

Royal Hospital Chelsea Annual Report and Consolidated Financial Statements 2022-23



ROYAL HOSPITAL CHELSEA

ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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

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Commissioners, Officers and Professional Advisors

Chairman of the Board of Commissioners

HM Paymaster General

Ex-officio Commissioners

HM Paymaster General

Rt Hon Michael Ellis KC MP (from 16 September 2021 to 6 September 2022)

Rt Hon Edward Argar MP (appointed 6 September 2022 to 14 October 2022)

Rt Hon Chris Philp MP 14 October 2022 to 25 October 2022)

Rt Hon Jeremy Quin MP (from 25 October 2022)

James Heapey MP

Leo Docherty MP (from 20 April 2021 to July 2022)

Leo Docherty MP (from 20 April 2021 to July 2022)

Sarah Atherton MP (20 September 2022 to 27 October 2022)

Rt Hon Dr Andrew Murrison MP (from 30 October 2022)

David Stephens Esq CBE (to 1 November 2022)

Nick Gordon (from 1 November 2022)

Brigadier Antony Finn QHP (from 14 May 2021)

Brigadier Chris Davies OBE (from 10 January 2022)

Minister of State for the Armed Forces
Minister for Defence People and Veterans
Minister for Defence People, Veterans and
Service Families

Director Resources and Command Secretary
(Army)

Senior Health Advisor (Army)

Director of Engagement & Communications
(Army)

Governor, Royal Hospital Chelsea

General Sir Adrian Bradshaw KCB OBE DL

Specially Appointed Commissioners

Dame Barbara Monroe DBE (*Deputy Chair*) (to 31 August 2022)

Dr Roger Bowdler

Colonel Paul Foster

Richard Clark (to 31 May 2023)

Professor Charles Mackworth Young CVO

Dominic Fisher OBE

Ms Caroline Trehwhitt

Dr Caroline Shuldham OBE (Deputy Chair)

Roland Rudd

Professor Martin Green OBE

Steve Allen (from 3 February 2023)

Richard Swallow (from 24 October 2023)

Accounting Officer & Chief Executive Officer

Gary Lashko

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Santander UK plc
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Data Protection Officer

Shaun Beresford
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Annual Report of the Commissioners

Message from our Governor, General Sir Adrian Bradshaw KCB OBE DL

The death of our late Majesty, Queen Elizabeth II made this a momentous and sad year for the Royal Hospital Chelsea and the Chelsea Pensioners who as soldiers had all sworn an oath of allegiance to her. We played our part in honouring her enormous contribution to the Nation and we welcome the new King and wish him a long and successful reign.

I am pleased that 2022-23 has been a year of good preparation, providing a strong platform for future developments of our strategies to reach out to wider communities. These plans, in common with the experience of many enterprises, had been stalled or slowed down by the pandemic, but now have a momentum that will take us into the next phase of the RHC's development. In particular, we have explored the need for, and taken the first steps in, implementing a way of reaching out to older veterans (of all British Armed Forces), offering comradeship which will combat loneliness and its pernicious effects on the wellbeing of older veterans.

Our research shows that this is needed, and we have enjoyed encouragement to do this from other military charities and agencies as well as from veterans with whom we already have contact. This programme will expand in the future from drop in events here on site to visiting veterans in the regions over the next few years. Our proposed development of the Soane Stable Block, supported by the National Lottery Heritage Fund, will provide a focus point and base for some of this outreach work.

I am also pleased that we now have a new Army Cadets Unit (237) here on site, badged to the RHC, and look forward to building the relationship between the older veterans and the younger generations; something that will be beneficial to both groups. This meets in the new Prince Philip Building, a hobbies centre that allows Chelsea Pensioners to maintain and develop their interests and skills, including pottery, bicycle repair, cooking, radio shack, and many other activities.

Our recruitment of new Chelsea Pensioners remains strong, although we are holding back the numbers to allow us the space to refurbish the Margaret Thatcher Infirmary (MTI) without decanting all its residents. This refurbishment will not only improve our service by bringing the technology, equipment, and furnishings up to date, but will bring more of our military heritage into the MTI and create a Great Hall-style dining room to enable the comradeship that such a dining room brings.

Our links with the Army remain strong and we continue to enjoy the support of London District (who provide military bands for our events) as well as the wider network of regiments, corps, and associations. In-Pensioners are involved in over 700 external visits (including winning a pace-sticking competition against serving soldiers!) and we have hosted tours around our site for over 7,000 young soldiers.

I am fortunate to chair a very talented and committed group of Commissioners, who are knowledgeable, challenging, and resourceful in helping us to maintain our purpose and achieve our objectives. All in all, this has been another good year of maintaining our values and delivering our purpose as well as preparing to widen our impact on even more older veterans.

Annual Report of the Commissioners

Message from CEO & Accounting Officer, Gary Lashko

This year has seen the development of key partnerships and relationships. Given that the RHC must raise almost half of its running costs from donations, investments, and commercial activity, we nurture and value our friends in the local community, the local authority, businesses, and charities. We are proud of the way in which we work with our neighbours and supporters such as the National Army Museum, Chelsea Physic Garden, Cadogan Estates, and the Kings Road Partnership. We are on our way to creating a partnership called the Chelsea Heritage Quarter that aims to bring more people to our door and seek their engagement.

The close relationship with the Chelsea and Westminster Hospital has strengthened during the pandemic and is maintained, as we explore together opportunities for joint nurse training and possibly recruitment. They are always so kind and welcoming to the Chelsea Pensioners.

The major shows on our site are critical to our survival and we are grateful for the custom and support of the Royal Horticultural Society for the Chelsea Flower Show, the Treasure House Fair, Longines Global Champions Tour, and Salon Privé the luxury car show. But are also grateful for the relationship with Dairy UK in our annual Ceremony of the Christmas Cheeses, and the Savour food festival in Ranelagh Gardens. to mention the main ones.

I have a wonderful Executive Board of skilled and experienced directors who make my work very easy, and together with an amazing staff group, cope with sudden changes and extra demands and continue to deliver a sterling service to Chelsea Pensioners and other customers.

And finally, we are fortunate in benefiting from the collaboration of the Chelsea Pensioners in helping deliver some of the key outcomes of the RHC in some of the programmes and projects such as communication and marketing, grounds maintenance, staffing the shop, helping with outreach to military veterans, induction and mentoring new Chelsea Pensioners, helping with our PR programme, collecting for the Poppy Appeal, doing hospital visits, and being our ambassadors at external events. They inspire us and show us how to enjoy life and live a better life for longer.

Annual Report of the Commissioners

Message from our Pensioner, IP Mike Simmonds

Over a year ago, Mike Simmonds became a Chelsea Pensioner.

In 2005 my wife died and I was on my own with my four dogs, working part-time for Tesco as a fishmonger. For the last five or six years before I came here, I lived in a Park Home in Kent. I was on my own in a bungalow with my four dogs in the Weald of Kent. The dogs gradually fell off the perch until I was left with one nice old Labrador, who died in October. Then in November I applied to become a Chelsea Pensioner.

I'd woken up one morning and thought, "What am I going to do today?" There was no purpose to my life. I didn't have a dog. My garden, it was that time of year when everything in my garden was done and dusted, ready for the winter. I asked myself "What am I going to do all day and every day? The answer was mostly watching cricket on television. The future looked very bleak.

I was with family for Christmas when the phone rang and it was the admissions office. When they said, "Would you like to become a Chelsea Pensioner?" I was almost in tears. I said, "Can I come tomorrow?"

What appealed to me most was the camaraderie and the military community, which gives a structure to your life and a reason to get up in the morning. I didn't have that towards the end of my time in the Park Home. Also the healthcare. Before I came here, I fell over one day in my house and nobody found me for a day and a half. It was frightening. That's what can happen if you're living on your own.

Just before Christmas I had a bout of pleurisy and had to go to the Infirmary. The care there was absolutely incredible – I can't fault it. The staff here are wonderful. When I first came, I said to the social care manager, "There are a lot of good people in this world and most of them came here as staff."

I've done more here than I did in ten years as a civvy. I've done so many wonderful things – wearing the Scarlet is like having a magic key that opens all sorts of doors. It's a privilege to represent the veteran community.

I'm very involved with running the bowls club and I've also umpired a cricket match here. Currently I'm reading up on the history, as I'm studying to be a tour guide and I'm the rep for my ward too. I belong to the singing group – I thoroughly enjoyed going around Chelsea and Westminster singing at Christmas time. I also volunteer to take other Pensioners to hospital if they're in a wheelchair or whatever and need to go.

My sons and my granddaughters visit me and they love it. When I came here my son said, "I've got my old dad back". If I hadn't have come here, I wouldn't have met people. I would have been lonely. I don't think there are any downsides here. I feel valued. When you go out of the gates in your Scarlet you feel it the most. I feel privileged to be a Chelsea Pensioner.

The Royal Hospital is a magic place and long may it continue. It's probably the best retirement home in the world – end of story.

Annual Report of the Commissioners

Purpose

The Royal Hospital Chelsea (RHC) was founded in 1682 by King Charles II, and opened in 1692. Letters Patent (LP) from the Crown are the RHC's governing document. The first LP were granted in 1703, and the current version was approved by the late Queen on 21st November 2003. The LP give the Commissioners certain powers and authorities in respect of the operation of the RHC and about the admission of Chelsea Pensioners (CPs). However, they do not state the purpose or "object" of the RHC; nor do they refer to the provision of supported housing, social care, nursing or healthcare. Instead, the purpose is inferred by reference to several powers and functions.

Historically, translated from the early 18th Century English, the Commissioners were given specific responsibilities:

- To feed and clothe the CPs;
- To maintain the buildings and grounds;
- To appoint RHC staff, setting their pay, duties, and conditions of service and dismissing them if necessary;
- To raise money;
- To approve the annual accounts; and
- To set the eligibility criteria for the admission of CPs.

Today, the list covers almost all the day-to-day activities of the RHC except the medical, nursing and spiritual care of the CPs. Given that there has been both a Physician and a Chaplain since the foundation of the RHC it is reasonable to assume these functions were intended to be provided. The ownership of land and property is covered in separate Acts of Parliament.

Aims and activities

As set out above, the LP do not state an aim for the RHC, but we take the words inscribed in Latin on our Colonnade by Christopher Wren as our core purpose: "For the succour and relief of veterans broken by age and war...", to which have added that we aim to maintain their historic home which was built to support that purpose. 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." Nowadays, because of extensive and specialised health care offered by the NHS to younger veterans in the community, RHC provides accommodation, welfare, community- medicine and social care only to around 300 older Army veterans. We can now be described as a retirement village for older Army veterans with on-site primary medical care services and a registered care home with nursing. The aim to provide support and care to CPs directly delivers the expectations set out in our founding document.

Our aim to provide accommodation, support, and care to older Army veterans directly furthers the purpose set out in our founding document. The objectives of the 2022-23 business plan set the direction for the strategies that will help enable the RHC to deliver its purpose. As a result, RHC will have even happier In-Pensioners with improved quality of life and be prepared to meet the needs of future veterans. We shall have the financial strength to manage our risks and liabilities, and to invest in improvements. We shall support more veterans, including those outside of the RHC. Our services, our heritage, and contribution to the Nation will be widely recognised and valued, and we shall attract the support of significantly more people.

These include service improvement, adapting to the needs of future veterans, gathering resources to sustain the delivery, strengthening the relationship with the Ministry of Defence and wider military community, Outreach to engage with other older veterans, increasing communications with the wider public, and ensuring that we play our part in keeping Army veterans in the public eye.

Performance measurement

Measures used to assess our success include, the length of active life of the CPs, their satisfaction with the service, the proportion of CPs involved in activities, the number of external activities and representation, our budget performance, number of visits by MoD/Army representatives, and positive activity on mainstream and social media.

Commissioners review the performance of RHC at their quarterly meetings and sub committees. The Executive Board meets regularly to assess risk and review performance against key performance indicators and corporate objectives.

