

# Royal Hospital Chelsea Account 2014-15

# Royal Hospital Chelsea Account 2014-15

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## Officers and Commissioners

### Chairman of the Board of Commissioners

HM Paymaster General

### Ex-officio Commissioners

HM Paymaster General - Rt Hon F Maude MP (appointment ended 10 May 2015)

HM Paymaster General – Rt Hon M Hancock MP (appointed 11 May 2015)

Minister of State for the Armed Forces – Rt Hon M Francois MP (appointment ended 10 May 2015)

Minister of State for the Armed Forces – P Mordaunt MP (appointed 11 May 2015)

Minister for Defence Personnel, Welfare and Veterans – A Soubry MP (appointment ended 10 May 2015)

Minister for Defence Personnel, Welfare and Veterans – M Lancaster TD MP (appointed 11 May 2015)

Director Resources and Command and Secretary (Army) – D Stephens Esq

Director General of Army Medical Services – Major General E Carmichael MBE QHDS  
(appointment ended 31 August 2014)

Director General of Army Medical Services – Major General J Rowan OBE QHS (appointed 1 September 2014)

Assistant Chief of the General Staff – Major General DM Cullen OBE

Governor, Royal Hospital Chelsea – General Sir R Watt KCB KCVO CBE DL

### Specially Appointed Commissioners

M Waterson Esq CBE (Deputy Chairman)

S Corbyn Esq

A Titchmarsh Esq MBE VMH DL

J Fenwick Esq QC

Professor Lord Kakkar

FDS Rosier Esq

Mrs A Gillibrand

Dame B Monroe DBE

M Gallagher Esq (appointed 1 May 2014)

Charles Lewington Esq OBE (appointed 1 May 2014)

D McDonough Esq OBE (appointment ended 30 April 2014)

Professor Dame Janet Husband DBE FMedSci FRCP FRCR (appointment ended 31 July 2014)

### Accounting Officer and Chief Executive Officer

Major General APN Currie CB CBE (appointment ended 31 July 2014)

Major General D McDowall CBE (1 August 2014 – 27 July 2015)

### **Secretary**

PWD Hatt Esq (also Accounting Officer from 21 September 2015)

### **Registered address**

Royal Hospital Chelsea  
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London SW3 4SR  
Web site: [www.chelsea-pensioners.org.uk](http://www.chelsea-pensioners.org.uk)  
Telephone: 0207 881 5200

### **Auditors**

The Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road

	London SW1W 9SP
<b>Subsidiary auditors</b>	PKF Littlejohn LLP 1 Westferry Circus London E14 4HD
<b>Internal auditors</b>	Crowe, Clarke, Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Legal advisers</b>	Taylor Wessing 5 New Street Square London EC4A 3TW  Boodle Hatfield 89 New Bond Street London W1S 1DA  Wolters Kluwer 145 London Road Kingston upon Thames KT2 6SR
<b>Investment manager</b>	Sarasin & Partners LLP Juxon House 100 St. Paul's Churchyard London EC4M 8BU
<b>Chartered surveyors</b>	Savills (UK) Limited 33 Margaret Street London W1G 0JD
<b>Property maintenance</b>	Norland Managed Services Ltd 57 Southwark Street London SE1 1RU
<b>Bankers</b>	Barclays Bank plc 1 Churchill Place London E14 5HP  Santander UK plc 2 Triton Square Regent's Place London NW1 3AN

# Annual Report of the Commissioners

## Introduction

The Royal Hospital Chelsea (RHC) was founded by King Charles II in 1682 “as a place of refuge and shelter for such Land Soldiers as are or shall be old, lame or infirm in the service of the Crown”. Sir Christopher Wren was entrusted with the design of the building and it was ten years later, in the spring of 1692 that the first In-Pensioner took up residence. It provides the same care today and plans to continue to do so.

This report should be read in conjunction with the Governance Statement on page 12 which outlines in detail the structure and governance of the RHC and its Board.

## Governing documents and charitable objectives

The RHC’s governing document consists of Letters Patent from the Crown, which vest responsibility for its management in a Board of Commissioners. The current Letters Patent were issued on 21 November 2003. The Hospital’s governance arrangements are similar to those of registered charities, and it aims to operate according to best practice for charitable bodies as set out by the Charity Commission. The Hospital is not registered with the Charity Commission, but is recognised as having Charitable Status by HMRC (reference number X8366).

The two principal objectives of the RHC are the care of the In-Pensioners and the conservation of its historic buildings and grounds. The Hospital receives an annual grant (known as ‘Grant in Aid’) from the Ministry of Defence towards the cost of caring for the In-Pensioners (who surrender their army pensions on admission). The grant is governed by a financial framework document signed on 21 October 2014. In-Pensioners not in receipt of an army pension, or whose pensions are very small, pay top-up charges on a sliding scale dependent upon their income. This income is recorded under “other incoming resources” in the Statement of Financial Activities.

The Grant in Aid covers a large part, but by no means all, of the costs of medical care for In-Pensioners, staff costs and other welfare costs. It also covers maintenance of the RHC’s buildings and the cost of fuel and lighting, food, furniture, and clothing.

The Grant in Aid does not cover the cost of major capital projects or the upkeep of the grounds. These costs are paid out of the Army Prize Money and Legacy Fund, a separate fund held by the Commissioners. That fund also provides additional support to the In-Pensioners which could not reasonably be expected to come from public funds, for example television services. It also pays for those maintenance and other running costs that are not covered by the Grant in Aid.

The RHC is staffed for 24-hours a day, 365 days of the year. There is always someone on hand to provide assistance for In-Pensioners if required. The Hospital has 239 staff (2014: 228) of whom 85 (2014: 80) are medical, nursing and care staff.

## Public benefit statement

The Commissioners have considered the Charity Commission’s general guidance on Public Benefit when reviewing the RHC’s aims and objectives and in planning its future activities.

The RHC provides sheltered accommodation for Army veterans aged 65 or over and has care home facilities (the Margaret Thatcher Infirmary) for use by former occupants of the sheltered accommodation, and for others who may, exceptionally, be admitted directly into Infirmary care. The Hospital provides every opportunity for residents to engage in a range of activities, as well as participating in representational and ceremonial activities and establishing constructive links with today’s soldiers and the wider veteran community. It also operates an outreach programme which works with other groups of veterans in need of support, including those who are in prison or homeless.

The Commissioners have agreed to modernise the In-Pensioners' accommodation so that it remains fit for purpose in the 21st Century, and to restore and maintain the heritage buildings and grounds. A programme to upgrade the Long Ward accommodation is well advanced and will be completed in the 2015-16 financial year. Further improvements to the estate have been endorsed by the Board and work is underway on improvements to the South Terrace and repairs to the roofs and the Prince of Wales Hall.

## Monitoring of performance

The Commissioners review the performance of the RHC at their quarterly meetings and in meetings of the six subordinate committees. At executive level the Management Board meets monthly to review performance against key performance indicators, corporate objectives, and to assess risk.

The Commissioners undertook a review of the corporate governance of the RHC designed to assess and improve the effectiveness of the Board's performance overseeing the work of the RHC as a whole. The outcome of this review was reported to the Commissioners in July 2015. The report found that the Hospital's governance procedures generally worked well but the corporate structure and some internal procedures were quite complex and would benefit from clarification and simplification.

## Employees

Employees are kept well informed of the performance and objectives of the Hospital through its Staff Consultation Group, regular staff bulletins and briefing by line management. Employees are given the opportunity to develop and progress according to their ability.

Appropriate policies are in place to ensure the Hospital complies with the Equality Act 2010 and that full and fair consideration is given to all applicants for all job vacancies.

## Volunteers

The Hospital relies greatly on help from volunteers. Many are private individuals who visit the Infirmary, take In-Pensioners out for trips and assist in accompanying In-Pensioners when they go to neighbouring hospitals. It has not been possible to put a value on the contribution of the Royal Hospital Chelsea's volunteers as the number of hours they put in is not formally recorded (and many do not wish this to be counted). Volunteers are, as appropriate, cleared to work with vulnerable adults.

## Future Strategy

The Hospital's high-level objectives – to provide care for the In-Pensioners and safeguard the heritage of the buildings and grounds – are expected to continue broadly unchanged. However the new Chief Executive Gary Lashko, who takes up his post in early 2016, is expected to lead a major review of internal structures and processes. The average age, and level of care needs, of new entrants to the Hospital is increasing. There is a need to ensure that the heritage buildings and grounds are maintained in the best possible way, that income is generated to support the care of the In-Pensioners and that there is an appropriate level of public access. The review process is expected to begin in early 2016.



# Review of achievements and performance for the year 2014-2015

## **Executive Summary 2014-15**

The changeover of Chief Executive Officers took place in August 2014. The reports from a series of formal audits conducted throughout the year provided clear evidence that the delivery of the RHC Mission and achievement of the High Level Standing Objectives have been accomplished in a successful manner, on time, and within budget. Progress has been made against the following corporate objectives:

### **Objective 1: Providing Additional Services**

Extra funding has been used to secure an increase in nursing and care staff to enable a more robust provision of domiciliary care to the Long Wards and to increase the capacity of nursing beds in the Infirmary. We have continued to work with the Royal British Legion (RBL) to provide a 'hub' for veterans on our campus. The hub is working well and is manned by RBL staff on a regular basis. In the meantime much continues to be done to help other charities including the Army Benevolent Fund (ABF) The Soldiers' Charity, Combat Stress, the Gurkha Welfare Trust and Gardening Leave. We have particularly strong links with Gardening Leave and they make use of ground space at the RHC. Links with SSAFA (formerly the Soldiers, Sailors, Airmen and Families' Association) are healthy and we support each of their caseworker courses and have admitted In-Pensioners into the RHC through this link.

### **Objective 2: Long Ward modernisation programme**

The project has continued at pace throughout the year and work on the final phase, the West Wing and North West Pavilion, was completed within the agreed budget 7 months ahead of schedule with occupation in October 2015. A major addition to the project will provide for the whole of the lead roof on the West Wing and North West Pavilion to be replaced. The modernised accommodation continues to be strongly welcomed by the In-Pensioners. Once the West Wing is occupied it only remains for the temporary accommodation in Light Horse Court to be removed and the area reinstated.

### **Objective 3: Estate Development**

Work has continued over the past year to make solid inroads into the estate development plan. The Prince of Wales Yard project was completed on time and budget in December 2015. Planning permission has been granted for the South Terrace project with a contractor being identified and work started in July 2015 with a completion date of January 2016. A pre-planning application has been submitted for the proposed scheme to renovate the Soane Stable Block and its environs. The pavilion in Burton Court is being refurbished.

### **Objective 4: Safeguarding the heritage**

A major step forward in respect of safeguarding the Heritage of the RHC has been achieved by the formal appointment of a Heritage Manager. This role oversees the care and preservation of the RHC artefacts and art work and daily maintenance of heritage related matters. This coupled with major infrastructure work that has included the renovation of the lead roofs and refurbishment of the Great Hall has ensured that the heritage of the site is being safeguarded. Routine maintenance work continues in line with the Royal Hospital Chelsea Condition Survey and in the coming year we will examine what we need to do to preserve the original Wren brickwork.

**Objective 5: Internal efficiency**

Efforts continue to optimise effectiveness, efficiency and compliance for all activities carried out at the RHC, whilst maintaining a specific focus on the following areas:

- Work continues to drive down utility costs, and energy saving initiatives are under review constantly and introduced as appropriate. The modernised accommodation has seen both water and electricity consumption increase but we expect to see a major reduction in utility costs once the temporary accommodation is removed from Light Horse Court.
- Consumables. Efficient management and strict control in the Facilities Management area has sustained the annual cost of consumables at a level that is circa £100,000 a year lower than achieved in 2013-14. This includes items such as stationery, clothing, medical and general stores items.
- Accommodation. The hiring of available accommodation to visitors has continued to generate circa £15,000 a year.
- Increasing use of the nurse bank rather than agency staff to cover maternity leave has delivered efficiencies in the cost of manpower in the Margaret Thatcher Infirmary (MTI), where 2 part-time posts are also being left vacant. The time-consuming mandatory staff training programme is being delivered during working hours to avoid the cost of paying staff to attend on rest days.
- The marked improvements to the standard of catering have now been sustained over the past 3 years, with no increase in staffing and below inflation increases in the cost of consumables.

