

ROYAL HOSPITAL CHELSEA ACCOUNT 2020-21

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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.

This year a global pandemic, COVID-19, presented the country with the most significant health, financial and social crisis since the Second World War. During a year like no other, the Hospital’s core mission has been to protect the lives and wellbeing of our vulnerable population and adapt the way we work to ensure the safety of our residents and staff. We have become more agile in the way we plan and conduct our business, and although there have been difficulties, we have been much encouraged by the public support we have received. All our staff have stood up to the challenge, and we are indebted to our colleagues from the British Army Medical Team who have been instrumental to the care of the Pensioners by supporting our in-house team.

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 Pensioners to participate in the greatest range of physical and mental activities possible while reaching out to support and inspire others in the wider community. The Pensioners 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 Hospital 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 Chelsea Pensioners 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 a new outreach programme for veterans outside our gates, supported by a new development 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 Chelsea Pensioners 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 31 July 2018. The agreement is due to be renewed in 2021; a text has been agreed and is awaiting signature by the MoD. 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 but income from fundraising held up unexpectedly well (see also page 14).

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 257 staff of whom 96 are medical, nursing and care staff.

The COVID-19 pandemic

The pandemic has had a major impact on the RHC's activities. To protect the health and safety of the CPs, the site was locked down earlier than national requirements as part of a comprehensive operational plan. From early March until June 2020, members of the public were not allowed to enter the estate and only essential service providers were allowed access, following strict health and safety protocol. The CPs agreed not to leave the estate and 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. A significant number of staff joined those who were permanently resident and volunteered to stay on-site during this period to lower the risk of imported infection. We were grateful to the British Army for medical and other support from a small but hard-working team. Army medical personnel performed several significant duties which allowed Hospital staff to manage additional aspects of their roles necessitated as part of COVID protocols. The Hospital saw significant increases to cleaning and sanitation requirements and managing the associated procurement and distribution of PPE. Establishing sanitation points throughout the Hospital and ensuring regular testing of all staff and Pensioners was integral to the Hospital's COVID mitigation strategy. The British Army team played an essential part in delivering frequent testing, assisting kitchen staff with staggered mealtimes for Pensioners, and delivery of meals and medication to Pensioners in isolation as well as providing transport for nurses and other frontline staff who would normally utilise public transport. While the impact on the health and wellbeing of the Pensioners and staff remained the greatest priority, there were a range of additional impacts resulting from the pandemic.

Restrictions were eased gradually during 2021 and most aspects of life at RHC have returned to normal, though there are still restrictions on visitors in some areas. 99% of Pensioners have now been fully vaccinated and 95% of staff. The pandemic led to a loss of income from cancelled events and additional costs originally estimated at £3.2m, but, after receipt of grants and

¹ This report should be read in conjunction with the Governance Statement on page 15 which outlines in detail the structure and governance of the RHC and its Board.

donations specifically for COVID relief and support, eventually amounted to an operating loss of £746k; these are reflected in the accounts for 2020-21 (see also p12). Due to the pandemic a difficult decision was taken to re-structure, resulting in the deletion of around 15 posts, some through redundancy and others through non-replacement of staff who left. This reflects some of the continuing uncertainty that the organisation faces.

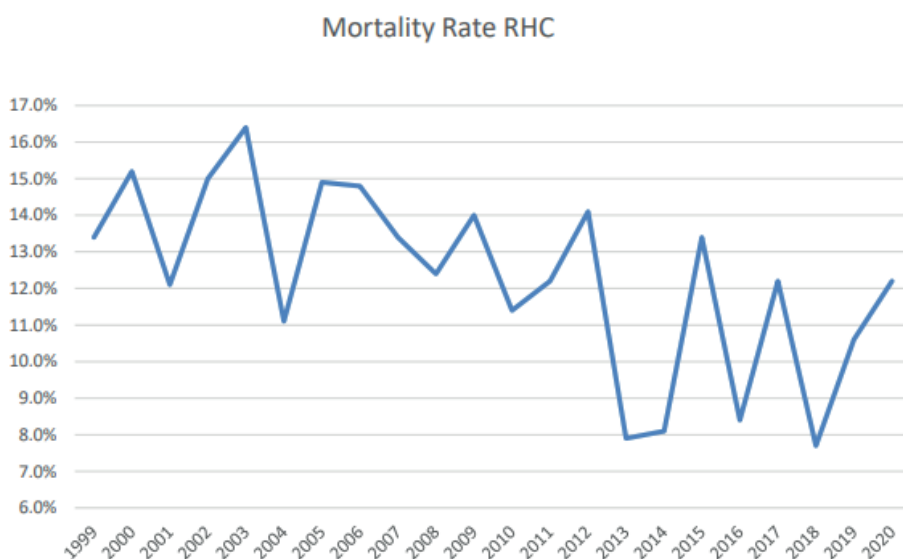
The RHC Model of Care

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 Hospital is 82; our youngest is 66 and our oldest 101. The median age on arrival is around 78. The average age at death of our CPs is 87.5 years, and they live at the RHC for an average of 10 years.

Statistics at a glance (as at May 2021)	
Average age	82 years
Youngest Pensioner age	66 years
Oldest Pensioner age	101 years
Median age on arrival	78 years
Average age at death	87.5 years
Average length of residency	10 years

The mean age at death of our Pensioners shows a year-on-year increase of 0.45 year – single year data show an average age of death of 83.1yrs 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 76.6yrs to 80.4yrs).

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



Equally the average age of all Pensioners (which we have surveyed in April each year since 2007) has stayed almost constant at 82.24yrs over the past 10 years (range 82.1-82.5 years). Our Pensioners are therefore, on average, coming to live here at the same age as in previous years, but are increasingly living for more years at the RHC before death. The data supports our assumption that the care received at the RHC adds years to life compared with living outside the RHC.

By way of comparison, The Office for National Statistics (ONS) data show that, for those who reach the age of 65yrs, 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 yrs for all SEC groups; 85.3 years for the highest SEC group; and 81.4 yrs for the lowest SEC group. The RHC mean age at death (88.74yrs) is higher than for their cohort's averages, both overall and by SEC. Given our Pensioner population's demographics – the CPs predominantly tend toward a social demographic with a pre-existing burden of medical issues – this data supports our assumptions on the efficacy of the RHC Model of Care.

During 2020, there was an excess of 4 deaths over the predicted number of deaths of 31. This excess over expected numbers must be at least partially explained by the COVID-19 pandemic although 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 Pensioner numbers into account (see chart above).

We are looking to test the assumption that we add not only extra years of life, but also extra years of quality life (QOLYs). To do this we are half-way through a three-year external academic evaluation of our care model which will strengthen the evidence base for the model of care at the Royal Hospital Chelsea and deliver better health outcomes for our residents.

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 RHC 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 Chelsea Pensioners 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 significantly expand our outreach programme, 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 and could help slow down the rising cost of healthcare in Britain.

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 halfway through 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 our veterans 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 Royal Hospital will support 'active ageing' and mental wellbeing as much as we possibly can, allowing us to position the Hospital as an outreach centre for non-resident veterans.

The Royal Hospital's Christopher Wren buildings are of global built heritage importance, alongside its 'sister' building on the Thames, the Royal Naval College, Greenwich – 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. To widen access, 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' – is set in 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. The magnificent Great Hall and Chapel have also been carefully restored.

The Soane Stable Block is the only part of the built estate which has not yet been refurbished. A comprehensive re-modelling will incorporate a heritage centre, facilities for outreach activities, a café, a museum, and a shop. Enabling work started on site in the 2020-21 financial year in preparation for funds being identified and final approval being given by the Board of Commissioners. A new building for hobbies and activities for CPs began in the autumn of 2020, with completion expected towards the end of 2021.

