

**FINANCIAL FRAMEWORK**  
**concerning a**  
**MOD GRANT IN AID**  
**to support the**  
**ROYAL HOSPITAL CHELSEA (RHC)**

**INTRODUCTION**

1. This Framework sets out an arrangement between the Ministry of Defence (MOD) and the Commissioners of the Royal Hospital, Chelsea (RHC) of Royal Hospital Road, London SW3 4SR on the conditions governing payment and expenditure of the Grant in Aid (GiA) made by the MOD to the RHC<sup>1</sup>. The dates will cover the period 1<sup>st</sup> April 2024 - 2029.
2. The RHC, founded in 1682, is a body established by Letters Patent from the Crown supplemented by the Chelsea Hospital Act 1876. The current version of the Letters Patent was issued on 21 November 2003. The RHC is governed by a Board of Commissioners appointed by the Crown. Under the powers contained in the Letters Patent the responsibilities of the Commissioners of the RHC are to accommodate, feed, clothe and care for In-Pensioners and to maintain the buildings of the Royal Hospital. Ownership of the RHC buildings and estate is vested in the Commissioners. The RHC is recognised by HM Revenue and Customs as having charitable status (No. X8366) and voluntarily complies with the Charity Commission's governance standards and its Statement of Recommended Practice on preparing accounts.
3. This Framework shall be reviewed by the MOD, with the assistance of the RHC, at 5-yearly intervals, when the RHC appoints a new Accounting Officer, or earlier by mutual agreement if necessary. Amendments may be proposed for mutual consideration whenever either party considers this necessary.

**OBJECT OF THE GRANT IN AID**

4. A GiA is provided to the RHC as a contribution to meet the running costs of the Hospital. The GiA is offset by recovery of army pensions, including disability pensions, payable to pensioners who move into the RHC. Costs not covered by the GiA are met through a separate budget known as the

---

<sup>1</sup> HM Treasury approved the payment of a grant in aid effective April 1982.

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

Prize Money and Legacy Fund. The RHC finances this fund through trading income, fundraising and investments.

- a. The GiA will cover, within affordable limits and where appropriate, the following:
  - i. Staff pay and allowances.
  - ii. Accommodation.
  - iii. Feeding, clothing and care needs of the In-Pensioners.
  - iv. Utilities.
  - v. Furniture.
  - vi. Fittings and maintenance of the buildings.
  - vii. Insurance (Formal requirements for insurance are covered in paragraphs 30 and 31).
- b. It may also include specific allocations required to meet the requirements of legislation or other non-discretionary expenditure or defined tasks as may be agreed between the RHC and MOD.
- c. The GiA will exclude any funding for:
  - i. the acquisition of any capital assets (although see also paragraph 24.b);
  - ii. Expenditure under the Letters Patent funded by the Prize Money and Legacy Fund.
  - iii. RHC Post Office (CPRH Limited);
  - iv. New-build capital projects;
  - v. The upkeep of the buildings and estates where these are not maintained by the grant in aid; including the South Grounds, Ranelagh Gardens, Burton's Court and Royal Avenue;
  - vi. Expenditure on the entertainment and welfare of the In-Pensioners for which the use of public funds would not be appropriate.
  - vii. Fulfilment of legal requirements as a charity;
  - viii. Trading and fund-raising activities;
  - ix. Investment for the purpose of generating additional funds and reserves;
  - x. Making loans, grants or gifts;

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

- xi. Development of business activities.
  - d. The RHC will draw up annual accounts in accordance with Charities SORP and the GiA will be recorded as “unrestricted” income in these accounts.
- 5. The RHC is not to make any long term financial commitments involving public funds on the GiA that could not be easily contractually unwound, or where it commits to having to service liabilities in years beyond the period for which GiA funds have been agreed and allocated. The RHC will provide an annual report of related liabilities, if appropriate.

## RELATIONSHIP WITH MOD

- 6. For the purposes of day-to-day dealings, all reference in this document to MOD may be taken as referring to Chief of Staff Army HQ/Director Resources Army TLB. Payment of the GiA is subject to the MOD being satisfied that the conditions set out in this document are being met, except where some variation in these has been agreed between the parties in writing.
- 7. At the start of each financial year the MOD will send to the RHC a formal statement of the GiA approved for that FY and a statement of any planned changes in policies affecting the organisation. The amount notified will be subject to Parliamentary approval and represent a cash limit.