## **Other in-year priorities**

### **Further Developments in the provision of Care, Nursing and GP Services**

Care and Nursing: We continue to comply with CQC's new Fundamental Standards. We consistently strive to maintain our beacon status of excellence in elderly care and to demonstrate through best practice our unique model of care at the Royal Hospital.

GP Services: The partnership with Central Health has continued, and their facilities have been greatly enhanced during the reporting period. Future NHS income is unpredictable as a result of continuing policy and budgetary changes within the local NHS.

The Medical Centre achieved 476.6 points out of a total of 480 available points in the Quality Outcomes Framework assessment for 2014-15 – the practice cannot achieve the full 560 points due to its specific patient group.

### **Business development**

Fundraising: RHC Appeal saw an increase of income over budget expectations. This was largely thanks to receipt of a substantial legacy donation in the last quarter of the financial year. The 'Friends of the Royal Hospital Chelsea' ceased to be a separate charity and from 1 April 2015 forms part of the RHC Appeal's core fundraising activity. Additional resources have now been provided to increase voluntary income generated through pro-active fundraising appeals, corporate partnerships and increasing Friends membership numbers.

Events: The Events Department plus all commercial activities and the management of Burton Court moved in-year to the direct control of the Quartermaster. This reorganisation has resulted in a rebalancing of commercial activities with a formalised charging structure and a new charging regime for Burton Court. This reorganisation will allow the RHC to gauge the viability of its commercial activities and to measure what is compatible with our primary objective of providing a fitting home to the In-Pensioners.

### **Reputation**

The Royal Hospital Chelsea has received overwhelmingly positive media coverage this year, which largely centred on stories surrounding the First World War centenary and the 70th anniversary of D-Day. There was significant media coverage linked to commemorative events including the First World War Drumhead Service of Remembrance at the Royal Hospital Chelsea attended by HM The Queen, the Great War Centenary Parade and the Tower of London poppies where Chelsea Pensioners represented the wider veteran community. There were also several stories placed regarding fundraising for the Royal Hospital Chelsea, helping to raise awareness of the charitable status of the organisation and our Appeal. Our online presence has been further enhanced through improving our social media profiles and increasing our audience numbers and levels of engagement. Updated marketing literature was also produced for the Margaret Thatcher Infirmary and for Chelsea Pensioner admissions. We have established an in-house communications team to provide the resources necessary to support the marketing needs of all Royal Hospital Chelsea departments.

### **Contracts and leases**

The newly negotiated contract with the Royal Horticultural Society (RHS) for the Chelsea Flower Show has worked extremely well, as has regaining control of the South Grounds from the Royal Borough of Kensington and Chelsea. Formal leases and licences are now in place for all third parties who make use of facilities on our site, and this has proved to be highly beneficial to all parties. A tenants' schedule has also been established that allows for better management of all RHC property assets.

### **Charitable outreach**

Our charitable outreach programme has continued, including support to a night shelter and prison visits.

## Financial review and results for the year

The total funding received from the Ministry of Defence was £11,667,000 (2014: £11,452,000): Income from other sources, including fundraising activities, investments and donations was £8,117,000. (2014: £8,942,000). Total income was £19,784,000, a fall of some £610,000 (3%) on 2014. This is due to reduction of £1million in receipts from lease extension premiums, partly offset by increases in income from other sources.

Costs attributable to RHC's charitable activities were £19,104,000 (2014: £19,594,000), a fall of £490,000 (about 2.5%). Other costs were £2,353,000, (2014 £2,293,000), a fall of £60,000 (2.6%). Net outgoing resources were £1,673,000 (2014: £1,493,000). Taking into account other gains and losses – the largest of which was a gain of £6,240,000 on RHC's investment properties – the net movement in funds for the year was an increase of £6,843,000 (2014: £4,286,000).

At 31 March 2015 reserves stood at £621,812,000 (note 27).

Total funds donated through the Royal Hospital Chelsea Appeal Ltd Group amounted to £2,574,000 (2014: £2,651,000). Trading results of the subsidiaries are discussed below and further details are contained in note 10 to the accounts.

### Trading subsidiaries

#### **Royal Hospital Chelsea Appeal Ltd Group**

The Royal Hospital Chelsea Appeal Group consists of a holding company and two trading subsidiaries. The holding company, which is also a registered charity, is RHC Appeal Ltd. The two trading subsidiaries are Tricorne Trading Ltd and Chelsea Pensioner (Royal Hospital) Ltd. The subsidiaries donate their profits to the parent company, which in turn makes donations to the RHC.

At the end of the year Royal Hospital Chelsea Appeal Ltd Group held reserves of £1,691,000 (2014: £1,601,000) of which £6,000 (2014: £44,000) was restricted.

During the year the subsidiaries donated a total of £2,574,000 (2014: £2,651,000) to the Hospital.

#### **Gordon House (London) Ltd**

Gordon House (London) Ltd was incorporated in 2012-13 in order to assist the Commissioners of the Royal Hospital Chelsea with the sale of the lease of the property known as Gordon House, which was achieved in 2012-13. The subsidiary made a loss in 2014-15 and therefore has not gift-aided any of its income for the year to its parent undertaking the Royal Hospital Chelsea. The proceeds of the sale of the lease has been used for capital works at the Hospital, primarily the Long Ward modernisation programme.

### Pension liability

Although most of the employees of the Royal Hospital Chelsea are members of the Principal Civil Service Pension Scheme, some former Governors, Lieutenant Governors and Captains of Invalids are members of an unfunded defined benefit scheme which is paid out of current income. The scheme has 12 retired members (or their widows), and has been closed to new entrants. The scheme is a final salary scheme with benefits based on number of years' service and final salary. Under Financial Reporting Standard (FRS)17: Retirement Benefits, there is a pension liability of £372,000 (2014: £390,000) attributable to the Grant in Aid fund (see note 20).

### Reserves policy

The Royal Hospital Chelsea's available reserves are defined for the purposes of this policy as its unrestricted net current assets. This is because the total balance sheet reserves include non-cash items such as revaluation reserve and additionally carry restricted reserves that have a specific purpose.

As at 31 March 2015 the total balance sheet reserves stood at £621,812,000 (2014: £614,969,000). This amount includes a Revaluation Reserve of £328,257,000 (2014: £322,017,000). Also included in the above total are restricted funds of £14,678,000 (2014: £25,695,000) of which £14,506,000 (2014: £25,634,000) relates to the Gordon House Restricted Fund (including the revaluation of Gordon House). These funds are restricted under a S106 agreement with the Royal Borough of Kensington and Chelsea to use for heritage capital expenditure following the disposal of the Gordon House Leasehold. In the first instance they will be used to fund the balance of the Long Ward modernisation project, completion of which will take place in 2015-16. The balance of this restricted fund, which is available for other capital projects, is currently invested in a ring-fenced fund where it will remain until required.

Total group net current assets at the year-end equated to £23,301,000 (2014: £14,899,000). Of this, £14,506,000 (2014: £11,076,000) related to restricted Gordon House proceeds, £6,000 (2014: £44,000) related to Royal Hospital Chelsea Appeal Ltd Group restricted reserves and £165,000 (2014: £60,000) related to Army Prize Money and Legacy Fund restricted reserves. This leaves the Hospital with unrestricted net current assets of £8,624,000 (2014: £3,823,000) sufficient to cover approximately five months operating cash expenditure (2014: two months).

## Investment policy

The Board of Commissioners has set an investment policy with the objective of providing capital growth in real terms over the longer term. The RHC's investments are currently managed by Sarasin and Partners LLP and the bulk of the funds are held in Sarasin's Alpha Common Investment Fund for Endowments.

The Commissioners require their investment manager to pay attention to the level of risk, the suitability of the class of investment and the need for diversification insofar as appropriate to the circumstances of the Charity.

### Investment Objectives

- **Army Prize Money and Legacy Fund:** To achieve capital growth over the longer term with a medium level of risk. Dividend income will be re-invested.
- **Gordon House (designated capital expenditure) Fund:** To achieve capital growth over the medium term with a medium level of risk. Income from the portfolio will be paid over to the Army Prize Money and Legacy investment portfolio.
- **Income Fund:** To be invested on a short term basis to maximise income with no capital risk. This Fund will hold monies that will be required for capital investment in the short to medium term.

The RHC is not permitted to invest Grant in Aid funds. Further details on investments are contained in note 13 to the accounts.

## Tangible fixed assets

The RHC's operational land and buildings were professionally valued in March 2012. In accordance with the Royal Institution of Chartered Surveyors guidance, the valuation basis is depreciated replacement cost. This basis is intended to measure the value of the assets in their present location, use and condition. These assets are due to be fully revalued again in 2017 in line with the accounting policy contained in the notes to the accounts.

At the end of the financial year the operational land and buildings have a net book value of £467,474,000 (2014: £472,459,000). There are assets under construction of £17,469,000 (2014: £6,480,000) which relate to the on-going major refurbishment of the Long Wards and other refurbishment works to the Hospital's heritage buildings.

Investment property had a value of £70,300,000 (2014: £64,060,000) at the year-end.

In order to comply with FRS 30: Heritage Assets, exhibits were revalued in June 2011. The current value of exhibits is £15,835,000 (2014: £15,835,000). These assets are due to be valued again in 2016-17.

Plant machinery and equipment has a net book value of £2,631,000 (2014: £2,709,000) and vehicles have a net book value of £145,000 (2014: £124,000).

## Audit arrangements

The consolidated accounts of the Royal Hospital Chelsea were audited by the Comptroller and Auditor General in accordance with the Chelsea Hospital Act 1876. An audit fee of £40,000 has been charged for the group audit (2014: £40,000) and is included in Governance costs. No non-audit work was carried out by the auditor in 2014-15.

At the time of approving the Financial Statements, so far as the Commissioners and Accounting Officer are aware, there is no relevant audit information of which the auditors are unaware; and the Commissioners and Accounting Officer have taken all appropriate steps to make themselves aware of any relevant audit information and to establish that the external auditors are aware of that information.

## Change in Accounting Officer

On 4 August 2014, Major General D McDowall CBE was appointed CEO and Accounting Officer for Royal Hospital Chelsea. Maj Gen McDowall was succeeded as Accounting Officer by Paul Hatt Esq on 21 September 2015.

*Paul Hatt Esq*  
Secretary and Accounting Officer  
On behalf of the Board of Commissioners

13 January 2016

# Governance Statement

## Governance Framework

### Governing Documents

The RHC's governing document consists of Letters Patent from the Crown, the current Letters Patent having been issued on 21 November 2003. This vests responsibility for the management of the Hospital in a Board of Commissioners. The Paymaster General is formally the Chairman of the Board of Commissioners and Treasurer of the Hospital's funds although in practice the Governor invariably takes the Chair. The Hospital's governance arrangements are similar to those of registered charities, and it aims to operate according to best practice for charitable bodies as set out by the Charity Commission. The Hospital is, however, exempt from the need to register with the Charity Commission, but is recognised as having Charitable Status by HMRC (reference number X8366).

### Grant in Aid Framework Document

The RHC is an arms-length body linked to the Ministry of Defence and it receives Grant in Aid funding which is governed by a Financial Framework arrangement which outlines restrictions on the use of the funding and reporting requirements. This Framework includes the appointment of an Accounting Officer by letter of delegation from the Permanent Under-Secretary of the Ministry of Defence. The Accounting Officer is personally responsible for the reporting to Parliament on the proper and efficient use of the Grant in Aid funds. The Officer, with the Board of Commissioners, also has responsibility for maintaining a sound system of internal controls that supports the achievement of aims and objectives set by the Board.

The Financial Framework was revised on 21 October 2014. The Chief Executive Officer changed from Major General APN Currie CB CBE to Major General D McDowall CBE on 4 August 2014. Major General McDowall left on 27 July 2015.

