

CHELSEA HOSPITAL ACT 1876 (ACTS 39 & 40 VICT.)

Accounts, of the Commissioners of the Royal Hospital Chelsea showing the Financial Activities (for Services other than those voted by Parliament) in the year ended 31 March 2002, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons paper No. 720 of 2001-2002.)

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

Royal Hospital Chelsea: Army Prize Money and Legacy Accounts 2001-2002

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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
Parliamentary Under-Secretary of State for Defence
The Governor, Royal Hospital, Chelsea
Director General of Army Medical Services
Assistant Chief of the General Staff
Director General Development and Doctrine
Command Secretary (Adjutant General)
Lieutenant Governor, Royal Hospital, Chelsea

Specially appointed Commissioners

Sir Idris Pearce CBE TD DL FRICS
General Sir John Wilsey GCB CBE DL
Field Marshal the Lord Inge KG GCB DL
Sir Michael Craig-Cooper CBE TD DL FCI Arb
Mrs R Corben
Sir Nigel Mobbs JP
I W Frazer FCA
Mr M Gainsborough
The Rt Hon Lord Glenarthur DL

Lieutenant Governor and Accounting Officer

Major General JMFC Hall CB OBE

Auditor

The Comptroller and Auditor General
National Audit Office
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London SW 1 W 9SP

Solicitors

Taylor Wessing
Carmelite
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

Investment managers

HSBC Investment Management
6 Bevis Marks
London EC3A 7JQ

Property managers

Savills Fund Management
20 Grosvenor Hill
London W1K 3HQ

Bankers

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

Works consultants

Symonds Group Ltd
29/33 Princess Victoria Street
Clifton
Bristol BS8 4BX

Foreword

History

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 10 years later, in the spring of 1692, that the first In-Pensioner took up residence.

Statutory background

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 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. The Paymaster General is the Treasurer of the funds and Chairman of the Board of Commissioners who administer them, although the Governor usually takes the chair.

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.

Whilst support for the In-Pensioners remains the Royal Hospital's principal task, it is also responsible for the conservation of its buildings and grounds. The cost of 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 also administered by the Commissioners. That fund also provides additional support to the In-Pensioners which could not reasonably be expected to come from public funds, e.g. subsidised holidays, a regular Battlefield tour, television services, etc.

The Royal Hospital provides 24-hour cover for 365 days of the year. The staff of the Royal Hospital number 254, 242 of whom are paid out of the Grant in Aid. These include 98 medical and nursing staff who provide nursing care which would otherwise be supplied by the National Health Service. A further 78 direct support staff provide care of a kind that would otherwise fall upon local authorities.

Market value of tangible fixed assets

The Hospital's operational land and buildings are stated at a professional valuation. 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 £13.4m on an open market basis while the operational estate has been valued at £309.5m on a depreciated replacement cost basis.

The purpose of the Royal Hospital remains the same as that intended by its Royal Founder King Charles II – to provide a happy home for the nation's former soldiers who are admitted as In-Pensioners.

Lieutenant Governor's Report

The Royal Hospital continues successfully to undertake the task for which it was founded by King Charles II. It has two core objectives, which are developed in the Royal Hospital's Corporate Plan: the primary objective is to care effectively for In-Pensioners, and the second objective is to manage the Royal Hospital's estate effectively, including providing public access. The Royal Hospital is also committed to modernising and improving its administration to ensure that it is accountable, transparent and consistent in the way that it goes about its business, and to embrace best practice to achieve this.

Review of activities and events held during the financial year

The Commissioners of the Royal Hospital Chelsea agreed to go ahead with a plan to replace the existing Infirmary with a purpose-built 125-bed building. This is to comply with the Care Standards Act 2000. The building should be operational in time to meet the Government's deadline for compliance by the year 2007. The bulk of the funding would be raised by appeal.

Major improvements were made to the Long Ward showers and the washrooms were redecorated. There were also major improvements to the two bathhouses. A major refurbishment of numbers 7 and 8 Light Horse Court was carried out in close association with English Heritage.

Minor maintenance included decoration of the Long Ward lavatory/utility areas, replacement of seven of the major hot water storage cylinders, and the completion of the external painting of all the buildings.

The Chelsea Flower Show took place in the Hospital grounds from 20 to 25 May 2001 and the Decorex interior design show was held from 23 to 26 September 2001.