Significant activities and performance during the year and future strategy

During the year, we successfully moved back from the restrictions imposed by infection control during the Covid emergency to open the site and the CPs gradually and safely to more public exposure but retained some of the lessons learned about infection control, for example not opening up the grounds and café to the general public to the same extent. We increased therapies and activities, increasing therapeutic staff and gradually re-introducing volunteers. Our Domiciliary care service also increased its reach into the CP community on site. We set up programmes to improve the management of skin viability and mobility and balance to reduce falls. We also re-established stronger links with families who had found it difficult to keep in touch during Covid restrictions. On the staffing side we also started to develop a programme to develop nursing associates, with the help of the Chelsea and Westminster Hospital.

During the year the new Activities Centre, the Prince Philip Building, was completed. It was developed to support CPs' hobbies such as painting, pottery, radio shack, cooking, bicycle repairs, and provide a large activity hall which will also become home to a new Army Cadet Unit for the RHC. The Prince Philip Building promotes activities of the CPs, reducing isolation, giving purpose, retaining fine motor skills and learning new skills – all part of our Active Ageing programme. The building project began in 2020 and cost £3.1m. The building was almost complete in December 2021, unfortunately a serious water leak damaged the building which delayed completion. The building was finally commissioned in October 2022 and opened in January 2023.

A major capital project (build cost £5.3m) was launched to refurbish and upgrade our care home, the Margaret Thatcher Infirmary (MTI), to ensure we continue to comply with best practice for dementia and elderly care, including improving its homeliness, infection control, privacy in the medical centre, lighting in the dementia care unit, food and dining offer, electronic support for care activity and falls prevention, and improved staff rest rooms and offices. The refurbishment was planned to take place whilst there was a reduced number of CPs in residence, so that there is space for them to be moved around to allow the building works to happen. Work started in August 2022 and is forecast to finish March 2024.

With estimated build costs of £5.6m and interpretation costs (including design, production and installation of visual displays) of £2.0m, RHC planned activities for a new Outreach and Visitor Centre including shop and café and agreed with the planners works to fit these into the Soane Stable Block (SSB), an important heritage building adjoining the Royal Hospital Road. The Visitor Centre will tell the story of the Chelsea Pensioners and their iconic home since its foundation. This received National Lottery Heritage Fund (NLHF) approval in September 2022 and RHC was awarded £3.2m. Following a tender, the building contractor started on site in April 2023, with a current anticipated completion in Summer 2024. This project will address several of the objectives set out below that support the overall aims and future strategies:

1. The Outreach services in the SSB will help us to understand better the needs of future veterans, so we can meet them, and will also recruit more CPs to join the RHC.
2. Working with older veterans of all services in the wider community will strengthen our links with the MoD and wider military community, providing more benefit for those groups.
3. The Outreach activity will provide more information and strengthen our evidence base for demonstrating public benefit and increased public recognition.
4. The volunteering and public facing activities for CPs in the SSB will not only improve maintain their activity and capacity, but it will also keep veterans in the public eye in a positive way, and engage the public in understanding our heritage, and the importance of military veterans to the Nation, gaining the public's affection and support.
5. Increased visitor numbers will improve public recognition of RHC and CPs. In addition, they will also provide additional commercial income to support RHC maintain the historic buildings and the CPs who live there.

The RHC is not a charity but aims to operate in line with Charity Commission guidance and best practice. All our resources are aimed at delivering the best care and support for the older British Army veterans within our care. The business-as-usual activities that generate the RHC's public good include a complete package of care and support for our beneficiaries, including the basics of shelter, warmth, clothing, exercise in beautiful grounds. In addition, we provide an on-site GP and nursing service, Occupational Therapy, Physiotherapy in a customised gym, carers, nursing staff, and a range of social and hobbies activities, as well as digital inclusion and Wi-Fi. There are many

opportunities for social interaction internally and outside the RHC – with nearly 700 external events attended by CPs each year, including on our grounds, the Chelsea Flower Show, and art fair, food fair music concerts, and a history festival. CPs attend Chelsea football matches, Wimbledon tennis tournament, the Remembrance parade at the cenotaph and at the Festival of Remembrance. We provide facilities for hobbies such as bowling, fishing, radio shack, pottery, painting, bicycle repair, choral singing, and sponsored walks. We are always seeking to improve our services in response to CP’s needs, so in 2022-23, we also carried out:

- Mental health needs review of CPs.
- Review of staffing needs in the Infirmary.
- New hospital discharge approach with C&WH

The comparable national data for the mean age of death in England and Wales found at Office of National Statistics shows that those who reach the age of 65 years, the average further life expectancy in years has increased. The most recent period available (2012-2016) are as follows:

Average age of death:	Male (Professional SEC* 1)	85.8yrs
	Male (Intermediate SEC 3)	84.4yrs
	Female (SEC1)	87.6yrs
	Female (SEC3)	87.2yrs

* SEC – socioeconomic class: Intermediate SEC3 includes military personnel of rank sergeant and below

In 2022. IP’s at RHC mean age at death was 88.63 yrs. In addition, the 5/10/15 year cumulative averages remain higher than the comparable and highest SEC England & Wales averages, which appears to support of our belief that RHC’s care model “prolongs” the life of its pensioners.

In February 2023, the Commissioners agreed Military Veterans Outreach strategy to deliver comradeship to a wider range of military veterans, which will substantially increase the impact and reach of the RHC, reducing loneliness among the older military veterans’ community.

Public benefit statement

The Commissioners have considered the guidance of Public Benefit under charity regulation, and although the RHC is not a charity, strive to ensure that the RHC delivers public benefit. All the programmes of service improvement and building works are targeted at improving the outcomes and experience of the beneficiaries. When Commissioners invest in improvement for the workforce, they do that to ensure we have adequate numbers of skilled and motivated staff to deliver excellent services. Other improvements to the site and to our digital and marketing capacity not only benefit the CPs but build our capacity to generate income to support our core services to CPs. The Commissioners aim to raise, and have raised, capital for major works from the RHC’s own commercial resources, or fundraising from charitable donations, grants and legacies and has not requested public money via Grant in Aid for this purpose. In this way the RHC maintains a national heritage building at no additional expense to the public, and makes it available for the public to visit and enjoy.

Current Year Objectives

The aims of the 2022-23 business plan as agreed by Commissioners in April 2022 were:

1. To maintain and **improve services** for the Chelsea Pensioners, especially their security, safety, and health protection.
2. To **develop our services** to meet emergent need and prepare to meet the needs of future veterans.
3. To ensure we have **the resources to maintain** our services and buildings to a high standard, investing in technology that improves efficiency or effectiveness, in staff learning and development, and commercial opportunities.
4. To **strengthen our links** with the Ministry of Defence (MoD), wider Army community, and related charities.
5. To increase our **work with the wider veteran community** and the local area, through outreach programmes.
6. To strengthen our evidence base in order to continue to promote best practice in, and engage in public discourse on, older veteran care.
7. To **increase public recognition** and widen our audience reach by strengthening engagement with and understanding of our heritage, disseminating, and demonstrating its importance to the Nation and relevance to a range of communities.
8. **Keep the Army veterans in the public eye**, maintaining the Nation’s respect, support, and affection.

Our People

Our employees and volunteers are the heart of what we do to deliver our aims and objectives. RHC would like to thank them for their dedication and their contribution to our success.

RHC strives to have a culture where we nurture belonging, respect individuals, encourage pride and enjoy life. RHC continuously looks to develop and train our employees to build our organisational skills and capabilities through learning and development that positively improves staff retention and productivity. Employees are kept informed of the performance and objectives of the RHC through its intranet, consultation groups, newsletters, regular bulletins, and briefings by line management. Policies are in place to ensure the RHC complies with all applicable employment legislation. Full and fair consideration is given to all applicants for all job vacancies. RHC is committed to promoting equality, diversity and inclusion. During 2022-23 RHC continued to work with their Equality, Diversity, and Inclusion consultant to help challenge our thinking and to bring positive changes in our policies, practice and culture. RHC's 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

In 2022-23, the RHC is slowly rebuilding volunteer engagement following a complete absence of external volunteers during the Covid emergency. CPs volunteer for a small number of roles within the RHC, which are useful but not essential to the running of the organisation, e.g. litter picking, gardening, or accompanying other CPs on visits to hospital appointments. We intend to involve more volunteers, both from among the CP community as well as external volunteers, in heritage-related activities, and outreach to military veterans. To drive that forward, during 2022-23, we recruited a Volunteer Manager, who has oversight of external volunteers, with day to day responsibility falling to individual area co-ordinators across the organisation. During March 2023, RHC had 26 active external volunteers, with a yearly average of 144-256 hours completed per volunteer. These roles comprised of those supporting the CP activities programme, facilitating visits by therapy dogs, and befrienders. An average of 12 CPs supported the outreach programme to non-resident veterans.

Fundraising

RHC raises fund in the most effective way to help deliver our strategies, including caring for our IPs and maintaining our historic buildings. We have high ethical standards and comply with charity law. Our fundraising activities are delivered in house with support from external parties as and when required. All third parties' activities are monitored regularly with meetings and discussions to ensure our fundraising practices are followed.

RHC is regulated by the fundraising regulator. We regularly review our fundraising practices, reporting annually to the Commissioners.

We received no complaints and no referrals from the Fundraising regulator in respect of our fundraising practice during the 2022-23 year.

We have a policy for treating vulnerable persons fairly which is reviewed by all fundraising staff annually. However, since most of our fundraising is with Trusts and High Net Worth Individuals well known to us, as such protecting vulnerable persons represents a lower organisational risk.

Financial review and results for the year

The total funding received from the Ministry of Defence was £13,668k (2022: £13,207k). Income from other sources, including fundraising activities, investments and donations was £12,299k (2022: £10,777k). Total income was £25,967k, an increase of £1,983k (8.3%) on 2022. The increase was a result of the appeals to support our major projects, including £661k for the redevelopment of the SSB, £795k to support the refurbishment of the MTI and nurse call system. In addition our trading activity returned to pre pandemic levels, increasing income by £1,461k. This is offset by the fall in investment income of £762k as a result of the challenges the markets have faced with the political turbulence, war in Ukraine and a withdrawal of £15m during the year to fund capital projects.

Costs attributable to RHC's charitable activities before impairment of fixed assets was £23,736k (2022: £20,748K), an increase of £2,988k (14.4%). This was primarily due to impact of the post pandemic environment, with increased food, energy and staffing costs. Fundraising costs were £1,726k (2022: £1,408k), an increase of £318k (22.6%). This was due to costs increasing in line with the rise in appeals. 2022 costs were restated to better reflect the nature

of the activity. Total 2022 costs remained the same. The RHC's operations made a surplus of £173k (2022: £1,459k). This is used for internal accounting purposes and is arrived at by deducting non-operational movements from the total gains and losses. The calculation is as follows:

	2023	2022
	£'000	£'000
Total gains per SOFA (p29)	915	15,075
Less gain in investments	(12,015)	(4,060)
Less revaluation gains	(1,668)	(9,556)
Add impairment of fixed assets	<u>12,941</u>	<u>-</u>
Operating surplus/(loss)	<u><u>173</u></u>	<u><u>1,459</u></u>

The net result, after movements on investments, was (£779k) loss (2022: £5,525k surplus). Taking into account other gains and losses, total funds increased from £317,513k in 2022 to £318,428k this year (note 25).

The outlook for the next few years is expected to be challenging as the increased costs are expected to continue with no increases expected in GiA. RHC will focus on increasing income from its commercial activities and fundraising and managing costs by continual review of productivity.

Total funds donated through the RHC Appeal Ltd and its subsidiaries amounted to £6,066k (2022: £751k). Trading results of the subsidiaries are discussed below and further details are contained in note 10 to the accounts.

Valuation

RHC's operational and investment estate was the subject of a full valuation by Savills, Chartered Surveyors, in March 2023. 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. It is a hypothetical valuation. 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, and land used for dual purposes including commercial rents and leases, are valued at market value. The valuation resulted in a gain of £19.3m on investment properties and a net loss of £12.1m on operational land and buildings. The investment properties gain is a result of a long lease approaching the end of its term. The revaluation loss in operational land and buildings relates to a £25.9m decrease in the operational estate (land and buildings) as a result of a refinement of the assumptions used, offset by a £12.5m gain in the valuation of the Margaret Thatcher Infirmary and £1.3m gain in land used for dual purposes.