The RHC's Secretary, Paul Hatt, was appointed Accounting Officer on 21 September 2015 pending the appointment of a new Chief Executive. As Secretary, and a former Accounting Officer, of the Hospital Mr Hatt is fully aware of all current issues affecting RHC's governance arrangements. In the light of this Mr Hatt has been able to form the reasonable view that the following paragraphs accurately reflect the governance of the RHC.

### Charity Accounting and reporting responsibilities

The Royal Hospital Chelsea complies in all material respects with the guidelines laid down in the Charities SORP 2005. To this end the Commissioners and the Accounting Officer are required to make a proper presentation of accounts for each financial year. The accounts are required to give a true and fair view of the state of affairs of the Charity at the year end, and of its incoming resources and application of resources for the financial year.

In preparing the accounts the Charity is required to:

- select suitable accounting policies, taking account of the relevant accounting and disclosure requirements and apply them consistently;
- observe the methods and principles of the Charities' SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards are being followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Commissioners and Accounting Officer are responsible for ensuring that satisfactory accounting records are kept which are to disclose, with reasonable accuracy, the financial position of the RHC at any time and to enable the Commissioners to ensure that the Financial Statements comply with the disclosure regulations and charity law. They are also responsible for safeguarding the Hospital assets and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

### **Register of Interests**

A register of Commissioners' and Management Board Members' relevant interests is maintained and updated at least annually. All Commissioners and Management Board Members are required to declare if they have an interest, pecuniary or otherwise, in any matter being considered by the Board or one of its committees and any relevant conflicts of interest are duly recorded as they arise. During the year under review the only interest declared was by Mr A Titchmarsh in relation to discussions surrounding the renewal of the Chelsea Flower Show contract with Royal Horticultural Society.

### **Organisational Structure, governance and decision-making**

The RHC is governed by the Board of Commissioners which is responsible for the strategic direction of the institution, major policy and expenditure decisions, and the approval and enforcement of appropriate governance procedures. In carrying out these functions the Board is supported by a number of subordinate committees.

The Chief Executive Officer (CEO) is responsible to the Governor and Board of Commissioners for the effective and efficient management of the RHC, for the delivery and implementation of strategy set by the Board of Commissioners and for ensuring that the RHC complies with all relevant statutory requirements. He reports directly to the Governor and is head of the RHC management structure. Responsibility for day to day operations and the development of policy for the approval of the Board of Commissioners lies with the Management Board, which is chaired by the Chief Executive Officer.

### **Board of Commissioners structure**

The Board of Commissioners comprises a mix of ex-officio and Specially Appointed Commissioners. The former include the Governor (de facto Chairman), the Assistant Chief of the General Staff (to represent the Army), the Director General of Army Medical Services, and the Director General Resources Land Forces Command who acts as the conduit through which the Grant in Aid is paid to the Royal Hospital Chelsea and provides expert oversight. There are also three Ministers who for historic reasons are ex-officio Commissioners. While these Ministers do not play an active part in the governance or strategic management of the organisation, they visit for briefing, are made aware of major issues and receive copies of appropriate correspondence, including Board minutes.

The Specially Appointed Commissioners, of whom there are 10, are in effect the core trustees of the Royal Hospital Chelsea. They are appointed by the Sovereign from members of the Government, serving or retired military officers, Civil Servants or other distinguished individuals from the public and private sectors who have been identified for the specific skills they have in order that they can provide expert, high level advice to the Board and to the senior management team. The Board members are also subject to the Nolan principles.



## **Board of Commissioners governance**

The Board of Commissioners operates in accordance with terms laid out in a Governance Overview document which has itself been approved by the Board and is subject to periodic review to ensure it remains relevant to changing conditions. This covers, inter alia, the responsibilities of the Board, the nomination of a deputy chairman and committee chairmen, the frequency of meetings and the minimum quorum for decision making.

The Board of Commissioners met four times during the year. The Governor and Chief Executive Officer are always present and there is invariably a substantial majority of the remainder (excluding Ministers, who do not attend). At each meeting the Board considers a comprehensive report from the Chief Executive Officer covering all aspects of the Royal Hospital Chelsea's business, both reporting on what has transpired since the previous meeting and flagging up future plans and emerging issues. The Board is then able to give guidance and direction on these matters. Individual members of the Board also regularly and frequently engage outside formal meetings with the executive on matters within their particular areas of competence. The Board also receives minutes and other reports from its committees, and periodically holds an away day to consider strategic issues.

## **Board Committees**

The Board has six committees to which it delegates more detailed scrutiny of particular activities. Each of these committees has Terms of Reference which are reviewed regularly. Senior RHC staff, advisers and outside experts may be co-opted to attend these meetings. The Chief Executive Officer is also a member of some of the committees. In addition, the Governor, as Chairman of the Board, may attend any committee with the agreement of its Chair. The six committees are as follows:

### **Audit Committee**

The Audit Committee is made up of the following Commissioners:

Mrs A Gillibrand (Chair)  
S Corbyn Esq  
FDS Rosier Esq  
D Stephens Esq – Director Resources and Command and Secretary (Army)  
Major General APN Currie CB CBE (resigned 31 July 2014)  
Major General D McDowall CBE (appointed 1 August 2014, resigned 27 July 2015)

The Audit Committee met twice during the year to consider financial management and reporting, the high level risk register and the reports of the RHC's auditors. A new framework agreement with the MOD has been signed and all letters of delegation have been reviewed and re-issued for 2015-16. There were a number of staff changes in the Finance Department during the year, and the Finance Director resigned from the Hospital at the end of July 2015. These changes delayed the audit of the 2014-15 accounts.

### **Nominations Committee**

The Nominations Committee is made up of the following Commissioners:

M Waterson Esq CBE (Chair)  
D Stephens Esq - Director Resources and Command and Secretary (Army)  
Mrs A Gillibrand  
D McDonough Esq OBE (retired 30 April 2014)

The Nominations Committee met three times during the year and has the lead in identifying, selecting and proposing to the Board potential Specially Appointed Commissioners to replace those who have completed their term. It does this through a transparent application and interview process. The Board then makes recommendations for appointment to Her Majesty via the office of the Secretary of State for Defence. A similar process is followed for the appointment of the Governor.

In the year under review and to the date of signing this report, four new Specially Appointed Commissioners were appointed, two of whom will take up their appointment in 2015-16. Three Commissioners completed their second term. One Commissioner was re-appointed for a third term. The Secretary to the Board ensures that each Commissioner completes a programme of induction on appointment and is thereafter provided with all relevant information and support.

### **Remuneration Committee**

The Remuneration Committee is made up of the following Commissioners:

M Waterson Esq CBE (Chair)  
 D Stephens Esq – Director Resources and Command and Secretary (Army)  
 J Fenwick Esq QC  
 Dame B Monroe DBE

The Committee met once for its annual review to consider an independently-commissioned pay benchmarking report and make recommendations on the remuneration of the staff for the forthcoming year.

### **Investment Committee**

The Investment Committee is made up of the following Commissioners:

FDS Rosier Esq (Chair)  
 Professor Lord Kakkar  
 C Lewington Esq OBE (appointed 1 May 2014)  
 Major General APN Currie CB CBE (retired 31 July 2014)  
 Major General D McDowall CBE (appointed 1 August 2014, resigned 27 July 2015)

The Investment Committee met twice during the year under review. In that time they conducted a review of the Royal Hospital Chelsea's investment management arrangements and performance of Sarasin and Partners LLP.

### **Clinical Governance Oversight Committee**

The Clinical Governance Oversight Committee is made up of the following Commissioners:

Dame B Monroe DBE (Chair)  
 Professor Lord Kakkar  
 M Gallagher Esq (appointed 1 May 2014)  
 Major General J Rowan OBE QHS – Director General of Army Medical Services (appointed 22 September 2014)  
 Major General APN Currie CB CBE (retired 31 July 2014)  
 Major General E Carmichael MBE QHDS – Director General of Army Medical Services (retired 31 August 2014)  
 Major General D McDowall CBE (appointed 1 August 2014, resigned 27 July 2015)

The Clinical Governance Committee met three times during the year under review. In addition to monitoring performance and risk, and providing advice to the executive, the Committee considered in particular the implications of the Care Act and the new CQC Fundamental Standards with the introduction of the Fit and Proper Person test for all Directors in care provider organisations. The partnership of therapy services delivery with Central Health was reviewed and noted to be working well.

## **Estates Committee**

The Estates Committee is made up of the following Commissioners:

S Corbyn Esq (Chair)  
C Lewington Esq OBE (appointed 1 May 2014)  
M Waterson Esq CBE  
A Titchmarsh Esq MBE VMH DL  
D McDonough Esq OBE (retired 30 April 2014)  
Major General APN Currie CB (retired 31 July 2014)  
Major General D McDowall CBE (appointed 1 August 2014, resigned 27 July 2015)

The Estates Committee met four times during the year under review. It continues to take a holistic approach to the development of the buildings and grounds, with a particular focus during the period under review on development plans for the Long Wards, Gordon House, Prince of Wales Yard, the Soane Stable Block and environs and plans to improve the South Terrace. The Committee also oversaw a comprehensive review of all leases and licenses to ensure they were current and remained relevant, and monitored the overall capital expenditure programme. The Estates Committee is responsible for making recommendations to the Board for capital projects and these are subject to approval by the Board following tendering estimates.

## **Management Board**

Responsibility for day to day operations and the development of policy for the approval of the Board of Commissioners lies with the Management Board which is chaired by the Chief Executive Officer and is attended by all heads of department. The Management Board comprises:

Chief Executive – Major General D McDowall CBE (appointed 4 August 2014, resigned 27 July 2015)  
Major General – APN Currie CB CBE (Chair/CEO/Accounting Officer) (resigned 31 July 2014)  
Quartermaster (Director of Facilities) – Lieutenant Colonel A Hickling MBE MBIFM  
Matron (Director of Care Services) – Colonel L Bale RRC  
Adjutant (Director of Welfare) – Colonel S Bate OBE FCMI  
Group Finance Director – Ms J Kucharska ACMA CGMA ACIS (resigned 31 July 2015)  
HR Director – Mrs C Kowolkowski MCIPD (appointed 31 March 2015)  
Commercial Director – J Blake Esq (resigned on 4 July 2014)  
Interim Commercial Director – S Hudd Esq (interim appointment ended 28 February 2015)

Also in attendance are:

Secretary – PWD Hatt Esq (Acting Chair and Accounting Officer from 21 September 2015)  
Physician and Surgeon – Dr F Keating MBBS MRCP  
Chaplain – The Rev S Brookes  
Fundraising Manager – Ms K Marsh (appointed 13 January 2015, resigned 3 July 2015)  
Marketing and Communications Manager – Mrs K Kennedy (appointed 13 January 2015)

The Management Board meets formally on a monthly basis and includes in its meetings a review of current operations, management planning, budgetary position, key HR matters, policy development and the high level risk register. It is the practice for all members of the Management Board also to attend the principal part of meetings of the Board of Commissioners, although they are not in attendance for the private session during which matters relevant only to the Commissioners are considered. This greatly facilitates understanding between those responsible for providing strategic direction and those charged with its implementation.

## **Subsidiary companies**

In addition to the six committees of the Board there are four active and one dormant subsidiary companies which have been established to manage charitable and trading activities. These subsidiaries are incorporated under the Companies Act 2006 and report accounts in accordance with the Companies Act and UK GAAP. The companies are as follows:

*Royal Hospital Chelsea Appeal Ltd Group*

The Commissioners form a majority of directors on the Board of Royal Hospital Chelsea Appeal Ltd which is a wholly owned subsidiary of the RHC. Royal Hospital Chelsea Appeal Limited is a Company limited by guarantee (company number 03701005) and a charity registered with the Charities Commission (charity number 1076414).

This Charitable Company has three wholly owned commercial trading subsidiaries being Chelsea Pensioner (RH) Ltd (company number 03853787), Tricorne Traders Ltd (company number 07382655) and RHC Prime Minister Scholars Ltd (company number 07509639); the latter is currently a dormant company. Chelsea Pensioner (RH) Ltd is the trading arm responsible primarily for the management of the Souvenir Shop, events, marketing and communications. Tricorne Traders Ltd primarily runs the Chelsea Pensioner Club, MTI Café and also provides catering and staff for functions.

