a satisfactory annual performance against agreed financial covenants including asset cover. Whilst these confirm a satisfactory performance in respect of both interest cover and loan to value covenants a breach is seen in respect of debt service cover although the extent of this is not significant. This breach is as a direct result of the financial impact of the ongoing global pandemic which has significantly reduced care home occupancy both within the organisation's own homes and throughout the care sector. Whilst the situation improved from September to December 2020, occupancy from January 2021 has fallen again as the country has moved into the second wave of the pandemic and this is likely to have an impact on the organisation's debt service covenant performance for the year ending September 2021.

Despite this performance within the organisation's extra care housing schemes has remained strong with occupancy for the full year of 97.9% across all three schemes. All rented units within the Meadow View Court scheme were let within two weeks of opening in December 2020 and interest in the sale units, although slowed a little by the pandemic and national restrictions, remains good.

Following the year-end, Triodos confirmed their credit approval for the debt servicing breach and issued a waiver letter confirming that they will not be taking any action as a result