The Royal Hospital hosted concerts in both Ranelagh Gardens and the Chapel in late June as part of the Chelsea Festival.

A series of Royal Hospital Chelsea Music Society concerts was held in association with the Royal Borough of Kensington and Chelsea involving performers of world class standing.

Following a competitive tender exercise, the newly established audit committee appointed the firm of HLB Kidsons as internal auditors of the Royal Hospital.

A funding agreement has been reached with the Ministry of Defence and performance targets set over the next three years.

Future developments

In addition to the rebuild of the Infirmary, there still remain a number of major projects that have been identified in the Royal Hospital Development Plan. In the next year the public tennis courts will be rebuilt. Preparations will be made to re-locate the infirmary facilities temporarily in Wards 23 and 24, and a slight downward adjustment will be necessary to the intake of In-Pensioners to avoid overcrowding during the rebuild.

The Royal Hospital Chelsea will make greater use of its facilities to raise income to support the infirmary appeal. This will place greater emphasis on the Events organisation, raising the profile of the Royal Hospital. Every effort will still be made to protect the peaceful life of its In-Pensioners.

Responsibilities for the Financial Statements

The Royal Hospital is 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 income and expenditure and cash flows 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 accounting standards are being followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Hospital will continue in operation.

The Lieutenant Governor's responsibilities for the Grant-in-Aid, and Army Prize Money and Legacy Funds, including his responsibilities for the propriety and regularity of the finances for which he is answerable, and for the keeping of proper records, are contained in the Regulations for the Royal Hospital Chelsea set out under Royal Warrant.

Statement on Internal Control

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 the Regulations for the Royal Hospital Chelsea set out under Royal Warrant.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Hospital policies, aims, and objectives to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2002 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

As Accounting Officer I also have responsibility for reviewing the effectiveness of the system of internal control. The Royal Hospital Chelsea has established the following processes

- a finance and management board which meets monthly to consider the plans and strategic direction of the Royal Hospital (the board comprises the heads of department, the Lieutenant Governor and the Secretary);
- periodic reports from the chairman of the audit committee to the board of Commissioners concerning internal control;
- regular reports by internal audit to standards defined in the Government Internal Audit Manual which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Royal Hospital Chelsea's system of internal control together with recommendations for improvement;
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- a regular programme of facilitated workshops to identify and keep up to date the record of risks facing the organisation;
- a programme of risk awareness training;
- implementation of a robust prioritisation methodology based on risk ranking and cost-benefit analysis;
- establishment of key performance and risk indicators;
- maintenance of an organisation-wide risk register.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the 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.

J M F C Hall CB OBE
Lieutenant Governor

21 November 2002

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

I have audited the financial statements on pages 8 to 23 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 12 to 13.

Respective responsibilities of the Lieutenant Governor and the Auditor

As described on page 5, the Lieutenant Governor is responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. The Lieutenant Governor is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Chelsea Hospital Act 1876, and whether in all material respects the expenditure, income and resources of the Royal Hospital Chelsea have been applied to the purposes intended and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Hospital has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Lieutenant Governor's statement on page 6 reflects the Hospital's compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 judgements made by the Lieutenant Governor in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Royal Hospital Chelsea's and the Group'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 error or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources have been applied to the purposes intended 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.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Royal Hospital Chelsea and of the Group as at 31 March 2002 and of the incoming resources and application of resources of the Group for the year then ended and have been properly prepared in accordance with the Chelsea Hospital Act 1876; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