## Payment of GiA

- 8. Payments will be authorised by the MOD on the basis of spend against the GiA and in accordance with need on the basis of written application.
- 9. The in-year GiA allocation not issued to the RHC by the end of the FY shall lapse. Any GiA already issued but not spent by the RHC may be carried over to the next FY. Any excess carried over may be taken into account in the following year’s GiA, where appropriate.

## Inspection and Review

- 10. The MOD may carry out, with the agreement of the Trustees or Commissioners by reference to the RHC Audit Committee, periodic inspections or reviews of the RHC’s management or other internal controls in relation to GiA funds, if it deems it necessary. The RHC will cooperate with such inspections or reviews where such agreement has been given.

## Aims, Objectives and Performance Indicators

- 11. The MOD and the RHC shall agree appropriate aims, objectives and measurable performance indicators in respect of the GiA. The RHC’s objectives and key targets, to monitor the RHC’s performance in their use of GiA funds, will be agreed within the management planning process. The aim of the GiA is to contribute to the cost of administering and running the RHC for the in-pensioners. Key objectives are:

- a. Refer to appendix 2:

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

- b. To ensure that the level and structure of staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy.
- c. To ensure that effective corporate governance arrangements as set out in Charity Commission guidance on governance apply to the conduct of business.

#### Accountability

- 12. MOD is accountable through its Principal Accounting Officer (PS) to Parliament for the following:
  - a. Determination and payment of the GiA in accordance with the rules of [Managing Public Money](#);
  - b. The conditions attaching to the GiA;
  - c. Monitoring the RHC's observance of the conditions.
- 13. Chief of Staff Army HQ/Director Resources Army TLB on behalf of the TLB will agree appropriate Performance Indicators with RHC.

#### THE ROLE AND RESPONSIBILITIES OF THE ACCOUNTING OFFICER OF THE RHC

14. The Accounting Officer, RHC is responsible to the Governor and Board of Commissioners for the proper conduct of the RHC's business in accordance with the Letters Patent and accounting for all the funds of the charity in accordance with the Statement of Recommended Practice (SORP) for charity accounts. The Accounting Officer RHC holds a letter of designation from the Permanent Secretary of the MOD and is held personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for day-to-day operations and management of the RHC. In addition, he or she should ensure that the RHC as a whole is run on the basis of the standards, in terms of governance, decision making and financial management that are set out in Box 3.1 to Chapter 3 of [Managing Public Money](#). The accountabilities include:

- a. The administration of and proper accounting for the GiA, so that all resources are used economically, efficiently and effectively.
- b. The maintenance of adequate internal expenditure controls in relation to GiA funds.
- c. The provision of advice to the Board of Commissioners so that financial issues affecting GiA are considered fully at all stages in framing and reaching decisions and in their execution.
- d. Observance of the conditions attaching to the GiA.
- e. The maintenance of adequate systems of financial control to prevent theft or fraud in relation to GiA funds.
- f. The signature of the accounts and ensuring that proper records are kept relating to the accounts.

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

- g. Write-off of losses from GiA funds.
  - h. Ensuring that the GiA is used only for the purposes detailed in this agreement and is not used for investment or speculation with the intent of generating additional income.
  - i. MoD does not require RHC to comply specifically with the Cabinet Office Controls or FReM frameworks as RHC reports as a Charity under Charities SORP, however the RHC is free to make any additional voluntary additional disclosures that it regards as pertinent to the Annual Financial Statements.
15. In the event that the Accounting Officer, RHC receives instructions which he/she regards as conflicting with this framework, in relation to the GiA, he/she should make appropriate written representation to the Governor RHC (with a copy to the MOD).
16. The Accounting Officer, RHC may delegate day-to-day duties (with the exception of his/her personal authority to write off losses) to an executive Finance Director or equivalent.
17. The responsibilities of the accounting officer are detailed in Chapter 3 of [Managing Public Money](#).