£13.0m of the revaluation loss of the operational estate has been offset against previous revaluation gains in the revaluation reserve. The remaining £12.9m has been charged to expenditure as impairment of fixed assets. It is important to remember this is based on a hypothetical valuation and is therefore an unrealised loss.

Subsidiaries

Royal Hospital Chelsea Appeal Ltd Group

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 (RH) 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 £4,936k (2022: £6,872k) of which £4,115k (2022: £4,595k) was restricted. During the year the subsidiary donated a total of £6,066k (2022: £751k) 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

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. Following completion, the company has not traded.

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 6 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 £136k (2022: £182k) attributable to the Grant in Aid fund (note 21).

Review of Reserves

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 2023 the RHC's total reserves amounted to £318,428k (2022: £317,513k) of which £279,921k (2022: £280,348k) was unrestricted, £31,081k (2022: £32,930k) was restricted and £4,235k (2022: £4,235k) was designated for planned building works and £3,191k (2022: £nil) capital projects.

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

The RHC's reserves policy is as follows:

General Reserves

1) The reserves represented by the operational land and buildings are used for the RHC's operations and 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 Finance and General Purposes 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 board makes quarterly recommendations for investment or divestment to the finance and general purposes committee, taking account the paragraph above.

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

Restricted Reserves

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

Designated Reserves

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.

There are two designated reserves, the first for building repairs to ensure that the RHC is able to fund the programme of works set out in the 20-year maintenance plan and the second for the capital building works for the infirmary expected to be completed in 2024.

At 31 March 2023 the RHC held cash reserves of £14,457k (2022: £5,421k), which represented the cash requirement to help fund the capital works and cash required for trading purposes (excluding depreciation). Liquid reserves (cash and traded investments) were £86,800k (2022: £97,438k). £31,081k (2022: £32,930k) of this is restricted and £7,426k (2022: £4,235k) is designated (note 25). The total reserves represent 6.3 (2022: 7.4) years' GiA funding and 3.7 (2022: 4.8) years' unrestricted running costs (excluding depreciation and impairment of fixed assets). Both figures are currently ahead of the target however the demands of the capital programme for the Soane Stable Block and Margaret Thatcher Infirmary in conjunction with rising costs will mean that these levels reduce considerably over the next few years.

Investment policy

The Board of Commissioners has set an investment policy with the objective to grow the real value of the RHC investments over time. Performance during the year was behind this benchmark – the funds decreased in value by 8.4% against inflation, as measured by the CPI, of 7.1% in the year to 31st March 2023. The decrease reflected the challenges faced by the markets as the pandemic eased, the impact of inflation, the political unrest and the conflict in Ukraine. 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 appointed in 2012 and at the last review, in 2018, BlackRock was appointed to manage part of the portfolio, which had risen due to investment growth and large property transactions in recent years. The appointments of both managers were reviewed by the Finance & General Purposes Committee in early 2022 and it was agreed both appointments would be extended for a further two years.

In 2020, it was agreed 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. During the year £15m was withdrawn from investments to increase cash balance held to fund the capital projects. At 31 March 2023 BlackRock held 49% of RHC's listed investments and Sarasin held 51%.

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. As previously noted, this target was not achieved in 2022-23.

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

RHC's operational land and buildings were revalued by Savills at 31 March 2023 at £122,874k (2022: £132,658k) (see above). Investment properties were also revalued by Savills at 31 March 2023 at £83,350k (2022: £63,960K).

Investment properties are valued at a market value, which is calculated by taking into account local property values and the long leases which RHC has granted over the various buildings.

Heritage Assets and exhibits were revalued on a retail replacement basis at 31 March 2020 by Gurr Johns, a firm of art advisers and valuers. On 31 March 2023 a sample of high value heritage assets were revalued by Gurr Johns. This resulted in an increase in value of £750k. During the year a small number of heritage assets of low value were written off. The value of this write off was £30k. Heritage assets include a piece of land known as Royal Avenue. This was revalued by Savills at 31 March 2023 resulting in an increase of £40k. The current value of Heritage Assets after these adjustments is £20,438k (2022: £19,678K) (note 11).

Plant machinery and equipment has a net book value of £3,686k (2022: £3,671K) and vehicles have a net book value of £80k (2022: £98K).

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 £76k (2022: £72k) has been charged for the RHC audit and is included in Governance costs. No non-audit work was carried out by the auditor in the current or prior year. The cost of the audit of RHC's subsidiary companies was £16k (2022: £16k).

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

RHC's CEO and Accounting Officer, who served throughout the 2022-23 financial year, is Mr Gary Lashko.

Going Concern

RHC has a significant level of reserves (see above) and derives just over half of its income from the Grant in Aid, which is expected to continue for the foreseeable future. It has considered the ongoing impact of increased costs and is creating plans to mitigate the increases. 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

18 December 2023

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 2022-23 financial year was revised on 11 August 2021. The Chief Executive Officer of the RHC is the Accounting Officer, Mr Gary Lashko, who has held this post since 1 February 2016.

RHC Accounting and reporting responsibilities

The RHC complies in all material respects with the guidelines laid down in the Charities SORP 2019 (FRS 102). To this end the Commissioners and the Accounting Officer are required to make a proper presentation of accounts for each financial year. The accounts are required to give a true and fair view of the state of affairs of the organisation at the year end, and of its incoming resources and application of resources for the financial year. The RHC is not required to comply with the UK Government Financial Reporting Manual (FREM).

In preparing the accounts the organisation is required to:

- select suitable accounting policies, taking account of the relevant accounting and disclosure requirements and apply them consistently;
- observe the methods and principles of the Charities' SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards are being followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the RHC will continue in operation.

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

Register of Interests

A register of Commissioners' and Executive Board (EB) members' relevant interests is maintained and updated at least annually. All Commissioners and EB members are required to declare if they have an interest, pecuniary or otherwise, in any matter being considered by the Board or one of its committees and any relevant conflicts of interest are duly recorded as they arise. During the year under review no such interests were declared.

Organisational structure, governance and decision-making

The RHC is governed by the Board of Commissioners which is responsible for the strategic direction of the institution, major policy and expenditure decisions, and the approval and enforcement of appropriate governance

procedures. In carrying out these functions the Board is supported by a number of subordinate committees. The Board’s Governance Handbook sets out the RHC’s legal basis and governance structure.

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

Board of Commissioners structure

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

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

Board of Commissioners governance

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

	Actual	Possible
Governor		
Gen Sir Adrian Bradshaw	4	4
Ex-officio Commissioners		
David Stephens (to 1 November 2022)	0	3
Nick Gordon (from 1 November 2022)	1	1
Brig Chris Davies	3	4
Brig Antony Finn	3	4
Specially Appointed Commissioners		
Dame Barbara Monroe (to 31 August 2022)	2	2
Dr Roger Bowdler	4	4
Col Paul Foster	4	4
Richard Clark (to 31 May 2023)	3	4
Prof Charles Mackworth Young	3	4
Dominic Fisher	4	4
Caroline Trew hitt	4	4
Dr Caroline Shuldham	4	4
Roland Rudd	3	4
Prof Martin Green	3	4
Steve Allen (from 3 February 2023)	1	1

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 report from the Chief Executive Officer covering all aspects of the RHC's business, both reporting on what has happened since the previous meeting and raising future plans and emerging issues. The Board then gives 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 expertise. The Board also receives minutes and other reports from its committees.

Board Committees

The Board has established five committees to consider items in greater depth and subsequently to advise the Board. All committees are accountable to and report to the Board. 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 attends all of the committees. In addition, the Governor, as Chairman of the Board, may attend any committee with the agreement of its Chair.

Finance & General Purposes Committee

This Committee is responsible for remuneration and investments. It is also responsible for monitoring RHC's financial performance, HR and ICT policy and strategy and regulatory aspects of fundraising.

Audit Committee

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

Nominations Committee

The Nominations Committee met as and when necessary 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 conducts a transparent application and interview process. The Board then makes recommendations for appointment to His Majesty via the office of the Secretary of State for Defence. A similar process is followed for the appointment of the Governor.

In the year under review one new Specially Appointed Commissioner joined the Board. 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 met four times during the year. 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 met four times during the year. It considers issues relating to the management of the buildings and grounds, with a particular focus on capital projects and plans for future maintenance. The RHC has prepared a 25-year maintenance plan designed to ensure that the buildings are maintained in a good condition for the foreseeable future. The Estates Committee is responsible for making recommendations to the Board for capital projects and these are subject to approval by the Board following tendering estimates. During the year the Committee considered the Soane Stable Block, Margaret Thatcher Infirmary and Activity Centre projects, amongst others.

The composition of the Committee members are as follows:

	F&GPC	AC	NC	HWB	EC	
David Stephens	X	X	X			F&GPC – denotes that the individual was a member of the Finance & General Purposes Committee for all or part of 2022/23. AC – denotes that the individual was a member of the Audit Committee for all or part of 2022/23. NC – denotes that the individual was a member of the Nominations Committee for all or part of 2022/23. HWB – denotes that the individual was a member of the Health & Wellbeing Oversight Committee for all or part of 2022/23. EC – denotes that the individual was a member of the Estates Committee for all or part of 2022/23.
Nick Gordon	X	X	X			
Brig Antony Finn				X		
Dame Barbara Monroe (to 31 August 2022)			X	X		
Dr Roger Bowdler					X	
Col Paul Foster	X	X	X		X	
Richard Clark		X				
Prof Charles Mackworth Young			X	X		
Dominic Fisher	X	X				
Caroline Trehwitt	X	X				
Dr Caroline Shuldham			X	X		
Roland Rudd					X	
Prof Martin Green					X	
Steve Allen (from 3 February 2023)				X		

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 of:

Chief Executive - Gary Lashko

Quartermaster (Director of Facilities) – Lieutenant Colonel Nicky Mott MBE

Director of Health and Wellbeing – Dr Jeremy Tuck

Finance Director - Nick Cattermole ACMA (to 28 November 2022), Mei Li (from 28 November 2022)

HR Director – Mark Taylor

Director of Public Engagement – Reverend Martin Field

Assistant Director of Audience Engagement – Kate Ainley-Marr

The Executive Board meets regularly, normally on a monthly basis. The meetings include a review of current operations, management planning, budgetary position, key HR matters, policy development and the high level risk register. The Executive Board attends the principal part of the Board of Commissioners’ meetings. They do not attend the private session during which matters relevant only to the Commissioners are discussed.

Subsidiary companies

RHC has two trading 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

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

This Charitable Company has two wholly owned commercial trading subsidiaries being Chelsea Pensioner (RH) Ltd (company number 03853787), and Tricorne Traders Ltd (company number 07382655). Tricorne Traders Ltd is dormant. Chelsea Pensioner (RH) Ltd is the trading arm responsible primarily for the management of the Souvenir Shop, events, the Chelsea Pensioners’ Club, MTI Café and provision of 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. The sale completed in 2021 and the 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, RHC is also subject to regular internal audits to standards defined in the Government Internal Audit Manual. The internal auditors in 2022-23 were RSM Risk Assurance Services LLP. RSM produced four reports during the year – these covered review of heritage assets, risk management, procurement report and key financial controls. The Audit Committee considered all the internal audit reports. 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

RHC has 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. There were no actual or suspected instances of fraud during the year.

Risk control framework

Risk appetite

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

Key risks and controls

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

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

a. A new pandemic

The threat of a new strain of covid or new pandemic 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. Infection control and isolation remains a high priority to minimise risk.

b. Financial performance

The RHC remains heavily dependent on its Grant in Aid for meeting day-to-day running costs. Financial risks arising from higher levels of inflation are increasing. The risk to Grant in Aid is mitigated by maintaining strong, effective links to the Ministry of Defence and by increasing income from commercial activities. The risks arising from inflation will be mitigated through the use of reserves and cost efficiencies in 2023-24. The sale of the 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 £26,755k at the year end (note 25). The redevelopment of the Soane Stable Block will be supported by this reserve. Priority continues to be given to developing charitable income sources such as from legacies and corporate donations and from commercial opportunities. 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 previously highlighted by the surveys of staff and CPs that were undertaken. The survey suggested that staff believed that communication from management was not always clear and that many had reservations about raising grievances. Work in this area continues. An internal communications officer has been appointed and different forums have been created to help manage this risk.