18 December 2002

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London SW1 W9SP

Consolidated Statement of Financial Activities for the year ended 31 March 2002

	Notes	Grant in Aid fund £	Army Prize Money and Legacy fund £	Total group funds £	Total funds 2001 £
Incoming resources					
Government Grant-in-Aid	2	8,458,000	-	8,458,000	8,457,763
Donations and legacies	3	-	485,143	485,143	390,832
Income from listed investments		-	376,310	376,310	344,594
Income from investment properties	4	-	514,876	514,876	854,714
Income from trading activities	5	-	28,785	28,785	27,859
Income from subsidiaries	6	-	436,726	436,726	990,043
Income from other sources	7	449,559	70,034	519,593	441,530
Total income		8,907,559	1,911,874	10,819,433	11,507,335
Less: cost of generating funds					
Fundraising and publicity	15	27	70,931	70,958	135,056
Expenditure of subsidiaries	6	-	88,529	88,529	512,787
Cost of trading	5	-	28,817	28,817	26,653
Net incoming resources available for charitable application		8,907,532	1,723,597	10,631,129	10,832,839
<i>Direct charitable expenditure</i>					
Medical and outpatients	8	513,813	-	513,813	523,867
Nursing care	9	2,056,208	1,652	2,057,860	1,932,265
Welfare and ceremonial	10	705,454	238,348	943,802	1,014,398
Domestic support	11	2,786,041	4,271	2,790,312	2,792,730
Administrative support	12	994,093	160,730	1,154,823	1,007,481
Maintenance of grounds	13	-	293,700	293,700	263,081
Buildings maintenance	14	2,001,169	34,310	2,035,479	2,006,150
Depreciation		115,896	13,523	129,419	1,632,823
		9,172,674	746,534	9,919,208	11,172,795
Management and administration	16	114,239	70,906	185,145	161,012
Total charitable expenditure		9,286,913	817,440	10,104,353	11,333,807
Total resources expended		9,286,940	1,005,717	10,292,657	12,008,303
Net incoming/(outgoing) resources before transfers		(379,381)	906,157	526,776	(500,968)
Transfers between funds		-	-	-	-
Net incoming/(outgoing) resources for the year		(379,381)	906,157	526,776	(500,968)
Realised gains/(losses)		-	(334,688)	(334,688)	2,111,777
Unrealised gains/(losses)	18	183,500	70,460,698	70,644,198	(3,199,965)
Net movement in funds		(195,881)	71,032,167	70,836,286	(1,589,156)
Funds brought forward at 1 April 2001		481,208	263,787,570	264,268,778	265,857,934
Funds carried forward at 31 March 2002		285,327	334,819,737	335,105,064	264,268,778

All of the Hospital's activities are classed as continuing. All recognised gains and losses are included above.

Consolidated Balance Sheet as at 31 March 2002

	Notes	Total group funds 2002		2001
		£	£	£
Fixed assets				
Tangible assets	20	314,989,247		247,376,469
Listed investments	21	9,855,334		9,172,400
Investment property	22	8,287,000		4,910,000
			333,131,581	261,458,869
Current assets				
Stocks	23	256,562		420,969
Debtors	24	346,785		368,052
Cash at bank and in hand	25	2,089,271		2,910,858
			2,692,618	3,699,879
Creditors – amounts falling due within one year	26	486,464		657,299
Net current assets			2,206,154	3,042,580
Total assets less current liabilities			335,337,735	264,501,449
Creditors – amounts falling due over one year			232,671	232,671
Total assets less liabilities			335,105,064	264,268,778
Reserves				
Grant-in-Aid Fund			285,327	481,208
Army Prize Money and Legacy Fund: Hospital Funds		334,819,540		263,747,966
Funds retained in Chelsea Pensioners 2000 Ltd		(1,335)		37,704
Funds retained in Chelsea Pensioner (RH) Ltd		1,532		1,900
Consolidated Army Prize Money and Legacy Fund			334,819,737	263,787,570
			335,105,064	264,268,778

Approved by the following three Commissioners on 21 November 2002.

Lord Glenarthur

Roseanne Corben

Ian Frazer

Balance Sheet as at 31 March 2002

	Notes	Grant in Aid fund £	Army Prize Money and Legacy fund £	Total Hospital funds £	2001 Total funds £
Fixed assets					
Tangible assets	20	220,969	314,768,278	314,989,247	247,376,469
Listed investments	21		9,855,334	9,855,334	9,172,400
Investment property	22		8,287,000	8,287,000	4,910,000
		<u>220,969</u>	<u>332,910,612</u>	<u>333,131,581</u>	<u>261,458,869</u>
Current assets					
Stocks	23	219,484	7,500	226,984	402,231
Debtors	24	31,403	79,295	110,698	155,350
Cash at bank and in hand	25	1,075	2,075,836	2,076,911	2,777,710
		<u>251,962</u>	<u>2,162,631</u>	<u>2,414,593</u>	<u>3,335,291</u>
Creditors – amounts falling due within one year	26	<u>(187,604)</u>	<u>(21,032)</u>	<u>(208,636)</u>	<u>(332,315)</u>
Net current assets		64,358	2,141,599	2,205,957	3,002,976
Total assets less current liabilities		285,327	335,052,211	335,337,538	264,461,845
Creditors – amounts falling due in over one year	26		<u>(232,671)</u>	<u>(232,671)</u>	<u>(232,671)</u>
Total assets less current liabilities		<u>285,327</u>	<u>334,819,540</u>	<u>335,104,867</u>	<u>264,229,174</u>
Reserves					
Grant-in-Aid Fund		285,327	-	285,327	481,208
Army Prize and Legacy Fund		-	334,819,540	334,819,540	263,747,966
		<u>285,327</u>	<u>334,819,540</u>	<u>335,104,867</u>	<u>264,229,174</u>

Approved by the following three Commissioners on 21 November 2002.