The Chapel provides a place of worship, communion, and private reflection, principally for the Pensioners 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 has been based in the South Grounds – an area which also saw increased use for exercise and dog-walking activities – demonstrating the Hospital'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 have not been possible this year. We are now exploring a partnership in education opportunities with our neighbour, the National Army Museum, to expand our education programme once again when this is possible.

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.

As noted above, after offsetting loss of income and additional expenditure with additional restricted grants, and curtailment of some discretionary expenditure, the COVID pandemic has led to an operating loss of £746k (see p 13) in the 2020-21 financial year. The bulk of the losses arise from the cancellation of events and the loss of associated trading income. Steps have been taken to reduce costs, and reductions in staff and other expenditure have been made. The budget for 2021-22 shows a small operating surplus.

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.

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 organisation is committed to promoting diversity and, following consultation with staff, will employ 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 a number of 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 has not been possible for volunteers to visit during the pandemic, though a few have continued to provide assistance remotely. It is hoped to restart visits in 2021-22. Volunteers are, as appropriate, cleared to work with vulnerable adults.

Future Strategy

The RHC's high-level objectives – to provide care for the Pensioners 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 early 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.

The new strategic targets for the next few years are to increase the RHC's reach to Army veterans, including offering outreach services, and to develop the heritage and commercial possibilities of the site through the refurbishment of the Soane Stable Block to include a new Heritage Centre. The refurbishment of the MTI is also being planned, which includes updating our facilities, improving data collection and ensuring it is ready for future generations of Pensioners – those who may have far greater medical needs from surviving recent conflicts. The RHC intends to work much more closely with the National Army Museum, with whom the RHC held the first Chelsea History Festival (CHF) in the autumn of 2019. The Festival was held online in 2020. The RHC plans to build on the foundations of the CHF by creating, with other local institutions and businesses, the Chelsea Cultural Quarter. The Hospital has a close relationship with the Royal Borough of Kensington and Chelsea, and it is envisaged that the Hospital will contribute to the cultural and economic development of the Borough, working together to support the Council with development plans.

The RHC has reconsidered these priorities following the COVID-19 pandemic. Whilst all the proposed developments remain relevant, it has been agreed to bring forward the MTI refurbishment and delay the Soane Stable Block, as funding opportunities for the former project are more favourable in the light of the pandemic. A full review of strategy will be held in the autumn of 2021.

Review of achievements and performance for the year 2020/2021

Executive Summary

As noted above, our main focus during the year has been to protect the Pensioners during the global pandemic. Despite the robust response, it transpired that the infection had already entered the RHC before restrictions were imposed. Sadly, with co-morbidities leaving our elderly population particularly vulnerable to COVID-19, 14 of these infections proved fatal, however 176 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. 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. **The National Lottery Heritage Fund agreed to pay for preliminary work on plans for the Soane Stable Block.** An application for further support has been made and the result is awaited.
- II. **Our site development plan was implemented, including:**
 - The installation of secondary glazing in CP berths was agreed by the planning authorities and work commenced. This work has been pending for many years but has been delayed partly through heritage concerns. These issues have now been resolved and work started in early 2020 but was suspended in March because of the pandemic. After restrictions were eased and a safe method of working was agreed with the contractor the work was completed later in 2020.
 - The refurbishment of internal office spaces was completed along with the renovation of four residential properties to allow more affordable accommodation, on site, for key workers during the pandemic.
 - The Board approved plans for the development of a new Activities Centre to house hobby rooms and other recreational facilities for CPs, as well as a new storage space. Work on the Activities Centre, which is expected to cost £3.3m, began in 2020. Work on the storage facility, which is budgeted at £1.8m, was completed in the autumn of 2020.
- III. **The RHC moved towards digital** – including a new intranet, events software and crucial HR administration software, meaning more effective and accessible communication with hard-to-reach staff.
- IV. **The RHC signed the Armed Forces Covenant.** Strengthening our links with the Army community and ensuring our commitment to veterans who may need employment in the future.
- V. **A new performance management system for staff was introduced** to align with the RHC's new values which were implemented in 2019.
- VI. **A Finance and General Purposes Committee was created** to streamline Commissioners' oversight of the RHC's finances and other administrative matters.
- VII. **A donation of £3m was received**, the largest single donation that has been made to the RHC in recent years. The donor, who requested anonymity, specified that the funds should be spent on the new Activity Centre and the welfare of Pensioners, but not on staffing costs.
- VIII. **Our Director of Health and Wellbeing, Deborah Sturdy, was seconded** to the Department of Health as Chief Nurse for Adult Social Care. She was replaced on an interim basis by Maggie Kufeldt.

2020-21 Financial review and results for the year

The total funding received from the Ministry of Defence was £13,076k (2020: £12,695k). Income from other sources, including fundraising activities, investments and donations (including the donation of £3m noted above) was £11,386k (2020: £10,991k). Total income was £24,462k, an increase of some £776k (3.3%) on 2020. However, income from normal activity (excluding the £3m donation) fell by almost 10%. The fall was due to the cancellation of almost all events because of the Covid pandemic. Costs attributable to RHC's charitable activities were £20,684k (2020: £20,328k), an increase of £356k (1.8%). Other costs were £1,499k (2020: £2,200k), a decrease of £701k (32%). This was due to the drop in events and trading activity caused by the pandemic. The RHC's operations made a loss of £746k (this figure is used for internal accounting purposes and is arrived at by deducting non-operational movements from the total gains of £12,838k). The calculation is:-

	£k
Total gains per SOFA (p25)	12,838
Less Gains in investments	(10,362)
Less Revaluation gains	(222)
Less Donation	<u>(3,000)</u>
Operating loss	<u><u>(746)</u></u>

The net surplus, after movements on investments, was £12,641k (2020: deficit of £3,552k). Taking into account other gains and losses, total funds increased from £289,600k in 2020 to £302,438k this year (see below and notes 1 & 25). The surplus is due entirely to the substantial gains in stock markets during the year. This led to a large increase in the value of the RHC's listed investments.

Total funds donated through the RHC Appeal Ltd and its subsidiaries amounted to £2,617k (2020: £2,722k). 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 2020. A desktop exercise was undertaken to update the values as at 31 March 2021 by Savills. 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 (see also note 1f to the accounts). The revaluation resulted in a gain of £445k on operational property and a loss of £4,470k on investment property (see notes 11 & 12).

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 £5,187k (2020: £3,169k) of which £4,128k (2020: £949k) was restricted. During the year the subsidiary donated a total of £2,617k (2020: £2,722k) 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 £199k (2020: £196k) 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 2021 the RHC's total reserves amounted to £302,438k of which £268,325k was unrestricted, £30,445k was restricted and £3,668k was designated for planned building works.

The RHC holds the other reserves so that it can maintain its services to In-Pensioners and continue to protect the heritage of the Wren buildings and grounds in the event of an unforeseen loss of income. 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 liquid 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 2021 the RHC held cash reserves of £8,512k (2020: £7,933k), which represents just over five months' unrestricted running costs (excluding depreciation). Liquid reserves (cash and traded investments) were £90,670k (2020: £77,845K), which represents 6.9 years' GiA funding and 4.5 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 Hospital investments over time. Performance during the year was well ahead of this benchmark – the funds rose in value by 25% as markets recovered the losses that occurred at the start of the pandemic. 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 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 2021 BlackRock held 49% of RHC’s listed investments and Sarasin held 51%. During the year £5m was withdrawn from investments held with Sarasin to finance the RHC’s capital programme and cover operating losses incurred during the pandemic.

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 greatly exceeded in 2020-21; the investments rose in value by 25% whereas inflation as measured by the Consumer Price Index was only 0.7%.

