

Royal Hospital Chelsea Annual Report and Consolidated Financial Statements 2021-22



ROYAL HOSPITAL CHELSEA

ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL

STATEMENTS FOR THE YEAR ENDED

31 MARCH 2022

Presented to Parliament pursuant to Section 1 of the Chelsea Hospital Act 1876

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Officers and Commissioners

Chairman of the Board of Commissioners

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Ex-officio Commissioners

HM Paymaster General – Hon Cmndr The Rt Hon Penny Mordaunt MP (to 15 September 2021)
Rt Hon Michael Ellis MP (from 16 September 2021)

Minister of State for the Armed Forces – James Heapey MP

Minister for Defence People and Veterans – Johnny Mercer MP (to 19 April 2021)

Leo Docherty MP (from 20 April 2021)

Director Resources and Command Secretary (Army) – David Stephens Esq CBE

Senior Health Advisor (Army) – Brigadier Tim Hodgetts CBE (to 13 May 2021)

Brigadier Antony Finn QHP (from 14 May 2021)

Director of Engagement & Communications (Army) –

Major General Neil Sexton (to 9 January 2022)

Brigadier Chris Davies OBE (from 10 January 2022)

Governor, Royal Hospital Chelsea – General Sir Adrian Bradshaw KCB OBE DL

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Dame Barbara Monroe DBE (*Deputy Chairman*)

Ms Jo Cleary (to 31 October 2021)

Dr Roger Bowdler

Colonel Paul Foster

Richard Clark Esq

Professor Charles Mackworth Young CVO

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Ms Caroline Trehitt

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Professor Martin Green OBE (from 1 February 2022)

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Annual Report of the Commissioners

Introduction and background

The Royal Hospital Chelsea (RHC) has played a leading role in the care of Army veterans for more than 300 years. It 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.” The estate ranks among the three greatest architectural works by Sir Christopher Wren, alongside the Royal Naval College Greenwich and St Paul’s Cathedral. The first Chelsea Pensioner (CP) took up residence in 1692.

For the second consecutive year, a global pandemic, COVID-19, presented the country with the most significant health, financial and social crisis since the Second World War. Against this complex and stretching backdrop, the RHC’s core mission has been to protect the lives and wellbeing of our vulnerable population and continuously to adapt the way we work to ensure the safety of our residents and staff.

We have become more agile in our short and medium-term planning for the organisation, which should bring an enduring benefit. And our staff have shown enormous resilience and the greater mutual support necessary when individual colleagues have been in self-isolation or unwell.

We work extremely hard to build a mutually supportive community - one where individuals can expect to be treated equally with decency, respect, and compassion.

It is the added value we bring to our veterans’ lives that matters. Building on the track record of three centuries’ experience of a caring military community, we deliver a higher quality of life through integrated healthcare and a focus on holistic wellbeing. We have created an environment that is not only mutually supportive for this broad spread of ages, but one that also encourages the CPs to participate in the greatest range of physical and mental activities possible while reaching out to support and inspire others in the wider community. CPs often find a new lease of life when they join the RHC; they are no longer isolated, and they find purpose not only in the comradeship at the RHC but also in representing the veteran community on behalf of the nation.

We strive to free the veterans we serve from the isolation and marginalisation in society so often reported elsewhere and we believe our model could be adopted in other settings.

We are committed to:

- Protecting the lives and wellbeing of the CPs throughout the pandemic and beyond;
- Ensuring that care provided by our dedicated facilities is at the forefront of best practice and that we can share and disseminate evidenced-based data on veterans living with illness due to old age, including dementia;
- Increasing public awareness of the importance of the service given to their country by older veterans;
- Building a greater understanding of the negative impacts of loneliness amongst veterans and how we can better construct supportive communities, by scoping new outreach programmes for veterans outside our gates, supported by an Outreach officer post;
- Encouraging greater collaboration between veteran-focused organisations and others to improve dissemination of evidence-based data, best practice and understanding of inter-connectivity between issues affecting the health and wellbeing of older veterans;
- The development of the Soane Stable Block to provide a heritage offering including a museum, café and facilities for the outreach programme; working alongside the council and local businesses and institutions to support the wider tourism plans of the Borough by creating the Chelsea Cultural Quarter.

Governing documents and charitable objectives

The RHC's governing document¹ 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 RHC'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 RHC is not registered with the Charity Commission, but it is recognised as having charitable status for taxation purposes by HMRC (reference number X8366).

The principal objectives of the RHC are the care of the CPs and the conservation of its historic buildings and grounds. The RHC receives an annual grant known as "Grant in Aid" (GiA) from the Ministry of Defence (MoD) towards the cost of caring for the CPs (who surrender their Army pensions on admission). The grant is governed by a financial framework agreement signed by the RHC on 9 August 2021. CPs not in receipt of an Army pension, or whose pensions are small, may pay top-up charges based on a sliding scale dependent upon their income. This income is recorded under "other income" 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 CPs, 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 GiA does not cover the cost of major capital projects or the upkeep of the grounds. These costs are paid out of the Prize Money and Legacy Fund, which is a separate fund held by the Commissioners. That fund also provides additional support to the CPs which could not reasonably be expected to come from public funds, such as entertainment and digital television services. It also pays for those maintenance and other running costs that are not covered by the GiA.

Income for the Prize Money and Legacy Fund arises from RHC's commercial activities, including events staged in the buildings and grounds, and also from fundraising activity. Income from commercial activity was badly affected by the pandemic in 2020-21. It recovered somewhat in 2021-22 but remained well below the pre-pandemic level. A further recovery is expected in 2022-23. Income from fundraising in 2020-21 was boosted by an exceptional £3m donation received in that year. It returned to more usual levels in 2021-22.

The RHC is staffed for 24 hours a day, 365 days of the year. There is always someone on hand to provide assistance for CPs if required. The RHC has 251 staff of whom 95 are medical, nursing and care staff.

The COVID-19 pandemic

The pandemic continued to negatively impact the RHC's activities for a second year. To protect the health and safety of the CPs, the site was locked down for the majority of the year as part of a comprehensive operational plan. With London frequently showing the highest rates of transmission and lower than average rates of vaccination, members of the public were not allowed to enter the estate during periods of lockdown and only essential service providers were allowed access. Strict health and safety protocols for visitors, including mandatory testing, were in place across the year. For the majority of the year the CPs agreed to keep social interaction in close proximity to a minimum. CPs deemed particularly vulnerable agreed to isolate in their berths (rooms), while everyone on site maintained social distancing of a minimum of 2m at all times.

Where practicable, the RHC followed the Government's recommendation that staff who could fulfil their duties from home should do so, to minimise the risk of transmission from outside. We continued to operate with significant increases to cleaning and sanitation requirements; procured and distributed PPE; maintained sanitation points and restricted routes throughout the Hospital; and applied a rigid regime of a minimum of twice-weekly lateral flow tests for all staff. As part of the RHC's COVID mitigation strategy, operating staggered mealtimes for the CPs and delivering meals to those in isolation gave additional challenges to the catering staff. For part of the year, the RHC provided transport for nurses and other frontline staff who would normally utilise public transport.

While the impact on the health and wellbeing of the CPs and staff remained the greatest priority, there were a range of additional impacts resulting from the pandemic. In the final quarter of the year, most aspects of life at RHC returned to normal, though there were still restrictions on visitors in some areas and regular testing remained mandatory, reflecting the emergence of a new and more virulent COVID strain. 99% of CPs have now been fully vaccinated and received a booster jab, along with 95% of staff. We remain grateful for the excellent support we receive from Chelsea and Westminster Hospital. The Great Hall, the Café and the Chelsea Pensioners Club remained out of bounds for the general public throughout almost the whole year.

¹ This report should be read in conjunction with the Governance Statement on page 20 which outlines in detail the structure and governance of the RHC and its Board.

In the care and health sectors – along with much of the UK economy - the recruitment of staff became an increasing challenge during the year. London proved to be a particularly difficult recruitment environment. Staff at the RHC faced the dual burden of colleagues being absent through illness and periods of lower than normal levels of staff. They rose admirably to the challenge.

To ensure that the RHC maximised its understanding of lessons learnt from operating under pandemic conditions, a Thematic Analysis report was commissioned. To address issues around staff wellbeing arising from the very long and often stressful period of the pandemic, the RHC offered staff confidential discussions with a neuropsychologist. In addition to our Staff Consultation Group, a further initiative, The Bridge, was established to gather colleagues’ ideas for enhancing the RHC’s work environment and culture and to improve interdepartmental relationships by encouraging conversation. An Internal Communications Officer has also been appointed.

For a second year, the pandemic led to a loss of income from cancelled events. However, a highly successful and innovative Chelsea Flower Show was held at the RHC in September. This is the first time in its history that the prestigious Flower Show has been held in the autumn, opening opportunities to showcase a completely different palette of plants.

After receipt of grants and donations specifically for COVID relief and support and income of £1,157k from lease extension premiums, the year ended with an operating profit of £1,459k. This is reflected the accounts for 2021-22 (see also p16).

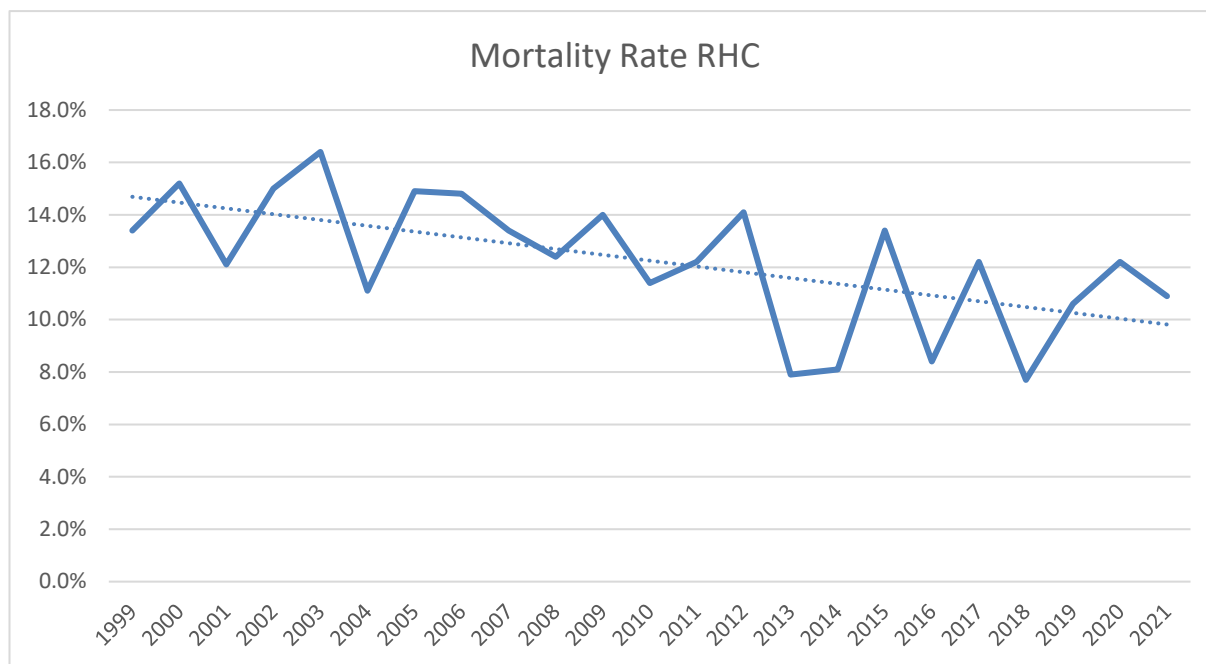
The RHC Model of Care

Our aim is to set the global benchmark for veteran care, providing outstanding care for ex-British Army personnel who have finished their working lives. By most standards, ours is an extremely old community. The average age of our CPs at the Royal RHC is 82.25; our youngest is 66 and our oldest 100. The median age on arrival is 78. The average age at death of our CPs is 86.5 years, and they live at the RHC for an average of 10 years.

Statistics at a glance: Calendar Year 2021	
Average age	82.25 years
Cumulative 5yr average	82.2 years
Cumulative 10yr average	82.24 years
Youngest Pensioner age	66 years
Oldest Pensioner age	100 years
Median age on arrival	78 years
Cumulative 5yr average	77.4 years
Cumulative 10yr average	78.0 years
Average age at death	86.5 years
Cumulative 5 yr average	87.9 years
Cumulative 10 yr average	87.67 years
Cumulative 15 yr average	86.99 years
Average length of residency	10 years

The mean age at death of CPs shows a year-on-year increase of 0.45 year – single year data show an average age of death of 83.1 years in 1999; 86.2 years in 2010; and 88.7 years in 2020. Whilst the average age of death has been increasing, the average age of entry to the RHC has remained fairly constant at 76.6yrs in 2020 and 78.17yrs over the past 10 years (range 76.6 years to 80.4 years).

Mortality Rate RHC by Year from 1999 (Number deaths/population at previous year end, expressed as %)



The CPs are therefore, on average, coming to live here at the same age as in previous years, but are living longer at the RHC. This is likely to be due to a combination of factors but would support the contention that the Model of Care provided at the RHC adds years to life compared with living outside the RHC. If this trend continues, the numbers of veterans in older age ranges with a likely greater burden of disease morbidity and consequent care needs will increase, which would be predicted to have an impact on the RHC’s admission planning and care needs planning.

