

Presented to Parliament pursuant to the Chelsea Hospital Act 1876 (Acts 39 & 40 Vict.), c.14, s. 1.

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# Royal Hospital Chelsea Account 2008-2009

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# Royal Hospital Chelsea Account 2008-2009

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## Officers and Commissioners

### **Chairman of the Board of Commissioners**

HM Paymaster General

### **Ex-officio Commissioners**

HM Paymaster General  
Minister of State for the Armed Forces  
Under Secretary of State for Defence and Minister for Veterans  
The Governor, Royal Hospital Chelsea  
Director General Resources Land Forces Command  
Director General of Army Medical Services  
Assistant Chief of the General Staff  
Lieutenant Governor, Royal Hospital Chelsea

## Specially Appointed Commissioners

The Hon D McAlpine  
Countess Cadogan MVO (retired October 2008)  
Mr G Flather OBE QC  
Mr R Moore  
Lord Bilimoria CBE DL  
Mrs S Phillips OBE DL  
Professor Dame J Husband FMedSci FRCP  
Sir M Jenkins KCMG  
Mr S Corbyn  
Mr D McDonough OBE  
Mr MD Drury CBE FSA (Retired April 2008)  
Mr RH Hunting (Retired April 2008)

### **Secretary and Accounting Officer**

PWD Hatt

### **Registered address**

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Web site: [www.chelsea-pensioners.org.uk](http://www.chelsea-pensioners.org.uk)  
Telephone: 0207 881 5200

**Auditor**

The Comptroller and Auditor General  
National Audit Office  
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London SW1W 9SS

**Solicitors**

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London EC4A 3TW

**Investment Managers**

Newton Investment Management Limited  
Mellon Financial Centre  
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**Chartered Surveyors**

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20 Grosvenor Hill  
London W1K 3HQ

**Property Maintenance**

Norland Managed Services Ltd  
57 Southwark Street  
London SE1 IRU

**Bankers**

Barclays Bank plc  
Knightsbridge Business Centre  
PO Box 32014  
London NW1 2ZG

# Annual Report of the Commissioners

## Introduction

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

## Governing documents and charitable objects

The statutory authority for the Royal Hospital is founded on Letters Patent from the Crown, which vests responsibility for its management in a Board of Commissioners. The current Letters Patent were issued on 23 November 2003. The Paymaster General is formally the Treasurer of the funds and Chairman of the Board of Commissioners who administer them, although in practice the Governor usually takes the chair.

Whilst care of the In-Pensioners remains the Royal Hospital’s principal task, it is also responsible for the conservation of its historic buildings and grounds. The cost of major capital projects and the upkeep of the grounds is not met from the Grant in Aid, but paid out of the Army Prize Money and Legacy Fund, a private fund owned by the Commissioners. That fund also provides additional support to the In-Pensioners which could not reasonably be expected to come from public funds, for example subsidised holidays and a television service.

The Royal Hospital provides 24-hour cover for 365 days of the year. The staff of the Royal Hospital number 244 full and part-time of whom 82 are medical, nursing and care staff.

An annual Grant in Aid from the Ministry of Defence provides for the maintenance of the Royal Hospital buildings and for meeting the cost of fuel and lighting, food, furniture, clothing, medical care for In-Pensioners, staff costs and certain payments to the In-Pensioners. In exchange, the In-Pensioners surrender their Army long service and/or their disability pensions when they are admitted to the Royal Hospital. The use to which the Grant in Aid fund is put is set out in detail in the notes to the Financial Statements.

The Commissioners have referred to the guidance in the Charity Commission’s general guidance on Public Benefit when reviewing the Royal Hospital’s aims and objectives and in planning its future activities. In particular, the Commissioners consider how planned activities contribute to the aims and objectives they have set.

## Induction of Commissioners

The Commissioners of the Royal Hospital 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 and are subject to scrutiny under the Nolan guidelines.

Each Commissioner is provided with information about the Royal Hospital, its structure, and how it is run, and the responsibilities of the Commissioners.

## Organisational structure and decision-making

The Royal Hospital is governed by the Board of Commissioners. The Board agrees the policies to be adopted in the running of the Hospital, approves the admittance of In-Pensioners and authorises all of the Royal Hospital’s expenditure. It approves all expenditure on individual projects of over £250,000. The Board has a number of sub-committees: the Audit Committee, the Clinical Governance and Oversight Committee, the Projects Committee, the Investment Committee, the Nominations Committee and the Pay Committee. The operations of the Royal Hospital are conducted through the Management Board which is chaired by the Lieutenant Governor and attended by all of the departmental heads.

## Monitoring of performance

The Commissioners review all aspects of the performance of the Royal Hospital at their quarterly meetings. At a working level the Management Board meets monthly and reviews performance against key performance indicators and targets.

## Accounting and reporting responsibilities

The Commissioners 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 Hospital at the year end, and of its incoming resources and application of resources for the financial year.

In preparing the accounts the Hospital is required to

- apply suitable accounting policies on a consistent basis, taking account of the relevant accounting and disclosure requirements;
- make judgements and estimates on a reasonable and prudent basis;
- state whether applicable United Kingdom accounting standards are being followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Hospital will continue in operation.

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

The Royal Hospital Chelsea follows closely the guidelines laid down in Charities SORP 2005.

## Employees

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

The Royal Hospital has continued its policy of giving the disabled full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities.

## Risk management

The Royal Hospital maintains a comprehensive risk register which is about to be updated and reviewed by the Audit Committee. It aims to cover a wide range of topics including fire, legal, health and safety, financial, mismanagement, and terrorism. There is also a business continuity plan should there be a catastrophic event such as a fire.

## Factors outside the control of the Royal Hospital

The Royal Hospital is dependent on a Grant in Aid from the Ministry of Defence. Should this be significantly reduced, it would be unable to continue to provide the care that it was founded to provide.

## Relationship with subsidiaries

The Commissioners form a majority of directors on the Board of Royal Hospital Chelsea Appeal Limited, which owns all the shares in Chelsea Pensioner (RH) Ltd.



## Aims, Objectives and Activities

The purpose of the Royal Hospital contained in its mission statement is to provide a fitting home and community for ageing or infirm veteran soldiers to whom the nation owes a debt of gratitude. Its long term objectives are set out in the Royal Hospital Chelsea Corporate Plan.

In addition to the continuing care of the In-Pensioners, the Royal Hospital has a major modernisation programme, including the recently completed Margaret Thatcher Infirmary and modernisation of the remaining living accommodation.

### Principal activities of the year

The Margaret Thatcher Infirmary was completed during the course of this financial year, and in-pensioners moved in during January. This represents a major improvement in the quality of care that can be provided to In-pensioners, including the provision of en-suite facilities. This has allowed the admission of the first women in-pensioners.

### Volunteers

The Royal Hospital relies greatly on help from volunteers. Many are private individuals who visit the Infirmary, take In-Pensioners out for trips, and assist in accompanying In-Pensioners when they go to neighbouring hospitals. The Prince of Wales Hall tea shop is staffed by volunteers from the British Red Cross who provide an invaluable service. It has not been possible to put a value on the contribution of the Royal Hospital's volunteers as the number of hours they put in is not recorded, and many do not wish this to be counted in any case.

# Review of achievements and performance for the year

## Operational performance by department

### **Chaplain**

The Chaplain provides spiritual services to the Royal Hospital community. The main Wren Chapel of the Royal Hospital is licensed as a place of public worship and operates, in most respects, as a 'parish' church. Regular Sunday and weekday services are held, and a high standard of Church Music is provided by its professional choir. The Chapel is the focal point for Regimental Association services throughout the year and is regularly used for weddings, memorial services, carol services and other special events. The Chaplain is also responsible for the smaller Chapel of All Saints, within the Margaret Thatcher Infirmiry, where regular services and most In-Pensioner funerals are held, and for the administrative control of the Roman Catholic chapel. The Wren Chapel is also the main venue for the annual RHC Concert Series held in October and November.

### **Human Resources**

HR is responsible for providing the Human Resources function to the RHC in accordance with best practice, Civil Service Pension and NHS Pension administration, payroll information to the Finance Department and tenancy agreements for RHC accommodation.

The rationalisation of QM/Grounds/Property management was successfully completed with the transfer of the Property staff to Norland Managed Services Ltd under TUPE legislation. Over thirty new members of staff have been recruited during the year. Recruitment included some senior appointments and extra staff to work in the Margaret Thatcher Infirmiry (MTI); both for Care Services and the Facilities Management Department. A further ten members of staff have been recruited to take up their appointments, in support of the MTI, early in FY 2009-2010. Nearly sixty members of staff have left this year and there have been some medical retirements

Bespoke tenancy agreements have been introduced.

### **Finance**

The finance department provides financial and management accountancy services for all Royal Hospital funds, and provides accounting support to the limited company subsidiaries. It operates the Royal Hospital's payrolls. The department receives all cash and makes payments to suppliers. It provides treasury services for the funds of the Royal Hospital. It supports management decision making, including production this year of an investment appraisal on whether property management should be contracted out or remain in-house. It provides regular reports on financial performance to the Board of Commissioners and the Management Board. It supports the work of the Commissioners' Investment Committee and the Commissioners Audit Committee. It works closely with the Royal Hospital's external and internal auditors and with the external auditors of the two limited company subsidiaries. It is providing support to the introduction of procurement cards within the Royal Hospital.

### **Information and Communications Technology**

The department supports the information technology and computer systems throughout the Royal Hospital. During the course of the year it has extended the RHC's IT and telecommunications networks to the Margaret Thatcher Infirmiry, including the provision of broadband to the infirmiry residents. Disaster recovery has been strengthened, and an upgrade has been provided to the Royal Hospital's accounting software.

### **Adjutant**

The Adjutant's department deals with In-Pensioner admissions and with the daily welfare and administration of the Chelsea Pensioners. It also runs the In-Pensioners' Club and the Prince of Wales Hall. During the year In-Pensioner levels have averaged 296 against a total capacity of 328. The Adjutant's department is responsible for the Founder's Day parade, controls the number of requests from external organisations for visits by In-Pensioners and provides contingents of Chelsea Pensioners for the Royal British Legion Remembrance Day Ceremony at the Royal Albert Hall and the Cenotaph, the Edinburgh Military Tattoo and many other national parades, regimental functions and events. The Department is responsible for Royal Hospital Security.