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 at 31 March 2021 at £123,659k (2020 : £122,339k) (see also p14 above). Investment property was also revalued by Savills at 31 March 2021. As a result investment property was valued at £63,360k (2020: £67,830K) at the year-end. Investment property is valued at a market value, which is calculated by the valuers 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 during the year 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 £19,668k (2020: £19,991K). Gurr Johns advised that no material change in the valuations had taken place in the year to 31st March 2021

Plant machinery and equipment has a net book value of £3,872k (2020: £3,656K) and vehicles have a net book value of £117k (2020: £133K).

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 £69k (2020: £83k) has been charged for the Hospital audit and is included in Governance costs. No non-audit work was carried out by the auditor in 2020-21 or 2019-20. The cost of the audit of RHC’s subsidiary companies was £15k (2020: £17k).

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 2020-21 financial year, is Mr Gary Lashko.

Going Concern

As noted above (p9), the COVID pandemic led to financial losses of £746k on the RHC's operations in 2020-21. These will be met from reserves. Steps have been taken to reduce costs and the budget for 2021-22 shows a small surplus. The RHC has a significant level of reserves (see p15 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.

Gary Lashko
CEO & Accounting Officer
On behalf of the Board of Commissioners

26 October 2021

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 2020-21 financial year was revised on 31 July 2018. The Chief Executive Officer of the RHC is the Accounting Officer, Mr Gary Lashko, who has held this post since 1 February 2016.

Hospital 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. As an arms-length body 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 chairman and committee chairmen, 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	4
Maj Gen Neil Sexton	4	4
Brig Tim Hodgetts	4	3
Specially Appointed Commissioners		
Dame Barbara Monroe	4	4
Mark Gallagher Esq	1	0
Charles Lewington Esq	1	1
Ms Jo Cleary	4	4
Dr Roger Bowdler	4	3
Col Paul Foster	4	4
Richard Clark Esq	4	4
Prof Charles Mackworth Young	4	4
Dominic Fisher Esq	4	4
Ms Caroline Trewitt	4	4
Dr Caroline Shuldham	2	2
Roland Rudd Esq	2	2

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. The Committee held its first meeting in February 2021 and plans to meet quarterly in future. Its membership is:-

Finance & General Purposes Committee

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

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)
Charles Lewington Esq OBE (Chair, to 30 April 2020)
Colonel Paul Foster (to 30 June 2021)
Ms Caroline Trehitt (Chair from 1 May 2020)
Dominic Fisher Esq OBE (from 1 May 2020)
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 (from 1 May 2020)
Prof Charles Mackworth Young CVO (from 1 May 2020)

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 Her Majesty via the office of the Secretary of State for Defence. A similar process is followed for the appointment of the Governor.

In the year under review two new Specially Appointed Commissioners joined the Board. These appointments replaced Commissioners who completed their terms of office in April 2020. 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)
Mark Gallagher Esq (to 30 April 2020)
Prof Charles Mackworth-Young CVO
Ms Jo Cleary
Brigadier Tim Hodgetts
Dr Caroline Shuldham (from 1 September 2020)

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)
Charles Lewington Esq OBE (to 30 April 2020)
Ms Jo Cleary
Dr Roger Bowdler
Roland Rudd Esq (from 1 September 2020)

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 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 – Professor Deborah Sturdy OBE (seconded to DHSC 18 January 2021)
Interim Director of Health and Wellbeing – Maggie Kufeldt (from 19 January 2021)
Finance Director - Nick Cattermole ACMA
HR Director – Mark Taylor Esq
Director of Public Engagement – Reverend Martin Field

The Director of Health and Wellbeing, Deborah Sturdy, was seconded to the Department of Health and Social care as Chief Nurse for Adult Social Care for six months from January 2021.

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 Pensioner 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 2020-21 were RSM Risk Assurance Services LLP. RSM produced four reports during the year – these covered Occupancy Management, Safeguarding, and Staff Retention, all of which were judged to offer “reasonable assurance” and Key Financial Controls, which was judged to offer “substantial assurance.” RSM also produced a follow-up of recommendations made in previous reports “little progress” was found to have been made. The Audit Committee considered all the internal audit reports and noted that progress on previous recommendations had been delayed by the diversion of resources into pandemic issues. 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 Chelsea Pensioners and the heritage buildings. To that end it seeks to ensure that it acts at all times within the law, reduces risk to the lowest possible level consistent with resource constraints, addresses directly and with vigour any emerging or high-level risks, and does not allow risks to impact unreasonably or unacceptably on the day-to-day life of the Chelsea Pensioners.

Key risks and controls

Risk management is regarded as a key management tool and there is in place a well-established and mature system for managing risk. At its apex there is a high-level risk register, which is ‘owned’ personally by the Chief Executive Officer, with responsibility for the management of each risk delegated to the most appropriate member of the 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 Hospital'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. There are also financial risks arising from the COVID pandemic. 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 have been mitigated through the use of reserves in 2020-21 and cost reductions which will enable a break-even budget to be prepared for 2021-22. 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 £26,159k at the year end (see note 25 p 54). 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 Hospital 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 Hospital'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 Chelsea Pensioner 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 the Brexit process, or from other causes, would compound the first three factors listed above.
- The continued impact of COVID, which will lead to financial losses in 2020-21 and will require the RHC to review its strategy going forward. However, this will not have an impact on the RHC as a going concern (see p 16 above).

Review of effectiveness of the Board

The Commissioners and Accounting Officer have responsibility for maintaining the effectiveness of the RHC's governance. The Board of Commissioners intends, in accordance with its governance overview document, to have a specific review of its own work and performance every three years. The 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 20 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 Chelsea Pensioners 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.

Gary Lashko Esq
CEO & Accounting Officer
On behalf of the Board of Commissioners

26 October 2021

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

Opinion on financial statements

I have audited the financial statements of Royal Hospital Chelsea for the year ended 31 March 2021 under the Chelsea Hospital Act 1876. The financial statements comprise: the Consolidated and Charity Statements of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including 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 group's and of Royal Hospital Chelsea's affairs as at 31 March 2021 and of its net income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Royal Hospital Chelsea Letters Patent 2003 and directions issued thereunder.

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 (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 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'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'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 Commissioner 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 and my auditor's report thereon. The 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 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.

Matters on which I report by exception

In the light of the knowledge and understanding of the group and the Royal Hospital Chelsea 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:

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

Responsibilities of the Commissioners and Accounting Officer

As explained more fully in the Governance Statement, the 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 Commissioners and the Accounting Officer determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the group and Royal Hospital Chelsea'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

Commissioners and the Accounting Officer either intends to liquidate the entity or to 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 the Chelsea Hospital Act 1876.

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 certificate 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Royal Hospital Chelsea'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 Group's controls relating to the Managing Public Money, and the Charities Act 2011.
- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including valuation, pensions and tax specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, bias in accounting estimates and posting of unusual journals.
- obtaining an understanding of Royal Hospital Chelsea's framework of authority as well as other legal and regulatory frameworks that the Royal Hospital Chelsea and Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Royal Hospital Chelsea and Group. The key laws and regulations I considered in this context included Managing Public Money, Employment Law, Tax Legislation, Pensions Legislation, and the Charities Act 2011.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Commissioners;

- 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; and
- in addressing the risk of revenue recognition due to fraud, assessing the recognition of income in line with the accounting framework and undertaking procedures to test the completeness of income;

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and 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.