By way of comparison, the most recent data from the Office for National Statistics (ONS) show that, for those who reach the age of 65 years, their average further life expectancy (in years) has increased; in the most recent period available (2007-2011) the average age of death of males by socioeconomic class (SEC) is 83.2 years for all SEC groups; 85.3 years for the highest SEC group; and 81.4 years for the lowest SEC group. The RHC mean age at death (86.5 yrs) is higher than for their cohort’s averages, both overall and by SEC. Given our population’s demographics – the CPs predominantly tend toward a social demographic with a pre-existing burden of medical issues – this data supports our assumptions that the RHC Model of Care extends the lives of CPs.

The ONS figures are for male deaths. There have been only 5 female deaths (2016-2021) since women were first admitted to the RHC in 2009 and none in 2021. The 15 living female CPs at the date of this report have an average age of 84.9 years (range 67-100 years).

During 2021, 30 CPs died against the predicted number of deaths of 31. There is some degree of year-to-year variability in absolute numbers of deaths per year and the corresponding mortality rate at RHC, which takes resident numbers into account (see chart above). The predicted number for 2022 is 29. The average number of deaths per year over the last five years was 30.6; over the last ten years was 30; and over the last fifteen years was 32.6.

In 2021, the Mortality Rate (MR) at the RHC was 0.109 (10.9%). The 5-year rolling average is 0.107 (10.7%); the 10-year rolling average is 0.105 (10.5%); and the 15-year rolling average is 0.113 (11.3%). 50% of all deaths in 2021 (60% in 2020) occurred in the Margaret Thatcher Infirmary, in line with our commitment to care for CPs throughout their time at the RHC and during their final illnesses. Hospital deaths decreased as a total proportion of all deaths in 2021 at 30% (37% in 2020), in line with expectations, given that directly caused COVID-19 deaths reduced in 2021 to 2, both of whom died at the RHC. In all cases admission to hospital had been in line with their (or their LPA holder’s) wishes.

We are looking to test the assumption that we add not only extra years of life, but also add extra years of quality life (QOLYs). To do this we are half-way through a three-year external academic evaluation of the RHC Model of Care which will strengthen the evidence base for our care model and deliver better health outcomes for our residents. The results of the evaluation may be of significant interest to the wider care community.

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 those aged 65 or over who have served in the Army and has care home facilities in the Margaret Thatcher Infirmary (MTI), for use by former occupants of the sheltered accommodation, and for others who may, exceptionally, be admitted directly into Infirmary care. The RHC 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 Army community.

The CPs represent the older veteran community on many State and formal occasions and are a living reminder of the service and sacrifice made by the Armed Forces. We know from the many thousands of supportive letters, emails, and posts on social media that they are universally respected throughout our Nation. They bring inspiration and hope not just to their cohort, but also to the wider population.

Before the pandemic, the RHC operated outreach programmes, working to support other groups of veterans in need of support, including those who are in prison or homeless. Since the arrival of COVID-19 we have started new initiatives including virtual 'meet ups' with other veterans who may be isolated or lonely, with for example the Veterans Breakfast Clubs, and British Limbless Ex-Servicemen's Association (BLESMA) members. Our ambition is to expand our outreach programme significantly, which has clear and profound long-term benefits to physical and mental health, creating supportive veteran communities that draw people together and encourage shared activities. It has become more apparent than ever that 'befriending' and sharing activities (even if virtually) has a positive impact on veterans. If a model (taken from our learnings) that the RHC develops can be achieved in every community and in every region of our country, it could lead to better health and wellbeing outcomes for more veterans.

As the Government evolves its strategy for keeping ever-greater numbers of the retired population active and healthy, we continue to demonstrate that the RHC model of care adds both extra years of life and extra years of quality life and can be adopted – in whole or in part - elsewhere. As a data-driven care provider, we are engaged in a research programme, run in partnership with the Veterans Hub of the University of Northumbria, to further evaluate the benefits and potential for wider application of our model. We would also welcome further academic research into the relative resilience of CPs during the pandemic, compared to their cohort in other care settings.

The RHC maintains a very close watch on the mental health and wellbeing of the CPs. We have supported steps taken by the Army to treat mental health and wellbeing as a management issue, providing submissions to several Parliamentary committees. We are creating a new Activities Centre to further reduce isolation, maximise therapeutic benefit and create new purpose and meaningful activity. These investments, supported in large part by charitable donations, will help ensure that the RHC will support 'active ageing' and mental wellbeing as much as we possibly can, allowing us to position the RHC as an outreach centre for non-resident veterans.

The RHC's Christopher Wren buildings are of global built heritage importance, alongside its 'sister' building on the Thames, the Royal Naval College, Greenwich and St Paul's Cathedral – and its artefacts are maintained to an appropriately high standard. In 2019-20, before the pandemic, 22,000 people visited the site for tours, academic activity, to worship in the Chapel and view the exhibits in the museum. For most of 2021-22, there was no general public access to the buildings. To widen access in the future, a digital archive of records is under construction, which will be made available to the public via a dedicated website.

The RHC's principal accommodation for the CPs – the 'Long Wards' – forms a key element of the 17th century Wren buildings. The former austere and small windowless 'berths' have all been remodelled over the last ten years into some 200 en-suite study bedrooms, all with excellent natural light and up-to-date IT facilities. A single 'heritage' berth has been retained in its original layout to aid comparison. The magnificent Great Hall and Chapel have also been carefully restored and both are in daily use in more normal times.

The Soane Stable Block is the only part of the built estate which has not yet been refurbished. A comprehensive re-modelling programme began in 2021, to incorporate a heritage centre, facilities for outreach activities, a café, a museum, and a shop. Enabling work started on site in the 2021-22 financial year before final approval to proceed was given by the Board of Commissioners.

Work to create a new hobbies and activities building for the CPs will be completed in the second half of 2022.

The Chapel provides a place of worship, communion, and private reflection, principally for the CPs but also for the local community, and we are pleased that it continues to offer a glorious setting for both private and public commemorative events,

particularly in support of Army veterans and Regimental Associations. We also support several other military charities by providing office space on the estate at a nominal rent. And the RHC's grounds are used for a number of major events which support the local economy by generating significant additional income and employment for local shops, restaurants, and businesses. During the pandemic, a COVID testing centre for the local community was based on the South Grounds – an area which also saw increased use for exercise and dog-walking activities – demonstrating the RHC's ability to add public benefit through the careful co-use of its grounds.

Additionally, we have a good working relationship with local schools, who would normally participate in learning and education activities – discovering our unique heritage, participating in activities, and tending to their designated allotments under the tutelage of our grounds staff – though visits from schools were not possible in 2021. We are now exploring a partnership in education opportunities with our neighbour, the National Army Museum, to expand our education programme.

Monitoring of performance

The Commissioners review the performance of the RHC at their quarterly meetings and in meetings of the five subordinate committees. At the executive level, the Executive Board meets monthly to assess risk and review performance against key performance indicators and corporate objectives. There is a suite of 44 KPIs covering the five directorates.

As noted above, after offsetting loss of income and additional expenditure with additional restricted grants, and taking into account lease extension premiums received the RHC recorded a surplus of £1,465k (see p 16) in the 2021-22 financial year. The budget for 2022-23 also shows an operating surplus, though costs are coming under pressure due to the rapid increase in the rate of inflation.

The Commissioners regularly review corporate governance of the RHC with the aim of assessing and improving the effectiveness of the Board's performance and overseeing the work of the RHC. A review was carried out by Wilson's solicitors in 2020. This review made several recommendations which were agreed by the Board of Commissioners in October 2020. These included the creation of a Finance and General Purposes Committee which has subsumed the responsibilities of the former Investment and Remuneration Committees and has a wider remit to monitor the RHC's finances, HR and administrative functions. This is intended to give more time for Commissioners to scrutinise finance, human resources, investment, and IT strategies and performance, and to reduce the workload on the full Board. The Committee held its first meeting in February 2021. Its performance and role was reviewed in early 2022 after it had been in existence for a full year and it was agreed that it fulfilled a valuable function and should be retained permanently.

Employees

Employees are kept informed of the performance and objectives of the RHC through its intranet, Staff Consultation Group, a monthly staff newsletter, regular weekly bulletins, and briefings by line management. A regular briefing on Executive Board business is also produced. Appropriate policies are in place to ensure the RHC complies with all applicable employment legislation and the Equality Act 2010. Full and fair consideration is given to all applicants for all job vacancies. The RHC is committed to promoting diversity and, following consultation with staff, have employed an Equality, Diversity, and Inclusion consultant in 2021. Our commitment to the support of Army veterans in the workplace was also highlighted with the signing of the Armed Forces Covenant. The RHC has no staff who are formally designated as trade union officers under the Trade Union (Facility Time) Publication Requirements.

Volunteers

The RHC has around 70 volunteers, many of whom are private individuals who visit the Infirmary, take CPs out for trips, and assist in accompanying them when they go to neighbouring hospitals. It was not possible for volunteers to visit during much of the pandemic, though many continued to provide assistance remotely. During 2021 Volunteers returned to the RHC, as and when it was possible to do so. Volunteers are cleared to work with vulnerable adults and are DBS checked. The RHC is very grateful to those who give up their time for this purpose.

Future Strategy

The RHC's high-level objectives – to provide care for the CPs and safeguard the heritage of the buildings and grounds – remain unchanged. The current Vision and Mission Statement, adopted in 2016, reads:

Vision – To remain a much-valued and loved national institution, providing the highest standards of support to the Army veteran community.

Mission – To provide Army veterans with the support and comradeship they need in recognition of their service to the Nation, and to safeguard their historic home for the veterans of tomorrow.

The RHC adopted new strategic targets in 2019. The plan sets out the following key objectives:

- Maintain and improve services to current Chelsea Pensioners;
- Adapt services to meet emergent need, and prepare to meet the needs of future veterans;
- Ensure RHC has the resources to maintain the services and buildings at a high standard for the foreseeable future;
- Increase impact in the wider veteran community as well as the local area;
- Strengthen links with the MoD, wider Army community, and related charities;
- Increase public recognition as an important part of the heritage, life, and success of London; and
- Keep the Army veterans in the public eye, and maintain the Nation's respect, support, and affection.

A full review of strategic targets was held in the autumn of 2021. The new targets for the short to medium term are:

- To increase the RHC's reach to Army veterans, including offering outreach services;
- To develop the heritage and commercial possibilities of the site through the refurbishment of the Soane Stable Block, which will incorporate a new Heritage Centre as its focal point;
- To fully refurbish the MTI, which was in the planning stages during 2020-21, includes the updating of equipment and facilities,
- To improve data collection and to ensure that it is ready for future generations of Pensioners, who may have far more complex medical needs from surviving recent conflicts;
- To work more closely with the National Army Museum, with whom the RHC held the first Chelsea History Festival (CHF) in the autumn of 2019. The 2021 Festival was a huge success, with excellent attendance numbers, both in person and online;
- To create, with other local partner institutions and businesses, the Chelsea Cultural Quarter. The RHC has a close relationship with the Royal Borough of Kensington and Chelsea, and it is envisaged that the RHC will contribute to the cultural and economic development of the Borough, and will work together to support the Council with development plans.
- To raise funds from donors and supporters to cover the costs of the MTI refurbishment and that portion of the Soane Stable Block project which is not covered by lottery funding (see also p14).

Review of achievements and performance for the year 2021/2022

Executive Summary

As noted above, our main focus during the year has been to protect the CPs during the global pandemic. There were only two additional deaths attributable to COVID-19 during the year, making a total of 15 since the onset of the pandemic. 176 CPs have tested positive and recovered from the disease and this is testament to the care, protection and support given to the CPs by our staff, and the resilience of our veterans themselves.

During the year covered by this review, the RHC continued work on the Strategic Plan, which was approved by the Board in April 2019 and reviewed in October 2021. The overall aims of the Plan are to keep the RHC a much valued and loved national institution and to be able to provide appropriate care and support on the existing site for Army veterans, including veterans of Iraq and Afghanistan, in 50 years' time. The impact of the COVID-19 pandemic means that the plan will need to be reviewed and this work is ongoing, but the Plan envisaged a number of capital developments, including the creation of a Heritage Centre in the Soane Stable Block and the refurbishment of the MTI. It also called for the expansion of RHC's activities through the creation of outreach services which will be offered to veterans from all branches of HM Forces. Major developments during the year include:

- I. As part of the ongoing **Site Development Plan for the RHC, the Margaret Thatcher Infirmary (MTI)**, a business case for its refurbishment and reconfiguration was presented to, and approved by, the Board of Commissioners in April 2021. This follows from the strategic target to improve the MTI which was agreed in 2021. It was envisaged that the fifteen-to-eighteen months delivery programme would commence from 1 July 2022. The refurbishment and reconfiguration of all wards and internal spaces within the MTI will provide much improved care and independent living accommodation for 116 CPs, living within the MTI today. It will also permit the introduction of the latest medical technology; more efficient and better use of available space in line with current operational uses; to build significantly greater sustainability and to allow us to maintain best practice.