Lord Glenarthur

Roseanne Corben

Ian Frazer

Consolidated Cash Flow Statement for the year ended 31 March 2002

Cash Flow Statement

	Grant in Aid fund £	Army Prize Money and Legacy fund £	Total group funds £	Total funds £
Net cash flow from operating activities	(131,203)	(122,265)	(253,468)	34,688
Returns on investment				
Interest received	-	33,317	33,317	42,920
Dividends received	-	376,310	376,310	344,594
Rent received from investment properties	-	514,876	514,876	854,714
	-	924,503	924,503	1,242,228
Capital expenditure and financial investment				
Payments to acquire listed investments	-	(1,901,621)	(1,901,621)	(7,957,240)
Receipts from sales of listed investments	-	507,512	507,512	8,279,280
Payments to acquire tangible fixed assets	(82,980)	(15,533)	(98,513)	(39,008)
	(82,980)	(1,409,642)	(1,492,622)	283,032
Management of liquid resources	-	(700,000)	(700,000)	306,437
(Decrease)/increase in cash	(214,183)	(1,307,404)	(1,521,587)	1,866,385

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

	£	£	£	£
Net incoming/(outgoing) resources before transfers	(379,381)	906,157	526,776	(500,968)
Interest receivable	-	(33,317)	(33,317)	(42,920)
Income from listed investments	-	(376,310)	(376,310)	(344,594)
Income from investment properties	-	(514,876)	(514,876)	(854,714)
Depreciation	115,896	13,523	129,419	1,632,823
(Increase)/decrease in stocks	172,010	(7,603)	164,407	14,680
(Increase)/decrease in debtors	24,779	(3,512)	21,267	(154,739)
Increase/(decrease) in creditors	(64,507)	(106,327)	(170,834)	285,120
Net cash flow from operating activities	(131,203)	(122,265)	(253,468)	34,688

Analysis of changes in net funds

	At 1 April 2001 £	Cash Flow £	At 31 March 2002 £
Term deposits ('liquid resources')	400,000	700,000	1,100,000
Other accounts and cash in hand	2,510,858	(1,521,587)	989,271
Total	2,910,858	(821,587)	2,089,271

Notes to the Financial Statements for the year ended 31 March 2002

1 Accounting policies

a Basis of accounting

These financial statements consolidate those that were reported previously as the Grant-in-Aid Account and the Army Prize Money and Legacy Fund. The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the *Statement of Recommended Practice: Accounting by Charities* ('the Charities SORP') issued in October 2000 and applicable United Kingdom Accounting Standards.

Consolidated financial statements have been prepared for the Hospital and its two subsidiary companies, 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, but separate analysis is required to comply with the reporting requirements of the Hospital's governing legislation and the Ministry of Defence.

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. Other tangible fixed assets are capitalised at their estimated depreciated replacement cost or at historic cost on acquisition. 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, over its expected useful life, as follows

Freehold buildings	over the remaining useful life as estimated by the valuer
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

f 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.

g Listed investments

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

h Stocks

Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

i Pensions

The nature of the Hospital's pension schemes are set out in note 28. The pension costs charged to the SOFA represent the contributions payable to the Schemes on behalf of members of staff.

j Taxation

The Hospital is recognised as charitable by the Inland Revenue and is generally exempt from Corporation Tax on surpluses and capital gains. The Hospital is registered for VAT and is able to recover a proportion of input tax. Irrecoverable VAT is included in the SOFA with the item to which it relates.

2 Government Grant-in-Aid

2002	2001
£	£
8,458,000	8,457,763

3 Donations and legacies

	Total funds 2002	Total funds 2001
	£	£
Donations received	485,143	390,832

Donations and legacies include £244,095 (2001: £280,700) received from the EH Dashwood Estate. The Hospital is entitled to 25% 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 trustees of the estate have reported that its property assets have an estimated market value of £10m. All donations are credited to the Army Prize Money & Legacy Fund.