## **Margaret Thatcher Infirmary**

The Margaret Thatcher Infirmary (MTI) consists of a Medical Centre (Primary Care) regulated by the local Primary Care Trust and a 125 bed Care Home regulated by the Care Quality Commission. The medical centre opened on the 5 January 2009 and the Infirmary (Care Home) transferred Infirmary Residents from the temporary Infirmary on 6 January 2009.

The Medical Centre, led by the Physician & Surgeon (Principal GP) offers a multi-disciplinary team approach to all Infirmary Residents, In Pensioners of the Royal Hospital and entitled Hospital staff. Comprehensive primary health care is provided including Practice Nursing, Occupational Therapy, Physiotherapy, Chiropody, Audiology and Speech Therapy. In April an excellent Infection Control and Clinical Governance Monitoring report was achieved from Chelsea & Kensington PCT.

The Infirmary offers 24 hour nursing and residential care and emergency short term care to the In Pensioners. Social care and activities are being developed through new teams of activity workers and volunteers and our first Care Quality Commission Inspection since opening is awaited. Ninety five per cent of our Care Staff have achieved NVQ 2 or 3 awards in health and social care.

The MTI is supported by an excellent and dedicated team of domestic, catering, portering and maintenance staff who take great pride in the cleanliness and presentation of this magnificent new building.

## **Director Facilities Management**

### **Quartermaster**

The Director of Facilities/Quartermaster is responsible for the provision of stores, cleaning, portering and catering services to the RHC. He is responsible for the maintenance of the fabric and electrical and mechanical aspects of the buildings of the RHC, and the upkeep of the 66 acres of grounds. He is in charge of the building related projects undertaken within the establishment. In addition he is the Royal Hospital's Health and Safety Officer, Environmental Officer and the Sustainable Development responsible person. In 2009-2010 these duties were expanded to encompass the new Margaret Thatcher Infirmary.

## **Property Maintenance**

Following a review of the delivery of property management, the decision was taken to outsource the day to day management and maintenance of the buildings and infrastructure. Following a tendering exercise these were outsourced to Norland Managed Services with the contract going live on 1 April 2009. This outsourcing initiative has seen financial savings year on year of some £172,000 on top of savings of £108,000 achieved by staff reductions. It has streamlined and brought major efficiencies to the property maintenance discipline with

- The introduction of a help desk utilising both e-mail and telephone fault reporting.
- A forward maintenance register of planned work required.
- An in year works programme designed to bring added value to the RHC estate.
- The ability to undertake minor projects in house.

### **Grounds**

A five year forward maintenance programme has been introduced to bring greater efficiency and effectiveness to the grounds discipline. This initiative has brought about cost savings and more aesthetically pleasing grounds. Liaison between the RHC and the Royal Horticultural Society has developed throughout the year bringing about mutual benefits.

## **Catering**

The catering department continue to recognise the importance that the In-Pensioners attach to food and meal times with the quality of the service provided remaining at a high level. The cost of food resources has proved to be very challenging during the year, but through good menu selection and taut management, budget targets have been met without a detriment to the service provided. A study of staffing requirements in the Catering Department identified that there was some over manning in the Department and this has been, and will continue to be addressed, in the coming financial year.

## **Projects**

The Margaret Thatcher Infirmary was completed in late November 2008 and occupied in early January 2009. Given the size of the project, the occupation and day to running of a large care facility is working remarkably well.

Killby & Gayford have been awarded the project to refurbish Long wards 23 & 24. This work is due for completion in May 2010.

Work is well advanced to undertake a minor refurbishment of Long Wards 1 & 2 to provide better living facilities for IPs in a relatively short timescale (3 months).

## **Procurement**

A need for a procurement manager was identified and an individual was appointed in November 2008. This individual has brought much needed advice and guidance in respect to policy and governance to the area of procurement which has already led to cost savings and more streamlined working practices.

## **Development Director**

The Development Director is responsible for building and sustaining the Royal Hospital's business development, commercial services and fundraising activities with the aim of generating additional capital and revenue streams needed to secure the future of the Institution. He is also responsible for directing the marketing and external communication activities with the aim of advancing the public awareness of the work of the Royal Hospital and of the Army's contribution to the nation.

By the end of the first year, the new Development Director had consolidated the whole of the Hospital's fundraising activities represented by the Royal Hospital Chelsea Appeal Limited and its trading subsidiary Chelsea pensioner (RH) Limited. He was also managing the activities of the re-vitalised Friends organisation.

In the current year, the Appeal has raised £4.9 million which, together with the contribution of £1.1 million from its trading subsidiary and earlier donations, enabled both the new Margaret Thatcher Infirmary to be completed on time and on budget for £27.5 million. Sufficient money has been raised to allow a small start to be made on the redevelopment of the historic Long Wards. A major challenge, both financial and technical, still looms for the majority of the Long Ward accommodation in the East and West wings.

The Chelsea Pensioners (RH) Limited has also improved gross profits by over £0.3 million so enabling a larger donation of £1.052 million to be Gift Aided to the Appeal.

The Development Department is currently assessing various new business opportunities and schemes to maximise profits from its current commercial activities.

## Financial review and results for the year

### Financial review

#### **Grant in Aid**

The Grant in Aid (GIA) funds the care of the In-pensioners, including food and utilities. During the course of the year it became clear that the cost of these services was higher than provided for in the Grant in Aid. Analysis showed that over a number of years utilities and food prices had increased well above the 2.5 per cent inflation allowed for in the GIA. There were also some additional costs in respect of running and equipping the Margaret Thatcher Infirmary (MTI). The Ministry of Defence through Headquarters Land Forces was able to provide an additional £1,000,000 funding, which ensured that the Royal Hospital was adequately funded to provide these services. The outturn on the revised GIA was an excess of expenditure over income of £126,326. If it had not been for an actuarial gain on the closed unfunded pension scheme, the excess of expenditure over income would have been £155,326. In cash flow terms there was only a deficit of £2,869 in GIA, reflecting the tautness of funding. The difference between the SOFA and the cash flow is analysed fully in the cash flow statement. Although the GIA balance sheet shows an excess of liabilities over assets, payments due from Grant in Aid will continue to be made due to the continuing MoD funding.

#### **Army Prize Money and Legacy Fund**

The Army Prize Money and Legacy Fund had receipts of £8,887,027 of which £6,664,191 related to transfers from the Appeal in respect of the construction costs for the MTI. Revenue expenditure charged to the APML was £9,573,736 of which £7,232,414 related to depreciation on Fixed Assets.

The MTI was paid for from the Army Prize Money and Legacy Fund, reimbursed from funds from RHC Appeal Ltd and CP(RH) Ltd, and appears on the balance sheet of the Army Prize Money and Legacy Fund at a gross value of £27,304,308. During the course of the year it was necessary to utilise reserves within the Army Prize Money and Legacy Fund to pay for some stage payments. These payments are being reimbursed by RHC Appeal Ltd.

The Army Prize Money and Legacy Fund has sufficient cash and reserves to meet its commitments for the next year and is deemed to be a going concern.

#### **Pension liability**

Although the employees of the Royal Hospital 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 16 retired members (or their widows), and has been closed to new entrants. The scheme is a final salary scheme with benefits based on number of years' service and final salary. Under FRS 17 there is a liability of £423,000 attributable to the Grant in Aid fund (see note 30).

#### **Reserves policy**

The Grant in Aid is not permitted to hold any reserves. The Army Prize Money and Legacy Fund holds a designated reserve of £1,093,907 in respect of the Development Fund. As at 31 March 2009 it had restricted funds of £47,255, being the unconsumed portion of the Soffe Legacy for the provision of altar plate. Royal Hospital Chelsea Appeal Limited holds both restricted and unrestricted reserves. These are designated to the Development Project, of which £500,650 is restricted to the Long Wards modernisation. Chelsea Pensioner (RH) Limited holds no designated reserves.

## Tangible fixed assets

The Hospital's operational land and buildings are stated at a professional valuation obtained in 2007-2008. In accordance with the Royal Institute of Chartered Surveyors, guidance, the valuation basis is depreciated replacement cost. This basis is intended to measure the value to the Hospital of the assets in their present location, use and condition. The investment estate has been valued at £21,900,000 on an open market basis while the operational estate has been valued at £570,650,674 on a depreciated replacement cost basis. The Margaret Thatcher Infirmary was added to the asset register in 2008-2009 at a valuation of £27,304,308.

## Investment policy and objectives

The Hospital's portfolios are managed by investment managers who have been given discretion to manage them by investing in equities and fixed interest securities, within benchmarks which are set and regularly reviewed by the Commissioners. The Commissioners also review the terms of engagement and levels of remuneration of the investment managers.

The Commissioners' policy is to provide a defined level of income annually as well as capital growth in real terms over the longer period. The Commissioners believe that this investment policy remains appropriate. The decision in earlier years to establish a Capital Projects Fund in cash was seen to be prudent, as this cash fund had to be utilised to allow infirmary construction.

## Payments to suppliers

The hospital aims to pay all suppliers within 30 days of receipt of the invoice.

## Plans for future periods

### Development plans

The most significant plan affecting the Royal Hospital in the short term is the modernisation of Long Wards 23 and 24 (the former Temporary Infirmary) to en-suite standards, and the refurbishment of Long Wards 1 and 2. Medium term plans concentrate on the modernisation of all the Long Ward accommodation, little changed since the days of Sir Christopher Wren, to incorporate en-suite facilities and to cater for female In-Pensioners.

### Audit Arrangements

The accounts of the Royal Hospital are audited by the Comptroller and Auditor General in accordance with the Letters Patent dated 23 November 2003 under Section 43 of the Charities Act 1993. An audit fee of £32,000 has been charged for the audit and is included in the Governance costs of the Hospital. No non-audit work was carried out on behalf of the Hospital in 2008-2009.