Since the building was first commissioned, the model for the management of care of the elderly has changed in the general population and has been introduced into the RHC. The introduction of domiciliary care on the main site has reduced the need for the number of registered care beds. With a more flexible care model we have been able to increase capacity for a more flexible number of Long Ward type spaces. The design incorporates lessons learnt from the COVID-19 Pandemic and how this has impacted on operations within the MTI for care of the CPs. Additional facilities include much improved infection control measures and a flexible isolation facility within the care wards, should there be a future pandemic.

- II. **The National Lottery Heritage Fund agreed to pay for preliminary work on plans for the Soane Stable Block.** An application for significant further support was made and approved by the NLHF after the year end. Sir John Soane was the Clerk of Works for the RHC from 1807 – 1837 and found the original Wren stables to be so dilapidated that he rebuilt them. The project will restore the Stable Yard which will house a free exhibition and displays, a new Café for the public, the RHC Post Office and shop. It will also allow public access from the National Army Museum. This will allow the RHC to share more of our heritage with many more visitors, while ensuring the privacy and security of our resident community which is one of the strategic targets agreed in 2021. In particular, we are seeking to reach out to veterans of the British Armed Forces. After The Board of Commissioners approved plans for the development of a new Activities Centre to house hobby rooms and other recreational facilities for CPs, work was underway in 2021, but delayed by the worldwide shortage of construction materials caused by the pandemic. It will be completed in late 2022 and is expected to cost £3.3m.
- III. **The RHC is now operating digitally** – with a comprehensive intranet, events software and core HR administration software fully operational, allowing more effective and accessible communication with on and off-site staff. This helps maintain and improve our services to CPs.
- IV. **A new performance management system for staff is now fully operational** to align with the RHC's new values, which were implemented in 2019.
- V. **We appointed a new Director of Health and Wellbeing** after the position was managed on an interim basis by Maggie Kufeldt, her successor, **Colonel Jeremy Tuck**, joined the staff in March, 2022. Dr Tuck saw operational service in Nepal, Northern Ireland, the Balkans, East Timor, Mozambique, Sierra Leone (twice), the Gulf (twice), and Afghanistan (twice). He commanded 5 General Support Medical Regiment (on Op TELIC 1), the Defence Medical Rehabilitation Centre at Headley Court and was Commander Medical in Afghanistan, Sierra Leone and at 3 (UK) Division. His last appointment was as Chief Medical Advisor to HQ ARRC. His appointment as Assistant Medical Director, NHS Wales, gave him valuable experience in seeing the challenges facing the NHS, both before and during the pandemic.

- VI. In August 2021, we saw the welcome return of a key element in the RHC's calendar – The Founder's Day Parade.** After the cancellation of the 2020 Parade and the postponement of the usual date close to King Charles II's birthday, at the end of May, Founder's Day was celebrated on 5 August. While we scaled back our plans for health and safety reasons, all the hallmarks of this iconic occasion were present. We were honoured to welcome His Royal Highness the Duke of Gloucester, accompanied by Her Royal Highness the Duchess of Gloucester, as well as the Parliamentary Under-Secretary of State for Defence People and Veterans, Leo Docherty MP, a former Captain in the Scots Guards.
- VII.** In March 2022 the RHC celebrated **International Women's Day** for the first time. Working with the Ministry of Defence, we brought together female Leaders from across the three Services with leading women from the worlds of business, medicine, politics and the media at a reception to celebrate their remarkable collective contribution to our economy, our security, our health and our way of life. We were delighted to have as our Speakers, Minette Batters, President of the National Farmers Union; Antonia Romeo, Permanent Secretary at the Department of Justice; and Dr Denise Chaffer, President of the Royal College of Nursing.
- VIII.** After the long period of Covid restrictions, **a much-needed boost to the wellbeing of the CPs** was the mounting of an innovative Wellbeing Fair in August 2021. Among the excellent team of guest speakers was one of the UK's most successful ever Olympic athletes, Dame Tanni-Grey Thompson. CPs had access to whole range of different activities and stands for them to enjoy, along with music and refreshments. Then in November, in Remembrance Week, the Manager of the England Football Team, Gareth Southgate, spent half a day at the RHC, talking to CPs and paying personal tribute to their service to the nation. He was an extremely popular visitor and greatly lifted the spirits of the CPs.
- IX. We continue to protect our natural environment.** Our many trees are an integral part of the RHC landscape and we recognise that they offer a host of benefits for the health and wellbeing of the CPs, as well as the environment. Research confirms that being surrounded by trees lowers blood pressure and heart rate, and reduces levels of stress. During the pandemic, we encouraged the CPs to spend time outside, when permitted, and many enjoyed their shade and beauty while exercising. Keeping our trees healthy and flourishing is a time-consuming and costly business, but, thanks to our supporters, we're able to give them the care and attention they deserve. A general tree survey is conducted every year by a specialist, who advises on a programme of tree maintenance to keep our trees healthy.
- X. The Chelsea History Festival goes from strength to strength.** The 2021 Festival, run in conjunction with the National Army Museum and the Chelsea Physic Garden, was the third annual event, and brought together a world class array of military authors and historians. Audience attendance was both physical and virtual, allowing those unable to be in London an opportunity to participate, as part of the RHC's outreach strategy. A very popular session saw four CPs, each a veteran of the Korean War, sharing their experiences. Capturing the life experiences of our veterans is now an important element of heritage curation at the RHC. This activity helps us achieve the strategic target of working with other local institutions to create the Chelsea Cultural Quarter.
- XI. Carlisle Support Services started as our new Security Contractor** at the beginning of December 2021 and are a very welcome addition to the RHC family. From the outset, Carlisle identified themselves as an engaged, visible, and employee-focused supplier and this was visible within their submission. Their Armed Forces Covenant status and commitment to engaging with resettlement programmes for ex-services personnel strengthened the tangible links to the community of the RHC. As the current security partner to many well-established brands and facilities, including The UK Supreme Court, Ascot Racecourse, Leonardo (formerly Westland Helicopters), and Great Ormond Street Hospital, it gave the evaluating team great confidence to see prestigious customers entrusting Carlisle to secure their property and ensure the safety of their people, and for so many years.
- XII.** Finally, **new uniforms are now being worn** by the CPs. Our contractors, Kashket & Partners (part of Firmin House), developed the new lightweight summer Scarlets and production was funded thanks to the generosity of our supporters. A fitting link is that Firmin have been supplying buttons and military accoutrements to the Crown since the time of our Founder, Charles II.

2021-22 Financial review and results for the year

The total funding received from the Ministry of Defence was £13,207k (2021: £13,076k). Income from other sources, including fundraising activities, investments and donations was £10,556k (2021: £11,386k, which included a one-off donation of £3m). Total income was £23,984k, an increase of some £2,522k (11.8%) on 2021 (excluding the one-off donation). The increase was due mainly to trading activity improving - though still below normal levels - following the pandemic. Costs attributable to RHC's charitable activities were £20,843k (2021: £20,684k). Other costs were £1,676k (2021 £1,499k), an increase of £177k (11.8%). This was due to trading costs rising in line with the rise in income following the easing of pandemic restrictions. The RHC's operations made a surplus of £1,459k (2021 - loss of £746k) (this figure is used for internal accounting purposes and is arrived at by deducting non-operational movements from the total gains). The calculation is:-

	£k 2022	£k 2021
Total gains per SOFA (p31)	15,075	12,838
Less gains in investments	(4,060)	(10,362)
Less revaluation gains	(9,556)	(222)
Less one-off donation	-	(3,000)
Operating surplus/(loss)	<u>1,459</u>	<u>(746)</u>

The net surplus, after movements on investments, was £5,525k (2021: £12,641k). Taking into account other gains and losses, total funds increased from £302,438k in 2021 to £317,513k this year (see below and notes 1 & 25).

Total funds donated through the RHC Appeal Ltd and its subsidiaries amounted to £751k (2021: £2,617k). Trading results of the subsidiaries are discussed below and further details are contained in note 10 to the accounts.

Valuation

The RHC's operational and investment estate was the subject of a full valuation by Savills, Chartered Surveyors, in March 2019 and desktop update exercises were undertaken by Savills to update the values at 31 March 2020 and 31 March 2021. The surveyors advised that a "modern equivalent" valuation was the most appropriate basis for valuing most of the operational land and buildings. This is because the unique and historic nature of the RHC's estate means that a meaningful market value cannot be arrived at. Therefore, it is appropriate to use the cost of building a "modern equivalent", and not the cost of replacing the existing historic buildings, when valuing the assets for accounts purposes. This applies to all of the RHC's operational land and buildings apart from the Margaret Thatcher Infirmary, which, as a modern purpose-built care home, is valued at market value. The values of all property were reviewed by management at 31st March 2022 and estimates were made using public data sources and local market information. This resulted in a gain of £9,556k on operational property and a gain of £600k on investment property (see also note 1f to the accounts).

Trading subsidiaries

Royal Hospital Chelsea Appeal Ltd Group

The RHC Appeal Group consists of a holding company and two subsidiaries. The holding company, which is also a registered charity, is RHC Appeal Ltd. The two subsidiaries are Tricorne Traders Ltd, which is dormant, and Chelsea Pensioner (Royal Hospital) Ltd (CPRH). CPRH donates its 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 £6,872k (2021: £5,187k) of which £4,595k (2021: £4,128k) was restricted. During the year the subsidiary donated a total of £751k (2021: £2,617k) to the RHC.

Gordon House (London) Ltd

Gordon House (London) Ltd was incorporated in 2012/13 in order to assist the Commissioners of the RHC with the sale of the lease of the property now known as Providence House, which was achieved in 2012/13. The transaction was finally completed in November 2019. The subsidiary held 1% of the initial lease of the property and as such it received 1% of the final payment. Now that the transaction is completed the company has not traded during the year.

Pension liability

Although most of the employees of the RHC 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 7 retired members (or their widows), and was closed to new entrants some years ago. The scheme is a final salary scheme with benefits based on number of years' service and final salary. Under Financial Reporting Standard (FRS) 102, there is a pension liability of £182k (2021: £199k) attributable to the Grant in Aid fund (see note 21).

Reserves policy

The reserves in the RHC's Balance Sheet consist of its operational land and buildings, investment property, other investments and surpluses generated through fundraising and trading. Most of these reserves are not liquid. The operational land and buildings are used for business purposes. At 31st March 2022 the RHC's total reserves amounted to £317,513k of which £280,348k was unrestricted, £32,930k was restricted and £4,235k was designated for planned building works.

The RHC holds the other reserves so that it can maintain its services to CPs and continue to protect the heritage of the Wren buildings and grounds in the event of an unforeseen loss of income. The reserves allow the RHC to develop its assets and services in ways which would not be possible otherwise. Mindful of the high cost of maintenance for a site of such architectural and national significance, and that improvements are required to bring the standard of accommodation up to increasingly exacting residential requirements, we have initiated a 20 year maintenance plan. Reserves are also required to fund capital investment, and for immediate unforeseen circumstances, as we have seen this year. As noted previously, the Grant in Aid received from the MoD does not cover capital works.

The RHC's reserves policy is as follows:

General Reserves

1) The reserves represented by the operational land and buildings are used for the RHC's operations and as such are unlikely to be realisable. Maintaining the heritage site on behalf of current and future Chelsea Pensioners and the nation is a fundamental part of the RHC's mission;

2) The RHC's long term investments, including the off-site investment property which is not used for operational purposes, shall be managed in accordance with guidelines set out by the Investment and Estates Committees and approved by the Board of Commissioners. The aim is to grow the real value of the RHC's investments over time;

3) The RHC aims to hold unrestricted liquid reserves (cash, cash equivalents and securities traded on a recognised financial market) equivalent to two years unrestricted running costs or four years Grant in Aid funding from the MoD, whichever is the greater;

4) The RHC aims to hold free cash reserves (cash and cash equivalents) to cover

- i) Any deficit forecast from spending on capital projects in the next 24 months, and
- ii) Deficits in operating cash flow over a similar period. Deficits arising from capital projects will be funded in advance. An operating deficit may be funded from capital, depending on its size and duration.

The executive will make quarterly recommendations for investment or divestment to the investment committee, taking account the paragraph above.

5) The RHC will aim to maximise the value of its investment property; while there is no current intention to dispose of any property, it is recognised that the RHC may be compelled to do so in certain circumstances. There is no current intention to acquire new investment property. We will aim to maximise income from the property, and opportunities to increase income as leases fall due for renewal will be carefully considered.

Restricted Reserves

1) Restricted reserves will be dealt with in accordance with the wishes of the donors. If moneys held as restricted reserves are not immediately required, they may be invested in liquid assets (defined as cash or securities traded on a recognised financial market) along with the RHC's unrestricted investments. Restricted reserves may not be invested in property or other illiquid assets.

Designated Reserves

1) The Board of Commissioners may designate reserves for specific purposes from time to time. Designated reserves will normally remain invested in the same way as General Reserves until they are required for the designated purpose, but the Board may vary this if circumstances require.

2) A designated reserve shall be created for building repairs to ensure that the RHC is able to fund the programme of works set out in the 20-year maintenance plan.