4 Income from investment properties

2002	2001
£	£
514,876	854,714

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 £514,876 shown as income from investment properties includes £344,932 paid to the Hospital in respect of such premiums (£689,768 in 2000-2001).

5 Income from trading activities

The net profit/loss figure for the year for the Prince of Wales Hall shop operated by the In-Pensioners was £32 loss (2001 - £1,206 profit). All income and expenditure relates to the Army Prize Money and Legacy Fund.

6 Subsidiary companies

The Hospital has two subsidiary companies.

Chelsea Pensioners 2000 Limited

The company is limited by guarantee and incorporated in England and Wales, and is a registered charity. It was formed in order to stage the son et lumiere event 'Men in Scarlet', commemorating the story of the Chelsea Pensioners, which was held in September 2000 and to undertake other charitable activities associated with the Royal Hospital and, in particular, to undertake the fundraising for the Hospital's development plan.

The Hospital controls the company by virtue of the presence on the company's board of the Governor and Lieutenant Governor, and the dependence of the company on the Royal Hospital in carrying out its activities. During the year, the Directors of Chelsea Pensioners 2000 Limited changed the accounting reference date for the Company to 31 March in order to be coterminous with the Royal Hospital. Accounts for the period ended 31 March 2002 have been prepared and the audited accounts have been filed with the Registrar of Companies.

Chelsea Pensioner (RH) Limited

The company is limited by shares and is incorporated in England and Wales. Its share capital is wholly owned by Chelsea Pensioner 2000 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 to Chelsea Pensioner 2000 Limited, and ultimately from that company to the Hospital. During the year, the Directors of Chelsea Pensioner (RH) Limited changed the accounting reference date for the Company to 31 March in order to be coterminous with the Royal Hospital. Accounts for the period ended 31 March 2002 have been prepared and the audited accounts have been filed with the Registrar of Companies. A summary of the accounts is as follows.

	Group March 2002 £	Group December 2000 £
Income	436,726	823,952
Expenditure	(88,529)	(528,199)
	348,197	295,753
Paid to Army Prize and Legacy Fund	(387,604)	(256,149)
	(39,407)	39,604
Balance brought forward	39,604	-
Balance carried forward	197	39,604
Stock	29,579	18,738
Debtors	236,086	212,701
Cash	12,360	133,148
	278,025	364,587
Creditors: less than 1 year	(277,828)	(324,983)
	197	39,604
Net assets and funds carried forward	197	39,604

The group results at 31 March 2002 are for a 15 month period as the group changed its accounting year end from 31 December to 31 March.

Last year's income and expenditure in the Hospital's Statement of Financial Activities were adjusted for material transactions occurring between 1 January 2001 and 31 March 2001.

7 Income from other sources

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Post Office funding	-	10,207	10,207	13,673
Staff accommodation charges	208,643	-	208,643	188,627
Family practice	76,953	-	76,953	85,740
Meal charges	73,148	-	73,148	60,304
Miscellaneous income	90,815	59,827	150,642	93,186
	<u>449,559</u>	<u>70,034</u>	<u>519,593</u>	<u>441,530</u>

8 Medical and outpatients

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	312,122	-	312,122	295,044
Drugs and consumables	85,501	-	85,501	107,827
Specialist services	111,909	-	111,909	104,855
Office overheads	2,786	-	2,786	2,932
Other expenses	1,495	-	1,495	13,209
	<u>513,813</u>	<u>-</u>	<u>513,813</u>	<u>523,867</u>

The above costs were incurred in the Physician and Surgeon's department, and are met from the Grant in Aid Fund.

9 Nursing care

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	2,024,200	-	2,024,200	1,908,848
Staff support and training	17,927	-	17,927	-
Other costs	14,081	1,652	15,733	23,417
	<u>2,056,208</u>	<u>1,652</u>	<u>2,057,860</u>	<u>1,932,265</u>

The above costs were incurred in the Matron's department in the infirmary wards, and include the support costs of porters and domestic staff.