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

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

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

Factors outside the control of the RHC

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

- A change in national attitudes towards the armed services which might undermine public (and thus political) support for the institution (and so affect the Grant in Aid).

The Ministry of Defence reducing the Grant in Aid in real terms as a budgetary measure. This is the principal reason why the Commissioners are intent on moving progressively towards establishing greater financial self-sufficiency.

Competition from other military charities. There are a number of other charities which support veterans and competition for funds is likely to increase. This has the potential to affect fundraising.

The number of veterans is declining as the generations who were conscripted during and after the Second World War die out, and this may impact on recruitment. Many veterans of recent conflicts need levels of support (e.g. mental health and/or multiple physical disabilities) which, at the moment, the RHC would struggle to meet.

The introduction of future legislation which might increase the cost base, for example by creating more demanding care regulations requiring additional staff.

Economic uncertainties which may arise from higher inflation, the Brexit process, or from other causes, would compound the first three factors listed above.

The continued impact of COVID, including the possibility of a renewed waves of infection and/or the emergence of more virulent strains of the virus.

Review of effectiveness of the Board

The Commissioners and Accounting Officer have responsibility for maintaining the effectiveness of the RHC's governance. The Board of Commissioners intends, in accordance with its governance overview document, to have a specific review of its own work and performance every three years. The last such review was in 2020. The Board considered the findings of the review in October 2020 and accepted a number of recommendations, including the creation of a Finance and General Purposes Committee.

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

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

Gen Sir Adrian Bradshaw KCB OBE DL
Governor

Gary Lashko Esq
CEO & Accounting Officer

On behalf of the Board of Commissioners

18 December 2023

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

Opinion on financial statements

I have audited the financial statements of the Royal Hospital Chelsea and its Group for the year ended 31 March 2023 under the Chelsea Hospital Act 1876 and Royal Hospital Chelsea Letters Patent 2003.

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

- Balance sheet as at 31 March 2023;
- Statements of Financial Activities and Consolidated Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Royal Hospital Chelsea and its Group's affairs as at 31 March 2023 and its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with the Royal Hospital Chelsea Letters Patent 2003.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Royal Hospital Chelsea and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

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

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board of Commissioners and the Accounting Officer determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Royal Hospital Chelsea and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Commissioners and the Accounting Officer either 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 express an opinion on the financial statements in accordance with Chelsea Hospital Act 1876 and Royal Hospital Chelsea Letters Patent 2003.

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

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

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

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

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

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

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

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

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board of Commissioners and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud through revenue recognition, evaluating the design and implementation of controls; testing income to corroborating evidence; assessing the completeness of revenue streams; and testing the appropriateness of significant estimates made at year-end; and
- in addressing the risk of misstatement in land and building valuation, evaluating the design and implementation of controls; assessing the competence, objectivity and independence of valuers; testing the inputs and methodology used in the valuation; and evaluating the outputs of the valuation.

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

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

Other auditor's responsibilities

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

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 8 January 2024

ROYAL HOSPITAL CHELSEA
CONSOLIDATED GROUP STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2023

		Unrestricted	Restricted	Total	Restated
		2023	2023	2023	Total
		£'000	£'000	£'000	2022
					£'000
Income and endowments from:	Notes				
Voluntary income - donations and legacies	2	709	1,775	2,484	1,507
Voluntary income - MOD Grant In Aid	5	13,668	-	13,668	13,207
Other trading activities - events and fundraising	3	4,423	-	4,423	2,962
Investment income	4	2,723	903	3,626	4,388
Other income	6	1,689	77	1,766	1,920
TOTAL INCOME AND ENDOWMENTS		23,212	2,755	25,967	23,984
Expenditure on:					
Raising funds	7	1,726	-	1,726	1,408
Charitable activities:					
Infirmary nursing and medical	7	6,794	-	6,794	6,346
Welfare and ceremonial	7	5,568	745	6,313	5,065
Facilities management	7	10,629	-	10,629	9,337
Other activities - investment management costs					
	7	358	-	358	363
Impairment of fixed assets	7	12,941	-	12,941	-
TOTAL EXPENDITURE		38,016	745	38,761	22,519
Total Movement		(14,804)	2,010	(12,794)	1,465
Net gain/(loss) on investments					
	12,13	14,340	(2,325)	12,015	4,060
Net income/(expenditure)		(464)	(315)	(779)	5,525
Other recognised gains / (losses):					
Gain/(loss) on revaluation of fixed assets	11	1,668	-	1,668	9,556
Transfers between funds		1,534	(1,534)	-	-
Actuarial gain/(loss) on defined benefit pension schemes	21	26	-	26	(6)
Net movement in funds		2,764	(1,849)	915	15,075
Reconciliation of funds					
Total funds brought forward	25	284,583	32,930	317,513	302,438
Total funds carried forward		287,347	31,081	318,428	317,513

All activities are classed as continuing and all recognised gains and losses have been included in the SOFA. The prior year figures for expenditure have been restated to reflect a reallocation of costs to better reflect the costs incurred by each activity (see Note 7 for more details).

ROYAL HOSPITAL CHELSEA
STATEMENT OF FINANCIAL ACTIVITIES – HOSPITAL
For the year ended 31 March 2023

		Unrestricted	Restricted	Total	Restated
		2023	2023	2023	Total
		£'000	£'000	£'000	2022
					£'000
Income and endowments from:	Notes				
Voluntary income - donations and legacies	2	6,066	-	6,066	751
Voluntary income - MOD Grant In Aid	5	13,668	-	13,668	13,207
Other trading activities - events and fundraising	3	-	-	-	-
Investment income	4	2,718	903	3,621	4,388
Other income	6	1,689	77	1,766	1,920
TOTAL INCOME AND ENDOWMENTS		24,141	980	25,121	20,266
Expenditure on:					
Raising funds	7	226	-	226	212
Charitable activities:					
Infirmary nursing and medical	7	6,818	-	6,818	6,374
Welfare and ceremonial	7	5,107	23	5,130	4,350
Facilities management	7	10,506	-	10,506	9,186
Other activities - investment management costs	7	358	-	358	363
Impairment of fixed assets	7	12,941	-	12,941	-
TOTAL EXPENDITURE		35,956	23	35,979	20,485
Total Movement		(11,815)	957	(10,858)	(219)
Net gain/(loss) on investments	12,13	14,340	(2,325)	12,015	4,060
Net income/(expenditure)		2,525	(1,368)	1,157	3,841
Other recognised gains / (losses):					
Gain/(loss) on revaluation of fixed assets	11	1,668	-	1,668	9,556
Transfers between funds		-	-	-	-
Actuarial gain/(loss) on defined benefit pension schemes	21	26	-	26	(6)
Net movement in funds		4,219	(1,368)	2,851	13,391
Reconciliation of funds					
Total funds brought forward	25	282,309	28,332	310,641	297,250
Total funds carried forward		286,528	26,964	313,492	310,641

All activities are classed as continuing and all recognised gains and losses have been included in the SOFA. The prior year figures for expenditure have been restated to reflect a reallocation of costs to better reflect the costs incurred by each activity (see Note 7 for more details).

ROYAL HOSPITAL CHELSEA
BALANCE SHEETS AT 31 MARCH 2023

	Notes	Hospital 2023 £'000	Hospital 2022 £'000	Group 2023 £'000	Group 2022 £'000
Non-current assets					
Tangible assets					
Heritage	11	20,438	19,678	20,438	19,678
Non heritage	11	131,093	139,576	131,103	139,590
Investment property	12	83,350	63,960	83,350	63,960
Investments	13	72,748	92,017	72,343	92,017
		<u>307,629</u>	<u>315,231</u>	<u>307,234</u>	<u>315,245</u>
Current Assets					
Stock	14	-	-	119	135
Debtors: falling due within one year	15	1,133	584	828	411
Cash at bank and in hand	16	12,551	1,702	14,457	5,421
		<u>13,684</u>	<u>2,286</u>	<u>15,404</u>	<u>5,967</u>
Liabilities					
Creditors: amounts falling due within one year	17	(7,559)	(6,558)	(3,948)	(3,381)
Net current assets / (liabilities)		<u>6,125</u>	<u>(4,272)</u>	<u>11,456</u>	<u>2,586</u>
Total assets less current liabilities		313,754	310,959	318,690	317,831
Creditors: amounts falling due after one year	18	(126)	(136)	(126)	(136)
Net assets excluding pension liability		<u>313,628</u>	<u>310,823</u>	<u>318,564</u>	<u>317,695</u>
Defined pension scheme liability	21	(136)	(182)	(136)	(182)
Net assets including pension liability		<u>313,492</u>	<u>310,641</u>	<u>318,428</u>	<u>317,513</u>
Unrestricted Funds					
Grant in Aid fund	25	(18,077)	(14,667)	(18,077)	(14,667)
Prize Money & legacy funds					
General Reserves	25	272,900	270,130	272,899	270,129
Revaluation Reserve	25	24,272	22,604	24,272	22,604
Ranelagh & De la Fontaine Trust Capital	25	7	7	7	7
RHC Appeal Unrestricted	25	-	-	820	2,275
Total Unrestricted		<u>279,102</u>	<u>278,074</u>	<u>279,921</u>	<u>280,348</u>
Restricted Income Funds					
RHC Appeal Restricted	25	-	-	4,117	4,598
Prize Money & Legacy Fund	25	26,964	28,332	26,964	28,332
Total of restricted		<u>26,964</u>	<u>28,332</u>	<u>31,081</u>	<u>32,930</u>
Designated reserve - building maintenance	25	4,235	4,235	4,235	4,235
Designated reserve - capital buildings	25	3,191	-	3,191	-
Total funds		<u>313,492</u>	<u>310,641</u>	<u>318,428</u>	<u>317,513</u>

Signed on behalf of the Board of Commissioners on 18 December 2023

Gen Sir Adrian Bradshaw KCB OBE DL
Governor/Chair

Dr Caroline Shuldham OBE
Deputy Chair

Caroline Trew hitt
Chair of the Audit
Committee

Gary Lashko
CEO/Accounting
Officer

ROYAL HOSPITAL CHELSEA
CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2023

	2023 £'000	2022 £'000
Net cash (used in) /provided by operating activities	(1,116)	2,139
Cash flows from investing activities:		
Dividends, Interest & Rent from Investments	516	499
Proceeds from the sale of investment property	47	1,157
Purchase of fixed assets	(5,411)	(2,886)
Proceeds from the sale of investments	15,000	-
Purchase of Investments	-	(4,000)
Net cash provided by/(used in) investing activities	10,152	(5,230)
Cash flows from financing activities	-	-
Change in cash and cash equivalents in the year	9,036	(3,091)
Cash and cash equivalents at the beginning of the year	5,421	8,512
Cash and cash equivalents at the end of the year	14,457	5,421

Note 1
Reconciliation of net (expenditure) /income to net cash flow from operating activities

	2023 £'000	2022 £'000
Net (expenditure)/ income for the year	(779)	5,525
Adjustments for:		
Depreciation charges	1,835	1,680
(Gain) on investments	(12,015)	(4,060)
Dividends, interest & rents from investments	(3,626)	(4,388)
Loss/(profit) on disposal of fixed assets	30	-
Impairment of fixed assets	12,941	-
Decrease/(increase) in stocks	16	13
(Increase) / decrease in debtors	(417)	2,887
Increase / (decrease) in creditors	608	102
Reclass from creditors to restricted funds	(47)	-
Movement on defined pension scheme liability	(20)	17
Investment management fees (deducted from Investments & not paid by cash)	358	363
Net cash provided by (used in) operating activities	(1,116)	2,139

Note 2
Analysis of cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank	14,457	5,421
Total cash and cash equivalents	14,457	5,421

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. RHC is not required to follow HM Financial Reporting Manual (FreM) but has made the accounting policy decision to apply relevant requirements when preparing the financial statements, to the extent this is consistent with the Charities SORP.