At 31 March 2022 the RHC held cash reserves of £5,421k (2021: £8,512k), which represents just over three months' unrestricted running costs (excluding depreciation). Liquid reserves (cash and traded investments) were £97,438k (2021: £90,670k). £32,930k (2021 : £30,445k) of this is restricted and £4,235k (2021 : £3,668k) is designated (see note 25, p57). The total reserves represent 7.4 years' GiA funding and 4.8 years' unrestricted running costs (excluding depreciation). Both of these figures are

ahead of the target; however the demands of the capital programme for the Soane Stable Block and Margaret Thatcher Infirmary will mean that these levels reduce considerably over the next few years.

Investment policy

The Board of Commissioners has set an investment policy with the objective to grow the real value of the RHC investments over time. Performance during the year was behind this benchmark – the funds rose in value by 4.2% but inflation, as measured by the CPI, was 7% in the year to 31st March 2022. The RHC's investments are managed by Sarasin & Partners LLP and BlackRock Fund Managers Ltd. The funds are held in Sarasin's Alpha Common Investment Fund for Endowments and BlackRock's Armed Forces Charities Growth and Income Fund. Sarasin were originally appointed in 2012 and at the last review, in 2018, BlackRock was appointed to manage part of the portfolio, which had risen considerably due to investment growth and also several large property transactions in recent years. The appointments of both managers were reviewed by the Finance & General Purposes Committee in early 2022 as it had been three years since they were originally made. It was agreed that both appointments should be extended for a further two years.

In 2020 the then Investment Committee decided to invest the bulk of the proceeds of the Gordon House lease sale with BlackRock in order to make the amounts managed by each manager roughly the same; at 31 March 2022 BlackRock held 50% of RHC's listed investments and Sarasin held 50%. During the year £4m was added to investments to reduce cash balance held.

The Commissioners require their investment managers 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 RHC.

Investment Objectives

The Board of Commissioners reviewed its investment objectives at a meeting in July 2020 and agreed that RHC investments should have the single objective of achieving real-terms growth over time. This target was not achieved in 2021-22; the investments rose in value by 4.2% whereas inflation as measured by the Consumer Price Index was 7%.

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 revalued by management at 31 March 2022 at £132,658k (2021 : £123,659k) (see also p16 above). Investment property was also revalued by management at 31 March 2022. As a result investment property was valued at £63,960k (2021: £63,360K) at the year-end. Investment property is valued at a market value, which is calculated by taking into account local property values and the long leases which RHC has granted over the various buildings.

Heritage Assets and exhibits were revalued on a retail replacement basis at 31 March 2020 by Gurr Johns, a firm of art advisers and valuers. An adjustment was made in 2021 to move certain items of furniture out of heritage assets and into operational assets as these items are not considered to have a heritage value. The current value of Heritage Assets after this adjustment is £19,678k (2021: £19,668K).

Plant machinery and equipment has a net book value of £3,671k (2021: £3,872K) and vehicles have a net book value of £98k (2021: £117K).

Audit arrangements

The consolidated accounts of the RHC were audited by the Comptroller and Auditor General in accordance with the Chelsea Hospital Act 1876. An audit fee of £72k (2021: £69k) has been charged for the RHC audit and is included in Governance costs. No non-audit work was carried out by the auditor in 2021-22 or 2020-21. The cost of the audit of RHC's subsidiary companies was £16k (2021: £15k).

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.

Accounting Officer

The RHC's CEO and Accounting Officer, who served throughout the 2021-22 financial year, is Mr Gary Lashko.

Going Concern

The COVID pandemic led to financial losses of £746k on the RHC's operations in 2020-21 but the position in 2021-22 has improved. The budget for 2022-23 shows a small surplus. The RHC has a significant level of reserves (see p17 above) and derives approximately 60% of its income from the Grant in Aid, which is expected to continue for the foreseeable future. Therefore the RHC will continue to be a going concern and it is appropriate to draw up financial statements on that basis.

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 RHC in a Board of Commissioners. The Paymaster General is formally the Chairman of the Board of Commissioners and Treasurer of the RHC's funds, although in practice the Governor invariably takes the Chair at Board meetings. The RHC is not a registered charity but its 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. It is treated as having charitable status for taxation purposes 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 reporting to Parliament on the proper and efficient use of the Grant in Aid funds. The Accounting 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 applicable to the 2021-22 financial year was revised on 11 August 2021. The Chief Executive Officer of the RHC is the Accounting Officer, Mr Gary Lashko, who has held this post since 1 February 2016.

RHC Accounting and reporting responsibilities

The RHC complies in all material respects with the guidelines laid down in the Charities SORP 2019 (FRS 102). 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 organisation at the year end, and of its incoming resources and application of resources for the financial year. The RHC is not required to comply with the UK Government Financial Reporting Manual (FREM).

In preparing the accounts the organisation 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 (FRS 102);
- 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 RHC 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 applicable law. They are also responsible for safeguarding the RHC 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 Executive Board (EB) members' relevant interests is maintained and updated at least annually. All Commissioners and EB 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 no such interests were declared.

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 Board's Governance Handbook, originally agreed in 2018, was revised during the year. The Handbook sets out the RHC's legal basis and governance structure.

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 Executive 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 includes the Governor (de facto Chairman), the Director of Engagement & Communications (formerly Assistant Chief of the General Staff – to represent the Army), the Senior Health Advisor (Army), and the Director Resources and Command Secretary (Army), who acts as the conduit through which the Grant in Aid is paid to the RHC 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 ten Specially Appointed Commissioners are, in effect, the core trustees of the RHC. 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 chair and committee chairs, the frequency of meetings and the minimum quorum for decision-making. The attendance of Commissioners at meetings during the year was:-

	Possible	Actual
Governor		
Gen Sir Adrian Bradshaw	4	4
Ex-officio Commissioners		
David Stephens Esq	4	3
Maj Gen Neil Sexton	4	2
Brig Chris Davies	1	0
Brig Tim Hodgetts	3	2
Specially Appointed Commissioners		
Dame Barbara Monroe	4	4
Ms Jo Cleary	4	4
Dr Roger Bowdler	4	4
Col Paul Foster	4	4
Richard Clark Esq	4	4
Prof Charles Mackworth Young	4	4
Dominic Fisher Esq	4	4
Ms Caroline Trewhitt	4	4
Dr Caroline Shuldham	4	4
Roland Rudd Esq	4	3

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 RHC'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 hold meetings with the executive on matters within their particular areas of competence. The Board also receives minutes and other reports from its committees.

Board Committees

The Board has five 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 in attendance at all of the committees. In addition, the Governor, as Chairman of the Board, may attend any committee with the agreement of its Chair. In January 2021 the Board decided to accept a

recommendation of the governance review held in 2020 that a Finance and General Purposes Committee should be set up. This Committee subsumed the responsibilities of the former Remuneration and Investment Committees. It is also responsible for monitoring RHC's financial performance, HR and ICT policy and strategy and regulatory aspects of fundraising. The Board agreed that this Committee should be reviewed after a year of operation. A review was duly undertaken in early 2022 and it was agreed that the Committee performed a valuable function and should be retained. Its membership is:-

Finance & General Purposes Committee

Dominic Fisher OBE (Chair)
Caroline Trehitt
Col Paul Foster
David Stephens CBE
Jo Cleary (to 31 October 2021)

The Governor, CEO and Finance Director attend all meeting of the F&GP and other directors attend as required.

The membership of the other Board Committees is as follows:-

Audit Committee

The Audit Committee is made up of the following Commissioners:

David Stephens Esq CBE - Director Resources and Command Secretary (Army)
Colonel Paul Foster (to 30 June 2021)
Ms Caroline Trehitt (Chair)
Dominic Fisher Esq OBE
Richard Clark Esq (from 1 July 2021)

The Audit Committee met three times during the year to consider financial management and reporting, the high level risk register and the reports of the RHC's auditors.

Nominations Committee

The Nominations Committee is made up of the following Commissioners:

Dame Barbara Monroe DBE (Chair)
David Stephens Esq CBE - Director Resources and Command Secretary (Army)
Col Paul Foster
Prof Charles Mackworth Young CVO

The Nominations Committee met twice 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 His 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 one new Specially Appointed Commissioner joined the Board. This appointment replaced a Commissioner who completed her term of office in October 2021. Each new Commissioner completes a programme of induction on appointment and is thereafter provided with relevant information and support.

Health and Wellbeing Oversight Committee

The Health and Wellbeing Oversight Committee is made up of the following Commissioners:

Dame B Monroe DBE (Chair)
Prof Charles Mackworth-Young CVO
Ms Jo Cleary (to 31 October 2021)
Brigadier Tim Hodgetts (to 13 May 2021)
Brigadier Antony Finn (from 14 May 2021)
Dr Caroline Shuldham

The Health and Wellbeing Oversight Committee met four times during the year under review. In addition to monitoring performance and risk, and providing advice to the executive, the Committee monitored the RHC's response to the pandemic and provided advice and support.

Estates Committee

The Estates Committee is made up of the following Commissioners:

Colonel Paul Foster (Chair)
Ms Jo Cleary (to 31 October 2021)
Dr Roger Bowdler
Roland Rudd Esq
Professor Martin Green (from 1 February 2022)

The Estates Committee met four times during the year under review. It considers issues relating to the management of the buildings and grounds, with a particular focus on capital projects and plans for future maintenance. The RHC has prepared a 25-year maintenance plan designed to ensure that the buildings are maintained in a good condition for the foreseeable future. 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. During the year the Committee considered the Soane Stable Block, Margaret Thatcher Infirmary and Activity Centre projects, amongst others.

Executive Board

Responsibility for day-to-day operations and the development of policy for the approval of the Board of Commissioners lies with the Executive Board. The Executive Board is chaired by the Chief Executive Officer and comprises:

Chief Executive - Gary Lashko Esq
Quartermaster (Director of Facilities) – Lieutenant Colonel Nicky Mott MBE
Director of Health and Wellbeing – Dr Jeremy Tuck (from 1 February 2022)
Interim Director of Health and Wellbeing – Maggie Kufeldt (to 15 October 2021)
Finance Director - Nick Cattermole ACMA
HR Director – Mark Taylor Esq
Director of Public Engagement – Reverend Martin Field

The Executive 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 Executive 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.

Subsidiary companies

In addition to the five committees of the Board there are two active and two 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 two wholly owned commercial trading subsidiaries being Chelsea Pensioner (RH) Ltd (company number 03853787), and Tricorne Traders Ltd (company number 07382655). Tricorne Traders Ltd is dormant. Chelsea Pensioner (RH) Ltd is the trading arm responsible primarily for the management of the Souvenir Shop, events, the Chelsea Pensioners' Club, MTI Café and also provides catering and staff for functions.

The taxable income from Chelsea Pensioner (RH) 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 RHC (through the 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 (company no 08036299) was incorporated in 2012. The primary business of the Company was to assist the Commissioners of the RHC 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 RHC and the directors on the Board are former Commissioners. Now that the sale has been completed this company has become dormant.

Review of the 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 RHC'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 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 internal auditors in 2021-22 were RSM Risk Assurance Services LLP. RSM produced five reports during the year – these covered lessons learned from COVID-19, a fraud and bribery risk assessment, the RHC's finance software, staff wellbeing and budget management. The Audit Committee considered all the internal audit reports. The RHC is also audited from time to time by the Defence Internal Audit (DIA) on the use of the Grant in Aid funds.

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 and Commissioners are subject to criminal record (DBS) 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 RHC's appetite for risk is generally low, reflecting its duty of care both for the CPs 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 CPs.

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 Executive 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 Executive Board as a whole at every monthly meeting. Emerging risks are also considered. 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 considered were:

a. The COVID-19 pandemic

As the pandemic developed in early 2020, the RHC developed a response plan to safeguard as far as possible against infection and to ensure that CPs could be isolated in their berths if and when infection was suspected. The site was locked down shortly before the national lockdown took effect and restrictions were not lifted until the end of June. A second lockdown was imposed between December 2020 and April 2021. A robust system of testing was implemented as part of the RHC's mitigation strategy. During the lockdown periods CPs were confined to the site and catering arrangements were changed to allow social distancing at all meals. CPs deemed vulnerable, or isolating because of infection, were served all meals in their berths. The threat remains and plans are being continually refined to minimise the possibility of re-infection amongst the CP community and deal with it if it does occur.

b. Financial

The RHC remains heavily dependent on its Grant in Aid for meeting day-to-day running costs. Financial risks arising from the COVID pandemic are now declining but those arising from higher levels of inflation are increasing. The risk to Grant in Aid is mitigated both by maintaining strong, effective links to the Ministry of Defence and by increasing income from

commercial activities. The risks arising from COVID were mitigated through the use of reserves and cost reductions in 2020-21. 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. This fund was valued at £28,177k at the year end (see note 25 p 57). 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 RHC's financial management but also its business processes, and through a strong control environment operated by the RHC's administration.

c. Internal communications with staff and CPs

This risk was highlighted by the surveys of staff and CPs that were undertaken during the year. The survey suggested that staff believed that communication from management was not always clear and that many had reservations about raising grievances. Further work is being done on this, including a communications audit by an independent consultant and a programme of meetings and consultations.

d. Safeguarding of CPs and others

The RHC takes safeguarding risks extremely seriously and a Safeguarding Board, chaired by the Director of Health and Wellbeing, oversees these issues. All Commissioners and staff receive annual safeguarding training and are also subject to DBS checks, which are renewed every three years. Staff working in registered care are subject to enhanced DBS checks. The RHC's overall approach to safeguarding is the responsibility of the Health and Wellbeing Oversight Committee, which reports regularly to the Board of Commissioners.

e. Physical Security and Cyber Security

The RHC is a high-profile national institution which is open to the public. In normal circumstances we also hold external events which attract thousands of visitors every year. This inevitably brings risks to security, which are managed by close liaison with the police and security services. New biometric security devices and CCTV systems were installed in 2019-20. Cyber security is maintained using the latest technological solutions and the RHC's IT department regularly updates systems and software to ensure the best possible level of protection.