The taxable income from Chelsea Pensioner (RH) Ltd and Tricorne Traders Ltd is gift aided through to their parent company Royal Hospital Chelsea Appeal Ltd. These gift aid amounts, along with direct donations received directly by Royal Hospital Chelsea Appeal Ltd, are then donated to the Royal Hospital Chelsea (through the Army Prize Money and Legacy Fund) to assist with the funding of day to day operational costs and defined capital projects.

*Gordon House (London) Ltd*

Gordon House (London) Ltd was incorporated in 2012. The primary business of the Company is to assist the Commissioners of the Royal Hospital Chelsea with the sale of the lease of the property known as Gordon House, which was achieved in 2012-13. The Company is a wholly owned subsidiary of the Royal Hospital Chelsea and the Commissioners form a majority of the directors on the Board. This subsidiary also gift aids its taxable income to its parent undertaking the Royal Hospital Chelsea (through the Army Prize Money and Legacy Fund).

**Review of effectiveness of internal control**

The Board of Commissioners and the Accounting Officer have responsibility for maintaining a sound system of internal control which supports the achievement of the RHC's aims and objectives as set by the Commissioners, whilst simultaneously safeguarding the public funds and assets, for which the Accounting Officer is personally responsible in accordance with his letter of delegation from the Permanent Under-Secretary of the Ministry of Defence. This system of internal control is designed to manage risk at a level that is considered to be realistic and compatible with the Hospital's purpose, rather than seeking to eliminate it altogether which is judged not to be feasible. Equally, the system of internal control is designed to identify and prioritise risks, evaluate their likelihood and impact, and take steps to mitigate them effectively and economically.

**External audits**

The consolidated accounts of the RHC are audited by the Comptroller and Auditor General in accordance with the Chelsea Hospital Act 1876.

In addition to this the commercial trading subsidiary companies are separately audited by PKF Littlejohn LLP.

**Internal audits**

In addition to the two external auditors, the RHC is also subject to regular internal audits to standards defined in the Government Internal Audit Manual. The current internal auditors are Crowe, Clarke and Whitehill LLP. In addition the Royal Hospital Chelsea is from time to time audited by the Defence Internal Audit (DIA) on the use of the Grant in Aid funds. The most recent DIA report was received in October 2014.

The internal audit appointment will be put out to tender in 2016-17.

## **Fraud prevention and detection**

The RHC has in place a set of values and a code of conduct to which all members of staff are required to adhere. In addition, all members of the staff are subject to criminal record checks prior to appointment. Similarly, permanent contractors on site are required to adhere to the same procedures. Offences, should they occur, are reported to the Charities Commission and the Ministry of Defence. In addition there is a requirement for the Accounting Officer to report any loss of public funds to the Ministry of Defence.

## **Risk control framework**

### **Risk appetite**

The Hospital's appetite for risk is generally low, reflecting its duty of care both for the In-Pensioners and the heritage buildings. To that end it seeks to ensure that it acts at all times within the law, reduces risk to the lowest possible level consistent with resource constraints, addresses directly and with vigour any emerging or high level risks, and does not allow risks to impact unreasonably or unacceptably on the day to day life of the In-Pensioners.

### **Key risks and controls**

Risk management is regarded as a key management tool and there is in place a well-established and mature system for managing risk. At its apex there is a high level risk register, which is 'owned' personally by the Chief Executive Officer, with responsibility for the management of each risk delegated to the most appropriate member of the Management Board. This risk register, which includes matters such as financial, clinical, health and safety, and reputational risks, is updated by individual risk 'owners' and considered formally by the Management Board as a whole at every monthly meeting, at which time consideration is also given to emerging risks. Both the potential impact and likelihood of each of the risks are separately defined, as are the control mechanisms required to mitigate them. The risk register is then presented to the Audit Committee and the Board of Commissioners for their consideration.

In the last financial year, the key areas of risk were considered to be:

a Financial

The RHC remains heavily dependent on its Grant in Aid for meeting day to day running costs. The financial risk is mitigated both by maintaining strong, effective links to the Ministry of Defence and by increasing income from commercial activities. The sale of a long lease for Gordon House has established a restricted fund for future heritage capital expenditure which cannot be covered by the Grant in Aid. Priority continues to be given to developing charitable income sources such as from legacies and corporate donations. Risk is further mitigated by the comprehensive internal and external audit programme which explores not just the regularity and efficiency of the Royal Hospital Chelsea's financial management but also its business processes.

b Reputational

This is managed by having clear policies in place for handling the media, by having an active Public Relations programme, and by training key staff.

c Fire

The risk of fire is heightened during the Long Ward modernisation programme which involves 'hot' work in the heritage buildings. This is mitigated in particular by protocols to ensure the contractors do not carry out hot work outside specified periods, and by the comprehensive fire awareness and training programme provided to all staff.

In addition to the high level risk register, subordinate registers are held for clinical governance and health and safety (including fire) and there is a comprehensive business continuity package including an emergency response plan which is tied in where appropriate to the emergency services. To enable these plans to be implemented effectively, emergency control centres have been established together with a tailored communications suite. These plans are tested periodically.

### Factors outside the control of the Royal Hospital Chelsea

The RHC is dependent on a Grant in Aid from the Ministry of Defence to fulfil its two key objectives of In-Pensioner welfare and maintenance of the heritage site. Should this be significantly reduced it would be unable to continue to provide the care that it was founded to provide. The Grant in Aid is expected to continue broadly at its current level for the foreseeable future. There are also various other factors outside of the control of the Hospital which could have a negative impact on its funding and operations. Such key factors are:

- A change in national attitudes towards the armed services which might undermine public (and thus political) support for the institution (and so affect the Grant in Aid).
- The Ministry of Defence reducing the grant in aid in real terms as a budgetary measure. Although unlikely at present this does remain a possibility in the longer term and is the principal reason why the Commissioners are intent on moving progressively towards establishing greater financial self-sufficiency.
- Competition from other military charities. There are a number of other charities which support veterans and competition for funds is likely to get greater. This has the potential to affect fundraising.
- The number of veterans is declining as the generations who were conscripted during and after the second world war die out and this may impact on recruitment.
- The introduction of future legislation which might increase the cost base, for example by creating more demanding care regulations requiring additional staff or by raising pension contributions/National Insurance Contributions.
- A severe and prolonged economic downturn which would compound the first three factors listed above.

### Review of effectiveness of the Board

The Commissioners and Accounting Officer have responsibility for maintaining the effectiveness of the RHC's governance. The Board of Commissioners intends, in accordance with its governance overview document, to have a specific review of its own work and performance every three years.

The Board of Commissioners is satisfied that the framework within which it operates is robust, and that it is continuing to work effectively towards the achievement of the RHC's aims, namely the welfare and care of the In-Pensioners and the conservation of its heritage buildings and grounds.

The Board believes that it has achieved strategic clarity in its work, is focused on results and has been provided with sound management information which has allowed it to act in a well-founded and commercial way in respect of its various business opportunities over the financial year. In particular the Board has been provided with a substantial amount of financial information on its capital programmes and has been able to rely on the data provided to it which has been governed by the Financial Framework between the RHC and the Ministry of Defence in respect of Grant in Aid as well as the production of information from the subsidiary companies in accordance with commercial standards.

*Paul Hatt Esq*  
Secretary and Accounting Officer  
On behalf of the Board of Commissioners

13 January 2016

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Royal Hospital Chelsea for the year ended 31 March 2015 under the Chelsea Hospital Act 1876. The financial statements comprise: the Group and Parent Statements of Financial Activities, the Group and Parent Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Trustees/Board, Accounting Officer and Auditor

The Commissioners and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Chelsea Hospital Act 1876. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Royal Hospital Chelsea's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Royal Hospital Chelsea; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Royal Hospital Chelsea's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Chelsea Hospital Act 1876 and the accounting policies set out within them.

### **Opinion on other matters**

In my opinion:

- the information given in the Annual Report of the Commissioners; Review of Achievements and performance for the year; and Financial review and results for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Sir Amyas C E Morse KCB*  
Comptroller and Auditor General

25 January 2016

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



## Consolidated Group Statement of Financial Activities for the year ended 31 March 2015

	Notes	Unrestricted 2015 £000	Restricted 2015 £000	Total Group 2015 £000	Total 2014 £000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	1,104	211	1,315	1,116
Activities for generating funds	3	2,574	–	2,574	2,651
Investment income	4	3,338	–	3,338	3,932
<b>Incoming resources from charitable activities</b>					
Grant In Aid received from the Ministry of Defence	5	11,667	–	11,667	11,452
<b>Other incoming resources</b>					
	6	890	–	890	1,243
<b>Total incoming resources</b>		<b>19,573</b>	<b>211</b>	<b>19,784</b>	<b>20,394</b>
<b>Resources expended</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income	7	1,190	–	1,190	1,175
Fundraising trading	7	760	–	760	800
Investment management costs	7	179	–	179	148
<b>Charitable activities</b>					
Infirmity nursing and medical	7	6,046	1	6,047	6,425
Welfare and ceremonial	7	7,244	122	7,366	7,040
Facilities management	7	5,689	2	5,691	6,129
<b>Governance costs</b>					
	7/9	224	–	224	170
<b>Total resources expended</b>		<b>21,332</b>	<b>125</b>	<b>21,457</b>	<b>21,887</b>
<b>Net (outgoing)/incoming resources before transfers</b>		<b>(1,759)</b>	<b>86</b>	<b>(1,673)</b>	<b>(1,493)</b>
<b>Transfers</b>					
Gross transfers between funds	27	11,148	(11,148)	–	–
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		<b>9,389</b>	<b>(11,062)</b>	<b>(1,673)</b>	<b>(1,493)</b>
<b>Other recognised gains/(losses)</b>					
Gains/(losses) on revaluation of fixed assets	12	6,240	–	6,240	5,160
Realised gains/(loss) on investment assets	13	(27)	–	(27)	25
Unrealised gains on investment assets	13	2,340	–	2,340	681
Gains/(losses) on disposal of fixed assets	11	(26)	–	(26)	(81)
Actuarial gain(losses) on defined benefit pension schemes	23	(11)	–	(11)	(6)
<b>Net movement in funds</b>		<b>17,905</b>	<b>(11,062)</b>	<b>6,843</b>	<b>4,286</b>
<b>Reconciliation of funds</b>					
Total funds brought forward	27	589,229	25,740	614,969	610,683
<b>Total funds carried forward</b>		<b>607,134</b>	<b>14,678</b>	<b>621,812</b>	<b>614,969</b>

All activities are classed as continuing and all recognised gains and losses have been included in the SOFA.

## Statement of Financial Activities – Charity for the year ended 31 March 2015

	Notes	Unrestricted 2015 £000	Restricted 2015 £000	Total 2015 £000	Total 2014 £000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	2,007	250	2,257	2,701
Activities for generating funds	3	–	–	–	–
Investment income	4	3,335	–	3,335	3,919
<b>Incoming resources from charitable activities</b>					
Grant in Aid from the Ministry of Defence	5	11,667	–	11,667	11,452
<b>Other incoming resources</b>					
	6	890	–	890	1,243
<b>Total incoming resources</b>					
		<u>17,899</u>	<u>250</u>	<u>18,149</u>	<u>19,315</u>
<b>Resources expended</b>					
<b>Costs of generating funds</b>					
Costs of generating voluntary income		616	–	616	591
Investment management costs	7	179	–	179	148
<b>Charitable activities</b>					
Infirmity nursing and medical	7	5,884	1	5,885	6,425
Welfare and ceremonial	7	7,158	122	7,280	7,040
Facilities management	7	5,828	2	5,830	6,129
<b>Governance costs</b>					
	7/9	124	–	124	143
<b>Total resources expended</b>					
		<u>19,789</u>	<u>125</u>	<u>19,914</u>	<u>20,476</u>
<b>Net (outgoing)/ incoming resources before transfers</b>					
		<u>(1,890)</u>	<u>125</u>	<u>(1,765)</u>	<u>(1,161)</u>
<b>Transfers</b>					
Gross transfers between funds	27	11,148	(11,148)	–	–
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>					
		<u>9,258</u>	<u>(11,023)</u>	<u>(1,765)</u>	<u>(1,161)</u>
<b>Other recognised gains/(losses)</b>					
Gains on revaluation of fixed assets	12	6,240	–	6,240	5,160
Realised gain/(loss) on investment assets	13	(27)	–	(27)	24
Unrealised gains on investment assets	13	2,340	–	2,340	690
Gains/(losses) on disposal of fixed assets	11	(26)	–	(26)	(82)
Actuarial gain/(loss) on defined benefit pension schemes	23	(11)	–	(11)	(6)
<b>Net movement in funds</b>					
		<u>17,774</u>	<u>(11,023)</u>	<u>6,751</u>	<u>4,625</u>
<b>Reconciliation of funds</b>					
Total funds brought forward	27	587,865	25,695	613,560	608,935
<b>Total funds carried forward</b>					
		<u>605,639</u>	<u>14,672</u>	<u>620,311</u>	<u>613,560</u>

All activities are classed as continuing and all recognised gains and losses have been included in the SOFA.