All relevant audit information has been disclosed to the entity's auditors.

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of aims and objectives set by the Commissioners of the Royal Hospital Chelsea whilst safeguarding the public funds and assets for which I am personally responsible in accordance with a letter of delegation from the Permanent Secretary of the Ministry of Defence.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Royal Hospital's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the Royal Hospital for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

The Royal Hospital Chelsea has established the following processes to handle risk

- the maintenance and regular review of a business wide risk assessment register, with changes reported to the Audit Committee;
- publication of a detailed emergency response plan, embracing local authorities and agencies, in case of accident or disaster;
- the setting up of a chain of command with a control centre and incident control points equipped to handle physical disasters and accidents, with particular emphasis on response outside normal working hours;
- a business continuity plan; and
- regular Health and Safety reviews.

## The risk control framework

- A Management Board meets monthly to consider the budgetary position, management planning and the strategic direction of the Royal Hospital (the Board comprises the Lieutenant Governor, the Secretary and the Heads of Department).
- Regular reports are made by internal auditors to standards defined in the Government Internal Audit Manual which include the Internal Auditors' independent opinion on the adequacy and effectiveness of the Royal Hospital Chelsea's system of internal control together with recommendations for improvement.
- Every department is required to have First Aid staff with up to date qualifications.
- Regular practice of emergency procedures takes place, including the involvement of the In-Pensioners.
- There is Regular Health and Safety training covering all aspects from fire fighting to the lifting of heavy objects. This is carried out under the auspices of the Royal Hospital's Health and Safety Officer.



## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Royal Hospital who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Commissioners' Audit Committee and a plan to address weaknesses and ensure continuing improvement of the systems is in place. This process is carried out as follows

- Periodic reports from the Chairman of the Audit Committee to the Board of Commissioners concerning internal control.
- Internal Audit reviews of internal control and risk management. Internal Audit Services were provided by Horwath Clark Whitehill.
- Regular reviews by the Risk Manager for each risk area.
- Regular reports from heads of departments on the steps they are taking to manage risks in their areas of responsibility including action to be taken in the event of difficulties in delivering essential services.

So far as the Commissioners and Accounting Officer are aware, there is no relevant audit information of which the Hospital's auditors are unaware. They have taken all steps to make themselves aware of any relevant audit information and to make sure that the Hospital's auditors are aware of that information.

*PWD Hatt*  
Secretary and Accounting Officer

13 July 2009

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

I certify that I have audited the financial statements of Royal Hospital Chelsea for the year ended 31 March 2009 under the Chelsea Hospital Act 1876. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet and the Royal Hospital Chelsea Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Commissioners, Secretary and Auditor

The Commissioners and the Secretary, as Accounting Officer, are responsible for preparing the Annual Report and the financial statements in accordance with the Chelsea Hospital Act 1876 and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland). I have been appointed as auditor by the Letters Patent dated 23 November 2003 under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of the Charities Act 1993.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Chelsea Hospital Act 1876. I report to you whether, in my opinion, the information given in the Annual Report, which comprises Aims, Objectives and Activities, a Review of Achievements And Performance For The Year, a Financial Review and Future Plans, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Royal Hospital Chelsea has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Royal Hospital Chelsea's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Royal Hospital Chelsea's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises Aims, Objectives and Activities, a Review of Achievements And Performance For The Year, a Financial Review and Future Plans. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Commissioners and the Secretary in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Royal Hospital Chelsea's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Chelsea Hospital Act 1876, of the state of the Royal Hospital Chelsea's affairs as at 31 March 2009 and of its incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Chelsea Hospital Act 1876; and
- information included within the Annual Report, which comprises Aims, Objectives and Activities, a Review of Achievements And Performance For The Year, a Financial Review and Future Plans, is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

13 July 2009

National Audit Office  
151 Buckingham Palace Road  
London  
SW1W 9SS

## Consolidated Statement of Financial Activities for the year ended 31 March 2009

	Notes	Grant in Aid Fund Unrestricted Funds	Army Prize Money and Legacy Fund Unrestricted Funds	Subsidiaries Unrestricted Funds	Restricted Funds	<b>Total Group Funds 2009</b>	Total Group Funds 2008
<b>Incoming Resources</b>							
<b>Incoming Resources from generated funds</b>							
Voluntary income	2	0	810,440	0	0	<b>810,440</b>	1,547,355
Activities for generating funds	3	0	29,997	0	0	<b>29,997</b>	27,052
Investment income	4	0	1,125,797	0	0	<b>1,125,797</b>	870,768
Charitable activities	5	10,487,000	0	6,386,949	414,000	<b>17,287,949</b>	15,806,330
Other incoming resources	6	1,199,119	6,920,793	0	0	<b>8,119,912</b>	14,278,165
<b>Total incoming resources</b>		<b>11,686,119</b>	<b>8,887,027</b>	<b>6,386,949</b>	<b>414,000</b>	<b>27,374,095</b>	<b>32,529,670</b>
<b>Resources expended</b>							
<b>Costs of generating funds</b>							
Costs of generating voluntary income	7	598,825	389,917	8,155,927	414,000	<b>9,558,669</b>	15,581,974
Fundraising trading: cost of goods sold and other costs	8	0	32,454	0	0	<b>32,454</b>	28,601
Investment management costs		0	45,858	0	0	<b>45,858</b>	61,570
<i>Charitable activities</i>							
Infirmity Nursing and Medical	9	2,697,009	1,118	0	0	<b>2,698,127</b>	2,827,638
Welfare & ceremonial	10	1,054,182	196,734	0	0	<b>1,250,916</b>	1,197,262
Facilities Management	11	5,616,453	315,517	0	0	<b>5,931,970</b>	5,098,795
Projects	14	322,741	1,005,440	0	0	<b>1,328,181</b>	120,918
Administrative Support	12	1,380,288	223,898	0	0	<b>1,604,186</b>	1,488,979
<i>Other resources expended</i>							
Depreciation	19	72,296	7,232,414	6,266	0	<b>7,310,976</b>	7,940,930
Provisions	27	49,525	20,201	0	0	<b>69,726</b>	87,111
Governance costs	15	50,126	110,189	0	0	<b>160,315</b>	207,346
<b>Total resources expended</b>		<b>11,841,445</b>	<b>9,573,740</b>	<b>8,162,193</b>	<b>414,000</b>	<b>29,991,378</b>	<b>34,641,124</b>
<b>Net incoming/outgoing resources before transfers</b>		<b>(155,326)</b>	<b>(686,713)</b>	<b>(1,775,244)</b>	<b>0</b>	<b>(2,617,283)</b>	<b>(2,111,454)</b>

## Consolidated Statement of Financial Activities for the year ended 31 March 2009 *continued*

	Notes	Grant in Aid Fund Unrestricted Funds	Army Prize Money and Legacy Fund Unrestricted Funds	Subsidiaries Unrestricted Funds	Restricted Funds	<b>Total Group Funds 2009</b>	Total Group Funds 2008
<b>Transfers</b>							
Gross transfers	18	0	0	0	0	0	0
<b>Net incoming/outgoing resources before other recognised gains and losses</b>							
		(155,326)	(686,713)	(1,775,244)	0	<b>(2,617,283)</b>	(2,111,454)
<i>Other recognised gains/losses</i>							
Realised profit/loss on investments		0	(749,569)	(10,573)	0	<b>(760,142)</b>	(161,109)
Realised loss on disposal of fixed assets		0	0	0	0	<b>0</b>	(6,449)
Unrealised gains/losses on investment assets	17	0	(1,345,279)	0	0	<b>(1,345,279)</b>	(663,650)
Prior Years AUC reclassified As Expense		0	(392,962)	0	0	<b>(392,962)</b>	0
Actuarial gains/losses on defined benefit pension schemes	30	29,000	0	0	0	<b>29,000</b>	(20,000)
Movement on revaluation reserve		0	0	0	0	<b>0</b>	272,797,122
<b>Net movement in funds</b>		<b>(126,326)</b>	<b>(3,174,523)</b>	<b>(1,785,817)</b>	<b>0</b>	<b>(5,086,666)</b>	269,834,460
<b>Reconciliation of Funds</b>							
Total funds brought forward		(527,921)	610,811,028	1,820,448	500,650	<b>612,604,206</b>	342,769,745
<b>Total funds carried forward</b>		<b>(654,247)</b>	<b>607,636,505</b>	<b>34,631</b>	<b>500,650</b>	<b>607,517,540</b>	612,604,205

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

## Consolidated Balance Sheet as at 31 March 2009

	Notes	Total Group Funds	
		2009	2008
		£	£
<b>Fixed assets</b>			
Tangible assets			
Heritage	19	<b>545,672,934</b>	552,385,979
Non-heritage	19	<b>30,148,860</b>	22,668,199
Listed investments	20	<b>7,032,409</b>	11,263,463
Investment property	21	<b>21,910,000</b>	21,910,000
		<b>604,764,203</b>	608,227,641
<b>Current assets</b>			
Stocks	22	<b>32,751</b>	73,469
Debtors	23	<b>368,768</b>	573,272
<b>Cash at bank and in hand</b>	24	<b>4,928,268</b>	8,449,312
Current asset investments		<b>0</b>	38,000
		<b>5,329,787</b>	9,134,053
<b>Creditors: amounts falling due within one year</b>	25	<b>(1,728,672)</b>	(3,538,330)
<b>Net current assets</b>		<b>3,601,115</b>	5,595,723
<b>Total assets less current liabilities</b>		<b>608,365,318</b>	613,823,364
<b>Creditors: amounts falling due over one year</b>	26	<b>(350,542)</b>	(666,049)
Provisions for liabilities and charges	27	<b>(74,236)</b>	(87,111)
<b>Pensions liability</b>	30	<b>(423,000)</b>	(466,000)
<b>Total assets less liabilities</b>		<b>607,517,540</b>	612,604,205
<b>Reserves</b>			
Grant in Aid Fund		<b>(654,247)</b>	(521,200)
GIA revaluation reserve		<b>0</b>	(6,721)
<i>Army Prize Money and Legacy Fund: Hospital Funds</i>			
Restricted Funds		<b>110,899</b>	95,196
Unrestricted Funds		<b>262,848,037</b>	266,038,263
Revaluation Reserve		<b>344,677,569</b>	344,677,569
<i>Funds retained in Royal Hospital Chelsea Appeal Ltd</i>			
Unrestricted		<b>7,784</b>	1,795,088
Restricted		<b>500,650</b>	500,650
Retained Profit CPRH Ltd		<b>26,847</b>	25,360
Consolidated Army Prize Money and Legacy Fund		<b>608,171,787</b>	613,132,126
<b>Total reserves</b>		<b>607,517,540</b>	612,604,205