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 RHC

The RHC is dependent on a Grant in Aid from the Ministry of Defence to fulfil its two key objectives of CP welfare and maintenance of the heritage buildings. 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 RHC 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. This 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 increase. 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. Many veterans of recent conflicts need levels of support (e.g. mental health and/or multiple physical disabilities) which, at the moment, the RHC would not be able to meet.
- The introduction of future legislation which might increase the cost base, for example by creating more demanding care regulations requiring additional staff.
- Economic uncertainties which may arise from higher inflation, the Brexit process, or from other causes, would compound the first three factors listed above.
- The continued impact of COVID, including the possibility of a renewed waves of infection and/or the emergence of more virulent strains of the virus.

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 last such review was in 2020. The Board considered the findings of the review in

October 2020 and accepted a number of recommendations, including the creation of a Finance and General Purposes Committee (see p 22 above).

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 CPs and the conservation of its heritage buildings and grounds.

The Board believes that it has discharged its responsibilities in an appropriate manner and has been provided with sound management information which has allowed it to carry out its duties to provide strategic guidance and oversight of the governance of the RHC. In particular, the Board has been provided with a substantial amount of financial information and has been able to rely on the data provided to it. The Board is satisfied that it has acted at all times within the terms of the Financial Framework between the RHC and the Ministry of Defence in respect of Grant in Aid and in accordance with the Letters Patent and other appropriate laws and regulations that apply to the RHC's activities.

Gen Sir Adrian Bradshaw KCB OBE DL
Governor

Gary Lashko Esq
CEO & Accounting Officer

On behalf of the Board of Commissioners

25 October 2022

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I have audited the financial statements of the Royal Hospital Chelsea and its Group for the year ended 31 March 2022 under the Chelsea Hospital Act 1876 and the Royal Hospital Chelsea Letters Patent 2003.

The financial statements comprise the Royal Hospital Chelsea and its Group's:

- Balance sheet as at 31 March 2022;
- Statements of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Royal Hospital Chelsea and its Group's affairs as at 31 March 2022 and its net income for the year then ended;
- have been properly prepared in accordance with the Royal Hospital Chelsea Letters Patent 2003.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Royal Hospital Chelsea and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Royal Hospital Chelsea and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Royal Hospital Chelsea and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Board of Commissioners and Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the Annual Report of the Commissioners but does not include the financial statements nor my auditor's report. The Board of Commissioners and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report of the Commissioners for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Royal Hospital Chelsea and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report of the Commissioners.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Royal Hospital Chelsea Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made or are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board of Commissioners and Accounting Officer for the financial statements

As explained more fully in the Governance Statement, the Board of Commissioners and the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board of Commissioners and the Accounting Officer determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Royal Hospital Chelsea and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Commissioners and the Accounting Officer either intend to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with Chelsea Hospital Act 1876 and Royal Hospital Chelsea Letters Patent 2003.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Royal Hospital Chelsea and its Group's accounting policies and key performance indicators.
- Inquiring of management, the Royal Hospital Chelsea and its Group's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Royal Hospital Chelsea and its Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Royal Hospital Chelsea and its Group's controls relating to the Royal Hospital Chelsea and its Group's compliance with the Chelsea Hospital Act 1876, Royal Hospital Chelsea Letters Patent 2003, Charities Act 2011, and Managing Public Money;
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including land and building valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Royal Hospital Chelsea and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and valuation of land and buildings. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Royal Hospital Chelsea and its Group's framework of authority as well as other legal and regulatory frameworks in which the Royal Hospital Chelsea and its Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Royal Hospital Chelsea and its Group. The key laws and regulations I considered in this context included, the Chelsea Hospital Act 1876, Royal Hospital Chelsea Letters Patent 2003, the Charities Act 2011, Managing Public Money, employment law, pensions legislation and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board of Commissioners and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end; and
- in addressing the risk of misstatement in land and building valuation, evaluating the design and implementation of controls; assessing the competence, objectivity and independence of valuers; testing the inputs and methodology used in the valuation; and evaluating the outputs of the valuation.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date 2 November 2022

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

ROYAL HOSPITAL CHELSEA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2022

		Unrestricted 2022 £'000s	Restricted 2022 £'000s	Total 2022 £'000s	Total 2021 £'000's
	Note				
Income and endowments from:					
Voluntary income – donations and legacies	2	694	813	1,507	4,629
Voluntary income – MOD Grant in Aid	5	13,207	-	13,207	13,076
Other trading activities – events and fundraising	3	2,962	-	2,962	1,820
Investment income	4	3,520	868	4,388	3,218
Other income	6	1,920	-	1,920	1,719
TOTAL INCOME AND ENDOWMENTS		22,303	1,681	23,984	24,462
Expenditure on:					
Raising funds	7	1,313	-	1,313	1,174
Charitable activities:					
Infirmiry nursing and medical	7	9,221	-	9,221	7,416
Welfare and ceremonial	7	2,417	346	2,763	2,926
Facilities management	7	8,859	-	8,859	10,342
Other activities- investment management costs	7	363	-	363	325
TOTAL EXPENDITURE	7	22,173	346	22,519	22,183
Total movement		130	1,335	1,465	2,279
Net gain/(loss) on investments	12 13	2,910	1,150	4,060	10,362
Net income/(expenditure)		3,040	2,485	5,525	12,641
Other recognised gains/(losses):					
Gain/(loss) on revaluation of fixed assets	11	9,556	-	9,556	222
Actuarial gain/(loss) on defined benefit pension scheme	21	(6)	-	(6)	(25)
Net movement in funds		12,590	2,485	15,075	12,838
Reconciliation of funds					
Total funds brought forward	25	271,993	30,445	302,438	289,600
Total funds carried forward		284,583	32,930	317,513	302,438

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

The notes on pages 35 to 60 form part of these accounts.

ROYAL HOSPITAL CHELSEA
STATEMENT OF FINANCIAL ACTIVITIES – HOSPITAL
For the year ended 31 March 2022

		Unrestricted 2022 £'000s	Restricted 2022 £'000s	Total 2022 £'000s	Total 2021 £'000s
INCOME AND ENDOWMENTS FROM:	Note				
Voluntary income - donations and legacies	2	751	-	751	2,617
Voluntary income – MOD Grant In Aid	5	13,207	-	13,207	13,076
Investment income	4	3,520	868	4,388	3,217
Other income	6	1,920	-	1,920	1,719
TOTAL INCOME AND ENDOWMENTS		19,398	868	20,266	20,629
EXPENDITURE ON:					
Raising funds	7	117	-	117	112
Charitable activities:					
Infirmary nursing and medical	7	9,299	-	9,299	7,408
Welfare and ceremonial	7	1,988	-	1,988	2,285
Facilities management	7	8,718	-	8,718	10,239
Other activities – investment management costs	7	363	-	363	325
TOTAL EXPENDITURE	7	20,485	-	20,485	20,369
Total movement		(1,087)	868	(219)	260
Net gain/(loss) on investments	12 13	2,910	1,150	4,060	10,362
Net income/(expenditure)		1,823	2,018	3,841	10,622
Other recognised gains/(losses)					
Gain/(loss) on revaluation of fixed assets	11	9,556	-	9,556	222
Actuarial gain/(loss) on defined benefit pension scheme	21	(6)	-	(6)	(25)
Loss in subsidiary		-	-	-	(12)
		11,373	2,018	13,391	10,807
Net movement in funds					
Reconciliation of funds					
Total funds brought forward	25	270,936	26,314	297,250	286,443
Total funds carried forward		282,309	28,332	310,641	297,250

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

ROYAL HOSPITAL CHELSEA
BALANCE SHEETS AT 31 MARCH 2022

	Notes	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Fixed Assets					
Heritage	11	19,678	19,668	19,678	19,668
Non Heritage	11	139,576	128,888	139,590	128,908
Investment Property	12	63,960	63,360	63,960	63,360
Listed Investments	13	92,017	82,158	92,017	82,158
		315,231	294,074	315,245	294,094
Current Assets					
Stock	14	-	-	135	148
Debtors: falling due within one year	15	584	661	411	3,298
Cash at bank and in hand	16	1,702	5,629	5,421	8,512
		2,286	6,290	5,967	11,958
Current Liabilities					
Creditors: falling due within one year	17	(6,558)	(2,781)	(3,381)	(3,281)
Net current assets/(liabilities)		(4,272)	3,509	2,586	8,677
Total assets less current liabilities		310,959	297,583	317,831	302,771
Creditors: falling due after one year	18	(136)	(134)	(136)	(134)
Net assets excluding pension liability		310,823	297,449	317,695	302,637
Defined benefit pension scheme liability	21	(182)	(199)	(182)	(199)
Net assets		310,641	297,250	317,513	302,438
Unrestricted Funds					
Grant in Aid fund	25	(14,667)	(13,239)	(14,667)	(13,239)
Prize Money and legacy funds					
General Reserves	25	270,130	267,452	270,129	267,452
Revaluation Reserve	25	22,604	13,048	22,604	13,048
Ranelagh & De la Fontaine Trust Capital	25	7	7	7	7
RHC Appeal Unrestricted	25	-	-	2,275	1,057
Total unrestricted		278,074	267,268	280,348	268,325
Restricted Income Funds					
RHC Appeal Restricted	25	-	-	4,598	4,131
Prize Money & Legacy Fund	25	28,332	26,314	28,332	26,314
Total restricted		28,332	26,314	32,930	30,445
Designated reserve – building maintenance	25	4,235	3,668	4,235	3,668
Total funds		310,641	297,250	317,513	302,438

Signed on behalf of the Board of Commissioners on 25 October 2022

Gen Sir Adrian Bradshaw KCB OBE DL
Governor/Chair

Dr Caroline Shuldham OBE
Deputy Chair

Caroline Trehitt
Chair of the Audit Committee

Gary Lashko
CEO/Accounting Officer

ROYAL HOSPITAL CHELSEA
CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	£'000s	£'000s
Net cash provided by/(used in) operating activities	2,139	(1,841)
Cash flows from investing activities:		
Dividends, interest & rents from investments	499	470
Proceeds from the sale of investment property	1,157	-
Purchase of fixed assets	(2,886)	(3,050)
Proceeds from sale of investments	-	5,000
Purchase of investments	(4,000)	-
Net cash provided by/(used in) investing activities	(5,230)	2,420
Cash flows from financing activities	-	-
Change in cash and cash equivalents in the year	(3,091)	579
Cash and Cash equivalents at beginning of the year	8,512	7,933
Cash and Cash equivalents at the end of the year	5,421	8,512

Note 1

Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2022	2021
	£'000s	£'000s
Net income/(expenditure) for the year	5,525	12,641
Adjustments for		
Depreciation charges	1,680	1,596
(Gains)/losses on investments	(4,060)	(10,362)
Dividends, interest & rents from investments	(4,388)	(3,218)
(Increase)/decrease in stocks	13	(14)
(Increase)/Decrease in debtors	2,887	(2,851)
Increase/(decrease) in creditors	102	45
Movement on defined benefit pension scheme liability	17	(3)
Investment management fees (deducted from investments and not paid by cash)	363	325
Net cash provided by/(used in) operating activities	2,139	(1,841)

Note 2

Analysis of cash and cash equivalents

	2022	2021
	£'000s	£'000s
Cash at bank	5,421	8,512
Total cash and cash equivalents	5,421	8,512

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a Basis of Accounting

The Financial Statements have been prepared on a going concern basis in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2019, applicable with UK accounting standard FRS102.