## Balance Sheet as at 31 March 2015

	Notes	Charity 2015 £000	Charity 2014 £000	Group 2015 £000	Group 2014 £000
<b>Fixed Assets</b>					
Heritage	11	16,075	16,075	16,075	16,075
Non heritage	11	487,386	481,430	487,479	481,532
Investment property	12	70,300	64,060	70,300	64,060
Listed Investments	13	25,591	28,643	25,178	28,225
Debtors: falling due after one year	14	–	10,642	–	10,750
		<u>599,352</u>	<u>600,850</u>	<u>599,032</u>	<u>600,642</u>
<b>Current assets</b>					
Stock	15	–	–	128	134
Debtors: falling due within one year	16	11,598	11,282	12,418	11,486
Cash at bank and in hand	17	12,449	3,970	14,974	6,070
		<u>24,047</u>	<u>15,252</u>	<u>27,520</u>	<u>17,690</u>
<b>Liabilities</b>					
Creditors: amounts falling due within one year	18	(2,567)	(1,970)	(4,219)	(2,791)
		<u>21,480</u>	<u>13,282</u>	<u>23,301</u>	<u>14,899</u>
<b>Net current assets</b>					
		<u>620,832</u>	<u>614,132</u>	<u>622,333</u>	<u>615,541</u>
<b>Total assets less current liabilities</b>					
Creditors: amounts falling due after one year	19	(149)	(182)	(149)	(182)
Net assets excluding pension liability		620,683	613,950	622,184	615,359
<b>Defined pension scheme liability</b>	20	(372)	(390)	(372)	(390)
<b>Net assets including pension liability</b>		<u>620,311</u>	<u>613,560</u>	<u>621,812</u>	<u>614,969</u>
<b>Funds</b>					
Grant in Aid Fund	27	(4,465)	(3,073)	(4,465)	(3,073)
<i>Army Prize Money and Legacy Fund</i>					
Restricted Funds	27	14,672	25,695	14,672	25,695
Unrestricted Funds	27	281,847	268,921	281,847	268,921
Revaluation Reserve	27	328,257	322,017	328,257	322,017
<i>Gordon House (London) Limited</i>	27	–	–	(196)	(194)
<i>Royal Hospital Chelsea Appeal Ltd Group</i>					
Restricted	27	–	–	6	44
Unrestricted	27	–	–	1,691	1,559
<b>Total funds</b>		<u>620,311</u>	<u>613,560</u>	<u>621,812</u>	<u>614,969</u>

Signed on behalf of the Board of Commissioners on 13 January 2016 by

General Sir Redmond Watt KCB KCVO CBE DL  
Governor/ChairmanJ Fenwick QC  
Deputy ChairmanA Gillibrand  
Chair of the Audit Committee

## Consolidated Cash Flow Statement for the year ended 31 March 2015

	<b>Group</b>	Group
	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Net cash inflow/(outflow) from operations (Note 1)</b>	<b>2,991</b>	231
<b>Returns on investments and servicing of finance (Note 2)</b>	<b>1,204</b>	1,143
<b>Capital expenditure and financial investment (Note 3)</b>	<b>(641)</b>	(2,230)
<b>Management of liquid resources (Note 4)</b>	<b>5,350</b>	(910)
<b>Increase/(Decrease) in cash</b>	<b>8,904</b>	(1,766)
Cash at the start of the year	<u>6,070</u>	<u>7,836</u>
<b>Cash at the end of the year</b>	<b><u>14,974</u></b>	<b><u>6,070</u></b>

### Note 1

#### Reconciliation of operating profit to operating cash flows

Net incoming/(outgoing) resources before transfers	<b>(1,673)</b>	(1,493)
Depreciation charges	<b>5,418</b>	6,267
Interest received	<b>(16)</b>	(26)
Dividends received	<b>(1,188)</b>	(1,117)
(Increase) /decrease in stock	<b>6</b>	22
(Increase)/decrease in debtors due within one year	<b>(932)</b>	(3,753)
Increase/(decrease) in creditors due within one year	<b>1,428</b>	371
Increase/(decrease) in creditors due after one year	<b>(33)</b>	(16)
Movement on defined pension scheme liability	<b>(18)</b>	(24)
	<u><b>2,991</b></u>	<u>231</u>

### Note 2

#### Returns on investments and servicing of finance

Interest received	<b>16</b>	26
Dividends received	<b>1,188</b>	1,117
	<u><b>1,204</b></u>	<u>1,143</u>

### Note 3

#### Capital expenditure and financial investment

Purchase of tangible fixed assets	<b>(11,415)</b>	(13,071)
Proceeds from sale of tangible fixed assets	<b>24</b>	9
Loss/(gain) on sale of fixed assets	<b>-</b>	82
GH receipt	<b>10,750</b>	10,750
	<u><b>(641)</b></u>	<u>(2,230)</u>

### Note 4

#### Management of liquid resources

Purchase of investments	<b>(900)</b>	(1,770)
Proceeds from sale of investments	<b>6,250</b>	860
	<u><b>5,350</b></u>	<u>(910)</u>

# Notes to the Financial Statements

## 1 Accounting Policies

### a Basis of accounting

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP) *Accounting and Reporting by Charities* issued in March 2005, and with applicable UK accounting standards. These Financial Statements have been drawn up on the historical cost accounting basis except for investment assets, heritage assets and certain operational assets for which the valuation method is described in the Tangible Fixed Assets section below.

The Financial Statements consolidate on a line by line basis all the Restricted and Unrestricted Funds of the Royal Hospital Chelsea and its related companies being Royal Hospital Chelsea Appeal Ltd (registered charity, number 1076414), Chelsea Pensioner (RH) Ltd, Tricorne Traders Ltd and Gordon House (London) Ltd.

### b Going concern

The Board of Commissioners consider that the use of the going concern basis is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt the ability of the organisation to continue as a going concern.

### c Incoming resources

Income is accounted for when receivable except for income from investments and donations which are accounted for when received or when the value can be reasonably ascertained whichever is earlier. Lease extension premiums and rental income are accrued when known with certainty.

Where income is received in advance of the related service being delivered to the customer, a liability is raised in the form of Deferred Income until the related service is delivered at which point the income is recognised. The Royal Hospital Chelsea's Deferred Income relates to rent and to the trading activities of the trading subsidiaries.

Legacies and donations received for general purposes are credited to the Unrestricted Funds which are used to augment the annual Grant in Aid from the Ministry of Defence which provides for the maintenance of the heritage site and for meeting the cost of fuel and lighting, food, furniture, clothing, medical care for In-Pensioners and staff costs relating to the welfare of In-Pensioners.

Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding on the Commissioners of the Royal Hospital Chelsea.

### d Resources expended

Resources expended are accounted for on the accruals basis.

Direct costs (including irrecoverable VAT) are allocated to the charitable activities to which they relate. Expenditure that relates to more than one charitable activity is apportioned over the charitable activities in the form of support costs, with the exception of depreciation. The apportionment is based on the proportion of direct costs as a percentage of all costs excluding support costs. Buildings depreciation is allocated to charitable activities based on the space occupied by the building used for each charitable activity. All other depreciation is allocated the same way as support costs.

Governance costs comprise the costs of running the organisation including strategic planning for future development, external and internal audit, legal advice for the Commissioners and all the costs of complying with constitutional and statutory requirements such as the costs of Committee meetings, preparing statutory financial statements and ensuring public accountability.

Intra- group transactions are excluded from income and expenditure as appropriate.

e *Tangible fixed assets*

i **Freehold property:** is stated at valuation on a depreciated replacement cost basis (operational buildings) or market value (investment buildings). Valuations by independent professionally qualified valuers are obtained at five yearly intervals unless there is evidence of material change in the interim. The most recent revaluation of non-investment properties took place as at 31 March 2012 and the next full revaluation is planned for March 2017. New builds are initially capitalised at historic cost and values are put on to a depreciated replacement cost basis at the next revaluation of the estate. Major refurbishments completed during the year which were initially carried under 'Assets in the Course of Construction' are capitalised at the year-end and depreciated from the start of the new financial year.

ii **Other tangible fixed assets:** are capitalised at their estimated depreciated replacement cost or at historic cost on acquisition. Since 2004 all new capital expenditure has been funded from the Army Prize Money and Legacy Fund. Improvements and additions in periods between valuations are capitalised at historic cost. Depreciation is provided at rates calculated to write off the value of each asset over its expected useful life with the exception of freehold land, assets in course of construction and exhibits which are not depreciated. Depreciation rates are as follows:

Freehold buildings over the remaining useful life as estimated by the valuer, or for 50 years in respect of a permanent new building before its first valuation:

Fixtures and fittings	5 – 15 years straight line
Plant and machinery	10 – 25 years straight line
Motor vehicles	10 – 15 years straight line
Office Equipment	7 – 15 years straight line
Computers	3 – 5 years straight line

iii **Heritage assets:** since 2001 new heritage assets are capitalised at cost upon acquisition. Heritage assets are capitalised as non-depreciating assets under the terms of FRS 30, which prevents operational assets being treated as heritage assets. In June 2011 a revaluation was undertaken of all existing heritage assets such as Royal Hospital Chelsea paintings and artefacts and these are included as heritage assets in note 11. A revaluation will be due in 2016-17.

iv **Investment properties:** investment properties are shown at their open market value. Valuations are carried out by independent professionally qualified valuers. The most recent interim revaluation took place as at 31 March 2015 and the next full revaluation is planned for March 2016 as the Audit Committee agreed to formally revalue investment properties every two years unless there is evidence of a material change in the interim. No depreciation is charged on investment properties.

v **Capitalisation thresholds:** the lower limit for capitalisation of land and buildings is £10,000. This threshold also applies to land and buildings which are heritage assets. For all other fixed assets it is £5,000. For the subsidiary charity and its subsidiaries £1,000 is deemed to be the appropriate capitalisation threshold.

vi **Impairment of assets:** under FRS 11: Impairment of Fixed Assets and Goodwill, tangible assets need to be reviewed for impairment only if there is some indication that impairment has occurred. In considering any potential impairment of tangible assets, particularly land and buildings, we carry out a high level assessment of the estate to identify if any key events or changes in circumstances give any indication of potential impairment. If there is no indication of impairment then no formal review is conducted. Correspondingly if there is any indication of impairment then a formal review is conducted and any impairment losses are written off to the SOFA.

f *Listed investments*

Listed investments are shown at market value as at the balance sheet date. Unrealised gains and losses on the revaluation of investments are recognised in the SOFA.

*g Pensions*

The nature of the Royal Hospital Chelsea's pension schemes are set out in Note 23. The pension costs charged to the SOFA represent the contributions payable to the Schemes on behalf of members of staff.

*h Taxation*

The Royal Hospital Chelsea is recognised as charitable by HM Revenue and Customs (reference X8366) and is generally exempt from Corporation Tax on surpluses and capital gains. Chelsea Pensioners (RH) Ltd and Tricorne Traders Ltd gift their taxable income to Royal Hospital Chelsea Appeal Ltd and therefore incur no liability for corporation tax. Royal Hospital Chelsea Appeal Ltd is a registered charity and has no liability for corporation tax. Gordon House (London) Ltd gifts its taxable income to the Royal Hospital Chelsea and therefore incurs no liability for corporation tax.