In addition, 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

Date

Comptroller and Auditor General

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 2021

		Unrestricted 2021 £'000s	Restricted 2021 £'000s	Total 2021 £'000s	Total 2020 £'000's
	Note				
Income and endowments from:					
Voluntary income – donations and legacies	2	1,039	3,590	4,629	1,187
Voluntary income – MOD Grant in Aid	5	13,076	-	13,076	12,695
Other trading activities – events and fundraising	3	1,820	-	1,820	4,342
Investment income	4	2,377	841	3,218	3,425
Other income	6	1,719	-	1,719	2,037
TOTAL INCOME AND ENDOWMENTS		20,031	4,431	24,462	23,686
Expenditure on:					
Raising funds	7	1,174	-	1,174	1,944
Charitable activities:					
Infirmiry nursing and medical	7	7,416	-	7,416	7,631
Welfare and ceremonial	7	2,518	408	2,926	2,958
Facilities management	7	10,342	-	10,342	9,739
Other activities- investment management costs	7	325	-	325	256
TOTAL EXPENDITURE	7	21,775	408	22,183	22,528
Total movement		(1,744)	4,023	2,279	1,158
Net gain/(loss) on investments	12 13	5,923	4,439	10,362	(4,710)
Net income/(expenditure)		4,179	8,462	12,641	(3,552)
Other recognised gains/(losses):					
Gain on revaluation of fixed assets	11	222	-	222	1,103
Actuarial gain/(loss) on defined benefit pension scheme	21	(25)	-	(25)	44
Net movement in funds		4,376	8,462	12,838	(2,405)
Reconciliation of funds					
Total funds brought forward	25	267,617	21,983	289,600	292,005
Total funds carried forward		271,993	30,445	302,438	289,600

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

ROYAL HOSPITAL CHELSEA
STATEMENT OF FINANCIAL ACTIVITIES – HOSPITAL
For the year ended 31 March 2021

		Unrestricted 2021 £'000s	Restricted 2021 £'000s	Total 2021 £'000s	Total 2020 £'000s
INCOME AND ENDOWMENTS FROM:	Note				
Voluntary income - donations and legacies	2	2,617	-	2,617	2,722
Voluntary income – MOD Grant In Aid	5	13,076	-	13,076	12,695
Investment income	4	2,376	841	3,217	3,421
Other income	6	1,719	-	1,719	1,830
TOTAL INCOME AND ENDOWMENTS		19,788	841	20,629	20,668
EXPENDITURE ON:					
Raising funds	7	112	-	112	107
Charitable activities:					
Infirmary nursing and medical	7	7,408	-	7,408	7,626
Welfare and ceremonial	7	2,285	-	2,285	2,318
Facilities management	7	10,239	-	10,239	9,450
Other activities – investment management costs	7	325	-	325	256
TOTAL EXPENDITURE	7	20,369	-	20,369	19,757
Total movement		(581)	841	260	911
Net gain/(loss) on investments	12 13	5,923	4,439	10,362	(4,658)
Net income/(expenditure)		5,342	5,280	10,622	(3,747)
Other recognised gains/(losses)					
Gain on revaluation of fixed assets	11	222	-	222	1,103
Actuarial gain/(loss) on defined benefit pension scheme	21	(25)	-	(25)	44
Loss in subsidiary		(12)	-	(12)	-
		5,527	5,280	10,807	(2,600)
Net movement in funds					
Reconciliation of funds					
Total funds brought forward	25	265,409	21,034	286,443	289,043
Total funds carried forward		270,936	26,314	297,250	286,443

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 2021

	Notes	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Fixed Assets					
Heritage	11	19,668	19,991	19,668	19,991
Non Heritage	11	128,888	126,893	128,908	126,919
Investment Property	12	63,360	67,830	63,360	67,830
Listed Investments	13	82,158	70,329	82,158	69,912
		294,074	285,043	294,094	284,652
Current Assets					
Stock	14	-	-	148	134
Debtors: falling due within one year	15	661	649	3,298	447
Cash at bank and in hand	16	5,629	5,280	8,512	7,933
		6,290	5,929	11,958	8,514
Current Liabilities					
Creditors: falling due within one year	17	(2,781)	(4,209)	(3,281)	(3,246)
Net current assets		3,509	1,720	8,677	5,268
Total assets less current liabilities		297,583	286,763	302,771	289,920
Creditors: falling due after one year	18	(134)	(124)	(134)	(124)
Net assets excluding pension liability		297,449	286,639	302,637	289,796
Defined benefit pension scheme liability	21	(199)	(196)	(199)	(196)
Net assets		297,250	286,443	302,438	289,600
Unrestricted Funds					
Grant in Aid fund	25	(13,239)	(10,563)	(13,239)	(10,563)
Prize Money and legacy funds					
General Reserves	25	267,452	261,602	267,452	261,602
Revaluation Reserve	25	13,048	12,826	13,048	12,826
Ranelagh & De la Fontaine Trust Capital	25	7	7	7	7
RHC Appeal Unrestricted	25	-	-	1,057	2,220
Gordon House (London) Limited	25	-	-	-	(12)
Total unrestricted		267,268	263,872	268,325	266,080
Restricted Income Funds					
RHC Appeal Restricted	25	-	-	4,131	949
Prize Money & Legacy Fund	25	26,314	21,034	26,314	21,034
Total restricted		26,314	21,034	30,445	21,983
Designated reserve – building maintenance	25	3,668	1,537	3,668	1,537
Total funds		297,250	286,443	302,438	289,600

Signed on behalf of the Board of Commissioners on 26 October 2021

Gen Sir Adrian Bradshaw KCB OBE DL
Governor/Chair

Dame Barbara Monroe DBE
Deputy Chair

Caroline Trehitt
Chair of the Audit Committee

ROYAL HOSPITAL CHELSEA
CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£'000s	£'000s
Net cash used in operating activities	(2,166)	(399)
Cash flows from investing activities:		
Dividends, interest & rents from investments	795	1,140
Proceeds from the sale of investment property	-	21,496
Purchase of fixed assets	(3,050)	(1,525)
Proceeds from sale of investments	5,000	-
Purchase of investments	-	(16,000)
Net cash provided by investing activities	<u>2,744</u>	<u>5,111</u>
Change in cash and cash equivalents in the year	579	4,712
Cash and Cash equivalents at beginning of the year	7,933	3,221
Cash and Cash equivalents at the end of the year	<u>8,512</u>	<u>7,933</u>

Note 1

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

	2021	2020
	£'000s	£'000s
Net income/(expenditure) for the year	12,641	(3,552)
Adjustments for		
Depreciation charges	1,596	1,534
(Gains)/losses on investments	(10,362)	4,710
Dividends, interest & rents from investments	(3,218)	(3,425)
(Increase)/decrease in stocks	(14)	18
(Increase) in debtors	(2,851)	(6)
Increase in creditors	45	254
Movement on defined benefit pension scheme liability	(3)	68
Net cash used in operating activities	<u>(2,166)</u>	<u>(399)</u>

Note 2

Analysis of changes in net debt

	2021	2020
	£'000s	£'000s
Cash balance at 1 April	7,933	3,221
Cashflows in the year	579	4,712
Cash balance at 31 March	<u>8,512</u>	<u>7,933</u>

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. Although it is not a registered charity the RHC is a public benefit entity.

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, has not traded during the year. 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 Hospital 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 to be reasonable and prudent on the basis of all information available. The most significant estimates relate to asset valuations and these have been made on the advice of professional valuers (see 1f below and notes 11 and 12).

b Going Concern

The RHC has a significant level of reserves which are sufficient to absorb the operating losses that have arisen in 2020-21 as a result of the Covid pandemic (see also page 14). The operational budget for 2021-22 shows a small surplus and whilst level of Grant in Aid from the MoD continues at around its current level there is no material uncertainty about the RHC's ability to continue and so the going concern basis is considered appropriate. Financial forecasts for the next five years have been prepared and these show a stable and sustainable position for both income and expenditure and cashflow. At 31st March 2021 the RHC held liquid reserves amounting to 4.5 years' unrestricted running costs (see also p 14).

c Funds

Unrestricted funds are available for use at the discretion of the Commissioners in furtherance of the general objectives of the Hospital 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 Hospital 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 Hospital 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 In-Pensioners and staff costs relating to the welfare of In-Pensioners.

Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding on the Commissioners of the 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 Hospital's right to receive payment is established.

e Resources expended

Resources expended are accounted for on the accruals basis. Direct costs (including irrecoverable VAT) are allocated to the charitable activities to which they relate. Expenditure that relates to more than one charitable activity is apportioned over the charitable activities in the form of support costs, with the exception of depreciation. The apportionment is based on the proportion of direct costs as a percentage of all costs excluding support costs. Buildings depreciation is allocated to charitable activities based on the space occupied by the building used for each charitable activity. All other depreciation is allocated the same way as support costs. The RHC's charitable activities consist of the costs of the Margaret Thatcher Infirmary and medical centre, the costs of the welfare of in-pensioners 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 RHC's operational land and buildings were revalued by Savills, an independent firm of chartered surveyors, at 31 March 2021. The Margaret Thatcher Infirmary building was valued on the basis of a market assessment, the valuers having advised that a market in modern care facilities exists in the 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.

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 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 2021.

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 full revaluation was in March 2017. The valuers were asked to review this valuation at 31 March 2020 and this resulted in a gain of £1,884k in the value of heritage assets. The valuers have advised that there have been no movements in valuations during 2020-21.

Capitalisation thresholds: The lower limit for capitalisation of land and buildings is £10,000. This threshold also applies to land and buildings which are heritage assets. For all other fixed assets it is £5,000. For the subsidiary

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

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 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.

i 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.

j Operating leases

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

k 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.

l Significant judgments and estimates

In determining the carrying values of certain assets and liabilities the RHC makes estimates and judgments about the effect of uncertain future events on those assets and liabilities at the Balance Sheet date. The most significant impact of these estimates and judgments on the accounts is as follows:-

Depreciation of fixed assets : Depreciation charges are determined on the basis of an estimate of the useful life of the various assets owned by RHC. These lives are determined at the time an asset is purchased and reviewed from time to time to ensure they remain appropriate. They are based on experience with similar assets and, in the case of property assets, the advice of valuers. The depreciation charge in the year was £1,596k (2020 - £1,534k).

Valuation of land, buildings and heritage assets : The valuations of the RHC's land, buildings and heritage assets are provided by an independent external valuer (see also p 15 and 1f above). The valuation of operational property at 31 March 2021 was £123,659k (2020 - £122,239k) and the value of investment property was £63,360k (2020 - £67,830k). The value of heritage assets was £19,668k (2020 - £19,991k).

2 – VOLUNTARY INCOME

	Hospital 2021 Restricted £'000s	Hospital 2021 Unrestricted £'000s	Hospital 2021 Total £'000s	Hospital 2020 Total £'000s
Legacies and Donations	-	2,617	2,617	2,722

	Group 2021 Restricted £'000s	Group 2021 Unrestricted £'000s	Group 2021 Total £'000s	Group 2020 Total £'000s
Legacies and Donations	3,590	1,039	4,629	1,187

3 – OTHER TRADING ACTIVITIES

(all unrestricted)

	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
RHC Appeal Ltd	-	-	1,820	4,342

4 – INVESTMENT INCOME

	Hospital 2021 Restricted £'000s	Hospital 2021 Unrestricted £'000s	Hospital 2021 Total £'000s	Hospital 2020 Total £'000s
Income on investment portfolio	841	1,901	2,742	2,494
Income on commercial property	-	473	473	478
Lease Extension Premiums	-	-	-	420
Bank and investment interest received	-	2	2	33
Total	841	2,376	3,217	3,425

	Group 2021 Restricted £'000s	Group 2021 Unrestricted £'000s	Group 2021 Total £'000s	Group 2020 Total £'000s
Income on investment portfolio	841	1,901	2,742	2,494
Income on commercial property	-	473	473	478
Lease Extension Premiums	-	-	-	420
Bank and investment interest received	-	3	3	33
Total	841	2,377	3,218	3,425

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 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Grant in Aid received from the Ministry of Defence	13,076	12,695	13,076	12,695

6 - OTHER INCOME

(all unrestricted)	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Staff accommodation charges	331	327	331	327
Family Practice	116	117	116	117
Food recoveries	-	41	-	41
Pension contributions (NHS)	110	110	110	110
In-Pensioner contributions	810	757	810	757
In-Pensioners Recharges	51	-	51	-
VAT Repayment (Partial Exp Claim)	-	410	-	410
RBKC Covid grants	219	-	219	-
Other income	82	68	82	275
Total	1,719	1,830	1,719	2,037

Pension contributions represent income from the NHS in respect of increased employer's pension contributions for staff in the National Health Service Superannuation Scheme. RBKC Covid grants are funds received from the Royal Borough of Kensington & Chelsea to assist with the costs of the response to Covid in registered care settings (the Margaret Thatcher Infirmary).

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

	Raising Funds £'000s	Infirmary nursing & medical £'000s	Welfare & ceremonial £'000s	Estate management £'000s	Support costs £'000s	Total 2021 £'000s	Total 2020 £'000s
Costs of generating voluntary income	172	-	438	78	-	688	1,555
Investment management costs	-	-	-	-	325	325	256
Staff costs	841	5,909	887	2,351	1,375	11,363	11,005
Other staff costs	-	9	7	3	55	74	107
Buildings and grounds maintenance costs	-	31	1	2,550	13	2,595	2,664
Information technology costs	-	-	20	3	197	220	236
In-pensioner living expenses	-	680	29	2,133	(307)	2,535	1,828
Catering costs	-	32	-	3	-	35	49
Council tax and rates	-	-	-	84	-	84	127
Security costs	-	-	-	-	726	726	741
Water, gas and electricity	-	-	-	592	-	592	671
Insurance	-	-	-	-	242	242	238
Audit fees	-	-	-	-	84	84	100
Surveyor fees	-	-	-	4	49	53	45
Consultancy fees	29	23	10	396	115	573	591
Legal fees	-	-	-	28	30	58	151
Office expenses	-	23	4	23	72	122	145
Other expenses	14	7	4	39	154	218	485
Depreciation	118	367	719	160	232	1,596	1,534
Total before re-allocation of support costs	1,174	7,081	2,119	8,447	3,362	22,183	22,528
Re-allocation of support costs	-	335	807	2,220	(3,362)	-	-
Total expenditure	1,174	7,416	2,926	10,667	-	22,183	22,528

7 – TOTAL RESOURCES EXPENDED (HOSPITAL)

	Raising Funds £'000s	Infirmary nursing & medical £'000s	Welfare & ceremonial £'000s	Estate management £'000s	Support costs £'000s	Total 2021 £'000s	Total 2020 £'000s
Investment management costs	-	-	-	-	325	325	256
Staff costs	-	5,909	693	2,351	1,375	10,328	9,912
Other staff costs	-	9	7	3	55	74	107
Buildings and grounds maintenance costs	-	31	1	2,550	13	2,595	2,682
Information technology costs	-	-	20	3	197	220	236
In-pensioner living expenses	-	680	29	2,133	(307)	2,535	1,828
Catering costs	-	32	-	3	-	35	49
Council tax and rates	-	-	-	84	-	84	127
Security costs	-	-	-	-	726	726	741
Water, gas and electricity	-	-	-	592	-	592	671
Insurance	-	-	-	-	241	241	238
Audit fees	-	-	-	-	69	69	83
Surveyor fees	-	-	-	4	39	43	43
Consultancy fees	-	23	10	396	115	544	567
Legal fees	-	-	-	28	19	47	103
Office expenses	-	23	4	23	72	122	145
Other expenses	-	2	4	39	153	198	443
Depreciation	112	367	719	160	233	1,591	1,526
Total before re-allocation of support costs	112	7,076	1,487	8,369	3,325	20,369	19,757
Re-allocation of support costs	-	332	798	2,195	(3,325)	-	-
Total expenditure	112	7,408	2,285	10,564	-	20,369	19,757

8 - STAFF COSTS AND NUMBERS

	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Salaries and wages	7,438	7,202	8,231	7,981
Social security costs	723	710	794	786
Pension costs	1,643	1,579	1,813	1,770
Sub-total	9,804	9,491	10,838	10,537
Casual and agency pay	463	348	463	369
In-pensioner pay	61	74	62	99
Total	10,328	9,913	11,363	11,005

There were NIL payments in 2020-21 in respect of compensation for loss of office (2019-20: £nil).