The Financial Statements consolidate on a line by line basis all the Restricted and Unrestricted Funds of the RHC and its related trading companies being Royal Hospital Chelsea Appeal Ltd (registered charity, number 1076414), and Chelsea Pensioner (RH) Ltd. A third subsidiary, Gordon House (London) Ltd, became dormant in 2020-21 and its assets and liabilities were transferred back to the parent. The RHC's other subsidiary, Tricorne Traders Ltd has been dormant for some years.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the RHC and rounded to the nearest £000. They do not include a reconciliation of net debt as the RHC has no debt.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Where necessary estimates and judgments have been made that are considered reasonable and prudent on the basis of all information available. The most significant estimates relate to asset valuations (see 1f below and notes 11 and 12).

b Going Concern

The RHC has a significant level of reserves. An operating surplus has arisen in 2021-22 and there is no material uncertainty about the RHC's ability to continue and so the going concern basis is considered appropriate.

c Funds

Unrestricted funds are available for use at the discretion of the Commissioners in furtherance of the general objectives of the RHC and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the RHC for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements. These funds are not endowments, they are donations for specific purposes.

d Incoming resources

All incoming resources are included in the Statement of Financial Activities (SoFA) when the RHC is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

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 RHC'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 CPs and staff costs relating to the welfare of CPs. 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 RHC. Income from trading activities is recognised when entitlement has occurred. Investment income is recognised when receivable and dividend and rent income is recognised as the RHC's right to receive payment is established.

e Resources expended

Resources expended are accounted for on the accruals basis. Amounts of less than £500 are not accrued as they are considered immaterial. 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. Depreciation is allocated to charitable activities based on the

space occupied by the building used for each charitable activity. RHC's charitable activities consist of the costs of the Margaret Thatcher Infirmary and medical centre, the costs of the welfare of CPs in the Long Wards and associated activities and the management of the RHC's facilities, buildings and grounds. Intra- group transactions are excluded from income and expenditure as appropriate.

f Tangible fixed assets

Freehold property: The last full professional valuation of RHC's property assets was carried out in 2019 and another would not normally have been due until 2024. However because of the uncertainty caused by the pandemic it was decided to carry out an unscheduled professional valuations in both 2020 and 2021 (these being desk-based updates of the 2019 valuation). The next full professional valuation will be in 2024 (being five years after the last one. In the interim values will be updated by management using publicly available data sources and local market knowledge. The Margaret Thatcher Infirmary building is valued on the basis of a market assessment, the valuers having advised that a market in modern care facilities exists in the area. The value has been adjusted on the basis of the increase in the average fees charged for similar care homes in the local area. The remainder of the operational estate was valued on the basis of a "modern equivalent," the valuers having advised that the unique and historic nature of the RHC and its buildings and the planning restrictions preventing development of the grounds meant that no meaningful market value could be arrived at. A "modern equivalent" valuation is an estimate of the cost of acquiring a modern facility that would enable the RHC to carry out its functions. This value has been adjusted using the increase in building costs as recorded by the Office for National Statistics.

The operational estate is depreciated over its useful life as recommended by the Savills' valuation. Improvement works of a capital nature carried out to the estate are capitalised and depreciated over their estimated useful lives – these lives vary depending on the nature of the project. Major refurbishments completed during the year are capitalised at the year-end and depreciated from the start of the new financial year.

Other tangible fixed assets: are capitalised at their estimated depreciated replacement cost or at historic cost on acquisition. All new capital expenditure is funded from the 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 of an asset starts in the year following the year of purchase. 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

Investment property: Investment properties are shown at their open market value. These properties were revalued by Savills, an independent chartered surveyor, at 31 March 2020 and the values were updated by Savills on a desktop basis on 31 March 2021. These values have been reviewed by management and adjusted to reflect local market movements and the amortisation of leases applicable to the properties.

Heritage assets: Heritage assets are capitalised at cost upon acquisition. Heritage assets are capitalised as non-depreciating assets under the terms of FRS 102, which prevents operational assets being treated as heritage assets. These assets are revalued on a retail replacement basis at 5-yearly intervals, the last revaluation was in March 2017. However, due to uncertainties caused by the pandemic an unscheduled revaluation was carried out at 31 March 2020 and this resulted in a gain of £1,884k in the value of heritage assets. Management considers that the carrying value of these assets is reasonable and no adjustment has been made in 2021-22.

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 subsidiaries £1,000 is deemed to be the appropriate capitalisation threshold.

Historical cost: The RHC has owned its land and buildings since its foundation in the 17th century. The historic cost of these assets is not known and would not be meaningful today therefore historic cost figures are not shown in the financial statements.

g 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 Statement of Financial Activities.

h Debtors

The measurement of debtors is based on the anticipated recoverable amounts owed to the RHC at the year end.

i Creditors

Creditors are recognised when the RHC has a present obligation arising out of a past event that is expected to result in the transfer of funds to a third party and the amount due to settle the obligation can be measured reliably.

j Employee Benefits & Pensions

Short term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which services are rendered, but these do not include termination benefits. They include wages, salaries and pension benefits. All short-term employee benefits are recognised as expenses in the period in which they are incurred.

The nature of the RHC pension schemes are set out in Note 21. The pension costs charged to the SOFA represent the contributions payable to the NHS and Civil Service Pension Schemes on behalf of members of staff. Both these schemes are unfunded public sector arrangements and the actuarial liability attributable to individual participating employers is not known. Therefore the cost of these arrangements shown in the SOFA is the contributions payable by RHC during the year. The RHC also operates an unfunded defined benefit scheme which has been closed to new members for many years. A small number of pensions remain in payment to former Governors and Captains of Invalids (or their widows). The costs of this scheme are calculated by an actuary in accordance with FRS 102 and the liability it represents is shown in the Balance Sheet (see also note 21). The scheme has no assets; the liability is a charge on the RHC's general reserves.

k Taxation

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

l Operating leases

Rentals payable under operating leases are charged in the statement of financial activities on a straight-line basis over the lease term.

m Stock

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

n Investments in subsidiaries

RHC's investment in its subsidiary companies is valued at cost.

o Significant judgments and estimates

In determining the carrying values of certain assets and liabilities (such as accruals and deferred income) the RHC makes assumptions about the effect of uncertain future events on those assets and liabilities at the Balance Sheet date. Deferred income relates to payments received for events in advance of the events taking place, this amounted to £843k (2021 - £748k) at the year end. These estimates and assumptions are based on historical experience and assumptions and are reviewed periodically.

p Financial Instruments

The RHC does not use financial instruments on its own behalf, however the listed investments, which are managed by professional managers, may be exposed to such instruments (see notes 13 & 26 to the accounts).

2 – VOLUNTARY INCOME

	Hospital 2022 Restricted £'000s	Hospital 2021 Restricted £'000s	Hospital 2022 Unrestricted £'000s	Hospital 2021 Unrestricted £'000s	Hospital 2022 Total £'000s	Hospital 2021 Total £'000s
Donation from subsidiary	-	-	751	2,617	751	2,617
	Group 2022 Restricted £'000s	Group 2021 Restricted £'000s	Group 2022 Unrestricted £'000s	Group 2021 Unrestricted £'000s	Group 2022 Total £'000s	Group 2021 Total £'000s
Legacies	-	-	290	722	290	722
Donations	813	3,590	404	317	1,217	3,907
Total	813	3,590	694	1,039	1,507	4,629

3 – OTHER TRADING ACTIVITIES

(all unrestricted)

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Events	-	-	2,506	1,608
Catering	-	-	322	111
Retail	-	-	108	101
Other trading	-	-	26	-
Total	-	-	2,962	1,820

4 – INVESTMENT INCOME

	Hospital 2022 Restricted £'000s	Hospital 2021 Restricted £'000s	Hospital 2022 Unrestricted £'000s	Hospital 2021 Unrestricted £'000s	Hospital 2022 Total £'000s	Hospital 2021 Total £'000s
Income on investment portfolio	868	841	1,889	1,901	2,757	2,742
Income on commercial property	-	-	473	473	473	473
Lease Extension Premiums	-	-	1,157	-	1,157	-
Bank and investment interest received	-	-	1	2	1	2
Total	868	841	3,520	2,376	4,388	3,217

	Group 2022 Restricted £'000s	Group 2021 Restricted £'000s	Group 2022 Unrestricted £'000s	Group 2021 Unrestricted £'000s	Group 2022 Total £'000s	Group 2021 Total £'000s
Income on investment portfolio	868	841	1,889	1,901	2,757	2,742
Income on commercial property	-	-	473	473	473	473
Lease Extension Premiums	-	-	1,157	-	1,157	-
Bank and investment interest received	-	-	1	3	1	3
Total	868	841	3,520	2,377	4,388	3,218

The RHC 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 calculated according to the market value of comparable property in the area.

5 - INCOME FROM CHARITABLE ACTIVITIES

(all unrestricted)

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Grant in Aid received from the Ministry of Defence	13,207	13,076	13,207	13,076

6 - OTHER INCOME

(all unrestricted)

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Staff accommodation charges	346	331	346	331
Family Practice	99	116	99	116
Food recoveries	31	-	31	-
Pension contributions (NHS)	110	110	110	110
Pensioner contributions	948	810	948	810
Pensioner Recharges	4	51	4	51
RBKC Covid grants	221	219	221	219
Other income	161	82	161	82
Total	1,920	1,719	1,920	1,719

Pension contributions represent income from the NHS in respect of increased employer's pension contributions for staff in the National Health Service Superannuation Scheme.

7 - TOTAL RESOURCES EXPENDED (GROUP)

	Raising Funds £'000s	Infirmary nursing & medical £'000s	Welfare & ceremonial £'000s	Estate management £'000s	Support costs £'000s	Total 2022 £'000s
Costs of generating voluntary income	254	-	429	174	-	857
Investment management costs	-	-	-	-	363	363
Staff costs	737	6,088	991	2,312	1,493	11,621
Other staff costs	-	59	8	2	150	219
Buildings and grounds maintenance costs	-	21	7	2,063	4	2,095
Information technology costs	-	-	-	-	187	187
Pensioner living expenses	-	785	21	1,395	288	2,489
Catering costs	-	34	-	-	-	34
Council tax and rates	-	-	-	138	-	138
Security costs	-	-	-	-	715	715
Water, gas and electricity	-	-	-	680	-	680
Insurance	-	-	-	-	255	255
Audit fees	-	-	-	-	114	114
Surveyor fees	-	-	-	14	16	30
Consultancy fees	35	33	10	399	177	654
Legal fees	-	-	-	57	12	69
Office expenses	-	20	4	24	81	129
Other expenses	163	-	2	-	25	190
Depreciation	124	385	753	167	251	1,680
Impairment	-	-	-	-	-	-
Total before re-allocation of support costs	1,313	7,425	2,225	7,425	4,131	22,519
Re-allocation of support costs	-	1,796	538	1,797	(4,131)	-
Total expenditure	1,313	9,221	2,763	9,222	-	22,519

**7 - TOTAL RESOURCES EXPENDED
(GROUP)**

	Raising Funds £'000s	Infirmary nursing & medical £'000s	Welfare & ceremonial £'000s	Estate management £'000s	Support costs £'000s	Total 2021 £'000s
Costs of generating voluntary income	172	-	438	78	-	688
Investment management costs	-	-	-	-	325	325
Staff costs	841	5,909	887	2,351	1,375	11,363
Other staff costs	-	9	7	3	55	74
Buildings and grounds maintenance costs	-	31	1	2,550	13	2,595
Information technology costs	-	-	20	3	197	220
Pensioner living expenses	-	680	29	2,133	(307)	2,535
Catering costs	-	32	-	3	-	35
Council tax and rates	-	-	-	84	-	84
Security costs	-	-	-	-	726	726
Water, gas and electricity	-	-	-	592	-	592
Insurance	-	-	-	-	242	242
Audit fees	-	-	-	-	84	84
Surveyor fees	-	-	-	4	49	53
Consultancy fees	29	23	10	396	115	573
Legal fees	-	-	-	28	30	58
Office expenses	-	23	4	23	72	122
Other expenses	14	7	4	39	154	218
Depreciation	118	367	719	160	232	1,596
Total before re-allocation of support costs	1,174	7,081	2,119	8,447	3,362	22,183
Re-allocation of support costs	-	335	807	2,220	(3,362)	-
Total expenditure	1,174	7,416	2,926	10,667	-	22,183

7 – TOTAL RESOURCES EXPENDED (HOSPITAL)

	Raising Funds £'000s	Infirmary nursing & medical £'000s	Welfare & ceremonial £'000s	Estate management £'000s	Support costs £'000s	Total 2022 £'000s
Investment management costs	-	-	-	-	363	363
Staff costs	-	6,088	781	2,312	1,493	10,674
Other staff costs	-	59	8	2	150	219
Buildings and grounds maintenance costs	-	21	7	2,063	4	2,095
Information technology costs	-	-	-	-	187	187
Pensioner living expenses	-	785	21	1,395	288	2,489
Catering costs	-	34	-	-	-	34
Council tax and rates	-	-	-	138	-	138
Security costs	-	-	-	-	715	715
Water, gas and electricity	-	-	-	680	-	680
Insurance	-	-	-	-	255	255
Audit fees	-	-	-	-	98	98
Surveyor fees	-	-	-	14	16	30
Consultancy fees	-	33	10	399	177	619
Legal fees	-	-	-	57	2	59
Office expenses	-	20	4	24	81	129
Other expenses	-	-	3	-	24	27
Depreciation	117	385	753	168	251	1,674
Total before re-allocation of support costs	117	7,425	1,587	7,252	4,104	20,485
Re-allocation of support costs	-	1,874	401	1,829	(4,104)	-
Total expenditure	117	9,299	1,988	9,081	-	20,485

7 – TOTAL RESOURCES EXPENDED (HOSPITAL)

	Raising Funds £'000s	Infirmary nursing & medical £'000s	Welfare & ceremonial £'000s	Estate management £'000s	Support costs £'000s	Total 2021 £'000s
Investment management costs	-	-	-	-	325	325
Staff costs	-	5,909	693	2,351	1,375	10,328
Other staff costs	-	9	7	3	55	74
Buildings and grounds maintenance costs	-	31	1	2,550	13	2,595
Information technology costs	-	-	20	3	197	220
Pensioner living expenses	-	680	29	2,133	(307)	2,535
Catering costs	-	32	-	3	-	35
Council tax and rates	-	-	-	84	-	84
Security costs	-	-	-	-	726	726
Water, gas and electricity	-	-	-	592	-	592
Insurance	-	-	-	-	241	241
Audit fees	-	-	-	-	69	69
Surveyor fees	-	-	-	4	39	43
Consultancy fees	-	23	10	396	115	544
Legal fees	-	-	-	28	19	47
Office expenses	-	23	4	23	72	122
Other expenses	-	2	4	39	153	198
Depreciation	112	367	719	160	233	1,591
Total before re-allocation of support costs	112	7,076	1,487	8,369	3,325	20,369
Re-allocation of support costs	-	332	798	2,195	(3,325)	-
Total expenditure	112	7,408	2,285	10,564	-	20,369

8 - STAFF COSTS AND NUMBERS

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Salaries and wages	7,336	7,438	8,055	8,231
Social security costs	725	723	790	794
Pension costs	1,772	1,643	1,933	1,813
Sub-total	9,833	9,804	10,778	10,838
Casual and agency pay	769	463	769	463
Pensioner pay	72	61	74	62
Total	10,674	10,328	11,621	11,363

The above figures include £72k which represents a retention bonus of £250 each paid to staff in April 2022.