## Royal Hospital Chelsea Balance Sheet as at 31 March 2009

	Notes	Grant in Aid Fund £	Army Prize Money and Legacy Fund £	<b>Total Hospital Funds 2009 £</b>	Total Funds 2008 £
<b>Fixed assets</b>					
Tangible assets					
Heritage	19	0	545,672,934	<b>545,672,934</b>	552,385,979
Non-heritage		230,594	29,880,130	<b>30,110,724</b>	22,623,797
Listed investments	20	0	7,032,409	<b>7,032,409</b>	11,263,463
Investment property	21	0	21,910,000	<b>21,910,000</b>	21,910,000
		<u>230,594</u>	<u>604,495,473</u>	<b><u>604,726,067</u></b>	<u>608,183,239</u>
<b>Current assets</b>					
Stocks	22	0	0	<b>0</b>	36,872
Debtors	23	120,771	1,905,308	<b>2,026,079</b>	454,886
Cash at bank and in hand	24	992	3,122,124	<b>3,123,116</b>	5,424,423
Current asset investments		0	0	<b>0</b>	0
		<u>121,763</u>	<u>5,027,432</u>	<b><u>5,149,195</u></b>	<u>5,916,181</u>
<b>Creditors: amounts falling due within one year</b>	25	<u>(448,852)</u>	<u>(1,596,374)</u>	<b><u>(2,045,226)</u></b>	<u>(2,597,152)</u>
<b>Net current assets</b>		<u>(327,089)</u>	<u>3,431,058</u>	<b><u>3,103,969</u></b>	<u>3,319,029</u>
<b>Total assets less current liabilities</b>		<u>(96,495)</u>	<u>607,926,531</u>	<b><u>607,830,036</u></b>	<u>611,502,268</u>
<b>Long term creditors</b>	26	<u>(85,227)</u>	<u>(265,315)</u>	<b><u>(350,542)</u></b>	<u>(666,049)</u>
<b>Provisions for liabilities and charges</b>	27	<u>(49,525)</u>	<u>(24,711)</u>	<b><u>(74,236)</u></b>	<u>(87,111)</u>
<b>Net assets excluding pension liability</b>		<u>(231,247)</u>	<u>607,636,505</u>	<b><u>607,405,258</u></b>	<u>610,749,108</u>
<b>Pension liability</b>	30	<u>(423,000)</u>	<u>0</u>	<b><u>(423,000)</u></b>	<u>(466,000)</u>
<b>Net assets including pension liability</b>		<u>(654,247)</u>	<u>607,636,505</u>	<b><u>606,982,258</u></b>	<u>610,283,108</u>
<b>Reserves</b>					
Restricted funds		0	110,899	<b>110,899</b>	95,196
<b>Unrestricted income funds</b>					
Grant in Aid Fund		(654,247)	0	<b>(654,247)</b>	(521,200)
Army Prize and Legacy Fund		0	262,848,037	<b>262,848,037</b>	266,038,263
Revaluation Reserve		0	344,677,569	<b>344,677,569</b>	344,670,849
<b>Total funds</b>		<u>(654,247)</u>	<u>607,636,505</u>	<b><u>606,982,258</u></b>	<u>610,283,108</u>

## Consolidated Cash Flow Statement for the year ended 31 March 2009

	Grant in Aid Fund	Army Prize Money and Legacy Fund	<b>Total Group Funds 2009</b>
	£	£	£
<b>Net cash flow from operating activities</b>	(21,970)	679,449	<b>657,479</b>
<b>Returns on investment</b>			
Interest received	19,101	262,933	<b>282,034</b>
Dividends received	0	364,940	<b>364,940</b>
Rent received from investment properties	0	760,857	<b>760,857</b>
	<u>19,101</u>	<u>1,388,730</u>	<u><b>1,407,831</b></u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire listed investments	0	(3,592,376)	<b>(3,592,376)</b>
Cost of listed investments sold	0	4,586,137	<b>4,586,137</b>
Proceeds from sale of fixed assets	0	0	<b>0</b>
Payments to acquire tangible fixed assets	0	(8,472,129)	<b>(8,472,129)</b>
	<u>0</u>	<u>(7,478,368)</u>	<u><b>(7,478,368)</b></u>
Management of liquid resources			
Capital Projects Fund Growth	0	1,892,014	<b>1,892,014</b>
Increase/(decrease) in cash	(2,869)	(3,518,175)	<b>(3,521,044)</b>
Movement in individual funds in year	(2,869)	(3,518,175)	<b>(3,521,044)</b>

## Reconciliation of net incoming/(outgoing) resources to net cash flow from operating activities

	£	£	£
Net incoming/(outgoing) resources before transfers	(155,326)	(2,461,957)	<b>(2,617,283)</b>
Interest receivable	(19,101)	(262,933)	<b>(282,034)</b>
Income from listed investments	0	(364,940)	<b>(364,940)</b>
Income from Investment properties	0	(760,857)	<b>(760,857)</b>
Depreciation	72,296	7,238,680	<b>7,310,976</b>
Decrease/(increase) in stocks	36,872	3,846	<b>40,718</b>
Decrease/(increase) in debtors	(13,416)	217,920	<b>204,504</b>
Decrease/(increase) in current asset investments	0	38,000	<b>38,000</b>
Increase/(decrease) in creditors	21,180	(2,146,344)	<b>(2,125,164)</b>
Movement in provisions	49,525	(62,400)	<b>(12,875)</b>
Correction of FAR/GL Discrepancy	0	576	<b>576</b>
Loss on disposal of investments	0	(760,142)	<b>(760,142)</b>
Difference between FRS17 charge and pension payments	(14,000)	0	<b>(14,000)</b>
<b>Net cash flow from operating activities</b>	<u>(21,970)</u>	<u>679,449</u>	<u><b>657,479</b></u>
	At 1 April 2008	Cash flow	<b>At 31 March 2009</b>
	£	£	£
Term deposits (liquid resources)	4,000,000	(2,035,000)	<b>1,965,000</b>
Other accounts and cash in hand	4,449,312	(1,486,044)	<b>2,963,268</b>
<b>Total</b>	<u>8,449,312</u>	<u>(3,521,044)</u>	<u><b>4,928,268</b></u>



# Notes to the financial statements for the year ended 31 March 2009

## 1 Accounting policies

### a Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and comply with the Companies Act 1985. The financial statements have been prepared in accordance with *Accounting by Charities: Statement of Recommended Practice (revised 2005)* (the Charities SORP) issued in March 2005 and applicable United Kingdom Accounting Standards. Where appropriate, comparative figures have been restated.

Consolidated financial statements have been prepared for the Hospital and its two subsidiary companies, Royal Hospital Chelsea Appeal Limited, formerly named Chelsea Pensioners 2000 Limited, and Chelsea Pensioner (RH) Limited.

### b Recognition of incoming resources

Voluntary income and donations are accounted for in the Statement of Financial Activities (SOFA) as they are received. Grant in Aid, rents and earned income are accounted for as they are receivable.

### c Outgoing resources

Expenditure is allocated to expense headings on a direct cost basis. Any Value Added Tax (VAT) which is irrecoverable is included with the item to which it relates.

### d Fund analysis

The primary statements and the notes to the accounts are analysed between the two main funds of the Hospital, the Grant in Aid Fund and the Army Prize Money and Legacy Fund, which subsumes the Drouly, Ingram, Ranelagh and De la Fontaine Legacies. In the consolidated statements, the transactions and balances of the subsidiaries are included in the Army Prize Money and Legacy Fund. In terms of the Charities SORP, all material funds are unrestricted with the exception of Royal Hospital Chelsea Appeal Limited, but separate analysis is included in the accounts statements.

### e Tangible fixed assets

Freehold property is stated at valuation on a depreciated replacement cost basis. Valuations by independent professionally qualified valuers are obtained at five yearly intervals with the most recent revaluation taking place this financial year. Other tangible fixed assets are capitalised at their estimated depreciated replacement cost or at historic cost on acquisition. Since 2004 all new capital expenditure has been funded from the Army Prize Money and Legacy Fund. Improvements and additions in periods between valuations are capitalised at historic cost. Depreciation is provided at rates calculated to write off the value of each asset, except freehold land, assets in course of construction, and exhibits, over its expected useful life, 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 – 10 years straight line
Plant and machinery	10 – 25 years straight line
Motor vehicles	10 – 15 years straight line
Office Equipment	7 – 10 years straight line
Computers	3 years straight line

Assets are reviewed for the likelihood of material impairments annually.

*f Heritage assets*

New heritage assets are capitalised at cost upon acquisition. Existing heritage assets have not been capitalised in accordance with Chapter 5 of the Financial Reporting Manual.

*g Investment properties*

Investment properties are shown at their open market value. Valuations by independent professionally qualified valuers are obtained at five yearly intervals. No depreciation is charged on investment properties.

*h Capitalisation thresholds*

The lower limit for capitalisation of land and buildings is £10,000. For all other fixed assets it is £5,000.

*i Listed investments*

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

*j Stocks*

Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items. Trading stock is valued on a first in first out basis (FIFO).

*k Pensions*

The nature of the Hospital's pension schemes are set out in Note 30. The pension costs charged to the SOFA represent the contributions payable to the Schemes on behalf of members of staff.

*l Taxation*

The Hospital is recognised as charitable by HM Revenue & Customs and is generally exempt from Corporation Tax on surpluses and capital gains. The Hospital has de-registered for the purposes of VAT. Irrecoverable VAT is included in the SOFA with the item to which it relates. CP(RH) Ltd (the trading subsidiary company is registered for VAT).