The average number of employees during the year was 279 (2020 : 282). The full time equivalent members of staff employed by the group by department were as follows:

	2021 Number	2020 Number
Infirmity, nursing & welfare	96	102
Facilities and Estates Management	130	141
Finance & Administration	7	7
Commercial services & fundraising	24	25
	257	275

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 2020 – 2021 (excluding pension contributions) was as follows:

	2021 Number	2020 Number
£60,000 - £69,999	1	1
£70,000 - £79,999	2	-
£80,000 - £89,999	2	2
£90,000 - £99,999	1	2
£100,000 - £109,999	1	1
£120,000 - £129,999	1	1

Seven (2020: Seven) of the above staff contribute to the PCSPS defined benefits pension scheme. Employer pension contributions for these staff were £194k (2020: £198k).

The total gross pay of six key management personnel was £587k (2020: £556k). Employers' pension contributions for key management personnel were £163k (2020: £167k).

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

	Actual salary 2021	Actual salary 2020	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	125-130	125-130	2.5-5	15-20	210	271	42

Payments of £9,779 were made to the CSP partnership scheme, a defined contribution pension scheme, on behalf of Gen Sir Adrian Bradshaw.

Commissioners' Emoluments

None of the Commissioners received any remuneration for acting as Commissioners. Travel expenses of £Nil (2020: £192) were claimed. The Governor is a Commissioner and receives a salary as an employee of the RHC.

9 - GOVERNANCE COSTS

	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
External Audit fees*	69	**83	84	**100
Internal Audit Fees	22	46	22	46
Legal Fees	47	103	58	129
Consultancy fees	544	567	573	591
Bank charges	-	-	1	1
Total	682	799	738	867

*The Hospital figure relates to the NAO audit fee charge for the year ended 31 March 2021. The Group figure includes the fees for the audit of the subsidiaries.

** Includes £13k under-accrual from 2018-19

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 Hospital (no 1076414). It donates all its profits to the RHC.

Its financial results for the year to 31 March 2021 were:-

STATEMENT OF FINANCIAL ACTIVITIES (GROUP)	2021	2020
	£'000	£'000
INCOME		
Donations & Legacies	4,628	1,187
Trading & other activities	1,820	4,342
Interest received	<u>1</u>	<u>2</u>
TOTAL INCOME	6,449	5,531
EXPENDITURE		
Raising Funds	256	301
Gift aid donations	2,617	2,722
Trading & other costs	<u>1,558</u>	<u>2,444</u>
TOTAL EXPENDITURE	4,431	5,467
Net incoming/(outgoing) resources	2,018	64
Net funds at the beginning of the year	3,169	3,157
Prior year adjustment	-	(52)
Net funds at end of year	<u>5,187</u>	<u>3,169</u>
BALANCE SHEET	2021	2020
	£'000	£'000
Tangible Assets	20	26
Current Assets	6,499	4,536
Current Liabilities	(1,332)	(1,393)
Net current assets	5,167	3,143
Total net assets	<u>5,187</u>	<u>3,169</u>
Unrestricted reserves	1,059	2,220
Restricted reserves	4,128	949
Total reserves	<u>5,187</u>	<u>3,169</u>

10 – SUBSIDIARY UNDERTAKINGS (continued)

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 was completed in 2019 and the company is now dormant. 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.

PROFIT & LOSS ACCOUNT	2021 £'000	2020 £'000
Turnover	-	207
Administrative costs	-	(24)
Profit/(Loss) for the year	-	<u>183</u>
Profit & loss account brought forward	-	(195)
Profit & loss account carried forward	-	<u>(12)</u>
BALANCE SHEET	2021 £'000	2020 £'000
Current assets	-	407
Current liabilities	405	<u>(2)</u>
Net current assets & net assets	<u>405</u>	<u>405</u>
Share capital	417	417
Profit & loss account	(12)	<u>(12)</u>
Total capital & reserves	<u>405</u>	<u>405</u>

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 2021 were-

PROFIT & LOSS ACCOUNT	2021 £'000	2020 £'000
Turnover	1,820	4,342
Cost of sales	(112)	(434)
Staffing and administrative costs	(922)	(1,239)
Other operating expenses	(39)	(57)
Profit before interest and tax	<u>747</u>	<u>2,612</u>
Other gains : Bank interest receivable	-	-
Donation to RHC Appeal Limited	(747)	(2,607)
Tax on profit on ordinary activities	-	5
Profit/(loss) for the year	-	-
Profit & loss account brought forward	39	39
Profit & loss account carried forward	<u>39</u>	<u>39</u>

10 SUBSIDIARY UNDERTAKINGS (continued)

iii) Chelsea Pensioner (RH) Ltd (continued)

BALANCE SHEET	2021	2020
	£'000	£'000
Fixed assets (incl. Listed Investments)	15	19
Current assets	1,284	3,251
Current liabilities	(1,259)	(3,230)
Net current assets	25	21
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 in-pensioners 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 (GROUP) HERITAGE	Land and buildings £'000s	Work in progress £'000s	Plant, machinery & equipment £'000s	Vehicles £'000s	Exhibits £'000s	Group Total 2021 £'000s	Group Total 2020 £'000s
Cost or Valuation							
At 1 April	240	-	-	-	19,751	19,991	18,467
Transfer	-	-	-	-	(90)	(90)	-
Revaluation/reclass	10	-	-	-	(243)	(233)	1,524
At 31 March	250	-	-	-	19,418	19,668	19,991
Depreciation							
At 1 April	-	-	-	-	-	-	-
At 31 March	-	-	-	-	-	-	-
Net book value at 1 April	240	-	-	-	19,751	19,991	18,467
Net book value at 31 March	250	-	-	-	19,418	19,668	19,991
The closing net book values are attributable to RHC's funds as follows:-							
Prize Money and Legacy Fund	250	-	-	-	19,418	19,668	19,991
	250	-	-	-	19,418	19,668	19,991

	Land and buildings £'000s	Land and buildings – assets under construction £'000s	Plant, machinery & equipment £'000s	Vehicles £'000s	Exhibits £'000s	Group Total 2021 £'000s	Group Total 2020 £'000s
NON HERITAGE							
Cost or Valuation							
At 1 April 2020	126,612	791	6,696	295	-	134,394	133,290
Additions at cost	-	2,527	523	-	-	3,050	1,525
Transfer	2,058	(2,058)	90	-	-	90	-
Revaluation	455	-	-	-	-	455	(421)
	129,125	1,260	7,309	295	-	137,989	134,394
Depreciation							
At 1 April 2020	(4,283)	-	(3,040)	(162)	-	(7,485)	(5,941)
Depreciation charge for the year	(1,183)	-	(397)	(16)	-	(1,596)	(1,534)
At 31 March 2021	(5,466)	-	(3,437)	(178)	-	(9,081)	(7,475)
Net book value at 1 April	122,339	791	3,656	133	-	126,919	127,349
Net book value at 31 March	123,659	1,260	3,872	117	-	128,908	126,919
The closing net book values are attributable to RHC's funds as follows:-							
Grant in Aid Fund	-	-	176	8	-	184	215
Prize Money and Legacy Fund	123,659	1,260	3,687	104	-	128,710	126,685
Subsidiaries	-	-	9	5	-	14	19
	123,659	1,260	3,872	117	-	128,908	126,919