Irrecoverable VAT is included in the SOFA with the item to which it relates. The RHC is registered for VAT as a group.

*i Operating leases*

Rentals payable under operating leases are charged in the SOFA on a straight line basis over the lease term.

*j Stock*

Stock is held by Chelsea Pensioner (RH) Ltd and Tricorne Traders Ltd and is valued at the lower of cost and net realisable value after making allowance for obsolete and slow-moving stock.

*k Restricted funds*

Funds restricted to specific uses are held separately from unrestricted funds. Funds which may only be used for capital works – such as the proceeds of the sale of Gordon House – are held as restricted funds until the relevant capital projects are completed, after which they are transferred to unrestricted funds.

**2 Voluntary income**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Legacies and donations	<u>2,257</u>	<u>2,701</u>	<u>1,315</u>	<u>1,116</u>

**3 Activities for generating funds**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
RHC Appeal Limited	<u>–</u>	<u>–</u>	<u>2,574</u>	<u>2,651</u>

**4 Investment income**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Income on investment portfolio	<b>1,188</b>	1,114	<b>1,188</b>	1,117
Income on commercial property	<b>364</b>	523	<b>364</b>	523
Lease Extension Premiums	<b>1,751</b>	2,265	<b>1,770</b>	2,266
Bank and investment interest received	<b>13</b>	17	<b>16</b>	26
<b>Total</b>	<b><u>3,316</u></b>	<u>3,919</u>	<b><u>3,338</u></b>	<u>3,932</u>

The Royal Hospital Chelsea owns the freehold of its investment properties and has granted head leases to various head tenants. The head tenants have in turn granted under-leases to sub-tenants. Under the Leasehold Reform Urban Development and Housing Act 1993, tenants were given the right to extend their leases by 90 years. The Act specifies that a premium is payable for the granting of such extensions and gives details of how this is to be calculated.

**5 Income from charitable activities**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Grant in Aid received from the Ministry of Defence	<b><u>11,667</u></b>	<u>11,452</u>	<b><u>11,667</u></b>	<u>11,452</u>

**6 Other incoming resources**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000-
Staff accommodation charges	<b>243</b>	214	<b>243</b>	214
Family Practice	<b>73</b>	123	<b>73</b>	123
Food recoveries	<b>32</b>	31	<b>32</b>	31
Pension contributions (NHS)	<b>110</b>	110	<b>110</b>	110
In-Pensioner top-up fees	<b>325</b>	289	<b>325</b>	289
Other income	<b>107</b>	476	<b>107</b>	476
<b>Total</b>	<b><u>890</u></b>	<u>1,243</u>	<b><u>890</u></b>	<u>1,243</u>

Pension contributions represent income from the NHS in respect of increased employer's pension contributions for staff in the National Health Service Superannuation Scheme. Other income in 2014 includes £450,000 in respect of "Right to Light."



**7 Total resources expended**

	Cost of generating funds	Infirmity nursing and medical care	Welfare and ceremonial	Estate management	Governance costs	Support costs	Total 2015	Total 2014
	£000	£000	£000	£000	£000	£000	£000	£000
Costs of generating voluntary income	34	-	-	-	-	-	34	55
Fundraising trading	760	-	-	-	-	-	760	800
Investment management costs	179	-	-	-	-	-	179	148
Staff costs	595	3,708	1,992	1,294	-	1,035	8,624	7,919
Other staff costs	-	26	7	8	-	147	188	199
Buildings and grounds maintenance costs	-	22	-	2,517	-	2	2,541	2,819
Information technology costs	-	-	-	-	-	136	136	124
In-pensioner living expenses	-	200	1,111	67	-	-	1,378	1,338
Catering costs	-	-	49	-	-	-	49	40
Council tax and rates	-	-	-	-	-	89	89	89
Security costs	-	-	-	-	-	730	730	764
Water, gas and electricity	-	-	-	-	-	610	610	592
Publicity and public relations	-	-	-	-	-	-	-	24
Insurance	-	-	-	-	-	241	241	236
Audit fees	-	-	-	-	102	-	102	93
Surveyor fees	-	-	-	-	-	(3)	(3)	25
Consultancy fees	-	20	-	98	-	12	130	118
Legal fees	-	-	1	-	79	6	86	38
Office expenses	-	-	-	2	2	135	139	175
Other expenses	-	-	9	1	-	16	26	23
Depreciation	439	775	2,941	368	-	895	5,418	6,268
Total before re-allocation of support costs	2,007	4,751	6,110	4,355	183	4,051	21,457	21,887
Re-allocation of support costs	122	1,296	1,256	1,336	41	(4,051)	-	-
<b>Total expenditure</b>	<b>2,129</b>	<b>6,047</b>	<b>7,366</b>	<b>5,691</b>	<b>224</b>	<b>-</b>	<b>21,457</b>	<b>21,887</b>

## 8 Staff costs and numbers

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Salaries and wages	<b>6,130</b>	5,650	<b>6,463</b>	6,066
Social security costs	<b>455</b>	413	<b>481</b>	451
Pension costs	<b>961</b>	835	<b>1,009</b>	894
<b>Sub-total</b>	<b><u>7,546</u></b>	<u>6,898</u>	<b><u>7,953</u></b>	<u>7,411</u>
Casual and agency pay	<b>480</b>	423	<b>570</b>	423
In-pensioner pay	<b>81</b>	85	<b>101</b>	85
<b>Total</b>	<b><u>8,107</u></b>	<u>7,406</u>	<b><u>8,624</u></b>	<u>7,919</u>

The full-time equivalent members of staff by department were as follows:

	<b>2015</b>	2014
	<b>Number</b>	Number
Infirmary nursing and medical	<b>85</b>	80
Welfare and ceremonial	<b>11</b>	11
Estates management	<b>117</b>	116
Finance and administration	<b>15</b>	12
Commercial services and fundraising	<b>11</b>	9
	<b><u>239</u></b>	<u>228</u>

*Higher paid employees*

The number of employees whose remuneration was over £60,000 in 2014-15 (excluding pension contributions) was as follows:

<b>Band</b>	<b>2015</b>	2014
	<b>Number</b>	Number
£60,000 – £69,999	<b>3</b>	3
£70,000 – £79,999	<b>1</b>	2
£80,000 – £89,999	<b>0</b>	0
£90,000 – £99,999	<b>1</b>	1

Three (2014: five) of the above staff contribute to the PCSPS defined benefits pension scheme. Employer pension contributions for these staff were £51,732 (2014 : £86,698).

The salary and pension entitlements of the Governor and Chief Executive were in the following bands:

	<b>Actual salary 2015</b>	<b>Actual salary 2014</b>	<b>Real increase in pension at 60 during the year</b>	<b>Total accrued pension at 60 at the year end</b>	<b>Cash equivalent transfer value at start date</b>	<b>Cash equivalent transfer value at end date</b>	<b>Real increase in cash equivalent transfer value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Sir Redmond Watt – Governor	60-65	60-65	–	–	–	–	–
Maj Gen Peter Currie – CEO to 31 July 2014	25-30	75-80	1	12	197	203	8
Maj Gen David McDowall – CEO from 1 August 2014	70-75	–	–	–	–	–	–

Gen Sir Redmond Watt and Maj Gen David McDowall do not receive pension benefits from the Hospital.

#### Commissioners' emoluments

None of the Commissioners received any remuneration for acting as Commissioners. Travel expenses of £674 (2014: £810) were claimed during the year by one (2014 : three) Commissioner. The Governor and Lieutenant Governor are Commissioners and receive salaries as employees of the Hospital.

#### 9 Governance costs

	<b>Charity 2015</b>	Charity 2014	<b>Group 2015</b>	Group 2014
	<b>£000</b>	£000	<b>£000</b>	£000
Audit fees*	<b>77</b>	71	<b>102</b>	93
Legal fees	<b>8</b>	32	<b>78</b>	37
Bank charges	–	–	<b>2</b>	–
Support costs (see also Note 7)	<b>39</b>	40	<b>42</b>	40
<b>Total</b>	<b><u>124</u></b>	<u>143</u>	<b><u>224</u></b>	<u>170</u>

\*£40,000 (2014 : £40,000) relates to the NAO audit fee charge for the year ended 31 March 2015.

## 10 Subsidiary undertakings

The Hospital has two direct subsidiaries, RHC Appeal Ltd and Gordon House (London) Ltd.

RHC Appeal Ltd has three subsidiaries, Tricorne Traders Ltd, Chelsea Pensioner (RH) Ltd and RHC Prime Minister Scholars Ltd.

### *i RHC Appeal Ltd*

RHC Appeal Ltd is a company incorporated in England and limited by guarantee (no 03701005). It is also a registered charity (no 1076414). It donates all its profits to the Hospital.

Its financial results for the year to 31 March 2015 were:

	<b>2015</b>	2014
	<b>£000</b>	£000
Incoming Resources	<b>3,859</b>	3,631
Outgoing Resources	<b>3,766</b>	<u>3,961</u>
Net incoming/(outgoing) resources	<b>93</b>	(330)
Balance at the beginning of the year	<b>1,603</b>	<u>1,933</u>
<b>Balance at the end of the year</b>	<b><u>1,696</u></b>	<u>1,603</u>

*ii Gordon House (London) Ltd*

Gordon House (London) Ltd was incorporated in England in April 2012 (no 08036299). The Hospital owns 100% of its issued share capital which consists of 417,431 shares of £1 each. It was created to assist with the sale of the lease of Gordon House.

Its financial results for the year to 31 March 2015 were:

	<b>2015</b>	2014
	<b>£000</b>	£000
Turnover	–	–
Cost of sales	–	–
Administrative costs	<b>(2)</b>	(4)
Other gains/(losses)	–	(4)
Loss for the year	<b>(2)</b>	(8)
Profit and loss account brought forward	<b>(194)</b>	(186)
Profit and loss account carried forward	<b><u>(196)</u></b>	<u>(194)</u>
Capital and reserves:		
Share capital	<b>417</b>	417
Profit and loss account	<b><u>(196)</u></b>	<u>(194)</u>
<b>Total</b>	<b><u>221</u></b>	<u>223</u>

*iii Chelsea Pensioner (RH) Ltd*

CPRH is incorporated in England – no 03853787. The whole of its issued share capital – 1000 shares of £1 each – is owned by RHC Appeal Ltd. The company conducts trading activities concerned with the rental of the Hospital's facilities to outside organisations.

Its financial results for the year to 31 March 2015 were:

	<b>2015</b>	2014
	<b>£000</b>	£000
Turnover	<b>2,070</b>	2,167
Cost of sales	<b>(86)</b>	(102)
Administrative costs	<b>(885)</b>	(834)
Other gains/(losses)	<b>(84)</b>	(8)
Donation to RHC Appeal Ltd	<b><u>(1,036)</u></b>	<u>(1,188)</u>
Profit/(loss) for the year	<b>(21)</b>	35
Profit and loss account brought forward	<b>84</b>	49
Profit and loss account carried forward	<b><u>63</u></b>	<u>84</u>
Capital and reserves:		
Share capital	<b>1</b>	1
Profit and loss account	<b><u>63</u></b>	<u>84</u>
<b>Total</b>	<b><u>64</u></b>	<u>85</u>

*iv Tricorne Traders Ltd*

This company is incorporated in England – no 07382655. It operates the RHC's food and beverage services where these are chargeable to either in-pensioners or external users. The company's share capital consists of 1,000 shares of £1 each, all of which are held by RHC Appeal Ltd.