10 Welfare and ceremonial costs

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	694,734	45,152	739,886	711,922
Founder's Day	-	50,935	50,935	42,695
In-Pensioners' entertainment	4,816	6,399	11,215	72,208
Other expenditure	5,904	135,862	141,766	187,573
	<u>705,454</u>	<u>238,348</u>	<u>943,802</u>	<u>1,014,398</u>

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

11 Domestic support costs

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	1,531,699	-	1,531,699	1,473,366
Staff support and training	9,345	-	9,345	-
Supplies, services and consumables	481,634	4,271	485,905	658,272
Clothing	239,895	-	239,895	105,419
Rations	518,139	-	518,139	540,898
Office overheads	5,329	-	5,329	14,775
	<u>2,786,041</u>	<u>4,271</u>	<u>2,790,312</u>	<u>2,792,730</u>

The above costs were incurred in the Quartermaster's department.

Stock to the value of £167,604 was written off during this period. This was in respect of clothing.

12 Administrative support costs

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	607,801	33,208	641,009	616,145
Staff support and training	90,703	1,523	92,226	-
Consumables and picture maintenance	110,951	48,594	159,545	144,519
Office overheads	111,398	2,751	114,149	134,678
Council tax	39,890	4,297	44,187	42,561
Donations made	-	3,611	3,611	1,585
Miscellaneous	33,350	66,746	100,096	67,993
	<u>994,093</u>	<u>160,730</u>	<u>1,154,823</u>	<u>1,007,481</u>

The above costs were incurred in the Secretary's department.

13 Grounds maintenance

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	-	191,027	191,027	190,615
Other expenditure	-	102,673	102,673	72,466
	-	293,700	293,700	263,081

The above costs were incurred in the Superintendent of Grounds' department.

14 Building maintenance and utilities

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	539,351	-	539,351	519,215
Utilities	263,682	6,556	270,238	273,794
Maintenance	1,135,601	25,590	1,161,191	1,000,045
Other services	59,992	2,164	62,156	145,620
Office overheads	1,955	-	1,955	65,698
Staff support and training	588	-	588	1,778
	2,001,169	34,310	2,035,479	2,006,150

The above costs were incurred by the Surveyor of Works' department. They exclude capital costs shown as additions to tangible fixed assets in note 20.

15 Fundraising and publicity

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	-	68,007	68,007	30,899
Other costs	27	2,924	2,951	104,157
	27	70,931	70,958	135,056

16 Management and administration

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Staff costs	46,173	-	46,173	15,282
Hospitality	3,214	5,055	8,269	7,167
Legal and professional fees	64,852	65,851	130,703	138,563
	<u>114,239</u>	<u>70,906</u>	<u>185,145</u>	<u>161,012</u>

Legal and professional fees include the Auditor's remuneration. The actual fee including VAT charged by the National Audit Office for the audit of the Hospital's consolidated financial statements was £22,000 (2001:£21,150).

17 Staff costs and numbers; Commissioners' emoluments

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Total funds 2002	Total funds 2001
	£	£	£	£
Salaries and wages	4,594,409	242,065	4,836,474	4,571,777
Social Security costs	321,191	24,314	345,505	336,024
Pension costs	452,242	35,449	487,691	474,916
	<u>5,367,842</u>	<u>301,828</u>	<u>5,669,670</u>	<u>5,382,717</u>
Casual and agency pay	338,792	1,958	340,750	306,406
In-Pensioner pay	49,446	33,608	83,054	72,213
	<u>5,756,080</u>	<u>337,394</u>	<u>6,093,474</u>	<u>5,761,336</u>

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

Medical and outpatients	312,122	-	312,122	295,044
Nursing care	2,024,200	-	2,024,200	1,908,848
Welfare and ceremonial costs	694,734	45,152	739,886	711,922
Domestic support costs	1,531,699	-	1,531,699	1,473,366
Administrative support costs	607,801	33,208	641,009	616,145
Grounds maintenance	-	191,027	191,027	190,615
Buildings maintenance and utilities	539,351	-	539,351	519,215
Fundraising and publicity	-	68,007	68,007	30,899
Management and administration	46,173	-	46,173	15,282
	<u>5,756,080</u>	<u>337,394</u>	<u>6,093,474</u>	<u>5,761,336</u>

The average monthly number of staff by department was as follows

	2002	2001
Infirmery and Outpatients	9	10
Nursing	89	83
Adjutant	26	27
Quartermaster	78	78
Secretary (including fundraising and publicity, management and administration)	28	22
Superintendent of grounds	10	10
Surveyor of works	14	14
	254	244