**2 Voluntary income**

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total Group funds 2009 £</b>	Prior year total group 2008 £
Donations and legacies	0	810,440	0	<b>810,440</b>	1,547,355

Donations and legacies include £37,525 (2007: £118,367) received from the EH Dashwood Estate. The Hospital is entitled to 25 per cent of the net estate, which consists of property and equity investments. The trustees of the estate make periodic distributions to the beneficiaries from the net income of the estate's investments and the proceeds of investment sales. The Hospital is not provided with full information on the market value of its interest in the estate, and therefore accounts for this legacy on the basis of distributions received. The total income from all legacies this year was £247,490 (2007: £619,057). All donations and legacies that do not relate to RHC Appeal Ltd are credited to the Army Prize Money & Legacy Fund. Both legacy and donation income is lower than last year. With donations the largest single cause is that £750,000 from CP(RH) Ltd that would normally have been treated as a donation for general purposes was used to finance project payments on the Margaret Thatcher Infirmary, and as such features in 'Other Income' rather than donations.

### 3 Activities for generating funds

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Prince of Wales Hall	0	29,997	0	<b>29,997</b>	27,052

The Prince of Wales Hall is primarily a welfare facility. Although the turnover is higher this year, the cost of sales exceeded turnover and it made a net deficit of £2,458.

### 4 Investment income

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Dividends for year	0	364,940	0	<b>364,940</b>	407,571
Income from property	0	760,857	0	<b>760,857</b>	463,197
<b>Total</b>	0	1,125,797	0	<b>1,125,797</b>	870,768

The Hospital owns the freehold of its investment properties and has granted head leases to various head tenants. The head tenants have in turn granted underleases to sub tenants.

Under the Leasehold Reform Housing and Urban Development Act 1993, tenants were given the right to extend their leases by ninety years. The Act specifies that a premium is payable for the granting of such extensions and gives details of how this is to be calculated. The amount of £760,857 shown as income from investment properties includes £499,961 paid to the Hospital in respect of such premiums (£221,098 in 2007-2008).

The reduction in dividend income reflects current economic conditions.

### 5 Charitable activities

	Grant in Aid Unrestricted funds £	Subsidiaries Unrestricted funds £	Subsidiaries Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Grant in Aid	10,487,000	0	0	<b>10,487,000</b>	9,554,000
Limited companies income	0	6,386,949	414,000	<b>6,800,949</b>	6,252,330
<b>Total</b>	10,487,000	6,386,949	414,000	<b>17,287,949</b>	15,806,330

There are no specific conditions on the Grant in Aid other than that it should be spent on revenue expenditure in accordance with the Crown Letters Patent and the Funding Agreement made with the Ministry of Defence. The additional Grant in Aid funding was given to cover shortfalls arising from increases in food and utilities prices over a number of years that were higher than the inflation factor applied to the Grant in Aid. It also covered some additional costs arising from the opening of the Margaret Thatcher Infirmary.

**6 Other incoming resources**

	Grant in Aid	Army Prize Money		<b>Total group</b>	Prior year
	Unrestricted	and Legacy fund			
	funds	Unrestricted	Restricted	<b>2009</b>	2008
	£	funds	funds	£	£
Staff Cost recoveries	648,084	0	0	<b>648,084</b>	554,134
Staff accommodation charges	223,398	0	0	<b>223,398</b>	218,426
Family practice	18,816	0	0	<b>18,816</b>	29,155
Meal charges	85,041	(29)	0	<b>85,012</b>	72,441
Events recoveries	12,481	(4,366)	0	<b>8,115</b>	41,156
Pension contributions	118,606	0	0	<b>118,606</b>	112,053
Bank interest	19,101	206,553	0	<b>225,654</b>	307,565
Other income	73,592	54,444	0	<b>128,036</b>	22,845
Donations from Appeal	0	6,664,191	0	<b>6,664,191</b>	12,920,390
<b>Total</b>	<b>1,199,119</b>	<b>6,920,793</b>	<b>0</b>	<b>8,119,912</b>	<b>14,278,165</b>

Cost recoveries for staff represent charges to Royal Hospital Chelsea Appeal Ltd and Chelsea Pensioner (RH) Ltd in respect of costs incurred in support of their activities. In prior years they were included in miscellaneous income. The donations from Appeal are in respect of stage payments for the Margaret Thatcher Infirmary. They also include £750,000 from CP(RH) Ltd as a contribution to the costs of the infirmary.

**7 Costs of generating voluntary income**

	Grant in Aid	Army Prize	Subsidiaries	Subsidiaries	<b>Total Group</b>	Prior Year
	Unrestricted	Money and	Unrestricted	Restricted		
	Funds	Legacy Fund	Funds	Funds	<b>2009</b>	2008
	£	Unrestricted Funds	£	£	£	£
Staff costs	596,316	291,328	0	0	<b>887,644</b>	752,191
Support and training	0	1,569	0	0	<b>1,569</b>	1,859
Other costs	2,509	97,020	8,172,766	414,000	<b>8,686,295</b>	14,827,926
<b>Total</b>	<b>598,825</b>	<b>389,917</b>	<b>8,172,766</b>	<b>414,000</b>	<b>9,575,508</b>	<b>15,581,976</b>

These costs were incurred within the Development Directorate. The subsidiaries costs include donations from the Royal Hospital Chelsea Appeals Ltd to the Army Prize Money and Legacy Fund. The Grant in Aid costs were all reclaimed from the subsidiaries and the APML as staff cost recharges, which is part of the income element of the SOFA. The subsidiaries costs in this table include depreciation of £6,266 and a realised loss on investments of £10,573, which are shown in separate lines in the SOFA.

## 8 Fundraising trading: costs of goods sold and other costs

The Hospital has two subsidiary companies.

### *Royal Hospital Chelsea Appeal Limited (formerly Chelsea Pensioners 2000 Limited)*

The company is limited by guarantee and incorporated in England and Wales, and is a registered charity. This company owns the shares of Chelsea Pensioner (RH) Ltd (below).

The Hospital controls the company because its rules require that the majority of the Board of Directors should be Commissioners of the Royal Hospital.

### *Chelsea Pensioner (RH) Limited*

The company is limited by shares and is incorporated in England and Wales. Its share capital is wholly owned by Royal Hospital Chelsea Appeal Limited, and as a result it is also a subsidiary of the Hospital. It was formed in order to conduct non-charitable trading and commercial fund raising activities, including the Chelsea Flower Show. The company's profits are transferred under gift aid rules to Royal Hospital Chelsea Appeal Limited, and ultimately from that company to the Hospital. In total the limited companies donated £7,528,191 to the Army Prize Money and Legacy Fund. Most of this is in respect of payments for the Margaret Thatcher Infirmary. A summary of the accounts is below

### **RHC Appeal Ltd – Summary of Group Accounts**

	2009 £	2008 £
Income	<b>6,800,949</b>	6,252,330
Expenditure	<b>(8,586,766)</b>	(14,729,294)
Net Movement of Funds	<b>(1,785,817)</b>	(8,476,964)
Fixed assets	<b>38,136</b>	44,402
Stock	<b>32,751</b>	36,597
Debtors	<b>1,373,558</b>	345,147
Cash	<b>1,805,152</b>	3,024,889
Investments	<b>0</b>	38,000
<b>Creditors: less than 1 year</b>	<b>(2,714,316)</b>	(1,167,937)
Net assets and funds carried forward	<b>535,281</b>	2,321,098
Funds retained in RHC Appeal Ltd	<b>535,281</b>	2,321,098
Reserves		
Restricted Funds	<b>500,650</b>	500,650
Unrestricted	<b>34,631</b>	1,820,448
	<b>535,281</b>	2,321,098

Expenditure includes donations from RHC Appeal Ltd to the Royal Hospital.

### The Prince of Wales Hall

The Prince of Wales Hall is a welfare facility, but it does trade in light refreshments with the aim of breaking even. In some years it has produced a small profit. In 2008-2009 it produced a small deficit.

	2009 £	2008 £
Turnover	<b>29,997</b>	27,052
Cost of Sales	<b>(32,454)</b>	(28,601)
Gross profit	<b>(2,457)</b>	(1,549)
Net profit/(loss)	<b>(2,457)</b>	(1,549)

### 9 Care services

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Staff costs	2,586,616	0	0	<b>2,586,616</b>	2,698,604
Staff support and training	22,225	0	0	<b>22,225</b>	29,077
Direct expenses	57,485	154	0	<b>57,639</b>	74,359
Office overheads	16,788	531	0	<b>17,319</b>	9,701
Travel	9,002	433	0	<b>9,435</b>	3,521
Professional charges	4,893	0	0	<b>4,893</b>	12,375
<b>Total</b>	<b>2,697,009</b>	<b>1,118</b>	<b>0</b>	<b>2,698,127</b>	<b>2,827,637</b>

The above costs were incurred in the care of in-pensioners in the infirmary, and in providing outpatient care. The costs are lower than last year, because infirmary porters and domestic staff transferred to the Director of Facilities Management from October.

### 10 Welfare and ceremonial costs

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Staff costs	894,578	0	0	<b>894,578</b>	897,756
Staff support and training	95,534	510	0	<b>96,044</b>	(5,391)
Direct expenses	3,139	110,141	0	<b>113,280</b>	145,821
Office overheads	18,231	72	0	<b>18,303</b>	7,119
Travel	9,186	86,011	0	<b>95,197</b>	123,656
Publicity	33,514	0	0	<b>33,514</b>	28,301
<b>Total</b>	<b>1,054,182</b>	<b>196,734</b>	<b>0</b>	<b>1,250,916</b>	<b>1,197,262</b>

The above costs, which are specifically related to In-Pensioner welfare, were incurred in the Adjutant's Department.