Its financial results for the year to 31 March 2015 were:

	<b>2015</b>	2014
	<b>£000</b>	£000
Turnover	<b>504</b>	484
Cost of sales	<b>(265)</b>	(228)
Administrative expenses	<b>(43)</b>	(46)
Other gains/(losses)	–	(5)
Donation to RHC Appeal Ltd	<b>(187)</b>	(211)
Profit/(loss) for the year	<b>9</b>	(6)
Profit and loss account brought forward	<b>3</b>	9
Profit and loss account carried forward	<b><u>12</u></b>	<u>3</u>
Capital and reserves		
Share capital	<b>1</b>	1
Profit and loss account	<b><u>12</u></b>	<u>3</u>
<b>Total</b>	<b><u>13</u></b>	<u>4</u>

*v RHC Prime Minister Scholars Ltd*

This company did not trade during the year and there are no current plans for trading to commence.

**11 Tangible fixed assets***Heritage and non heritage*

	<b>Assets in the course of construction</b>	<b>Land and buildings</b>	<b>Plant, machinery and equipment</b>	<b>Vehicles</b>	<b>Exhibits</b>	<b>Group Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
At 1 April 2014	6,480	484,884	4,073	186	15,835	511,458
Additions at cost	11,076	121	183	35	–	11,415
Reclassification	(87)	41	46	–	–	–
Disposals	–	–	(79)	(14)	–	(93)
<b>At 31 March 2015</b>	<b><u>17,469</u></b>	<b><u>485,046</u></b>	<b><u>4,223</u></b>	<b><u>207</u></b>	<b><u>15,835</u></b>	<b><u>522,780</u></b>
<b>Depreciation</b>						
At 1 April 2014	–	(12,425)	(1,364)	(62)	–	(13,851)
Depreciation charge for the year	–	(5,147)	(264)	(7)	–	(5,418)
Disposals	–	–	36	7	–	43
<b>At 31 March 2015</b>	<b><u>–</u></b>	<b><u>(17,572)</u></b>	<b><u>(1,592)</u></b>	<b><u>(62)</u></b>	<b><u>–</u></b>	<b><u>(19,226)</u></b>
<b>Net book value</b>						
At 1 April 2014	<u>6,480</u>	<u>472,459</u>	<u>2,709</u>	<u>124</u>	<u>15,835</u>	<u>497,607</u>
<b>At 31 March 2015</b>	<b><u>17,469</u></b>	<b><u>467,474</u></b>	<b><u>2,631</u></b>	<b><u>145</u></b>	<b><u>15,835</u></b>	<b><u>503,554</u></b>

The closing net book values are attributable to the Royal Hospital Chelsea's funds as follows:

Grant in Aid Fund	–	–	262	15	–	277
Army Prize Money and Legacy Fund	17,469	467,459	2,291	130	15,835	503,184
Subsidiaries	–	15	78	–	–	93
	<b><u>17,469</u></b>	<b><u>467,474</u></b>	<b><u>2,631</u></b>	<b><u>145</u></b>	<b><u>15,835</u></b>	<b><u>503,554</u></b>

**Heritage**

	<b>Assets in the course of construction</b>	<b>Land and buildings</b>	<b>Plant, machinery and equipment</b>	<b>Vehicles</b>	<b>Exhibits</b>	<b>Group Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
At 1 April 2014	<u>–</u>	<u>240</u>	<u>–</u>	<u>–</u>	<u>15,835</u>	<u>16,075</u>
<b>At 31 March 2015</b>	<u><b>–</b></u>	<u><b>240</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>15,835</b></u>	<u><b>16,075</b></u>
<b>Depreciation</b>						
At 1 April 2014	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>At 31 March 2015</b>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>–</b></u>
<b>Net book value</b>						
At 1 April 2014	<u>–</u>	<u>240</u>	<u>–</u>	<u>–</u>	<u>15,835</u>	<u>16,075</u>
<b>At 31 March 2015</b>	<u><b>–</b></u>	<u><b>240</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>15,835</b></u>	<u><b>16,075</b></u>

The closing net book values are attributable to the Royal Hospital Chelsea's funds as follows:

Army Prize Money and Legacy Fund	<u>–</u>	<u>240</u>	<u>–</u>	<u>–</u>	<u>15,835</u>	<u><b>16,075</b></u>
	<u><b>–</b></u>	<u><b>240</b></u>	<u><b>–</b></u>	<u><b>–</b></u>	<u><b>15,835</b></u>	<u><b>16,075</b></u>



**Non heritage**

	<b>Assets in the course of construction</b>	<b>Land and buildings</b>	<b>Plant, machinery and equipment</b>	<b>Vehicles</b>	<b>Exhibits</b>	<b>Group Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
At 1 April 2014	6,480	484,643	4,073	186	-	495,382
Additions at cost	11,077	121	183	35	-	11,416
Reclassification	(88)	42	46	-	-	-
Disposals	-	-	(79)	(14)	-	(93)
<b>At 31 March 2015</b>	<b><u>17,469</u></b>	<b><u>484,806</u></b>	<b><u>4,223</u></b>	<b><u>207</u></b>	<b><u>-</u></b>	<b><u>506,705</u></b>
<b>Depreciation</b>						
At 1 April 2014	-	(12,425)	(1,364)	(62)	-	(13,851)
Depreciation charge for the year	-	(5,147)	(264)	(7)	-	(5,418)
Disposals	-	-	36	7	-	43
<b>At 31 March 2015</b>	<b><u>-</u></b>	<b><u>(17,572)</u></b>	<b><u>(1,592)</u></b>	<b><u>(62)</u></b>	<b><u>-</u></b>	<b><u>(19,226)</u></b>
<b>Net book value</b>						
At 1 April 2014	<u>6,480</u>	<u>472,219</u>	<u>2,709</u>	<u>124</u>	<u>-</u>	<u>481,532</u>
<b>At 31 March 2015</b>	<b><u>17,469</u></b>	<b><u>467,234</u></b>	<b><u>2,631</u></b>	<b><u>145</u></b>	<b><u>-</u></b>	<b><u>487,479</u></b>

The closing net book values are attributable to the Royal Hospital Chelsea's funds as follows:

Grant in Aid Fund	-	-	262	15	-	277
Army Prize Money and Legacy Fund	17,469	467,219	2,291	130	-	487,109
Subsidiaries	-	15	78	-	-	93
	<b><u>17,469</u></b>	<b><u>467,234</u></b>	<b><u>2,631</u></b>	<b><u>145</u></b>	<b><u>-</u></b>	<b><u>487,479</u></b>

## Operational Estate

### Non-Heritage Assets

RHC undertakes quinquennial revaluations of the Royal Hospital Chelsea estate. The last revaluation was in March 2012, when Savills provided a valuation in accordance with RICS guidance on the following basis:

- a *The Depreciated Replacement Cost (DRC) of the Operational Estate.* The Operational Estate is defined as the land and buildings within the Estate which are necessary as part of the current use of the site. This includes all the historic buildings, the Margaret Thatcher Infirmary, offices, staff accommodation and ancillary buildings and structures.

Depreciated Replacement Cost is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

- b *The National Army Museum* on Royal Hospital Road is let for a term of 999 years from 30 November 1967 at a fixed ground rent of £1.05 per annum. It was agreed to exclude this from the valuation.
- c The valuations exclude any value attributable to plant and machinery but include those items which provide essential services such as central heating, plumbing and wiring.
- d *Impairment assessment:* Under FRS11 a review for impairment is only necessary if there is some indication that impairment has occurred. In considering any potential impairment of tangible assets, particularly land and buildings, we did not identify any key events or changes in circumstances that gave any indication of potential impairment. As part of our assessment we also considered whether there was any potential impairment due to the current Long Ward modernisation programme which essentially gives rise to a temporary functional obsolescence of that part of the operational estate. It is our opinion that there has been no impairment on the operational estate in 2014-15. Furthermore, the estate is valued at depreciated replacement cost which takes into account any physical deterioration or functional obsolescence.

### Heritage Assets

Heritage assets as defined under FRS 30 were valued by Gurr-Johns as at June 2011 at market value with the exception of four exhibits, which are accounted for at cost. The four items were all acquired in recent years and the cost price is still a good measure of value. The next revaluation will be in 2016-17.

- a The Royal Hospital Chelsea's heritage assets are principally composed of art and artefacts and it has a holding of 789 (2014: 789) such exhibits with a total value of £15,834,766 (2014: £15,834,766). By value the principal items are paintings, prints, drawings and photographs, antique furniture, sculpture and silver and gold. The collection also includes arms and armour, books, clocks, medals, the Royal Hospital Mace and a stained glass window.

The items currently held at valuation total £15,782,816 (2014: £15,782,816) and those held at cost total £51,950 (2014: £51,950). The total cost of £51,950 includes the Calligraphic Panel recognised at a cost of £7,600 which was not revalued. The Exhibits are deemed to have indeterminate lives and the Commissioners consider it inappropriate to charge depreciation.

- b Additionally there is one piece of land known as Royal Avenue, which also is classed as a heritage asset. This represents the original approach road to the Royal Hospital Chelsea from the Kings Road and gives a view of the Royal Hospital Chelsea as intended by Sir Christopher Wren. It was valued by Savills as at 31 March 2012 with a market value of £240,000 (2014: £240,000). The revaluation of Royal Avenue took place as part of the quinquennial revaluation of the Royal Hospital Chelsea's estate.
- c The Royal Hospital Chelsea does not have a policy of actively acquiring new heritage assets, although a small number have been purchased e.g. a new stained glass window for All Saints Chapel. Many of the exhibits are accessible to the public visiting the site either in guided parties or individually.

**12 Investment property**

	<b>2015</b>	2014
	<b>£000</b>	£000
Balance at 1 April	<b>64,060</b>	58,900
Revaluations	<b>6,240</b>	5,160
Balance at 31 March	<b><u>70,300</u></b>	<u>64,060</u>

Investment property consists of land and building which are not part of the Hospital's operational estate. Most of the investment property is currently let on long or short term leases or licences. Investment property consists of Chelsea Court, Embankment Gardens, Wellington Buildings and Chelsea Gardens, Gordon House and Royal Avenue.

**13 Listed investments**

	<b>Group</b>	Group
	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£000</b>	£000
Market value at 1 April	<b>28,225</b>	26,746
Additions at cost	<b>900</b>	1,770
Cost of investments sold	<b>(6,260)</b>	(997)
Realised gain/(loss)	<b>(27)</b>	25
Unrealised gain	<b><u>2,340</u></b>	<u>681</u>
<b>Market value at 31 March</b>	<b><u>25,178</u></b>	<u>28,225</u>
Historic cost at 1 April	<b>24,294</b>	23,520
<b>Historic cost at 31 March</b>	<b>18,933</b>	24,294

Investments are held in the Alpha Common Investment Fund for Endowments managed by Sarasin and Partners LLP. The objective of the Fund is to provide a growing annual income whilst preserving the real value of the capital over the long term. The Fund invests in a broadly diversified global portfolio covering the world's principal stock bond and currency markets together with investments in alternative assets such as property and hedge funds.

**14 Debtors: amounts falling due after one year**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Gordon House debtor due after 1 year	<u>-</u>	<u>10,642</u>	<u>-</u>	<u>10,750</u>

The long term debtor represents the proportion of proceeds from the sale of Gordon House that was received in October 2015.

**15 Stock**

	<b>Charity</b> <b>2015</b> <b>£000</b>	Charity 2014 £000	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000
Shop and catering stocks	<u>–</u>	<u>–</u>	<u><b>128</b></u>	<u>134</u>

Stock is valued at the lower of cost and net realisable value after allowance for obsolete and slow-moving items. Stock is held in two subsidiaries, Chelsea Pensioner (RH) Ltd for the shop and Tricorne Traders Ltd for the café. There is no material difference between the Balance Sheet value of stock and its replacement cost.