## THE PLANNING FRAMEWORK

18. By the end of March each year the RHC will provide the MOD, through D Res Army, with a copy of its annual management plan. This includes a statement of its statutory duties, mission and vision, corporate objectives (3 to 5 years ahead), priorities for the coming year, a statement of the high level objectives and KPIs reflecting those in the Framework Agreement, and a financial statement looking ahead 5 years which indicates how the Grant-in-Aid (GiA) will be allocated. The RHC will also provide MOD, again through D Res Army, with a separate report on the previous year's performance against plan, including its financial performance.
19. As far as monitoring performance is concerned, the RHC will present a full set of management accounts to D Res Army on a quarterly basis, which he will receive in his capacity as a Commissioner. These accounts will include details of performance against budget in the form of an Income & Expenditure Statement, forecast of outturn, variance analysis commentary, cash flow and capital expenditure. Finally, the MOD will, through the office of D Res Army, receive by the end of October a copy of the RHC's audited statutory accounts for approval through the Board of Commissioners before they are submitted to Parliament. These accounts will be produced in accordance with the Charity SORP.
20. The plan should also contain details of any capital projects, which may have a future impact on the requirement for GiA funding.
21. Payments and receipts shall be closely monitored by the RHC at all times to ensure that timely action can be taken to ensure that the cash limit of the GiA is not exceeded. However, any net surplus/deficit on GiA is recorded as such in the commentary to the statutory accounts, although figures are shown as "Charity Only" being the combined totals of GiA and PML. The quarterly

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

management accounts reporting includes a variance analysis report and will duly reflect any over/under spend on GiA (refer para 19 above).

## FINANCIAL CONTROLS AND FINANCIAL AUTHORITIES

22. The RHC has the authority to vire funds between cost headings (Appendix 1) without recourse to the MOD provided that this does not breach the terms of paragraph 4 or result in any increase to the GiA not previously agreed by the MOD.

23. In respect of the GiA, the RHC will:

- a. Maintain to the MOD's satisfaction an appropriate system of financial management;
- b. Maintain adequate records, covering the current financial year and previous six financial years, of payments and receipts made against the GiA to meet National Audit Office external audit needs;
- c. Ensure that the GiA is accounted for and managed separately from any other funds managed by the RHC;
- d. Maintain the minimum level of cash balances and reserves consistent with the efficient conduct of business.

## MANAGEMENT AND DISPOSAL OF ASSETS

24. The RHC is accountable to MOD for the safe keeping of all assets obtained through the GiA, including maintenance of inventories or other records, as agreed with the MOD:

- a. Register of assets: The RHC shall maintain an accurate and up-to-date register of its fixed assets and indicating those funded through GiA funds.
- b. Disposal of GiA funded assets: As the GiA does not cover capital purchases, GiA funded assets are diminishing both in number and in value. Typically they are retained to the end of their useful lives and there is no disposal receipt. Where replacement is required it is funded by the Army Prize Money and Legacy Fund unless, exceptionally, an application is made to MOD for a capital grant.
- c. Retention of receipts: The RHC may normally retain receipts derived from the sale of GiA funded assets provided that:
  - i. they are used to finance other capital spending;
  - ii. the MOD receives prior notification of individual sales; and
  - iii. total sales in any financial year do not exceed £1M or 3% of the RHC's GiA whichever is the greater.

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

If the criteria above are not met, retention of receipts, including surplus in-year receipts, will be subject to MOD and, where appropriate, HM Treasury approval.

## ACCOUNTING ARRANGEMENTS

25. The accounts shall be produced in accordance with the Chelsea Hospital Act 1876. In particular the RHC Annual Accounts will disclose the GiA as "unrestricted" income in the statutory accounts. The accounts are also to show the GiA payment separately in the breakdown of income. The audited accounts are to be passed to the Comptroller and Auditor General for signature in time for him to present them to Parliament post summer recess.

## AUDIT

26. The RHC's accounts shall be audited by the NAO in accordance with the Letters Patent and Chelsea Hospital Act 1876. The Board of Commissioners will also appoint internal auditors. The reports of both the external and internal auditors together with the RHC's response shall be subject to examination by the RHC's Audit Committee and shall be made freely available to the MOD. The annual audited accounts will be approved by the Board and signed by 3 Commissioners after acceptance by the Audit Committee.

27. The NAO and the internal auditor shall also examine the economy, efficiency and effectiveness with which the RHC has used its resources to carry out the tasks at paragraph 4 and the procedures adopted to comply with the principles of Managing Public Money and for the prevention of fraud.

28. Defence Internal Audit may also examine any or all of these same aspects, in relation to GiA funds, at the request of the MOD, the RHC or its CE. The RHC accepts this requirement for access as a condition of GiA payment.