11 - TANGIBLE FIXED ASSETS (HOSPITAL) HERITAGE	Land and buildings £'000s	Work in progress £'000s	Plant, machinery & equipment £'000s	Vehicles £'000s	Exhibits £'000s	Group Total 2021 £'000s	Group Total 2020 £'000s
Cost or Valuation							
At 1 April	240	-	-	-	19,751	19,991	18,467
Transfer	-	-	-	-	(90)	(90)	-
Revaluation/reclass	10	-	-	-	(243)	(233)	1,524
At 31 March	250	-	-	-	19,418	19,668	19,991
Depreciation							
At 1 April	-	-	-	-	-	-	-
At 31 March	-	-	-	-	-	-	-
Net book value at 1 April	240	-	-	-	19,751	19,991	18,467
Net book value at 31 March	250	-	-	-	19,418	19,668	19,991
The closing net book values are attributable to RHC's funds as follows:-							
Prize Money and Legacy Fund	250	-	-	-	19,418	19,668	19,991
	250	-	-	-	19,418	19,668	19,991

	Land and buildings £'000s	Land and Buildings – assets under construction £'000s	Plant, machinery & equipment £'000s	Vehicles £'000s	Exhibits £'000s	Hospital Total 2021 £'000s	Hospital Total 2020 £'000s
NON HERITAGE							
Cost or Valuation							
At 1 April 2020	126,590	791	6,552	280	-	134,213	133,109
Additions at cost	-	2,527	523	-	-	3,050	1,525
Transfer	2,058	(2,058)	90	-	-	90	-
Revaluation	455	-	-	-	-	455	(421)
	<u>129,103</u>	<u>1,260</u>	<u>7,165</u>	<u>280</u>	<u>-</u>	<u>137,808</u>	<u>134,213</u>
Depreciation							
At 1 April 2020	(4,270)	-	(2,905)	(154)	-	(7,329)	(5,795)
Depreciation charge for the year	(1,183)	-	(395)	(13)	-	(1,591)	(1,534)
At 31 March 2021	<u>(5,453)</u>	<u>-</u>	<u>(3,300)</u>	<u>(167)</u>	<u>-</u>	<u>(8,920)</u>	<u>(7,329)</u>
Net book value at 1 April	122,330	791	3,645	126	-	126,893	127,314
Net book value at 31 March	<u>123,650</u>	<u>1,260</u>	<u>3,865</u>	<u>113</u>	<u>-</u>	<u>128,888</u>	<u>126,893</u>
The closing net book values are attributable to RHC's funds as follows:-							
Grant in Aid Fund	-	-	176	8	-	184	215
Prize Money and Legacy Fund	123,650	1,260	3,689	105	-	128,704	126,678
	<u>123,650</u>	<u>1,260</u>	<u>3,865</u>	<u>113</u>	<u>-</u>	<u>128,888</u>	<u>126,893</u>

Operational Estate

Non-Heritage Assets

The freehold and leasehold interests in the properties held were independently valued as at 31 March 2021 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 BICS building cost index. 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 1f to the accounts).

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 887 (2020: 887) such exhibits with a total value of £19,418k (2020: £19,751k). 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 2017 valuation 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 (2020: £19,751k). The reduction arises because a number of benches previously classified as heritage assets have been transferred to operating assets as these items are considered not to have a heritage value. 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 31 March 2021 with a market value of £250,000.

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 In Pensioners.

12 - INVESTMENT PROPERTY

	2021 £'000s	2020 £'000s
Balance at 1 April	67,830	88,523
Disposal	-	(21,496)
(Loss)/Gain on revaluation	(4,470)	803
Balance at 31 March	<u>63,360</u>	<u>67,830</u>

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 12 & 30).

13 - LISTED INVESTMENTS	Hospital 2021 £'000s	Group 2021 £'000s	Hospital 2020 £'000s	Group 2020 £'000s
	Market value at 1 April	70,329	69,912	57,597
Gordon House (London) Ltd capital reduction	(417)	-	-	-
Additions at cost	-	-	16,000	16,000
Cost of investments sold	(3,975)	(3,975)	-	-
Income reinvested (accumulation)	2,414	2,414	2,305	2,305
Realised (gain)/loss	(1,025)	(1,025)	(112)	(112)
Unrealised gain/(loss)	<u>14,832</u>	<u>14,832</u>	<u>(5,461)</u>	<u>(5,513)</u>
Market value at 31 March	<u>82,158</u>	<u>82,158</u>	<u>70,329</u>	<u>69,912</u>
Historic cost at 1 April	68,456	68,456	49,444	50,527
Historic cost at 31 March	65,674	65,674	68,456	68,456

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 during the year.

14 – STOCK	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
	Shop and catering stocks	-	-	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 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Trade debtors	-	-	30	167
Prepayments and accrued income	199	238	202	251
Amounts due from subsidiary undertakings	423	382	-	-
Other debtors	39	29	3,066	29
Total	661	649	3,298	447

16 - CASH AT BANK AND IN HAND

	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Cash at bank and cash equivalents	5,628	5,279	8,511	7,932
Cash in hand	1	1	1	1
Total	5,629	5,280	8,512	7,933

17 - CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Hospital 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Trade Creditors	1,232	1,341	14	61
Accruals and deferred income	566	241	1,435	1,163
Amounts due to subsidiary undertakings	433	1,976	-	-
Other creditors	550	651	1,832	2,022
Total	2,781	4,209	3,281	3,246

Movement on Deferred Income

	2021 £'000s	2020 £'000s
Brought forward at the beginning of the year	997	997
Released to SOFA during the year	(997)	(997)
Deferred to future periods	748	922
Carried forward at the end of the year	748	922

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 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Chapel music foundation	57	57	57	57
Chapel fund	11	11	11	11
Advance funeral payments	66	56	66	56
Total	134	124	134	124

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 196 (2020: 220) 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 3% 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 2020-21, employers' contributions of £1,561,208 were payable to the PCSPS (2020: £1,521,210) at one of four rates in the range of 20.0% to 27.9% of pensionable pay, based on salary bands.

Contributions of £9,779 were payable to stakeholder schemes in (2020: £10,693).

NHS Pension Scheme (NHSPS)

The RHC has 55 (2020: 66) 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 2004 (published in December 2007). Consequently, a formal actuarial valuation would have been due to have been completed as at 31 March 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Between valuations, the Government Actuary provides an update of the scheme's liabilities on an annual basis. The latest assessment of the liabilities of the scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually.

These accounts can be viewed at the NHS Pensions Agency website at www.nhsbsa.nhs.uk/pensions. 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 14.3% of pensionable pay, as specified by the Secretary of State for Health. For 2020-21, employers' contributions of £229,916 were payable to the NHS Pension Scheme (2020: £238,305). 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 (2020: 8) 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 £25,733 (2020: £27,461).

The latest FRS 102 valuation of the liabilities in respect of the unfunded pension entitlements was carried out as at 31 March 2021, 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	2021	2020
Price inflation/pension increase per annum	2.6%	1.9%
Discount rate per annum	1.4%	2.3%

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 (2020: 10 years).

The following table sets out as at 31 March 2021 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.

	2021 £000s	2020 £000s	2019 £000s	2018 £000s	2017 £000s
Defined Benefit Pension Scheme Liability	<u>199</u>	<u>196</u>	<u>264</u>	<u>266</u>	<u>334</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 £25,540 for 2021 (2020: £29,106).