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

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

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

b Going Concern

RHC holds a significant level of cash and investments, as such, has adequate resources to continue in operation and meet its liabilities as it falls due. There is no material uncertainty about the RHC's ability to continue and so the going concern basis is considered appropriate.

c Funds

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

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

d Incoming resources

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

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

d Incoming resources (continued)

Legacies and donations received for general purposes are credited to the Unrestricted Funds which are used to augment the annual Grant in Aid from the Ministry of Defence which provides for the maintenance of the heritage site and for meeting the cost of fuel and lighting, food, furniture, clothing, medical care for CPs and staff costs relating to the welfare of CPs. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding on the Commissioners of the RHC. Income from trading activities is recognised when entitlement has occurred. Investment income is recognised when receivable and dividend and rent income is recognised as the RHC's right to receive payment is established.

e Resources expended

Resources expended are accounted for on the accruals basis. Amounts of less than £500 are not accrued as they are considered immaterial. Direct costs (including irrecoverable VAT) are allocated to the charitable activities to which they relate. Expenditure that relates to more than one charitable activity is apportioned over the charitable activities in the form of support costs. Depreciation is allocated to charitable activities based on the space occupied by the building used for each charitable activity. RHC's charitable activities consist of the costs of the Margaret Thatcher Infirmary and medical centre, the costs of the welfare of CPs in the Long Wards and associated activities and the management of the RHC's facilities, buildings and grounds. Intra- group transactions are excluded from income and expenditure as appropriate.

f Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and impairment losses. Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use.

i) Land and Buildings: Land and buildings are measured on a revaluation basis on a quinquennial cycle with interim updates. The last full professional valuation of RHC's property assets was carried out at 31 March 2023 by Savills, an independent chartered surveyor. The next full professional valuation will be in 2028, five years after the last one.

Assets in the course of construction are stated at cost and are not depreciated until they are available for use. Assets in the course of construction 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 cost on acquisition less accumulated depreciation and impairment losses. 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.

Capitalisation thresholds: The lower limit for capitalisation of land and buildings is £10,000. For all other fixed assets it is £5,000. For the subsidiaries £1,000 is deemed to be the appropriate capitalisation threshold.

f Tangible fixed assets (continued)

Depreciation is calculated using the straight-line method to write off the cost (less residual value) of each asset over its expected useful life, commencing in the year after purchase. Freehold land and assets in course of construction 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

ii) Investment property: Investment properties are valued at their market value on a quinquennial cycle with interim updates. Gains and losses are recognised in the Statement of Financial Activities. Investment properties are not depreciated. These properties were revalued by Savills, an independent chartered surveyor at 31 March 2023. In prior year, these values were reviewed by management and adjusted to reflect local market movements and the amortisation of leases applicable to the properties.

iii) Heritage assets: Heritage assets are capitalised at cost upon acquisition. The lower limit for capitalisation is £10,000. Heritage assets are not depreciated. These assets are revalued on a retail replacement basis on a quinquennial cycle with interim updates. The last full revaluation was carried out at 31 March 2020.

g Investments

Investments are shown at market value as at the balance sheet date. Unrealised gains and losses on the revaluation of investments are recognised in the Statement of Financial Activities.

h Debtors

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

i Creditors

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

j Employee Benefits & Pensions

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

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

k Taxation

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

l Operating leases

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

Lessor accounting: Rentals receivable under operating leases are credited in the statement of financial activities on a straight line basis over the lease term.

m Stock

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

n Investments in subsidiaries

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

o Significant judgments and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors that are believed to be reasonable under the circumstances.

The valuations of land and properties includes significant estimates and judgements. A full valuation was carried out by Savills, an independent surveyor for 2023. The Margaret Thatcher Infirmary building is valued on the basis of a market assessment, as a market in modern care facilities exists in the area. Operational land used for dual purposes is valued at market value based on the income received from the leases / rent from the land. The remainder of the operational estate is valued using the depreciated replacement cost, a "modern equivalent," due to the unique and historic nature of the RHC and its buildings and the planning restrictions preventing development of the grounds meant that no meaningful market value could be arrived at. A "modern equivalent" valuation is an estimate of the cost of acquiring a modern facility that would enable the RHC to carry out its functions. This includes an estimation by management of the amount of land and buildings required, the location and build quality. It is a hypothetical valuation. In prior year, 31 March 2022, values were updated by management using publicly available data sources and local market knowledge.

Valuations of heritage assets are carried out by an independent valuer and is an expression of their opinion based on the value of comparable items. Heritage assets held by RHC comprises of some unique items where there is not an open market value and will therefore rely on the opinion of the independent valuer.

The valuation of investment properties is valued on market value based on comparable assets.

In determining the carrying values of certain assets and liabilities (such as accruals and deferred income) the RHC makes assumptions about the effect of uncertain future events on those assets and liabilities at the Balance Sheet date. Deferred income relates to payments received for events in advance of the events taking place, this amounted to £1,075,000 (2022 - £843,000) at the year end. These estimates and assumptions are based on historical experience and assumptions and are reviewed periodically.

p Financial Instruments

The RHC does not use financial instruments on its own behalf, however the listed investments, which are managed by professional managers, may be exposed to such instruments (see notes 13 & 27).

2 – VOLUNTARY INCOME

	Hospital 2023 Restricted £'000	Hospital 2022 Restricted £'000	Hospital 2023 Unrestricted £'000	Hospital 2022 Unrestricted £'000	Hospital 2023 Total £'000	Hospital 2022 Total £'000
Donation from subsidiary	-	-	6,066	751	6,066	751

	Group 2023 Restricted £'000	Group 2022 Restricted £'000	Group 2023 Unrestricted £'000	Group 2022 Unrestricted £'000	Group 2023 Total £'000	Group 2022 Total £'000
Legacies	2	-	180	290	182	290
Donations	1,773	813	529	404	2,302	1,217
Total	1,775	813	709	694	2,484	1,507

3 – OTHER TRADING ACTIVITIES (all unrestricted)

	Hospital 2023 £'000	Hospital 2022 £'000	Group 2023 £'000	Group 2022 £'000
Events	-	-	3,637	2,506
Catering	-	-	585	322
Retail	-	-	122	108
Other trading	-	-	79	26
Total	-	-	4,423	2,962

4 – INVESTMENT INCOME

	Hospital 2023 Restricted £'000	Hospital 2022 Restricted £'000	Hospital 2023 Unrestricted £'000	Hospital 2022 Unrestricted £'000	Hospital 2023 Total £'000	Hospital 2022 Total £'000
Income on investment portfolio	903	868	2,160	1,889	3,063	2,757
Income on commercial property	-	-	463	473	463	473
Lease Extension Premiums	-	-	47	1,157	47	1,157
Bank and investment interest received	-	-	48	1	48	1
Total	903	868	2,718	3,520	3,621	4,388

	Group 2023 Restricted £'000	Group 2022 Restricted £'000	Group 2023 Unrestricted £'000	Group 2022 Unrestricted £'000	Group 2023 Total £'000	Group 2022 Total £'000
Income on investment portfolio	903	868	2,160	1,889	3,063	2,757
Income on commercial property	-	-	463	473	463	473
Lease Extension Premiums	-	-	47	1,157	47	1,157
Bank and investment interest received	-	-	53	1	53	1
Total	903	868	2,723	3,520	3,626	4,388

4 – INVESTMENT INCOME (continued)

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 2023 £'000	Hospital 2022 £'000	Group 2023 £'000	Group 2022 £'000
Grant in Aid received from the Ministry of Defence	13,668	13,207	13,668	13,207

6 - OTHER INCOME

(HOSPITAL & GROUP)

	2023 Restricted £'000	2022 Restricted £'000	2023 Unrestricted £'000	2022 Unrestricted £'000	2023 Total £'000	2022 Unrestricted £'000
Staff accommodation charges	-	-	371	346	371	346
Family Practice	-	-	143	99	143	99
Food recoveries	-	-	38	31	38	31
Pension contributions (NHS)	-	-	-	110	-	110
Pensioner contributions	-	-	1,039	948	1,039	948
Pensioner Recharges	-	-	11	4	11	4
RBKC Covid grants	-	-	-	221	-	221
Other income	77	-	87	161	164	161
Total unrestricted	77	-	1,689	1,920	1,766	1,920

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

7 - TOTAL RESOURCES EXPENDED (GROUP)

	Raising Funds	Infirmary nursing & medical	Welfare & ceremonial	Estate management	Support costs	Total 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Costs of generating voluntary income	284	-	823	214	-	1,321
Investment management costs	358	-	-	-	-	358
Staff costs	990	5,105	2,767	2,069	2,143	13,074
Other staff costs	-	21	6	7	212	246
Buildings and grounds maintenance costs	-	13	1	2,721	1	2,736
Information technology costs	-	-	-	-	300	300
Pensioner living expenses	-	90	798	1,583	84	2,555
Catering costs	-	-	39	-	-	39
Council tax and rates	-	-	-	140	-	140
Security costs	-	-	-	733	-	733
Water, gas and electricity	-	-	-	1,154	-	1,154
Insurance	-	-	-	-	273	273
Audit fees	-	-	-	-	123	123
Surveyor fees	-	-	-	12	-	12
Consultancy fees	110	3	10	69	312	504
Legal fees	-	-	2	12	43	57
Office expenses	-	25	4	30	71	130
Other expenses	210	-	-	8	12	230
Depreciation	132	421	824	183	275	1,835
Total before re-allocation of support costs	2,084	5,678	5,274	8,935	3,849	25,820
Re-allocation of support costs	-	1,116	1,039	1,694	(3,849)	-
Impairment of fixed assets	-	-	-	-	12,941	12,941
Total expenditure	2,084	6,794	6,313	10,629	12,941	38,761

Support costs are re-allocated as a percentage of charitable activities.

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

	Restated	Restated	Restated	Restated	Restated	Restated
	Raising Funds	Infirmary nursing & medical	Welfare & ceremonial	Estate management	Support costs	Total 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Costs of generating voluntary income	254	-	429	174	-	857
Investment management costs	363	-	-	-	-	363
Staff costs	832	4,573	2,294	1,749	2,173	11,621
Other staff costs	-	59	8	2	150	219
Buildings and grounds maintenance costs	-	21	7	2,063	4	2,095
Information technology costs	-	-	-	-	187	187
Pensioner living expenses	-	143	663	1,539	144	2,489
Catering costs	-	-	34	-	-	34
Council tax and rates	-	-	-	138	-	138
Security costs	-	-	-	715	-	715
Water, gas and electricity	-	-	-	680	-	680
Insurance	-	-	-	-	255	255
Audit fees	-	-	-	-	111	111
Surveyor fees	-	-	-	14	16	30
Consultancy fees	35	33	10	399	177	654
Legal fees	-	-	-	57	12	69
Office expenses	-	20	4	24	81	129
Other expenses	163	-	2	-	27	192
Depreciation	124	385	753	168	251	1,681
Total before re-allocation of support costs	1,771	5,234	4,204	7,722	3,588	22,519
Re-allocation of support costs	-	1,112	861	1,615	(3,588)	-
Total expenditure	1,771	6,346	5,065	9,337	-	22,519

Support costs are re-allocated as a percentage of charitable activities. Prior year costs have been reallocated to better reflect the costs incurred by each activity. There are no changes to the overall value of expenditure incurred, the changes only impact classification of expenditure. Changes to the prior year includes increases of £0.5m to raising of funds, £2.0m in welfare & ceremonial and £0.3m in Estate Management offset by decreases of £2.2m in infirmary, nursing & medical and £0.5m in support costs. The change to total support costs also results in amendments to the reapportionment of support costs. Totals have therefore changed for raising funds from £1.3m to £1.8m; infirmary, nursing & medical from £9.2m to £6.3m; welfare & ceremonial from £2.8m to £5.1m; and facilities management from £9.2m to £9.3m.