**11 Facilities management costs**

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Staff costs	2,750,328	0	0	<b>2,750,328</b>	2,641,107
Staff support and training	21,871	0	0	<b>21,871</b>	10,549
Direct expenses	1,774,543	118,371	0	<b>1,892,914</b>	1,766,265
Office overheads	7,174	454	0	<b>7,628</b>	2,798
Travel	4,070	1,251	0	<b>5,321</b>	5,078
Professional charges	29,884	0	0	<b>29,884</b>	0
Works maintenance	1,028,583	195,441	0	<b>1,224,024</b>	672,997
<b>Total</b>	<b>5,616,453</b>	<b>315,517</b>	<b>0</b>	<b>5,931,970</b>	<b>5,098,794</b>

During the course of this year the Director of Facilities Management took on responsibility for infirmary porters and domestic staff. When the Margaret Thatcher Infirmary opened in January 2009, it was necessary to increase the numbers of these staff in view of the increased workload.

**12 Management and administration**

	Grant in Aid Unrestricted funds £	Army Prize Money and Legacy fund Unrestricted funds £	Restricted funds £	<b>Total group funds 2009 £</b>	Prior year total group 2008 £
Staff costs	801,775	65,309	0	<b>867,084</b>	824,244
Staff support and training	50,923	15,174	0	<b>66,097</b>	62,891
Direct expenses	429,389	125,351	0	<b>554,740</b>	466,962
Office overheads	65,304	2,189	0	<b>67,493</b>	67,943
Travel	771	13,087	0	<b>13,858</b>	8,507
Publicity	0	1,510	0	<b>1,510</b>	23,928
Bank charges	126	139	0	<b>265</b>	150
Pension finance costs	32,000	0	0	<b>32,000</b>	26,000
Works maintenance	0	1,139	0	<b>1,139</b>	8,355
<b>Total</b>	<b>1,380,288</b>	<b>223,898</b>	<b>0</b>	<b>1,604,186</b>	<b>1,488,980</b>

The above costs include some centrally controlled costs and the Headquarters costs of the Royal Hospital. Direct expenses are higher than last year through a number of factors. These are principally an accrual in respect of overtime and premium pay for the whole Royal Hospital, the write off of consumable stock balances, and budgeted increased levels of spending on information technology, telecommunications and photocopiers in respect of the whole hospital, including costs incurred as a result of opening the Margaret Thatcher Infirmary.

**13 Development Director**

The costs of the Development Director equate to the Costs of Generating Voluntary Income, which are covered in Note 7 above.

## 14 Projects Office

	Grant in Aid	Army Prize Money		<b>Total group</b>	Prior year
	Unrestricted	and Legacy fund			
	funds	Unrestricted	Restricted	<b>2009</b>	2008
	£	£	£	£	£
Staff costs	52,415	0	0	<b>52,415</b>	117,371
Staff support and training	291	0	0	<b>291</b>	2,203
Direct expenses	265,843	990,050	0	<b>1,255,893</b>	0
Office overheads	35	8	0	<b>43</b>	911
Travel	0	11,069	0	<b>11,069</b>	433
Professional charges	4,157	0	0	<b>4,157</b>	0
Works maintenance	0	4,313	0	<b>4,313</b>	0
<b>Total</b>	<b>322,741</b>	<b>1,005,440</b>	<b>0</b>	<b>1,328,181</b>	<b>120,918</b>

During the course of 2008-2009 the Projects Office ceased to exist as a discrete entity, and was absorbed into the Directorate of Facilities Management. The £1,255,893 Direct Expenses principally relates to furniture fittings and equipment for the Margaret Thatcher Infirmary, where these items were below the capitalisation threshold.

## 15 Governance costs

	Grant in Aid	Army Prize Money		<b>Total group</b>	Prior year
	Unrestricted	and Legacy fund			
	funds	Unrestricted	Restricted	<b>2009</b>	2008
	£	£	£	£	£
Audit fees	29,616	32,435	0	<b>62,051</b>	59,575
Surveyors' fees	0	10,150	0	<b>10,150</b>	42,821
Consultancy fees	13,095	13,193	0	<b>26,288</b>	48,793
Legal fees	7,415	54,411	0	<b>61,826</b>	56,157
<b>Total</b>	<b>50,126</b>	<b>110,189</b>	<b>0</b>	<b>160,315</b>	<b>207,346</b>

The actual fee charged by the National Audit Office for the audit of the Hospital's consolidated financial statements was £32,000. (2008: £32,000). The reduction in consultancy fees reflects reduced usage of consultants in 2008-2009.

## 16 Staff costs and numbers; Commissioners' emoluments

Staff costs within the Royal Hospital are as follows

	Grant in Aid	Army Prize Money	<b>Total funds</b>	Total funds
	fund	and Legacy fund	<b>2009</b>	2008
	£	£	£	£
Salaries and wages	5,988,750	221,450	<b>6,210,200</b>	6,006,128
Social security costs	445,464	44,537	<b>490,001</b>	457,364
Pension costs	948,799	38,471	<b>987,270</b>	971,227
Sub-total	7,383,013	304,458	<b>7,687,471</b>	7,434,719
Casual and agency pay	299,015	52,178	<b>351,193</b>	418,891
In-Pensioner pay	78,195	510	<b>78,705</b>	77,664
<b>Total</b>	<b>7,760,223</b>	<b>357,146</b>	<b>8,117,369</b>	<b>7,931,274</b>



Staff costs are allocated to the Hospital's activities as follows

	Grant in Aid fund £	Army Prize Money and Legacy fund £	<b>Total funds 2009 £</b>	Total funds 2008 £
Care Services	2,586,616	0	<b>2,586,616</b>	2,698,605
Welfare and ceremonial costs	972,773	510	<b>973,283</b>	897,756
Facilities Management	2,750,328	0	<b>2,750,328</b>	2,641,107
Management and Administration	801,775	65,309	<b>867,084</b>	824,244
Projects	52,415	0	<b>52,415</b>	117,371
Development Directorate	596,316	291,327	<b>887,643</b>	752,191
	<u>7,760,223</u>	<u>357,146</u>	<b><u>8,117,369</u></b>	<u>7,931,274</u>

The average monthly number of staff by department was as follows

	Part time	Full time	<b>2009</b>	2008
Care Services	4	78	<b>82</b>	89
Welfare and Ceremonial	1	28	<b>29</b>	26
Facilities Management	6	94	<b>100</b>	104
Management and Administration	3	15	<b>18</b>	15
Development Directorate	1	15	<b>16</b>	10
Projects	0	1	<b>1</b>	3
	<u>15</u>	<u>231</u>	<b><u>246</u></b>	<u>247</u>

#### *Higher paid employees*

Including the Governor and Lieutenant Governor, the number of employees whose remuneration was over £60,000 in 2008-2009 (excluding pension contributions) was as follows

	<b>2009 Number</b>	2008 Number
£60,000 to £69,999	<b>3</b>	4
£70,000 to £79,999	<b>1</b>	1
	<b><u>4</u></b>	<u>5</u>

Three of these staff contribute to the PCSPS defined benefits scheme.

#### *Commissioners' emoluments*

None of the Commissioners receive any remuneration for acting as Commissioners. Travel expenses of £642 were claimed during the year by three Commissioners. The Governor and Lieutenant Governor are Commissioners, and receive salaries in return for their work as executives of the Royal Hospital Chelsea. The Governor and Lieutenant Governor are employed on the basis of a five year tour subject to current employment legislation. Former Governors and Lieutenant Governors receive pensions from an unfunded defined benefit scheme: these costs are included in note 30 – Unfunded Scheme. This scheme is closed to new members.

The salary and pension entitlements of the Governor and the Lieutenant Governor were in the following bands

	Age at the year end	Salary  £000	Real increase in pension at 60 during the year £000	Total accrued pension at 60 at the year end £000	Cash equivalent transfer value at start date £000	Cash equivalent transfer value at end date £000	Real increase in cash equivalent transfer value £000
<i>General The Lord Walker</i> Governor and the highest paid Commissioner	64	75-80	0 – 2.5	2.5 – 5	36	60	21
<i>Major General APN Currie</i> Lieutenant Governor and Chief Executive	60	65–70	0 – 2.5	2.5 – 5	52	80	21

The current pension scheme is the Principal Civil Service Pension Scheme.

### 17 Unrealised gains/(losses)

	2009 £	2008 £
Revaluation of Listed Investments	(1,345,279)	(660,982)
Revaluation of Fixed Assets	<u>0</u>	<u>272,797,122</u>

The reduction in value of the investments reflects current market conditions.

### 18 Transfers between funds

No transfers took place between the Grant in Aid Fund and the Army Prize Money and Legacy Fund in 2008-2009. However, £2,193,907 was designated for the new Development Fund which the Commissioners subsequently set up at their meeting on 24 April 2008. This fund is specifically for use on the development program, and was created by transferring funds received from lease extension premiums. During the course of this year £1,100,000 of this fund was used in the procurement of furniture fittings and equipment for the Margaret Thatcher Infirmary.

## 19 Tangible fixed assets

The main development with regard to the book value of fixed assets has been the completion of the Margaret Thatcher infirmary. In December 2008 £27,303,308 was transferred from Assets Under Construction to Buildings Non-heritage dwelling. The amount capitalised is based on the construction costs and related fees including design and project management. Heritage assets are the Land and Buildings of the Royal Hospital with the exception of the more recent buildings. The buildings include work by Wren and Soane and many are Grade 1 listed. The land included in the heritage assets is the original estate of the Royal Hospital, which allows the buildings to be seen in the context intended by Sir Christopher Wren.