**16 Debtors: amounts falling due within one year**

	<b>Charity</b> <b>2015</b> <b>£000</b>	Charity 2014 £000	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000
Trade debtors	<b>12</b>	158	<b>690</b>	220
Prepayments and accrued income	<b>920</b>	444	<b>953</b>	494
Amounts due from subsidiary undertakings	–	17	–	–
Other debtors	<b>23</b>	20	<b>25</b>	22
Gordon House debtor due within 1 year	<b>10,643</b>	10,643	<b>10,750</b>	10,750
<b>Total</b>	<b><u>11,598</u></b>	<u>11,282</u>	<b><u>12,418</u></b>	<u>11,486</u>

**17 Cash at bank and in hand**

	<b>Charity</b> <b>2015</b> <b>£000</b>	Charity 2014 £000	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000
Cash at bank and cash equivalents	<b>12,447</b>	3,969	<b>14,972</b>	5,757
Cash in hand	<b>2</b>	1	<b>2</b>	313
<b>Total</b>	<b><u>12,449</u></b>	<u>3,970</u>	<b><u>14,974</u></b>	<u>6,070</u>

**18 Creditors: amounts falling due within one year**

	<b>Charity</b> <b>2015</b> <b>£000</b>	Charity 2014 £000	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000
Trade Creditors	<b>1,689</b>	1,061	<b>1,753</b>	1,099
Accruals and deferred income	<b>478</b>	191	<b>1,961</b>	862
Amounts due to subsidiary undertakings	<b>(38)</b>	–	–	–
Other creditors	<b>438</b>	718	<b>505</b>	830
<b>Total</b>	<b><u>2,567</u></b>	<u>1,970</u>	<b><u>4,219</u></b>	<u>2,791</u>

**19 Creditors - amounts falling due after more than one year**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Chapel music foundation	<b>91</b>	95	<b>91</b>	95
Chapel fund	<b>45</b>	75	<b>45</b>	75
Advance funeral payments	<b>13</b>	12	<b>13</b>	12
<b>Total</b>	<b><u>149</u></b>	<u>182</u>	<b><u>149</u></b>	<u>182</u>

**20 Pension liability**

	<b>Charity</b>	Charity	<b>Group</b>	Group
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Defined Benefit Pension liability	<b><u>372</u></b>	<u>390</u>	<b><u>372</u></b>	<u>390</u>

**21 Contingent liabilities**

The Hospital has no contingent liabilities.

**22 Contingent assets**

Under the terms of the agreement for the sale of the lease of Gordon House the Hospital is entitled to a further sum of £19.11 million from the buyer once certain conditions related to the sale of the property have been met. It is not yet possible to say precisely when this payment will become due, but it is not expected to be before 2018 at the earliest.

**23 Pensions**

During the year the Hospital operated three pension schemes, as follows:

*Principal Civil Service Pension Scheme (PCSPS)*

Pension benefits for 178 (2014: 183) members of staff are provided through the Civil Service Pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (Classic, Premium and Classic Plus) or a whole career scheme (Nuvos). These statutory schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus and Nuvos are increased annually in line with Pensions Increase Legislation. Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 1.5% and 6.25% of pensionable earnings for Classic and 3.5% and 8.25% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members' earned pension is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pension Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

The PCSPS is an unfunded multi-employer defined benefit scheme and it is not possible to separately identify RHC's share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details are in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk/pensions](http://www.civilservice-pensions.gov.uk/pensions)).

For 2015, employers' contributions of £728,759 were payable to the PCSPS (2014: £670,770) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. Rates will remain the same next year. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

No contributions were payable to stakeholder schemes in 2015.

#### *NHS Pension Scheme (NHSPS)*

The Hospital has 86 (2014: 90) members of staff in the NHS Pension Scheme which is an unfunded multi-employer defined benefit scheme, but the Hospital is unable to identify its share of the underlying assets and liabilities. The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2004 (published in December 2007). Consequently, a formal actuarial valuation would have been due to have been completed as at 31 March 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Between valuations, the Government Actuary provides an update of the scheme's liabilities on an annual basis. The latest assessment of the liabilities of the scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually.

These accounts can be viewed at the NHS Pensions Agency website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). This is a statutory, defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulations 1995 and 2008. Under these regulations the Royal Hospital Chelsea is required to pay an employer's contribution, currently 14% of pensionable pay, as specified by the Secretary of State for Health. For 2015, employers' contributions of £226,067 were payable to the NHS Pension Scheme (2014: £222,707). These contributions are charged to operating expenses as and when they become due.

Employees pay between 5% and 14.5% of pensionable pay. Employer and employee contributions are used to defray the cost of providing the scheme benefits. These are guaranteed by the Exchequer, with the liability to pay benefits falling to the Secretary of State, not to the Royal Hospital Chelsea. Index linking costs under the Pensions (Increase) Act 1971 is met directly by the Exchequer. The scheme is notionally funded. Scheme accounts are prepared annually by the Department of Health and are examined by the Comptroller and Auditor General.

The scheme has a money purchase Additional Voluntary Contribution (AVC) arrangement provided by an approved panel of life companies. Under the arrangement the Royal Hospital Chelsea can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

*Unfunded scheme*

Former Governors, Lieutenant Governors and Captains of Invalids are members of an unfunded defined benefit scheme. The scheme has 12 (2014: 14) retired members (or their widows) and is now closed to new entrants. The scheme is a final salary scheme with benefits based on number of years' service and final salary. Pensions paid during the year amounted to £42,000 (2014: £43,000).

*Financial Reporting Standard 17 (FRS17) – Retirement benefits*

The latest FRS 17 valuation of the liabilities in respect of the unfunded pension entitlements was carried out as at 31 March 2015, by an independent qualified actuary, using the key FRS17 assumptions set out in the following table, which reflect the nature of the liabilities. These pensions are all currently in payment and increase with price inflation (measured using the Consumer Prices Index).

<b>Assumptions</b>	<b>2015</b>	2014
Price inflation/pension increase per annum	<b>1.6%</b>	2.0%
Discount rate per annum	<b>2.5%</b>	3.5%

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 80 would be expected to live for a further 10 years (2014: 10 years).

The following table sets out as at 31 March 2015 the present value of the FRS 17 liabilities, which is equal to the gross pension liability, along with a 4-year history. No further benefits are currently being earned under this arrangement.

	<b>2015</b>	2014	2013	2012	2011
	<b>£000</b>	£000	£000	£000	£000
Defined benefit pension scheme liability	<b><u>372</u></b>	<u>390</u>	<u>414</u>	<u>425</u>	<u>432</u>

The gross pension liability resides within the Royal Hospital Chelsea's unrestricted funds. Its only impact on the resources available for general application are, the annual payments to the pensioners of £42,000 for 2015 (2014: £43,000).

The gross pension liability under FRS 17 moved as follows during the year:

	<b>Year to 31 March</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Gross pension liability at the beginning of the year	<b>390</b>	414
Pensions paid	<b>(42)</b>	(44)
Interest cost	<b>13</b>	13
Actuarial (gain)/loss on defined benefit pension scheme	<b>11</b>	6
<b>Gross pension liability at the end of the year</b>	<b><u>372</u></b>	<u>389</u>

The following amounts have been allocated across the "resources expended" categories of the SOFA:

	<b>Year to 31 March</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Interest on gross pension liability	<b><u>13</u></b>	<u>13</u>

The amount recognised in the 'gains and losses' categories of SOFA under the heading 'actuarial gains and losses on defined benefit pension schemes' for the year to 31 March 2015 is a loss of £11,000 (2014: loss of £6,000). The cumulative amount recognised in the 'gains and losses' categories of the SOFA since 2003 (as required by paragraph 94 of FRS 17) is a loss of £149,000 (2014: loss of £138,000).

The history of gains and losses due to experience on the liabilities is as follows:

	2015	2014	2013	Year to 31 March	
				2012	2011
Experience gains/(losses) on liabilities (£000s)	(3)	(20)	(12)	(3)	(4)
Percentage of the present value of liabilities	-1%	-5%	-3%	-1%	-1%

## 24 Operating leases

Amounts payable under non-cancellable operating leases were as follows:

	2015	2014
	£000	£000
Within 1 to 5 years	0	1
Within 2 to 5 years	39	29
After more than 5 years	2	2

## 25 Capital commitments

	2015	2014
	£000	£000
Authorised and contracted	12,523	12,081

The sum for 2015 is predominantly for the final phase of the Long Wards project, committed in 2011 and completed in late 2015. Other amounts are committed for the Prince of Wales Hall, the refurbishment of the Great Hall and Chapel, roof works and the Burton Court pavilion.

## 26 Losses and write offs

There were no losses and write offs in the year ended 31 March 2015.



**27 Movement in funds**

	Balance as at 1 April 2014	Incoming resources	Resources expended	Other Gains / (losses)	Transfers	Inter- company transactions	Balance as at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
<b>Unrestricted Funds</b>							
Grant in Aid	(3,073)	12,155	(13,509)	(38)	–	–	(4,465)
<b>Army Prize Money and Legacy Fund</b>							
General reserve	268,914	3,769	(6,278)	2,313	11,148	1,974	281,840
Ranelagh and De La Fontaine Trust Capital	7	–	–	–	–	–	7
Revaluation Reserve	322,017	–	–	6,240	–	–	328,257
Gordon House (London) Limited	(194)	–	(2)	–	–	–	(196)
RHC Appeal Group Ltd	1,559	3,649	(1,543)	–	–	(1,974)	1,691
<b>Total unrestricted funds</b>	<b>589,230</b>	<b>19,573</b>	<b>(21,332)</b>	<b>8,515</b>	<b>11,148</b>	<b>–</b>	<b>607,134</b>
<b>Restricted Funds</b>							
<b>Army Prize Money and Legacy Fund</b>							
Campbell Ward	28	1	(1)	–	–	–	28
Cadogan Donation	32	–	–	–	(110)	100	22
IP Activities	1	–	(114)	–	110	7	4
MTI fund	–	–	(8)	–	–	43	35
Garden and Allotments	–	–	(2)	–	–	78	76
Gordon House Fund	25,634	–	–	–	(11,148)	20	14,506
RHC Appeal Group Ltd	44	210	–	–	–	(248)	6
<b>Total restricted funds</b>	<b>25,739</b>	<b>211</b>	<b>(125)</b>	<b>–</b>	<b>(11,148)</b>	<b>–</b>	<b>14,678</b>
<b>Total funds</b>	<b>614,969</b>	<b>19,784</b>	<b>(21,457)</b>	<b>8,515</b>	<b>–</b>	<b>–</b>	<b>621,812</b>

**Unrestricted Funds**

The general funds consist of the accumulated surplus or deficit on the SOFA. They are available for use the discretion of the Commissioners in furtherance of the objectives of the Hospital. No surplus is generated from Grant in Aid Funds in accordance with the financial framework agreed with the Ministry of Defence.

**Restricted Funds**

The Campbell Ward Fund represents donations raised through a special appeal to create a specialist dementia care facility at the Hospital.

*Cadogan Donation*

The Cadogan Donation fund is donated by the Cadogan Charity towards In-Pensioners' mobility and travel costs.

*MTI Fund*

The MTI fund represents donations given specifically for spend on the Margaret Thatcher Infirmary.

*Gordon House Fund*

The Gordon House Fund represents the proceeds of the sale of the Gordon House lease. Under the terms of the Section 106 agreement with RBKC these proceeds may only be used for heritage capital expenditure. The assets purchased funds are capitalised in the APML account when the various projects are completed.

**28 Derivatives and other Financial Instruments**

The Hospital derives a significant proportion of its income from quoted investments. These investments are managed by professional fund managers, currently Sarasin and Partners. The Board of Commissioners has established an Investment Committee to formulate the investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's assets and maximising total return from them. The Committee meets regularly with the Investment Managers and monitors their performance against agreed benchmarks.

A degree of risk is inherent in any quoted investment. Such investments are subject to:

*Interest Rate Risk*

The RHC has exposure to interest rate risk through its holdings in bonds and cash balances.

*Currency Risk*

The RHC is exposed to currency risk through its holdings in non-UK assets. Approximately 25% of the quoted investment portfolio is held in assets valued in currencies other than sterling.

*Market Price Risk*

The Hospital is exposed to market price movements through all its investment holdings, apart from funds held in cash.

All of these risks are managed by the investment managers under the supervision of the Investment Committee.

**29 Post balance sheet events**

The Chief Executive and Accounting Officer, Maj Gen David McDowall CBE, left the RHC on 27 July 2015. The Secretary to the Hospital, Paul Hatt, was appointed Accounting Officer on 21 September 2015. A recruitment process for a new chief executive has been held and Mr Gary Lashko is due to take up the post on 1 February 2016.

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