7 – TOTAL RESOURCES EXPENDED (HOSPITAL)

	Raising Funds £'000	Infirmary nursing & medical £'000	Welfare & ceremonial £'000	Estate management £'000	Support costs £'000	Total 2023 £'000
Investment management costs	358	-	-	-	-	358
Staff costs	98	5,105	2,573	2,069	2,143	11,988
Other staff costs	-	21	6	7	212	246
Buildings and grounds maintenance costs	-	13	1	2,721	1	2,736
Information technology costs	-	-	-	-	300	300
Pensioner living expenses	-	90	798	1,583	84	2,555
Catering costs	-	-	39	-	-	39
Council tax and rates	-	-	-	140	-	140
Security costs	-	-	-	733	-	733
Water, gas and electricity	-	-	-	1,154	-	1,154
Insurance	-	-	-	-	273	273
Audit fees	-	-	-	-	106	106
Surveyor fees	-	-	-	12	-	12
Consultancy fees	-	3	10	69	312	394
Legal fees	-	-	2	12	8	22
Office expenses	-	26	4	30	71	131
Other expenses	-	-	-	8	12	20
Depreciation	128	421	824	183	275	1,831
Total before re-allocation of support costs	584	5,679	4,257	8,721	3,797	23,038
Re-allocation of support costs	-	1,139	873	1,785	(3,797)	-
Impairment of fixed assets	-	-	-	-	12,941	12,941
Total expenditure	584	6,818	5,130	10,506	12,941	35,979

Support costs are re-allocated as a percentage of charitable activities.

7 – TOTAL RESOURCES EXPENDED (HOSPITAL)

	Restated	Restated	Restated	Restated	Restated	Restated
	Raising Funds	Infirmary nursing & medical	Welfare & ceremonial	Estate management	Support costs	Total 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management costs	363	-	-	-	-	363
Staff costs	95	4,573	2,084	1,749	2,173	10,674
Other staff costs	-	59	8	2	150	219
Buildings and grounds maintenance costs	-	21	7	2,063	4	2,095
Information technology costs	-	-	-	-	187	187
Pensioner living expenses	-	143	663	1,539	144	2,489
Catering costs	-	-	34	-	-	34
Council tax and rates	-	-	-	138	-	138
Security costs	-	-	-	715	-	715
Water, gas and electricity	-	-	-	680	-	680
Insurance	-	-	-	-	255	255
Audit fees	-	-	-	-	95	95
Surveyor fees	-	-	-	14	16	30
Consultancy fees	-	33	10	399	177	619
Legal fees	-	-	-	57	2	59
Office expenses	-	20	4	24	81	129
Other expenses	-	-	3	-	27	30
Depreciation	117	385	753	168	251	1,674
Total before re-allocation of support costs	575	5,234	3,566	7,548	3,562	20,485
Re-allocation of support costs	-	1,140	784	1,638	(3,562)	-
Total expenditure	575	6,374	4,350	9,186	-	20,485

Support costs are re-allocated as a percentage of charitable activities. Prior year costs have been reallocated to better reflect the costs incurred by each activity. There are no changes to the overall value of expenditure incurred, the changes only impact classification of expenditure. Changes to the prior year includes increases of £0.5m to raising of funds, £2.0m in welfare & ceremonial and £0.3m in Estate Management offset by decreases of £2.2m in infirmary, nursing & medical and £0.5m in support costs. The change to total support costs also results in amendments to the reapportionment of support costs. Totals have therefore changed for raising funds from £0.1m to £0.6m; infirmary, nursing & medical from £9.3m to £6.4m; welfare & ceremonial from £2.0m to £4.4m; and facilities management from £9.1m to £9.2m.

Analysis of support costs

Support costs are re-allocated as a percentage of charitable activities.

Group	Raising Funds	Infirmary nursing & medical	Welfare & ceremonial	Estate management	Total 2023
	£'000	£'000	£'000	£'000	£'000
Governance costs included in support	-	338	314	512	1,164
ICT	-	200	186	304	690
Finance	-	112	105	171	388
HR	-	163	154	249	566
Marketing & Communications	-	148	137	224	509
Other central costs	-	75	69	113	257
Depreciation	-	80	74	121	275
	-	1,116	1,039	1,694	3,849

Group	Restated Raising Funds	Restated Infirmary nursing & medical	Restated Welfare & ceremonial	Restated Estate management	Restated Total 2022
	£'000	£'000	£'000	£'000	£'000
Governance costs included in support	-	275	213	398	886
ICT	-	174	134	252	560
Finance	-	212	165	310	687
HR	-	126	98	184	408
Marketing & Communications	-	143	111	207	461
Other central costs	-	104	80	151	335
Depreciation	-	78	60	113	251
Total	-	1,112	861	1,615	3,588

Hospital	Raising Funds	Infirmary nursing & medical	Welfare & ceremonial	Estate management	Total 2023
	£'000	£'000	£'000	£'000	£'000
Governance costs included in support	-	334	256	522	1,112
ICT	-	207	159	324	690
Finance	-	116	89	183	388
HR	-	170	130	266	566
Marketing & Communications	-	153	117	239	509
Other central costs	-	76	59	122	257
Depreciation	-	83	63	129	275
	-	1,139	873	1,785	3,797

Hospital	Restated Raising Funds	Restated Infirmary nursing & medical	Restated Welfare & ceremonial	Restated Estate management	Restated Total 2022
	£'000	£'000	£'000	£'000	£'000
Governance costs included in support	-	275	189	395	859
ICT	-	179	123	258	560
Finance	-	220	152	316	688
HR	-	131	89	188	408
Marketing & Communications	-	148	101	212	461
Other central costs	-	107	74	154	335
Depreciation	-	80	56	115	251
Total	-	1,140	784	1,638	3,562

8 - STAFF COSTS AND NUMBERS

	Hospital 2023 £'000	Hospital 2022 £'000	Group 2023 £'000	Group 2022 £'000
Salaries and wages	8,357	7,336	9,149	8,055
Social security costs	916	725	996	790
Pension costs	1,884	1,772	2,085	1,933
Sub-total	11,157	9,833	12,230	10,778
Casual and agency pay	749	769	749	769
Pensioner pay	82	72	95	74
Total	11,988	10,674	13,074	11,621

During the year, bonus payments totalling £333,000 (2022: £72,000) was paid to staff to assist with the increased cost of living.

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

	2023 Number	2022 Number
Infirmery, nursing & welfare	93	95
Facilities and Estates Management	130	127
Finance & Administration	10	11
Commercial services & fundraising	26	18
	259	251

All staff are employed by the RHC. None are employed by subsidiary companies. Costs are recharged as appropriate (note 30).

Higher paid employees

The number of employees whose remuneration was over £60,000 in 2022 – 2023 (excluding pension contributions) was as follows:

	2023 Number	2022 Number
£60,000-£69,999	5	3
£70,000-£79,999	1	1
£80,000-£89,999	-	1
£90,000-£99,999	3	2
£100,000-£110,000	1	1
£120,000-£129,999	-	-
£130,000-£139,999	1	1

Ten (2022: Seven) of the above staff contribute to the PCSPS defined benefits pension scheme. Employer pension contributions for these staff were £242,000 (2022: £189,000). One member contributes to the CSP money purchase scheme – contributions paid on their behalf was £10,000 (2022: £10,000).

The total gross pay including pension of eight key management personnel was £857,000 (2022: £819,000). 2022 includes £172,000 paid to an agency for the supply of a temporary Director of Health and Wellbeing between April and October 2021. Employers' pension contributions for key management personnel were £193,000 (2022: £189,000). All salaries paid by RHC, including senior staff, are reviewed annually by an external pay consultant and any changes are made based on a recommendation from the Finance & General Purposes Committee to the Board of Commissioners.

8 - STAFF COSTS AND NUMBERS (Continued)

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

	Actual salary	Actual salary	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
	2023	2022					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Sir Adrian Bradshaw Governor	65-70	65-70	-	-	-	-	-
Gary Lashko CEO	135-140	130-135	2.5-5	20-25	333	394	46

Payments of £10,141 were made to the CSP partnership scheme, a defined contribution pension scheme, on behalf of General Sir Adrian Bradshaw.

No benefits in kind were paid during the year.

Commissioners' Emoluments

No Commissioners received any remuneration for acting as a Commissioners. The Governor, a Commissioner, receives a salary as an employee of the Royal Hospital Chelsea. In recognition of the contribution of the commissioners to RHC, the commissioners attended an annual dinner costing £1,112.

9 - GOVERNANCE COSTS

	Hospital 2023 £'000	Restated Hospital 2022 £'000	Group 2023 £'000	Restated Group 2022 £'000
Staff Costs	692	582	692	582
External Audit fees*	76	72	92	88
Internal Audit fees	24	26	24	26
Legal Fees	8	2	43	12
Consultancy fees	312	177	312	177
Bank Charges	-	-	1	1
Total	1,112	859	1,164	886

*The Hospital figure relates to the NAO audit fee charge for the year ended 31 March 2023. The Group figure includes the fees for the audit of the subsidiaries.

Governance costs have been restated in prior year. The changes in staff costs from £1,006k to £582k (group) and £1,006k to £582k (parent) reflect an update that only where the majority of the staff's role relates to Governance are their costs allocated to Governance costs. Allocations are no longer made for staff costs where a small proportion of their roles relates to governance. Additionally, group consultancy and legal fees have changed from £654k (company £619k) to £177k (company £177k) and £69k (company £59k) to £12k (company £2k) respectively, to ensure the costs reflected in this note only disclose those allocated to support costs.

10 - SUBSIDIARY UNDERTAKINGS

The RHC has two direct subsidiaries, Royal Hospital Chelsea Appeal Ltd and Gordon House (London) Ltd and one associate company, The Dashwood Trust (note 20).

Royal Hospital Chelsea Appeal Ltd has two subsidiaries, Tricorne Traders Ltd (dormant) and Chelsea Pensioner (RH) Ltd.

i) Royal Hospital Chelsea Appeal Ltd

Royal Hospital Chelsea Appeal Ltd is a company incorporated in England and limited by guarantee (company number 03701005). The company is a registered charity (charity number 1076414) and donates its profits to the RHC. The company's financial results for the year to 31 March 2023 were:

STATEMENT OF FINANCIAL ACTIVITIES (GROUP)

	2023	2022
	£'000	£'000
INCOME		
Donations & legacies	2,484	1,507
Trading & other activities	4,423	2,962
Interest received	5	1
TOTAL INCOME	6,912	4,470
EXPENDITURE		
Raising Funds	342	229
Gift aid donations	1,534	1,275
Trading & other costs	6,972	1,281
TOTAL EXPENDITURE	8,848	2,785
Net incoming/(outgoing) resources	(1,936)	1,685
Net funds at the beginning of the year	6,872	5,187
Net funds at end of the year	4,936	6,872

BALANCE SHEET (GROUP)

	2023	2022
	£'000	£'000
Tangible assets	10	14
Current assets	6,175	8,322
Current liabilities	(1,249)	(1,464)
Net current assets	4,926	6,858
Total net assets	4,936	6,872
Unrestricted reserves	821	2,277
Restricted reserves	4,115	4,595
Total reserves	4,936	6,872

ii) Gordon House (London) Ltd

Gordon House (London) Ltd is incorporated in England in April 2012 (company number 08036299). The company was incorporated to assist with the sale of the lease of Gordon House. The sale completed in 2019 and the company is now dormant. The issued share capital comprises of 417,431 ordinary shares of £1 each all held by RHC.