### Heritage and Non Heritage assets

	Assets in course of construction £	Land and buildings Dwelling £	Land and buildings Non-dwelling £	Plant, machinery and equipment £	Vehicles £	Exhibits £	Total £
<b>Cost or valuation</b>							
At 1 April 2008	19,724,195	423,641,928	138,997,575	2,575,348	187,423	55,555	585,182,024
Additions at cost	8,337,538	0	0	111,341	0	23,250	8,472,129
Reclassifications	(27,304,308)	27,304,308	0	0	0	0	0
Disposals	(392,962)	(1,522,576)	0	0	0	0	(1,915,538)
<b>At 31 March 2009</b>	<b>364,463</b>	<b>449,423,660</b>	<b>138,997,575</b>	<b>2,686,689</b>	<b>187,423</b>	<b>78,805</b>	<b>591,738,615</b>
<b>Depreciation</b>							
At 1 April 2008	0	5,735,806	3,068,599	1,250,662	72,778	0	10,127,845
Charge for year	0	4,770,780	2,330,780	195,302	14,114	0	7,310,976
Disposals in year	0	(1,522,000)	0	0	0	0	(1,522,000)
<b>At 31 March 2009</b>	<b>0</b>	<b>8,984,586</b>	<b>5,399,379</b>	<b>1,445,964</b>	<b>86,892</b>	<b>0</b>	<b>15,916,821</b>
<b>Net book value</b>							
At 1 April 2008	19,724,195	417,906,122	135,928,976	1,324,686	114,645	55,555	575,054,179
<b>At 31 March 2009</b>	<b>364,463</b>	<b>440,439,074</b>	<b>133,598,196</b>	<b>1,240,725</b>	<b>100,531</b>	<b>78,805</b>	<b>575,821,794</b>

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

Grant in Aid Fund	0	0	0	162,420	68,174	0	230,594
Army Prize Money and Legacy Fund	364,463	440,439,074	133,598,196	1,040,169	32,357	78,805	575,553,064
Subsidiaries	0	0	0	38,136	0	0	38,136
	<b>364,463</b>	<b>440,439,074</b>	<b>133,598,196</b>	<b>1,240,725</b>	<b>100,531</b>	<b>78,805</b>	<b>575,821,794</b>

*Heritage*

	Assets in course of construction £	Land and buildings Dwelling £	Land and buildings Non-dwelling £	Plant, machinery and equipment £	Vehicles £	Exhibits £	Total £
<b>Cost or valuation</b>							
At 1 April 2008	0	421,733,703	137,384,159	0	0	0	559,117,862
Additions at cost	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
At 31 March 2009	0	421,733,703	137,384,159	0	0	0	559,117,862
<b>Depreciation</b>							
At 1 April 2008	0	4,418,123	2,313,760	0	0	0	6,731,883
Charge for year	0	4,399,044	2,314,001	0	0	0	6,713,045
Disposals in year	0	0	0	0	0	0	0
At 31 March 2009	0	8,817,167	4,627,761	0	0	0	13,444,928
<b>Net book value</b>							
At 1 April 2008	0	417,315,580	135,070,399	0	0	0	552,385,979
At 31 March 2009	0	412,916,536	132,756,398	0	0	0	545,672,934

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

Grant in Aid Fund	0	0	0	0	0	0	0
Army Prize Money and Legacy Fund	0	412,916,536	132,756,398	0	0	0	545,672,934
Subsidiaries	0	0	0	0	0	0	0
	<b>0</b>	<b>412,916,536</b>	<b>132,756,398</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>545,672,934</b>

*Non-Heritage*

	Assets in course of construction £	Land and buildings Dwelling £	Land and buildings Non-dwelling £	Plant, machinery and equipment £	Vehicles £	Exhibits £	Total £
<b>Cost or valuation</b>							
At 1 April 2008	19,724,195	1,908,225	1,613,416	2,575,348	187,423	55,555	26,064,162
Additions at cost	8,337,538	0	0	111,341	0	23,250	8,472,129
Reclassifications	(27,304,308)	27,304,308	0	0	0	0	0
Disposals	(392,962)	(1,522,576)	0	0	0	0	(1,915,538)
At 31 March 2008	364,463	27,689,957	1,613,416	2,686,689	187,423	78,805	32,620,753
<b>Depreciation</b>							
At 1 April 2008	0	1,317,683	754,839	1,250,662	72,778	0	3,395,962
Charge for year	0	371,736	16,779	195,302	14,114	0	597,931
Disposals in year	0	(1,522,000)	0	0	0	0	(1,522,000)
At 31 March 2008	0	167,419	771,618	1,445,964	86,892	0	2,471,893
<b>Net book value</b>							
At 1 April 2008	19,724,195	590,542	858,577	1,324,686	114,645	55,555	22,668,200
At 31 March 2009	364,463	27,522,538	841,798	1,240,725	100,531	78,805	30,148,860

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

Grant in Aid Fund	0	0	0	162,420	68,174	0	230,594
Army Prize Money and Legacy Fund	364,463	27,522,538	841,798	1,040,169	32,357	78,805	29,880,130
Subsidiaries	0	0	0	38,136	0	0	38,136
	<b>364,463</b>	<b>27,522,538</b>	<b>841,798</b>	<b>1,240,725</b>	<b>100,531</b>	<b>78,805</b>	<b>30,148,860</b>

**20 Listed investments**

	2009 £	2008 £
Market value at 1 April 2008	<b>11,263,463</b>	12,371,879
Additions at cost	<b>3,592,376</b>	2,921,890
Cost of investments sold	<b>(4,586,137)</b>	(3,458,423)
Unrealised revaluation gain/(loss)	<b>(1,345,279)</b>	(660,982)
Withdrawals from Capital Projects Fund	<b>(2,005,000)</b>	0
Interest on Capital Project Fund less Fees	<b>112,986</b>	89,099
Market value at 1 April 2009	<b>7,032,409</b>	11,263,463
Historical cost at 1 April 2008	<b>11,045,970</b>	11,493,404
Historical cost at 1 April 2009	<b>8,160,195</b>	11,045,970

The higher unrealised loss figure for 2008-2009 reflects market conditions.

The capital project deposit account is included in the historic cost and market value. At 1 April 2008 the account contained £2,160,846 and at 31 March 2009 the account contained £268,833. The reduction came about as the account was used to fund stage payments for the construction costs of the Margaret Thatcher Infirmary.

The geographic distribution of investments was as follows

	Market value £
UK Bonds	1,853,670
Non-UK Bonds	191,136
UK Equities	3,015,927
Overseas Equities	1,625,376
UK Property	77,467
Capital Projects Fund (UK)	268,833
	<b>7,032,409</b>

All investments belong to the Army Prize Money and Legacy fund.

**21 Investment Property**

	2009 £	2008 £
Freehold land and buildings at valuation	<b>21,910,000</b>	21,910,000

The Hospital's freehold investment property was valued by Savills as at 1 April 2007 on the open market value basis, in accordance with RICS guidance. All investment properties belong to the Army Prize Money and Legacy Fund.

**22 Stocks**

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital funds 2009 (sub-total) £	<b>Total funds 2009 £</b>	Total funds 2008 £
Trading stocks	0	0	0	<b>32,751</b>	36,597
Consumable stores					
Quartermaster	0	0	0	<b>0</b>	36,872
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,751</b>	<b>73,469</b>

No consumable stores are held within the Royal Hospital Chelsea. Trading stocks are under the control of the Development Director.

**23 Debtors**

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital funds 2009 (sub-total) £	Subsidiaries £	<b>Total funds 2009 £</b>	Total funds 2008 £
Sundry debtors	17,885	38,490	56,375	1,373,558	<b>1,429,933</b>	676,716
Prepayments	71,483	12,228	83,711	0	<b>83,711</b>	88,998
Accrued income	31,403	1,854,590	1,885,993	0	<b>1,885,993</b>	34,319
<b>Total</b>	<b>120,771</b>	<b>1,905,308</b>	<b>2,026,079</b>	<b>1,373,558</b>	<b>3,399,637</b>	<b>800,033</b>

This table includes intercompany balances of £3,030,869 (2007-2008: £226,760).

**24 Cash at bank and in hand**

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Hospital funds 2009 (sub-total) £	Subsidiaries £	<b>Total funds 2009 £</b>	Total funds 2008 £
Term deposits	0	1,965,000	1,965,000	0	<b>1,965,000</b>	4,000,000
Other accounts and cash in hand	992	1,157,124	1,158,116	1,805,152	<b>2,963,268</b>	4,449,313
	<b>992</b>	<b>3,122,124</b>	<b>3,123,116</b>	<b>1,805,152</b>	<b>4,928,268</b>	<b>8,449,313</b>

The reduction in cash at bank reflects the tautness of the Royal Hospital's cash management.

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

	Grant in Aid fund	Army Prize Money and Legacy fund	Hospital funds 2009 (sub-total)	Subsidiaries	<b>Total funds 2009</b>	Total funds 2008
	£	£	£	£	£	£
Sundry creditors	0	(150,000)	(150,000)	(2,714,315)	<b>(2,864,315)</b>	(1,565,448)
Accrued charges	(401,656)	(193,855)	(595,511)	0	<b>(595,511)</b>	(2,083,989)
Taxation creditors	(708)	0	(708)	0	<b>(708)</b>	0
Deferred income	0	0	0	0	<b>0</b>	0
Finance lease	(46,488)	0	(46,488)	0	<b>(46,488)</b>	(46,488)
Other creditors	0	(1,252,519)	(1,252,519)	0	<b>(1,252,519)</b>	(69,164)
<b>Total</b>	<b>(448,852)</b>	<b>(1,596,374)</b>	<b>(2,045,226)</b>	<b>(2,714,315)</b>	<b>(4,759,541)</b>	<b>(3,765,089)</b>

This table includes intercompany balances of £3,030,869 (2007-2008: £226,760).

**26 Creditors falling due in over one year**

	Grant in Aid fund	Army Prize Money and Legacy fund	Hospital funds (sub-total)	Subsidiaries	<b>Total funds 2009</b>	Total funds 2008
	£	£	£	£	£	£
Finance Leased Assets	(85,227)	0	(85,227)	0	<b>(85,227)</b>	(131,715)
In-Pensioners' Club capital loan	0	(201,671)	(201,671)	0	<b>(201,671)</b>	(201,671)
Chapel Fund	0	(63,644)	(63,644)	0	<b>(63,644)</b>	(95,196)
Retention Monies for Infirmary	0	0	0	0	<b>0</b>	(237,468)
<b>Total</b>	<b>(85,227)</b>	<b>(265,315)</b>	<b>(350,542)</b>	<b>0</b>	<b>(350,542)</b>	<b>(666,050)</b>

The leased asset is laundry equipment. The other items relate to funds held on behalf of the In-Pensioners Club and the Royal Hospital Chapel.