£143k of redundancy payments were recognised in 2020-21. £103k of this was paid in 2020-21 and the remaining £40k was paid in 2021-22. No redundancy or compensation payments were recognised in 2021-22.

The average number of staff employed by the group by department were as follows:

	2022 Number	2021 Number
Infirmery, nursing & welfare	95	100
Facilities and Estates Management	127	130
Finance & Administration	11	12
Commercial services & fundraising	18	20
	251	262

All staff are employed by the RHC – none are employed by subsidiary companies. Costs are recharged as appropriate.

Higher paid employees

The number of employees whose remuneration was over £60,000 in 2021 – 2022 (excluding pension contributions) was as follows:

	2022 Number	2021 Number
£60,000 - £69,999	3	1
£70,000 - £79,999	1	2
£80,000 - £89,999	1	2
£90,000 - £99,999	2	1
£100,000 - £110,000	1	1
£120,000 - £129,000	-	1
£130,000 - £139,000	1	-

Seven (2021: Seven) of the above staff contribute to the PCSPS defined benefits pension scheme. Employer pension contributions for these staff were £189k (2021: £194k). One member contributes to the CSP money purchase scheme – contributions paid on his behalf were £10k (2021 : £10k)

The total gross pay of eight key management personnel was £819k (2021: £750k). The 2022 figure includes £172k paid to an agency for the supply of a temporary Director of Health and Wellbeing between April and October 2021. Employers' pension contributions for key management personnel were £189k (2021: £163k). All salaries paid by RHC, including senior

staff, are reviewed annually by an external pay consultant and any changes are made on the basis of a recommendation from the Finance & General Purposes Committee to the Board of Commissioners.

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

	Actual salary 2022	Actual salary 2021	Real increase in pension during the year	Total accrued pension at the year end	Cash equivalent transfer value at start date	Cash equivalent transfer value at end date	Real increase in cash equivalent transfer value
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Gen Sir Adrian Bradshaw Governor	65-70	65-70	-	-	-	-	-
Gary Lashko Esq Chief Executive	130-135	125-130	2.5-5	15-20	271	333	44

Payments of £9,877 were made to the CSP partnership scheme, a defined contribution pension scheme, on behalf of Gen Sir Adrian Bradshaw.

No benefits in kind were paid during the year.

Commissioners' Emoluments

None of the Commissioners received any remuneration for acting as Commissioners. The Governor is a Commissioner and receives a salary as an employee of the RHC.

9 - GOVERNANCE COSTS

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Staff costs	1,006	913	1,006	913
External Audit fees*	72	69	88	84
Internal Audit Fees	26	22	26	22
Legal Fees	59	47	69	58
Consultancy fees	619	544	654	573
Bank charges	-	-	1	1
Total	1,782	1,595	1,844	1,651

*The Hospital figure relates to the NAO audit fee charge for the year ended 31 March 2022. The Group figure includes the fees for the audit of the subsidiaries.

10 - SUBSIDIARY UNDERTAKINGS

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

RHC Appeal Ltd has two subsidiaries, Tricorne Traders Ltd (dormant) and Chelsea Pensioner (RH) 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 its profits to the RHC. Its financial results for the year to 31 March 2022 were:-

STATEMENT OF FINANCIAL ACTIVITIES (GROUP)	2022	2021
	£'000	£'000
INCOME		
Donations & Legacies	1,507	4,628
Trading & other activities	2,962	1,820
Interest received	<u>1</u>	<u>1</u>
TOTAL INCOME	<u>4,470</u>	<u>6,449</u>
EXPENDITURE		
Raising Funds	229	256
Gift aid donations	751	2,617
Trading & other costs	<u>1,805</u>	<u>1,558</u>
TOTAL EXPENDITURE	<u>2,785</u>	<u>4,431</u>
Net incoming/(outgoing) resources	<u>1,685</u>	<u>2,018</u>
Net funds at the beginning of the year	5,187	3,169
Prior year adjustment	-	-
Net funds at end of year	<u>6,872</u>	<u>5,187</u>
BALANCE SHEET	2022	2021
	£'000	£'000
Tangible Assets	14	20
Current Assets	8,322	6,499
Current Liabilities	(1,464)	(1,332)
Net current assets	6,858	5,167
Total net assets	<u>6,872</u>	<u>5,187</u>
Unrestricted reserves	2,277	1,059
Restricted reserves	4,595	4,128
Total reserves	<u>6,872</u>	<u>5,187</u>

ii) Gordon House (London) Ltd

Gordon House (London) Ltd was incorporated in England in April 2012 (no 08036299). It was created to assist with the sale of the lease of Gordon House. The sale is now completed and the company was made dormant in 2020-21. Its assets and liabilities were transferred back to the parent and its share capital was reduced to a single share of £1 which is held by the RHC.

10 – SUBSIDIARY UNDERTAKINGS (continued)

iii) Chelsea Pensioner (RH) Ltd

CPRH is incorporated in England - no 03853787. The whole of its issued share capital - 1,000 shares of £1 each - is owned by RHC Appeal Ltd. The company conducts trading activities concerned with the rental of the RHC's facilities to outside organisations. Its accounts are consolidated into those of the RHCA Group shown at 10 i) above. Its financial results for the year to 31 March 2022 were-

PROFIT & LOSS ACCOUNT	2022	2021
	£'000	£'000
Turnover	2,962	1,820
Cost of sales	(213)	(112)
Staffing and administrative costs	(1,050)	(922)
Other operating expenses	<u>(32)</u>	<u>(39)</u>
Profit before interest and tax	1,667	747
Other gains : Bank interest receivable	-	-
Donation to RHC Appeal Limited	(1,667)	(747)
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>
Profit/(loss) for the year	-	-
Profit & loss account brought forward	39	39
Profit & loss account carried forward	<u>39</u>	<u>39</u>
BALANCE SHEET	2022	2021
	£'000	£'000
Fixed assets (incl. Listed Investments)	12	15
Current assets	2,290	1,284
Current liabilities	(2,262)	(1,259)
Net current assets	28	25
Total net assets	<u>40</u>	<u>40</u>
Share capital	1	1
Profit & loss account	<u>39</u>	<u>39</u>
Total capital & reserves	<u>40</u>	<u>40</u>

iv) Tricorne Traders Ltd

This company is incorporated in England - no 07382655. It formerly operated the RHC's food and beverage services where these are chargeable to either CPs or external users. The company's share capital consists of 1,000 £1 shares all of which are held by RHC Appeal Ltd. It has been dormant since 1 April 2016.

11 - TANGIBLE FIXED ASSETS – NON HERITAGE (GROUP)	Land and buildings £'000s	Land and Buildings under construction £'000s	Plant, machinery & equipment £'000s	Vehicles £'000s	Group Total 2022 £'000s	Group Total 2021 £'000s
Cost or Valuation						
At 1 April	129,125	1,260	7,309	295	137,989	134,934
Additions at cost	-	2,570	316	-	2,886	3,050
Transfer	667	(667)	-	-	-	90
Adjustment	-	-	(70)	-	(70)	
Revaluation	9,546	-	-	-	9,546	455
At 31 March	139,338	3,163	7,555	295	150,351	137,989
Depreciation						
At 1 April	(5,466)	-	(3,437)	(178)	(9,081)	(7,485)
Depreciation charge for the year	(1,214)	-	(447)	(19)	(1,680)	(1,596)
At 31 March	(6,680)	-	(3,884)	(197)	(10,761)	(9,081)
Net book value at 1 April	123,659	1,260	3,872	117	128,908	126,919
Net book value at 31 March	132,658	3,163	3,671	98	139,590	128,908

The closing net book values are attributable to RHC's funds as follows:-

Grant in Aid Fund	-	-	176	8	184	184
Prize Money and Legacy Fund	132,650	3,163	3,489	89	139,391	128,710
Subsidiaries	8	-	6	1	15	14
	132,658	3,163	3,671	98	139,590	128,908

11 - TANGIBLE FIXED ASSETS – HERITAGE (HOSPITAL AND GROUP)

	2022	2021	2020	2019	2018
	£'000s	£'000s	£'000s	£'000s	£'000s
Land & buildings					
Opening balance brought forward	250	250	250	220	220
Revaluation	10	-	-	30	-
Disposals	-	-	-	-	-
Balance at 31 March	260	250	250	250	220

Exhibits

Opening balance brought forward	19,418	19,741	18,217	18,217	18,217
Revaluation	-	(233)	1,524	-	-
Disposals	-	(90)	-	-	-
Balance at 31 March	19,418	19,418	19,741	18,217	18,217
Total at 31 March	19,678	19,668	19,991	18,467	18,437

11 - TANGIBLE FIXED ASSETS – NON HERITAGE (HOSPITAL)	Land and buildings	Land and buildings under construction	Plant, machinery & equipment	Vehicles	Hospital Total 2022	Hospital Total 2021
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost or Valuation						
At 1 April 2020	129,103	1,260	7,165	280	137,808	134,213
Additions at cost	-	2,570	316	-	2,886	3,050
Transfer	667	(667)	-	-	-	90
Adjustment	-	-	(70)	-	(70)	-
Revaluation	9,546	-	-	-	9,546	455
	139,316	3,163	7,411	280	150,170	137,808
Depreciation						
At 1 April 2020	(5,453)	-	(3,300)	(167)	(8,920)	(7,329)
Depreciation charge for the year	(1,213)	-	(445)	(16)	(1,674)	(1,591)
At 31 March 2021	(6,666)	-	(3,745)	(183)	(10,594)	(8,920)
Net book value at 1 April	123,650	1,260	3,865	113	128,888	126,893
Net book value at 31 March	132,650	3,163	3,666	97	139,576	128,888
The closing net book values are attributable to RHC's funds as follows:-						
Grant in Aid Fund	-	-	176	8	184	184
Prize Money and Legacy Fund	132,650	3,163	3,490	89	139,392	128,704
	132,650	3,163	3,666	97	139,576	128,888

Operational Estate

Non-Heritage Assets

The freehold and lease hold interests in the properties held were independently valued as at 31 March 2020 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an external Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations were updated by Savills at 31st March 2021.

The valuations accord with the requirements of FRS 102 and the 19th Edition of the RICS Valuation – Professional Standards (incorporating the International Valuation Standards “The RICS Red Book”).

The valuations were arrived at predominantly by reference to market evidence for comparable property and, in the case of operational buildings, the building cost index published by the Office of National Statistics. The surveyors advised that a “modern equivalent” valuation was the most appropriate basis for valuing most of the operational land and buildings. This is because the unique and historic nature of the RHC’s estate means that a meaningful market value cannot be arrived at. Therefore it is appropriate to use the cost of building a “modern equivalent,” and not the cost of replacing the existing historic buildings, when valuing the assets for accounts purposes. This applies to all the RHC’s operational land and buildings apart from the Margaret Thatcher Infirmary, which, as a modern purpose-built care home, is valued at market value (see also Note 1e to the accounts).

The values were reviewed and adjusted by RHC at 31st March 2022 (see also note 1f p36 and also p18).

Heritage Assets

Heritage assets as defined under FRS 102 are valued every five years. The last valuation, by Gurr–Johns, was at 31 March 2020.

a) The RHC’s heritage assets are principally composed of art and artefacts and it has a holding of 886 (2021: 886) such exhibits with a total value of £19,418k (2021: £19,418k). 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. At the previous valuation in 2017 a number of items not previously considered to be of heritage value were included. This accounted for an increased number of items in the valuation – these were not new acquisitions. There have been no acquisitions for at least the past five years.

The items currently held at valuation total £19,418k (2021: £19,418k). 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 RHC from the Kings Road and gives a view of the RHC as intended by Sir Christopher Wren. It was valued by Savills as at 31st March 2021 and the value was updated by RHC management at 31st March 2022.

c) The RHC 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. The RHC’s policy is to conserve its heritage assets and make them available to visitors as far as possible consistent with the need to minimise disturbance to CPs. The collection includes an amount of documents and other items of a historical nature which have no intrinsic value but are retained for records purposes.