10 – SUBSIDIARY UNDERTAKINGS (continued)

iii) Chelsea Pensioner (RH) Ltd

Chelsea Pensioner (RH) Ltd is incorporated in England (company number 03853787). The issued share capital comprises of 1,000 shares of £1 each all held by Royal Hospital Chelsea Appeal Ltd. The company carries out trading activities including the rental of the RHC's facilities to third parties. Its accounts are consolidated into those of Royal Hospital Chelsea Appeal Ltd's Group accounts shown at 10 i) above. The company's financial results for the year to 31 March 2023 were:

PROFIT & LOSS ACCOUNT

	2023	2022
	£'000	£'000
Turnover	4,423	2,962
Cost of Sales	(345)	(213)
Staffing and administrative costs	(1,173)	(1,050)
Other operating expenses	(62)	(32)
Profit before interest and tax	2,843	1,667
Other gains; Bank interest receivable	-	-
Donation to RHC Appeal Ltd	(2,843)	(1,667)
Tax on profit on ordinary activities	-	-
Profit / (loss) for the year	-	-
Profit & loss account brought forward	39	39
Profit & loss account carried forward	39	39

BALANCE SHEET

	2023	2022
	£'000	£'000
Fixed assets	10	12
Current assets	1,259	2,290
Current liabilities	(1,229)	(2,262)
Net current assets	30	28
Total net assets	40	40
Share capital	1	1
Profit & loss account	39	39
Total capital & reserves	40	40

iv) Tricorne Traders Ltd

This company is incorporated in England, company number 07382655. It formerly operated the RHC's food and beverage services where these are chargeable to either Chelsea Pensioners or external users. The company's share capital consists of 1,000 £1 shares all held by Royal Hospital Chelsea Appeal Ltd. The company has been dormant since 1 April 2016.

11 - TANGIBLE FIXED ASSETS – NON HERITAGE (GROUP)

	Land and buildings £'000	Land and buildings under construction £'000	Plant, machinery & equipment £'000	Vehicles £'000	Group Total 2023 £'000	Group Total 2022 £'000
Cost or Valuation						
At 1 April	139,338	3,163	7,555	295	150,351	137,989
Additions at cost	-	4,957	454	-	5,411	2,886
Transfer	3,580	(3,657)	77	-	-	-
Disposals	-	-	(125)	-	(125)	-
Adjustment	-	-	-	-	-	(70)
Revaluation	(20,029)	-	-	-	(20,029)	9,546
At 31 March	122,889	4,463	7,961	295	135,608	150,351
Depreciation						
At 1 April	(6,680)	-	(3,884)	(197)	(10,761)	(9,081)
Depreciation charge for the year	(1,301)	-	(516)	(18)	(1,835)	(1,680)
Disposals	-	-	125	-	125	-
Revaluation	7,966	-	-	-	7,966	-
At 31 March	(15)	-	(4,275)	(215)	(4,505)	(10,761)
Net book value at 1 April	132,658	3,163	3,671	98	139,590	128,908
Net book value at 31 March	122,874	4,463	3,686	80	131,103	139,590

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

Grant in Aid Fund	-	-	130	-	130	184
Prize Money and Legacy Fund	122,867	4,463	3,553	81	130,963	139,391
Subsidiaries	7	-	3	-	10	15
	122,874	4,463	3,686	81	131,103	139,590

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

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

Land & buildings	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Opening balance b/f	260	250	250	250	220
Revaluation	40	10	-	-	30
Balance at 31 March	300	260	250	250	250
Exhibits					
Opening balance b/f	19,418	19,418	19,741	18,217	18,217
Revaluation	750	-	(233)	1,524	-
Disposals	(30)	-	(90)	-	-
Balance at 31 March	20,138	19,418	19,418	19,741	18,217
Total ar 1 April	19,678	19,668	19,991	18,467	18,437
Total at 31 March	20,438	19,678	19,668	19,991	18,467

Valuations of heritage assets are carried out by an independent valuer on a quinquennial basis and is an expression of their opinion based on the value of comparable items. Heritage assets held by RHC comprises of some unique items where there is not an open market value and will therefore rely on the opinion of the independent valuer.

A sample of heritage assets were revalued in 2023 by an independent valuer. This resulted in a gain of £750,000 in heritage assets. Management considered the remaining assets valuation to be appropriate and no further revaluations was considered necessary. In prior year, Management considered that the carrying value of these assets is reasonable and no revaluation made.

RHC complies with the UK Museum Collection Management Standard, known as Spectrum, which is administered by the Collections Trust. There are 21 tried and tested procedures for managing heritage collections including acquisitions, disposals, cataloguing, movement control and auditing. More details can be found at: www.collectionstrust.org.uk/spectrum.

11 - TANGIBLE FIXED ASSETS – NON HERITAGE (HOSPITAL)

	Land and buildings £'000	Land and buildings under construction £'000	Plant, machinery & equipment £'000	Vehicles £'000	Hospital Total 2023 £'000	Hospital Total 2022 £'000
Cost or Valuation						
At 1 April	139,316	3,163	7,411	280	150,170	137,808
Additions at cost	-	4,957	455	-	5,411	2,886
Transfer	3,580	(3,657)	77	-	-	-
Disposals	-	-	(125)	-	(125)	-
Adjustment	-	-	-	-	-	(70)
Revaluation	(20,029)	-	-	-	(20,029)	9,546
At 31 March	122,867	4,463	7,818	280	135,427	150,170
Depreciation						
At 1 April	(6,666)	-	(3,745)	(183)	(10,594)	(8,920)
Charge for year	(1,300)	-	(515)	(16)	(1,831)	(1,674)
Revaluation	7,966	-	-	-	7,966	-
Disposals	-	-	125	-	125	-
At 31 March	-	-	(4,135)	(199)	(4,334)	(10,594)
Net book value at 1 April	132,650	3,163	3,666	97	139,576	128,888
Net book value at 31 March	122,867	4,463	3,683	81	131,093	139,576

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

Grant in Aid Fund	-	-	130	-	-	184
Prize Money and Legacy Fund	122,867	4,463	3,553	81	131,093	139,392
	122,867	4,463	3,683	81	131,093	139,576

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

Operational Estate

Non-Heritage Assets

The freehold and leasehold interests in the properties held were independently valued (full valuation) as at 31 March 2023 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 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 unique and complex nature of the RHC’s estate means that several valuation approaches are adopted (see Note 1o) and subject to some key assumptions.

Operational land and buildings are valued at £17.1m (2022: £21.2m) and £46.8m (2022: £66.0m) respectively. The downwards revaluation, resulting in a SOFA impairment of £12.9m, follows a change in assumptions. The DRC methodology requires the identification of a Modern Equivalent Asset (MEA). This has been revisited in light of new information (detailed site plans being conducted) and experiences following the pandemic resulting in revised operating practices: building size 18,900m² (2022: 21,250m²), land size 4.17 acres (2022: 3.33 acres). Similarly, a key judgement updated as a result of these revised considerations is the hypothetical location of the MEA: any London Borough or Inner Home County (2022: London Boroughs only). Key assumptions include identifying appropriate build costs (£/m²) and land value (£/acre), both have been updated in the year based on market data. The valuation also considers the level of obsolescence, this is based on the professional judgement of our valuers’ on-site inspections, which increased at a higher rate since the last full inspection (2019) than the depreciation charged, this is considered to be a change in estimate. As a result of the number of subjective inputs the valuation is subject to significant uncertainty, for example many inputs (e.g., size and cost) have a roughly proportionate impact on the valuation for example, if build costs were 10% higher the valuation of the buildings would be £51.5m.

The MTI is valued at £31.0m (2022: £18.8m). The upwards revaluation is a result of changes to 2 key assumptions: an uplift in the weekly fee achievable in the local area (based on market data) and an uplift to the EBITDAR multiplier (financial ratio used to determine property value). The latter has increased during the year to from 10.0 to 13.5, due to general market movements and the recent refurbishment works. Other key assumptions include the profitability of the care home when run by a reasonably efficient operator and a discount in value to reflect the time taken for a new operator to build up their admissions; these assumptions are broadly similar with those made in the prior year.

Heritage Assets

Heritage assets as defined under FRS 102 are valued every five years. The last full valuation, by Gurr–Johns, was at 31 March 2020. A sample of assets were revalued by Gurr-Johns at 31 March 2023.

a) The RHC’s heritage assets are principally composed of art and artefacts and it has a holding of 844 (2022: 886) such exhibits with a total value of £20,138,000 (2022: £19,418,000). 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. During the year a small number of heritage assets with a value of £30,000 were written off. These assets were of low value and not been seen for a number of years.

The items currently held at valuation total £20,138,000 (2022: £19,418,000). The Exhibits are deemed to have indeterminate lives and the Commissioners consider it inappropriate to charge depreciation.

b) One piece of land known as Royal Avenue, is also 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. This was valued by Savills as at 31st March 2023.

c) The RHC does not have a policy of actively acquiring new heritage assets, although a small number have been purchased e.g. a new stained glass window for All Saints Chapel. Many of the exhibits are accessible to the public visiting the site either in guided parties or individually. The RHC's policy is to conserve its heritage assets and make them available to visitors as far as possible consistent with the need to minimise disturbance to CPs. The collection includes a significant number of documents and other items of a historical nature which have no intrinsic value but are retained for records purposes.

12 - INVESTMENT PROPERTY

Hospital & Group	2023	2022
	£'000	£'000
Balance at 1 April	63,960	63,360
Gain / (loss) on revaluation	19,390	600
Total at 31 March	83,350	63,960

Investment property consists of land and buildings which are not part of the RHC's operational estate. Investment property is 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 2023.

As most of the properties are subject to long leases, Wellington Buildings valued at £73.5m (2022: £53.6m) represents 88% (2022: 84%) of the total investment property portfolio. The valuation is based on freehold interest subject to a long lease with a number of assumptions and estimates used in the valuation including the following: Energy Performance Certificates (EPC) containing property measurements as an estimation of floor plan (as no scaled floorplans are available), cost (£/m²) of comparable rents / sales in the immediate vicinity, and the adjustment factor used to determine vacant possession value. Changes in local market activity has resulted in the vacant possession value increasing. In addition, the passage of time also impacts the value, the property increases in value as the end of the lease draws nearer (2027) as the level of discounting (5% (2022: 5%)) reduces.

13 - INVESTMENTS

	Hospital	Hospital	Group	Group
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Market value at 1 April	92,017	82,158	92,017	82,158
Investment in subsidiary	405	-	-	-
Additions at cost	-	4,000	-	4,000
Disposals	(15,000)	-	(15,000)	-
Income reinvested (accumulation)	2,701	2,399	2,701	2,399
Realised gain/(loss) on disposals	2,603	-	2,603	-
Unrealised gain/(loss)	(9,978)	3,460	(9,978)	3,460
Market value at 31 March	72,748	92,017	72,343	92,017
Historical cost at the beginning of the year	69,674	65,674	69,674	65,674
Historical cost at the end of the year	57,277	69,674	57,277	69,674

Investments are held in the Endowments Fund and the Income and Reserves Fund managed by Sarasin & Partners LLP and also in the Armed Forces Common Investment Fund managed by BlackRock Fund Managers Ltd. 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 unrealised loss in investments reflected the challenges faced by the markets as the pandemic eased, the impact of inflation, the political unrest and the conflict in Ukraine. During the year £15m was withdrawn from investments to

increase cash balance held to fund the capital projects. At 31 March 2023 BlackRock held 49% of RHC's listed investments and Sarasin held 51%. The investment in subsidiary relates to the reversal of the share capital reduction in 2021.

14 – STOCK

	Hospital	Hospital	Group	Group
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Stock and catering stocks	-	-	119	135

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	Hospital	Group	Group
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade debtors	-	-	104	104
Prepayments and accrued income	349	206	700	206
Amounts due from subsidiary undertakings	762	360	0	0
Other debtors	22	18	24	101
	1,133	584	828	411

16 - CASH AT BANK AND IN HAND

	Hospital	Hospital	Group	Group
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Cash at bank and cash equivalents	12,548	1,701	14,454	5,420
Cash in hand	3	1	3	1
	12,551	1,702	14,457	5,421

17 - CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Hospital	Hospital	Group	Group
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade Creditors	1,329	1,015	1,371	1,133
Accruals and deferred income	750	712	1,870	1,635
Amounts due to subsidiary undertakings	4,861	4,281	-	-
Other tax and social security	229	207	317	241
Other creditors	390	343	390	372
	7,559	6,558	3,948	3,381

Movement on Deferred Income

	2023	2022
	£'000	£'000
Brought forward at the beginning of the year	843	748
Released to SOFA during the year	(843)	(748)
Deferred to future periods	1,075	843
Carried forward at the end of the year	1,075	843

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	Hospital	Group	Group
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Chapel music foundation	-	47	-	47
Chapel fund	11	11	11	11
Advance funeral payments	115	78	115	78
	126	136	126	136

19 - CONTINGENT LIABILITIES

RHC has no contingent liabilities.