**27 Provisions**

	Grant in Aid fund	Army Prize Money and Legacy fund	Hospital Funds (sub-total)	Subsidiaries	<b>Total funds 2009</b>	Total funds 2008
	£	£	£	£	£	£
Opening balance	0	(87,111)	(87,111)	0	<b>(87,111)</b>	0
Used in year	0	82,601	82,601	0	<b>82,601</b>	0
Reversed in year	0	0	0	0	<b>0</b>	0
Provided during year (Charged to SOFA)	(49,525)	(20,201)	(69,726)	0	<b>(69,726)</b>	(87,111)
<b>Total</b>	<b>(49,525)</b>	<b>(24,711)</b>	<b>(74,236)</b>	<b>0</b>	<b>(74,236)</b>	<b>(87,111)</b>

The provision within the Grant in Aid is in respect of nursing staff being made redundant as a result of restructuring within the Margaret Thatcher Infirmary. The decision on redundancies was taken in 2008-2009, and the staff have received written notification. This provision will be completely expended in 2009-2010. The provisions within the Army Prize Money and Legacy Fund relate to reduction in the number of staff within the shop and post office, and to the earlier redundancy of the Head of Future Development. In the former case the redundancy took place at the end of 2007-2008, but the charge from the Principal Civil Service Pension Scheme (PCSPS) was not made until 2009-2010. The Head of Future Development took redundancy in 2008-2009, and is in receipt of continuing payments from the PCSPS.



## 28 Contingent liabilities

The Royal Hospital has a contingent liability in respect of pensions funding for thirteen staff, who transferred to Norland managed services by TUPE. The contingent liability has a maximum value of £93,000, which would arise if all the staff transferred their accrued benefits from the Principal Civil Service Pension scheme to the Norland Platinum scheme.

## 29 Related party transactions

The President of the In Pensioners Club is the Adjutant of the Royal Hospital, and the Vice President and officers of the Club are drawn from the Adjutant's staff and the In Pensioners.

The Club placed £250,000 with the Hospital on 1 September 1999, in exchange for which the Hospital agreed to meet certain of the Club's costs. The loan now stands at £201,670.

The Governor is Chairman of the Army Benevolent Fund. Transactions with the Army Benevolent Fund during the year amounted to £903 (2008: £1,311) in respect of provision of facilities.

The register of interests for Commissioners and Senior Staff is updated annually.

## 30 Pensions

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

### *Principal Civil Service Pension Scheme (PCSPS)*

Pension benefits for 178 members of staff are provided through the Civil Service pensions arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). Under the new arrangements, new entrants after 1 October 2002 were not able to join the existing PCSPS, which has been renamed 'classic' and has become a closed scheme. Existing members of the PCSPS were given the option of remaining within 'classic'; electing to transfer to 'premium', the new defined benefits scheme; or choosing 'classic plus', whereby they transferred to 'premium' but only in respect of service after 1 October 2002. New entrants after 1 October 2002 have been able to choose between membership of 'premium' or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Royal Hospital Chelsea is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependent's benefits. The Royal Hospital Chelsea recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future pension benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Royal Hospital Chelsea recognises the contributions payable for the year.

For 2007-2008, employers' contributions of £728,205 were payable to the PCSPS (2007-2008 £727,742) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. Rates will remain the same next year subject to revalorisation of the salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

### National Health Service Pension Scheme (NHSPS)

The Hospital has 56 members of staff in the NHS pension scheme which is an unfunded multi-employer defined benefit scheme, but the Hospital is unable to identify its share of the underlying assets and liabilities. The scheme is subject to a full valuation every five years. The last valuation took place as at 31 March 2004. 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.nhspa.gov.uk](http://www.nhspa.gov.uk). This is a statutory, defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulations (SI 1995 No. 300). Under these regulations the Hospital is required to pay an employer's contribution, currently 14 per cent of pensionable pay, as specified by the Secretary of State for Health. For 2007-2008, employers' contributions of £219,072 were payable to the NHS Pension Scheme (£220,423 for 2007-2008). These contributions are charged to operating expenses as and when they become due.

Employees pay 6 per cent of pensionable pay. Employer and employee contributions are used to defray the cost of providing the scheme benefits. These are guaranteed by the Exchequer, with the liability to pay benefits falling to the Secretary of State, not to the Royal Hospital Chelsea. Index linking costs under the Pensions (Increase) Act 1971 is met directly by the Exchequer. The scheme is notionally funded. Scheme accounts are prepared annually by the Department of Health and are examined by the Comptroller and Auditor General.

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

### Unfunded Scheme

Former Governors, Lieutenant Governors and Captains of Invalids are members of an unfunded defined benefit scheme. The scheme has 16 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 £46,066 (2008: £47,498).

### Financial Reporting Standard 17 (FRS 17) – Retirement Benefits

The latest FRS 17 valuation of the liabilities in respect of the unfunded pension entitlements was carried out as at 31 March 2009, by an independent qualified actuary, Lane, Clark and Peacock, using the key FRS 17 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. The following table also sets out as at 31st March 2009 the present value of the FRS 17 liabilities, which is equal to the gross pension liability, along with a 4-year history. No further benefits are currently being earned under this arrangement.

Assumptions	<b>31 March 2009</b>	31 March 2008	31 March 2007
Price inflation/pension Increase	<b>2.8% pa</b>	3.2% pa	3.0% pa
Discount rate	<b>6.4% pa</b>	7.2% pa	5.8% p

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 28 years (2008: 27 years).

Balance sheet at 31 March	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Gross pension liability	423	466	467	514	515

The gross pension liability resides within the Royal Hospital Chelsea's unrestricted funds. The pension liability has no impact on the resources available for general application.

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

	<b>Year to 31 March 2009 £000</b>	Year to 31 March 2008 £000
Gross pension liability at year start	<b>466</b>	467
Current service cost	<b>0</b>	0
Pensions paid	<b>(46)</b>	(47)
Interest cost	<b>32</b>	26
Actuarial (gain)/loss on defined benefit pension scheme	<b>(29)</b>	20
Gross pension liability at year end	<b>423</b>	466

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

	<b>Year to 31 March 2009 £000</b>	Year to 31 March 2008 £000
Interest on gross pension liability	<b>32</b>	26
Total pension expense	<b>32</b>	26

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 2009 is a gain of £29,000 (2008: a loss of £20,000). The cumulative amount recognised in the 'gains and losses' categories of SOFA since 2003 [as required by paragraph 95 of FRS 17] is a loss of £36,000 (2008: loss of £65,000).

The history of gains and losses is as follows

	<b>Year to 31 March 2009</b>	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2006	Year to 31 March 2005
Experience gains/(losses) on liabilities (£000)	<b>43</b>	(9)	(2)	2	(13)
Percentage of the present value of liabilities	<b>10%</b>	(2%)	(0%)	0%	(3%)
Total amount of gains and losses (£000)	<b>29</b>	(20)	25	(19)	(19)
Percentage of the present value of liabilities	<b>7%</b>	(4%)	5%	(4%)	(4%)

### 31 Financing lease

Grant in Aid creditors falling due in over one year represent the remaining liability on a financing lease on the laundry operation. Details are as follows:

	<b>2009 £</b>	2008 £
Two to five years	<b>85,227</b>	131,713
Total	<b>85,227</b>	131,713

### 32 Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease. These leases are principally in respect of office equipment. In 2008-2009 payments of £66,119.71 were made in respect of operating leases.

At the year end, the Hospital had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings 2009 £</b>	<b>Other 2009 £</b>	Land and buildings 2008 £	Other 2008 £
<i>Operating leases which expire</i>				
within one year	0	0	0	0
In the second to fifth years inclusive	0	55,744	0	29,712
over five years	0	0	0	0

### 33 Capital commitments

	2009 £	2008 £
Authorised and contracted	<b>3,055,957</b>	6,960,821
	<b><u>3,055,957</u></b>	<u>6,960,821</u>

Capital commitments have reduced since last year due to the completion of the Margaret Thatcher Infirmary. The balance as at 31 March 2009 relates to the refurbishment of Long Wards 23 and 24, which previously housed part of the temporary infirmary.

### 34 Restricted Funds

#### a Army Prize Money and Legacy Fund

The sum of £62,948 is held as a restricted fund on behalf of the Royal Hospital Chelsea Chapel fund. The sum of £47,255 is held as a restricted fund in respect of the unexpended part of the Soffe Legacy as at 31 March 2009. The legacy is restricted to expenditure on chapel plate and the total sum bequeathed was £67,255.

#### b Subsidiaries

##### **Chelsea Pensioner (RH) Limited.**

This company holds a low level of reserves and has no restricted funds. Most of its profits are paid directly to Royal Hospital Appeal Limited under the gift aid rules.

##### **Royal Hospital Chelsea Appeal Limited.**

This company held restricted funds amounting to £500,650 intended for use in funding the upgrade to the Long Wards.

### **35 Derivatives and other financial instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

The Royal Hospital derives a significant proportion of its income from quoted investments. These are managed on the Hospital's behalf by professional fund managers. An independent advisory panel is appointed to formulate the Hospital's investment policy and to monitor its implementation, with the objective of safeguarding the Hospital's investment assets and of maximising total return from them.

In aggregate the performance of the fund managers is compared on a total return basis with the FT All-Share Index, the FT All Stock Index, Cash Deposit and the Composite Index-Based Benchmark.

#### *Interest rate risk*

The Hospital has exposure to UK interest rate risk through its holding in bonds and cash balances.

#### *Currency risk*

The Hospital has exposure to currency risk through its holding in global equities. All the Hospital's holdings in bonds are hedged to sterling.

#### *Market price risk*

The Hospital has exposure to changes in market prices through its holding in UK and global equities and bonds.

All of the above risks are managed by the fund managers in conjunction with agreed targets as described above.

### **36 Post balance sheet events**

There were no post balance sheet events.

### **37 Personal data**

The Government has made a commitment to enhance transparency with Parliament and the public about action to safeguard personal data. During 2008-2009 the Royal Hospital Chelsea was unaware of incidents resulting in the unauthorised disclosure of protected personal data.

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