29. The RHC should comply with Government Internal Audit standards (GIAS) in order that the Departmental Accounting Officer may receive an annual assurance on risk management, governance and control. This assurance can be provided by the Director of Defence Internal Audit (DIA) or alternatively by an external organisation. If an external organisation is chosen, the Accounting Officer requires DIA to ensure periodically that the service provided meets the requirements of GIAS. The RHC accepts this requirement for access as a condition of GiA payment.

## INSURANCE

30. The RHC is required to have appropriate Employer's Liability and Public Liability insurance cover (and certificates as appropriate) to cover the organisation's legal liability from accidents arising from non-public funded activities. The RHC may use the GiA to fund RHC insurance for public liability; Directors and Officers liability; vehicles and buildings whose maintenance is funded by the GiA. The RHC is responsible for all other insurances including fine arts insurance and the activities of Commissioners in their role as Trustees of RHC Appeal Ltd (a wholly-owned subsidiary of RHC which is a registered charity).

31. Prior to 31 March 2011 the MOD provided an insurance indemnity in respect of activities funded by the GiA and any claims for compensation which may arise from these activities will be settled by

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final

MOD. The full details of MOD liabilities for RHC can be covered in a letter of comfort from the MoD issued on request.

## DURATION

32. This Framework will remain in effect for 5 years from the date of signature unless either party requests termination or amendment before that date. The agreement may be terminated by either party following 12 months' notice, unless both parties agree to a shorter time scale. Amendments may be proposed by either party at any time but amendments may be implemented only by agreement.

Grant in aid – Financial Framework – The Royal Hospital, Chelsea					
Date:	25 Mar 2024	Version:	1 <sup>st</sup>	Status:	Final




**LIST OF APPENDICES:**

Appendix 1 – GiA Delegations and Budget Headings.

Appendix 2 – RHC High Level Standing Objectives and Associated KPIs.

MOD Signature:

Signed:   
Nicholas Gordon

Director Resources Army TLB

Date...25 March 24

(On behalf of the department)

RHC signature:

Signed:   
David Richmond

Accounting Officer

Date: 11 Apr 24

(On behalf of the Royal Hospital Chelsea)

Grant in aid – Financial Framework – The Royal Hospital, Chelsea			
Date:	25 Mar 2024	Version:	1 <sup>st</sup>
Status:	Final		

## **GIA DELEGATIONS AND BUDGET HEADINGS**

### **DELEGATIONS IN RESPECT OF DEFINED LOSSES, SPECIAL PAYMENTS**

The RHC will maintain details of, and record in its accounts 'Losses and Special Payments' as prescribed in 'Managing Public Money'. The RHC has full delegated authority to write off such Defined Losses for the GIA and make such Special Payments for the GIA, but any case involving a sum of over £10,000 (nil if fraud is suspected) shall be reported immediately to MOD Fraud Defence. All cases of suspected fraud by staff shall be investigated. Army HQ Assurance should be informed orally at the first indication that fraud may have occurred where that involves the GiA and a written report made to the RHC Commissioners as soon as the circumstances are clear.

### **BUDGET HEADINGS**

In line with Managing Public Money RHC's GIA is not divided into individual budget headings.

SEE NEW DRAFT APPENDIX 2 IN SEPARATE ATTACHMENT

Serial	Proposed Objective	Proposed KPI
1	To sustain the IP population between 290 and 310.	Average IP numbers over the year
2	90% satisfaction to "I would recommend the RHC to other veterans" in biennial IP survey	Biennial survey
3	To maintain excellence in the delivery of nursing, care and medical services at the MTI.	CQC compliance - to achieve at least a "good" rating at all inspections Maintain over 90% of achievable QoF points
4	To ensure that financial controls are in place and that the management of RHC resources is efficient and Effective.	Unqualified annual accounts to be ready for signature by 31 October each year
5	Staff to be appropriately qualified.	100% completions (excluding long term absences/sick) of mandatory training. To maintain safe practice & regulatory compliance.
6	Maximise potential events for IPS to represent RHC.	35 events per quarter.
7	To keep the proportion of income derived from MoD grants year on year below 60%.	Percentage of income represented by Grant in Aid.
8	RHC social media followers to increase Annually.	Minimal adverse publicity % increase in social media followers
9	Maintain an adequate level of reserves to ensure financial stability.	Liquid reserves to cover two years' unrestricted expenditure
10	To maintain a high level of staff	75% satisfaction to "I am happy working at the RHC" in

Royal Hospital, Chelsea - Grant in aid - Financial Framework

satisfaction	Quarterly Pulse Staff Surveys.
--------------	--------------------------------