20 – CONTINGENT ASSETS

RHC is one of 4 beneficiaries of a legacy held in Trust with life interest. The Trust owns a number of residential and one commercial property. There is significant uncertainty regarding the Trusts assets and liabilities which affects the ability to reliably estimate RHC's share of the Trust at the balance sheet date. Income from the Trust is recognised when RHC is notified of its entitlement following completion of a property sale.

The Dashwood Trust is a charitable company limited by guarantee (company number 13014960, charity number 1192982) incorporated on 12 November 2020 by the 4 beneficiaries to manage the legacy held in Trust. The charitable company has been dormant since incorporation.

21 - PENSIONS

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

Principal Civil Service Pension Scheme (PCSPS)

Pension benefits for 221 (2022: 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 2022-23, employers' contributions of £1,810,988 were payable to the PCSPS (2022: £1,549,884) at one of four rates in the range of 26.6% to 30.3% of pensionable pay, based on salary bands.

Contributions of £10,141 were payable to stakeholder schemes in (2022: £9,877).

NHS Pension Scheme (NHSPS)

RHC has 49 (2022: 53) members of staff in the NHS Pension Scheme which is an unfunded multi-employer defined benefit scheme, but the RHC is unable to identify its share of the underlying assets and liabilities. The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016 (published in February 2019). The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates. Between valuations, the Government Actuary provides an update of the scheme's liabilities on an annual basis. The latest assessment of the liabilities of the scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually.

These accounts can be viewed at the NHS Pensions Agency website at www.nhsbsa.nhs.uk/pensions. This is a statutory, defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulations 1995 and 2008. Under these regulations the employer contribution rate increased from 14.3% to 20.6% in April 2019 plus the employer levy of 0.08%. A transitional arrangement operated in 2019-20 where employers in the scheme would continue to pay 14.38%. These arrangements continued in 2022-23. The 6.3% increase is split between two elements, a 2.5% foreseen element and a 3.8% unforeseen element. Funding will be received for the unforeseen elements. RHC is required to contribute 1.8% of the foreseen element. RHC pays a total employer's contribution of 16.18% of pensionable pay, as specified by the Secretary of State for Health. For 2022-23, employers' contributions of £262,438 were payable to the NHS Pension Scheme (2022: £221,478). These contributions are charged to operating expenses as and when they become due.

Employees pay between 5% and 14.5% of pensionable pay during the first half of the year and 5.1% and 13.5% during the second half of the year. 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 6 (2022: 7) retired members (or their widows) and is now closed to new entrants. The scheme is a final salary scheme with benefits based on number of years' service and final salary. Pensions paid during the year amounted to £24,397 (2022: £25,668).

The latest FRS 102 valuation of the liabilities in respect of the unfunded pension entitlements was carried out as at 31 March 2023, 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	2023	2022
Price inflation/pension increase per annum	2.8%	3.9%
Discount rate per annum	5.0%	2.6%

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 (2022: 10 years).

The following table sets out as at 31 March 2023 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.

	2023	2022	2021	2020
	£'000	£'000	£'000	£'000
Defined pension scheme liability	136	182	199	196

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 £24,397 for 2023 (2022: £25,667).

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

	Year to March 2023 £'000	Year to March 2022 £'000
Gross pension liability at the beginning of the year	182	199
Pensions paid	(24)	(26)
Interest cost	4	3
Actuarial (gain)/loss on defined benefit pension scheme	(26)	6
Gross pension liability at the end of the year	136	182

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

	Year to March 2023 £'000	Year to March 2022 £'000
Interest on gross pension liability	<u>4</u>	<u>3</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 2023 is a gain of £26,000 (2022: loss of £6,000). 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 £117,000 (2022: loss of £143,000).

22 – OPERATING LEASES

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

	2023 £'000	2022 £'000
Leases due to expire:		
Within 1 year	32	21
Within 2-5 years	17	2
After more than 5 years	<u>-</u>	<u>-</u>

Amounts paid under operating leases during the year were £48,000 (2022: £21,000).

Amounts receivable under non-cancellable operating leases are as follows:

	2023 £'000	2022 £'000
Leases due to expire:		
Within 1 year	2,457	2,781
Within 2-5 years	1,634	1,756
After more than 5 years	<u>78</u>	<u>82</u>

Amounts received under operating leases during the year were £2,998,000 (2022: £2,253,000). The amounts disclosed above are up to the earliest break clause and do not include any index-linking or increases based on future events. Amounts received under operating leases include land leased for events and property leases.

23 - CAPITAL COMMITMENTS

	2023 £'000	2022 £'000
Authorised and Contracted	<u>9,327</u>	<u>522</u>

Capital commitments includes £3.1m for refurbishment of the Margret Thatcher Infirmary. This is expected to complete during 2023-24. £6.2m relates to the development of the Soane Stable Block. Works are expected to complete during 2024-2025. The sum for 2022 comprised of amounts for the Activity Centre which completed during the year.

24 – LOSSES AND WRITE OFFS

A small number of heritage assets with a value of £30,000 were written off during the year (note 11). There were no other material losses or write offs during the year (2022: NIL).

25 - MOVEMENT IN FUNDS – GROUP

	Balance at 1 April 2022 £'000	Incoming resources £'000	Resources expended £'000	Other gains & (losses) £'000	Transfers £'000	Balance at 31 March 2023 £'000
Unrestricted funds						
Grant in Aid	(14,667)	13,668	(17,104)	26	-	(18,077)
Prize Money and Legacy Fund						
General Reserve	270,129	10,473	(18,852)	14,340	(3,191)	272,899
Ranelagh & De la Fontaine Trust Capital	7	-	-	-	-	7
Revaluation Reserve	22,604	-	-	1,668	-	24,272
RHC Appeal Ltd	2,275	5,138	(8,127)	-	1,534	820
Total Unrestricted Funds	280,348	29,279	(44,083)	16,034	(1,657)	279,921
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
Chapel Music Foundation	-	77	(23)	-	-	54
Gordon House Fund	28,177	903	-	(2,325)	-	26,755
RHC Appeal Ltd	4,598	1,775	(722)	-	(1,534)	4,117
Total restricted funds	32,930	2,755	(745)	(2,325)	(1,534)	31,081
Designated reserve - building maintenance	4,235	-	-	-	-	4,235
Designated reserve - capital projects	-	-	-	-	3,191	3,191
Total funds	317,513	32,034	(44,828)	13,709	-	318,428

25 - MOVEMENT IN FUNDS – HOSPITAL

	Balance at 1 April 2022 £'000	Incoming resources £'000	Resources expended £'000	Other gains & (losses) £'000	Transfers £'000	Balance at 31 March 2023 £'000
Unrestricted funds						
Grant in Aid	(14,667)	13,668	(17,104)	26	-	(18,077)
Prize Money and Legacy Fund						
General Reserve	270,130	10,473	(18,852)	14,340	(3,191)	272,900
Ranelagh & De la Fontaine Trust Capital	7	-	-	-	-	7
Revaluation Reserve	22,604	-	-	1,668	-	24,272
Total Unrestricted Funds	278,074	24,141	(35,956)	16,034	(3,191)	279,102
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
Chapel Music Foundation	-	77	(23)	-	-	54
Gordon House Fund	28,177	903	-	(2,325)	-	26,755
Total restricted funds	28,332	980	(23)	(2,325)	-	26,964
Designated reserve - building maintenance	4,235	-	-	-	-	4,235
Designated reserve - capital projects	-	-	-	-	3,191	3,191
Total Funds	310,641	25,121	(35,979)	13,709	-	313,492

Unrestricted funds

The general funds consist of the accumulated surplus or deficit on the SOFA. They are available for use the discretion of the Commissioners in furtherance of the objectives of the RHC. No surplus is generated from Grant in Aid funds in accordance with the framework agreement with the Ministry of Defence. The RHC's unrestricted reserves are known as the "Prize Money and Legacy Fund." The origins of this name go back to at least the early 19th century but today it simply means unrestricted reserves generated from sources other than Grant in Aid income.

Designated funds

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

Restricted funds

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

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

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

The **Gordon House Fund** represents the proceeds of the sale of the Gordon House lease. Under the terms of the Section 106 agreement with RBKC these proceeds may only be used for heritage capital expenditure. The majority of the funds are invested with the other RHC funds managed by Sarasin and BlackRock (note 12) and an appropriate share of the income and capital gains arising is credited to the fund. During the year amounts were withdrawn to fund the refurbishment of the Soane Stable Heritage Centre.

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

26 – ANALYSIS OF NET ASSETS BETWEEN FUNDS – GROUP

	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	2023	2023	2023	2022	2022	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Heritage	20,438	-	20,438	19,678	-	19,678
Non heritage	131,103	-	131,103	139,590	-	139,590
Investment property	83,350	-	83,350	63,960	-	63,960
Investments	53,588	18,755	72,343	63,840	28,177	92,017
Current Assets						
Stock	119	-	119	135	-	135
Debtors: falling due within one year	828	-	828	411	-	411
Cash at bank and in hand	2,131	12,326	14,457	668	4,753	5,421
Liabilities						
Creditors: amounts falling due within one year	(3,948)	-	(3,948)	(3,381)	-	(3,381)
Creditors: amounts falling due after one year	(126)	-	(126)	(136)	-	(136)
Defined pension scheme liability	(136)	-	(136)	(182)	-	(182)
	287,347	31,081	318,428	284,583	32,930	317,513

26 – ANALYSIS OF NET ASSETS BETWEEN FUNDS – HOSPITAL

	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	2023	2023	2023	2022	2022	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Heritage	20,438	-	20,438	19,678	-	19,678
Non heritage	131,093	-	131,093	139,576	-	139,576
Investment property	83,350	-	83,350	63,960	-	63,960
Investments	53,993	18,755	72,748	63,840	28,177	92,017
Current Assets						
Debtors: falling due within one year	1,133	-	1,133	584	-	584
Cash at bank and in hand	4,342	8,209	12,551	1,547	155	1,702
Liabilities						
Creditors: amounts falling due within one year	(7,559)	-	(7,559)	(6,558)	-	(6,558)
Creditors: amounts falling due after one year	(126)	-	(126)	(136)	-	(136)
Defined pension scheme liability	(136)	-	(136)	(182)	-	(182)
	286,528	26,964	313,492	282,309	28,332	310,641

27 - 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 2023 £'000	Hospital 2022 £'000	Group 2023 £'000	Group 2022 £'000
Financial Assets				
Listed Investments	72,748	92,017	72,343	92,017
Cash held	12,551	1,702	14,457	5,421
Rent & other receivables	1,133	584	828	411
Total financial assets	86,432	94,303	87,628	97,849
Financial Liabilities				
Trade & Other payables	7,685	6,694	4,074	3,517
Total financial liabilities	7,685	6,694	4,074	3,517

Interest rate risk

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

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

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 Finance & General Purposes 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. As discussed earlier, there has been enhanced uncertainty due to higher inflation, political unrest and conflict in Ukraine.

Credit risk

Credit risk is the possibility that a counterparty (e.g. a bank) will default on its obligations. RHC is exposed to credit risk in respect of its cash deposits and receivables. Cash deposits are held at 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.

28 – POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

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

29 – RELATED PARTIES

Some Commissioners have links with organisations with which the RHC has a financial relationship (such as the MoD and the Army). All Commissioners and senior managers complete an annual Declaration of Interests return and are required to declare any interest in items discussed at Board and Committee meetings. The Board is satisfied that no conflicts of interest or transactions with related parties arose during the year ended 31 March 2023.

30 – TRANSACTIONS WITH SUBSIDIARY COMPANIES

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 £4,300,000 (2022: £751,000) was received and charges of £1,087,000 (2022: £954,000) were made.