12 - INVESTMENT PROPERTY

	2022 £'000s	2021 £'000s
Balance at 1 April	63,360	67,830
(Loss)/Gain on revaluation	600	(4,470)
Balance at 31 March	63,960	63,360

Investment property consists of land and buildings which are not part of the RHC'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, Chelsea Gardens, and Gordon House. These properties were professionally valued by Savills at 31 March 2021 (see also pp 16 & 35) The values were reviewed by management at 31 March 2022 using published data and local market trends.

13 - LISTED INVESTMENTS	Hospital & Group	Hospital	Group
	2022 £'000s	2021 £'000s	2021 £'000s
Market value at 1 April	82,158	70,329	69,912
Gordon House (London) Ltd capital reduction	-	(417)	-
Additions at cost	4,000	-	-
Cost of investments sold	-	(3,975)	(3,975)
Income reinvested (accumulation)	2,399	2,414	2,414
Realised (gain)/loss	-	(1,025)	(1,025)
Unrealised gain/(loss)	3,460	14,832	14,832
Market value at 31 March	92,017	82,158	82,158
Historic cost at 1 April	65,674	68,456	68,456
Historic cost at 31 March	69,674	65,674	65,674

Investments are held in the Endowments Fund and the Income and Reserves Fund managed by Sarasin & Ptnrs LLP and also in the Armed Forces Common Investment Fund managed by BlackRock Fund Managers Ltd. The RHC's investment objective is to provide a growing annual income whilst preserving the real value of the capital over the long term. The investments are held 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. The share capital of £417,000 in Gordon House (London) Ltd was reduced to £1 in 2020-21 as the company became dormant.

14 – STOCK

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Shop and catering stocks	-	-	135	148

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

15 - DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Trade debtors	-	-	104	30
Prepayments and accrued income	206	199	206	202
Amounts due from subsidiary undertakings	360	423	-	-
Other debtors	18	39	101	3,066
Total	584	661	411	3,298

16 - CASH AT BANK AND IN HAND

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Cash at bank and cash equivalents	1,701	5,628	5,420	8,511
Cash in hand	1	1	1	1
Total	1,702	5,629	5,421	8,512

17 - CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Trade Creditors	1,015	1,232	1,133	14
Accruals and deferred income	712	566	1,635	1,435
Amounts due to subsidiary undertakings	4,281	433	-	-
Other creditors	550	550	613	1,832
Total	6,558	2,781	3,381	3,281

Movement on Deferred Income

	2022 £'000s	2021 £'000s
Brought forward at the beginning of the year	748	997
Released to SOFA during the year	(748)	(997)
Deferred to future periods	843	748
Carried forward at the end of the year	<u>843</u>	<u>748</u>

Income has been deferred in respect of invoices raised for events occurring post year end.

18 - CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Chapel music foundation	47	57	47	57
Chapel fund	11	11	11	11
Advance funeral payments	78	66	78	66
Total	136	134	136	134

19 - CONTINGENT LIABILITIES

The RHC has no contingent liabilities.

20 – CONTINGENT ASSETS

The RHC has no contingent assets.

21 - PENSIONS

During the year the RHC participated in three pension schemes, as follows:

Principal Civil Service Pension Scheme (PCSPS)

Pension benefits for 220 (2021: 196) members of staff are provided through the Civil Service Pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from 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 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 1 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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

For 2021-22, employers' contributions of £1,549,884 were payable to the PCS (2021: £1,561,208) at one of four rates in the range of 26.6% to 30.3% of pensionable pay, based on salary bands.

Contributions of £9,877 were payable to stakeholder schemes in (2021: £9,779).

NHS Pension Scheme (NHSPS)

The RHC has 53 (2021: 55) members of staff in the NHS Pension Scheme which is an unfunded multi-employer defined benefit scheme, but the RHC 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 2016 (published in February 2019). The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates. 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. 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 RHC is required to pay an employer's contribution, currently 20.6% of pensionable pay, as specified by the Secretary of State for Health. For 2021-22, employers' contributions of £221,478 were payable to the NHS Pension Scheme (2021: £229,916). 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 RHC. 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 RHC 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 7 (2021: 7) 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 £25,668 (2021: £25,733).

The latest FRS 102 valuation of the liabilities in respect of the unfunded pension entitlements was carried out as at 31 March 2022, by an independent qualified actuary, using the key FRS102 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).

Assumptions	2022	2021
Price inflation/pension increase per annum	3.9%	2.6%
Discount rate per annum	2.6%	1.4%

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 (2021: 10 years).

The following table sets out as at 31 March 2022 the present value of the FRS 102 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.

	2022	2021	2020	2019	2018
	£000s	£000s	£000s	£000s	£000s
Defined Benefit Pension Scheme Liability	<u>182</u>	<u>199</u>	<u>196</u>	<u>264</u>	<u>266</u>

The gross pension liability resides within the RHC's unrestricted funds. Its only impact on the resources available for general application are, the annual payments to the pensioners of £25,668 for 2022 (2021: £25,540).

The gross pension liability under FRS 102 moved as follows during the year:

	Year to March 2022 £'000s	Year to March 2021 £'000s
Gross pension liability at the beginning of the year	199	196
Pensions Paid	(26)	(26)
Interest cost	3	4
Actuarial (gain)/loss on defined benefit pension scheme	6	25
Gross pension liability at the end of the year	<u>182</u>	<u>199</u>

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

	Year to 31 March 2022 £000s	2021 £000s
Interest on gross pension liability	<u>3</u>	<u>4</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 2022 is a loss/(gain) of £6,000. [2021: loss of £25,000]. The cumulative amount recognised in the "gains and losses" categories of the SOFA since 2003 (as required by paragraph 28 of FRS 102) is a loss of £143,000 (2021: loss of £137,000).

22 – OPERATING LEASES

Amounts payable under non-cancellable operating are as follows:-

	2022 £'000s	2021 £'000s
Leases due to expire:-		
Within 1 year	21	12
Within 2-5 years	2	12
After more than 5 years	-	-

Amounts paid under operating leases during the year were £21k (2021: £2k).

23 - CAPITAL COMMITMENTS

	2022 £'000	2021 £'000
Authorised and contracted	<u>522</u>	<u>2,018</u>

The sum for 2022 consists of amounts budgeted for the Activity Centre which is expected to be paid in 2022-23.

24 – LOSSES AND WRITE OFFS

There were no material losses or write offs during the year (2020-21 : NIL).

25 - MOVEMENT IN FUNDS - GROUP	Balance as at 1 April 2021 £'000s	Incoming resources £'000s	Resources expended £'000s	Other gains/(losses) £'000s	Transfers £'000s	Balance at 31 March 2022 £'000s
Unrestricted funds						
Grant in Aid	(13,239)	13,207	(14,629)	(6)	-	(14,667)
Prize Money and Legacy Fund						
General reserve	267,452	5,440	(5,106)	2,910	(567)	270,129
Ranelagh & De La Fontaine Trust Capital	7	-	-	-	-	7
Revaluation Reserve	13,048	-	-	9,556	-	22,604
RHC Appeal Group Ltd	1,057	3,656	(2,438)	-	-	2,275
Total Unrestricted Funds	268,325	22,303	(22,173)	12,460	(567)	280,348
Restricted funds						
Prize Money and Legacy Fund						
Campbell Ward	7	-	-	-	-	7
Cadogan Donation	27	-	-	-	-	27
IP Activities	59	-	-	-	-	59
MTI fund	34	-	-	-	-	34
Garden & Allotments	28	-	-	-	-	28
Gordon House Fund	26,159	868	-	1,150	-	28,177
RHC Appeal Group Ltd	4,131	813	(346)	-	-	4,598
Total restricted funds	30,445	1,681	(346)	1,150	-	32,930
Designated reserve – building maintenance	3,668	-	-	-	567	4,235
Total funds	302,438	23,984	(22,519)	13,610	-	317,513

25 - MOVEMENT IN FUNDS - HOSPITAL	Balance as at 1 April 2021 £'000s	Incoming resources £'000s	Resources expended £'000s	Other gains/(losses) £'000s	Transfers £'000s	Balance at 31 March 2022 £'000s
Unrestricted funds						
Grant in Aid	(13,239)	13,207	(14,629)	(6)	-	(14,667)
Prize Money and Legacy Funds						
General reserve	267,452	6,191	(5,856)	2,910	(567)	270,130
Ranelagh & De La Fontaine Trust Capital	7	-	-	-	-	7
Revaluation Reserve	13,048	-	-	9,556	-	22,604
Total Unrestricted Funds	267,268	19,398	(20,485)	12,460	(567)	278,074
Restricted funds						
Prize Money and Legacy Funds						
Campbell Ward	7	-	-	-	-	7
Cadogan Donation	27	-	-	-	-	27
IP Activities	59	-	-	-	-	59
MTI fund	34	-	-	-	-	34
Garden & Allotments	28	-	-	-	-	28
Gordon House Fund	26,159	868	-	1,150	-	28,177
Total restricted funds	26,314	868	-	1,150	-	28,332
Designated reserve – building maintenance	3,668	-	-	-	567	4,235
Total funds	297,250	20,266	(20,485)	13,610	-	310,641

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 RHC. No surplus is generated from Grant in Aid funds in accordance with the framework agreement with the Ministry of Defence. The RHC's unrestricted reserves are known as the "Prize Money and Legacy Fund." The origins of this name go back to at least the early 19th century but today it simply means unrestricted reserves generated from sources other than Grant in Aid income.

Designated funds

In 2016-17 the Board of Commissioners, on the advice of the Estates Committee, agreed to create a designated reserve for the maintenance of the RHC's operational buildings. It was agreed that the amount set aside should be the expected figure of maintenance expenditure for the next three years as shown in the RHC's 25-year maintenance plan.

Restricted funds

The **Campbell Ward Fund** represents donations raised from a special appeal to create a specialist dementia care facility.

The **Cadogan Donation** fund is donated by the Cadogan Charity towards CPs' mobility and travel costs.

The **MTI Fund** consists of donations given specifically for the Margaret Thatcher Infirmary.

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. These funds are invested with the other RHC funds managed by Sarasin and BlackRock (note 12) and an appropriate share of the income and capital gains arising is credited to the fund.

The **IP activities, Margaret Thatcher Infirmary and Garden and Allotments funds** represent funds donated for these specific purposes.

26 - DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FRS 102 requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Financial instruments include investments in equity shares and bonds, cash held on deposit and other receivables. The RHC's position is:-

	Hospital 2022 £'000s	Hospital 2021 £'000s	Group 2022 £'000s	Group 2021 £'000s
Financial Assets				
Listed Investments	92,017	82,158	92,017	82,158
Cash held	1,702	5,629	5,421	8,512
Rent & other receivables	584	661	411	3,298
Total financial assets	<u>94,303</u>	<u>88,448</u>	<u>97,849</u>	<u>93,968</u>
Financial Liabilities				
Trade & other payables	<u>6,694</u>	<u>2,915</u>	<u>3,517</u>	<u>3,415</u>
Total financial liabilities	<u>6,694</u>	<u>2,915</u>	<u>3,517</u>	<u>3,415</u>

Interest rate risk

The RHC has exposure to interest rate risk through its cash balances. This risk is not material as cash balances form only a small proportion of financial assets. The impact of interest rate movements on listed investment values is considered below under "market price risk."

Currency risk

The RHC is exposed to currency risk through the element of listed investments held in non-UK assets. Approximately 25% of the portfolio is held in assets valued in currencies other than sterling. These investments are held for the long term and the proportion of funds held in non-sterling assets is monitored by the Investment Committee on a regular basis.

Market price risk

The RHC is exposed to market price movements through its listed investment holdings, apart from funds held in cash. Listed investments are managed by professional managers under the supervision of the Investment Committee. The portfolio invests in a diverse range of asset classes and markets designed to balance risk and return. These investments are held for the long term and therefore the risks arising from short-term market movement are small. There are currently enhanced market risks due to the Covid pandemic.

Credit risk

Credit risk is the possibility that a counterparty (eg a bank) will default on its obligations. The RHC is exposed to credit risk in respect of its cash deposits and receivables. Cash deposits are held at the RHC's main bank, Barclays, and the risk is therefore considered to be acceptable. Receivables consist of a large number of small amounts due from a variety of customers and the risk of default of an individual customer is not material.

27 – POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

These accounts were authorised for issue by the Accounting Officer and the Board of Commissioners on the date shown on the audit report.

28 – RELATED PARTIES

Some Commissioners have links with organisations with which the RHC has a financial relationship (such as the MoD and the Army). All Commissioners and senior managers complete an annual Declaration of Interests return and are required to declare any interest in items discussed at Board and Committee meetings. The Board is satisfied that no conflicts of interest or transactions with related parties arose during the year ended 31 March 2022.

29 – TRANSACTIONS WITH SUBSIDIARY COMPANIES

The RHC receives income from its subsidiary, the RHC Appeal Ltd group (which includes Chelsea Pensioner (RH) Ltd), and also makes charges to the subsidiary for management and other services. During the year income of £751k (2021: £2,617k) was received and charges of £954k (2021: £1,081k) were made.

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