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

	Year to March 2021 £'000s	Year to March 2020 £'000s
Gross pension liability at the beginning of the year	196	264
Pensions Paid	(26)	(29)
Interest cost	4	5
Actuarial (gain)/loss on defined benefit pension scheme	25	(44)
Gross pension liability at the end of the year	<u>199</u>	<u>196</u>

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

	Year to 31 March 2021 £000s	2020 £000s
Interest on gross pension liability	<u>4</u>	<u>5</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 2021 is a loss of £25,000 (2020: gain of £44,000). 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 £137,000 (2020: loss of £112,000).

22 – OPERATING LEASES

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

	2021 £'000s	2020 £'000s
Leases due to expire:-		
Within 1 year	12	15
Within 2-5 years	12	17
After more than 5 years	-	-

Amounts paid under operating leases during the year were £1,911 (2020: £1,933).

23 - CAPITAL COMMITMENTS

	2021 £'000	2020 £'000
Authorised and contracted	<u>2,018</u>	<u>2,276</u>

The sum for 2021 consists of amounts committed for the Activity Centre which is expected to be paid in 2021-22.

24 – LOSSES AND WRITE OFFS

A total of £Nil (2020: £Nil) was paid in severance/termination payments during the year (see note 8). There were no losses in 2020/21.

25 - MOVEMENT IN FUNDS - GROUP	Balance as at 1 April 2020 £'000s	Incoming resources £'000s	Resources expended £'000s	Other gains/(losses) £'000s	Transfers £'000s	Balance at 31 March 2021 £'000s
Unrestricted funds						
Grant in Aid	(10,563)	13,076	(15,727)	(25)	-	(13,239)
Prize Money and Legacy Fund						
General reserve	261,602	4,095	(2,025)	5,923	(2,143)	267,452
Ranelagh & De La Fontaine Trust Capital	7	-	-	-	-	7
Revaluation Reserve	12,826	-	-	222	-	13,048
Gordon House London Limited	(12)	-	-	-	12	-
RHC Appeal Group Ltd	2,220	2,860	(4,023)	-	-	1,057
Total Unrestricted Funds	266,080	20,031	(21,775)	6,120	(2,131)	268,325
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	20,879	841	-	4,439	-	26,159
RHC Appeal Group Ltd	949	3,590	(408)	-	-	4,131
Total restricted funds	21,983	4,431	(408)	4,439	-	30,445
Designated reserve – building maintenance	1,537	-	-	-	2,131	3,668
Total funds	289,600	24,462	(22,183)	10,559	-	302,438

25 - MOVEMENT IN FUNDS - HOSPITAL	Balance as at 1 April 2020 £'000s	Incoming resources £'000s	Resources expended £'000s	Other gains/(losses) £'000s	Transfers £'000s	Balance at 31 March 2021 £'000s
Unrestricted funds						
Grant in Aid	(10,563)	13,076	(15,727)	(25)	-	(13,239)
Prize Money and Legacy Funds						
General reserve	261,602	6,712	(4,642)	5,911	(2,131)	267,452
Ranelagh & De La Fontaine Trust Capital	7	-	-	-	-	7
Revaluation Reserve	12,826	-	-	222	-	13,048
Total Unrestricted Funds	263,872	19,788	(20,369)	6,108	(2,131)	267,268
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	20,879	841	-	4,439	-	26,159
Total restricted funds	21,034	841	-	4,439	-	26,314
Designated reserve – building maintenance	1,537	-	-	-	2,131	3,668
Total funds	286,443	20,629	(20,369)	10,547	-	297,250

Unrestricted funds

The general funds consist of the accumulated surplus or deficit on the SOFA. They are available for use at 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 In-Pensioners' 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 13) 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 2021 £'000s	Hospital 2020 £'000s	Group 2021 £'000s	Group 2020 £'000s
Financial Assets				
Listed Investments	82,158	68,829	82,158	69,912
Cash held	5,629	5,280	8,512	7,933
Rent & other receivables	661	649	3,298	447
Total financial assets	<u>88,448</u>	<u>74,758</u>	<u>93,968</u>	<u>78,292</u>
Financial Liabilities				
Trade & other payables	<u>1,782</u>	<u>1,992</u>	<u>1,846</u>	<u>2,083</u>
Total financial liabilities	<u>1,782</u>	<u>1,992</u>	<u>1,846</u>	<u>2,083</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 Finance & General Purposes 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.

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 have been no post balance sheet events that have had a material impact on the position at 31 March 2021.

These accounts were authorised for issue by the Commissioners and Accounting Officer on the same date as the Comptroller and Auditor General's 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 arose during the year ended 31 March 2021.

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 £2,617k (2020: £2,722k) was received and charges of £1,081k (2020: £1,081k) were made. Gordon House (London) Ltd did not trade during the year and its assets and liabilities were transferred back to the RHC as its parent organisation. The company's accumulated deficit of £12k was charged to RHC's reserves.

30 STATEMENT OF FINANCIAL ACTIVITIES PRIOR YEAR 2019-20 (CONSOLIDATED)

	Note	Unrestricted 2020 £'000s	Restricted 2020 £'000s	Total 2020 £'000s
Income and endowments from:				
Voluntary income – donations and legacies	2	797	390	1,187
Voluntary income – MOD Grant in Aid	5	12,695	-	12,695
Other trading activities – events and fundraising	3	4,342	-	4,342
Investment income	4	3,425	-	3,425
Other income	6	2,037	-	2,037
TOTAL INCOME AND ENDOWMENTS		23,296	390	23,686
Expenditure on:				
Raising funds	7	1,584	360	1,944
Charitable activities:				
Infirmiry nursing and medical	7	7,631	-	7,631
Welfare and ceremonial	7	2,958	-	2,958
Facilities management	7	9,739	-	9,739
Other activities- investment management costs	7	256	-	256
TOTAL EXPENDITURE	7	22,168	360	22,528
Total movement		1,128	30	1,158
Net gain/(loss) on investments	12 13	(4,710)	-	(4,710)
Net income/(expenditure)		(3,582)	30	(3,552)
Other recognised gains/(losses):				
Gain/(loss) on revaluation of fixed assets	11	1,103	-	1,103
Actuarial gain/(loss) on defined benefit pension scheme	21	44	-	44
Net movement in funds		(2,435)	30	(2,405)
Reconciliation of funds				
Total funds brought forward	25	289,896	2,109	292,005
Transfers	25	(19,844)	19,844	-
Total funds carried forward		267,617	21,983	289,600

31 STATEMENT OF FINANCIAL ACTIVITIES PRIOR YEAR 2019-20 (HOSPITAL)

		Unrestricted 2020 £'000s	Restricted 2020 £'000s	Total 2020 £'000s
INCOME AND ENDOWMENTS FROM:				
	Note			
Voluntary income - donations and legacies	2	2,722	-	2,722
Voluntary income – MOD Grant In Aid	5	12,695	-	12,695
Investment income	4	3,421	-	3,421
Other income	6	1,830	-	1,830
TOTAL INCOME AND ENDOWMENTS		20,668	-	20,668
EXPENDITURE ON:				
Raising funds	7	107	-	107
Charitable activities:				
Infirmity nursing and medical	7	7,626	-	7,626
Welfare and ceremonial	7	2,318	-	2,318
Facilities management	7	9,450	-	9,450
Other activities – investment management costs	7	256	-	256
TOTAL EXPENDITURE	7	19,757	-	19,757
Total movement		911	-	911
Net gain/(loss) on investments	12 13	(4,658)	-	(4,658)
Net income/(expenditure)		(3,747)	-	(3,747)
Other recognised gains/(losses)				
Gain/(loss) on revaluation of fixed assets	11	1,103	-	1,103
Actuarial gain/(loss) on defined benefit pension scheme	21	44	-	44
		(2,600)	-	(2,600)
Net movement in funds				
Reconciliation of funds				
Total funds brought forward	25	287,853	1,190	289,043
Transfers	25	(19,844)	19,844	-
Total funds carried forward		265,409	21,034	286,443