Higher paid employees

Excluding the Governor and Lieutenant Governor, the number of employees whose remuneration was over £40,000 per annum (excluding pension contributions) was as follows

	2002 Number	2001 Number
£40,000 to £49,999	2	1
£50,000 to £59,999	1	1
£60,000 to £69,999	-	-
	3	2

Commissioners' emoluments

None of the Commissioners receive any remuneration for acting as Commissioners. No expenses were claimed during the year. The Governor and Lieutenant Governor are Commissioners, and receive salaries in return for their work as executives of the Royal Hospital Chelsea. The Governor is employed on the basis of a six year tour while the Lieutenant Governor is on a four year tour extendable by another four. Former Governors and Lieutenant Governors receive pensions from an unfunded defined benefit scheme: pensions paid during the year amounted to £41,380 (2001: £50,653) including a lump sum payment of £392 (2001: £13,158).

The salary and pension entitlements of the Governors serving during the year and the Lieutenant Governor were in the following bands

	Age at the year end	Salary	Real increase in pension at 60 during the year	Total accrued pension at 60 at the year end
	£000	£000	£000	£000
General Sir Jeremy Mackenzie <i>Governor and the highest paid Commissioner</i>	61	55 – 60	0 – 2.5	0 – 5
Major General JMFC Hall CB OBE <i>Lieutenant Governor and Chief Executive</i>	57	45 – 50	0 – 2.5	0 – 5

The benefits of the pension scheme are similar to the Principal Civil Service Pension Scheme. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement.

18 Unrealised gains/(losses)

	2002 £	2001 £
Revaluation of land and buildings	71,020,685	-
Revaluation of listed investments	(376,487)	(3,199,965)
	<u>70,644,198</u>	<u>(3,199,965)</u>

19 Transfers between funds

There were no transfers during the year.

20 Tangible fixed assets

	Freehold land and buildings £	Plant machinery & equipment £	Total £
Cost or valuation			
At 1 April 2001	253,248,839	697,549	253,946,388
Additions at cost	15,533	82,979	98,512
Revaluation	61,416,167	-	61,416,167
At 31 March 2002	<u>314,680,539</u>	<u>780,528</u>	<u>315,461,067</u>
Depreciation			
At 1 April 2001	6,227,518	342,401	6,569,919
Charge for year	(6,227,518)	129,419	(6,098,099)
At 31 March 2002	<u>-</u>	<u>471,820</u>	<u>471,820</u>
Net book value			
At 1 April 2001	247,021,321	355,148	247,376,469
At 31 March 2002	<u>314,680,539</u>	<u>308,708</u>	<u>314,989,247</u>

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

Grant in Aid Fund	-	220,969	220,969
Army Prize Money and Legacy Fund	314,680,539	87,739	314,768,278
	<u>314,680,539</u>	<u>308,708</u>	<u>314,989,247</u>

The Hospital's freehold land and buildings were valued by George Tindlay, FRICS, of FPD Savills as at 1 April 2002 on the depreciated replacement cost basis, in accordance with RICS guidance.

21 Listed investments

	2002 £	2001 £
Market value at 1 April 2001	9,172,400	10,582,628
Additions at cost	1,901,621	7,957,240
Cost of investments sold	(842,200)	(6,167,503)
Unrealised revaluation gain/(loss)	(376,487)	(3,199,965)
Market value at 31 March 2002	<u>9,855,334</u>	<u>9,172,400</u>
Historical cost at 1 April 2001	<u>9,453,989</u>	<u>7,664,252</u>
Historical cost at 31 March 2002	<u>10,513,412</u>	<u>9,453,989</u>

22 Investment property

	2002 £	2001 £
Freehold land and buildings at valuation	<u>8,287,000</u>	<u>4,910,000</u>

The Hospital's freehold investment property was valued by George Tindley, FRICS, of FPD Savills as at 1 April 2002 on the open market value basis, in accordance with RICS guidance. All investment properties belong to the Army Prize Money and Legacy Fund.

23 Stocks

	Grant-in-Aid fund £	Army Prize Money and Legacy fund £	Hospital funds £	Total funds 2002 £	Total funds 2001 £
Trading stocks				29,578	21,477
Consumable stores					
Superintendent of grounds	-	7,500	7,500	7,500	8,000
Quartermaster	194,551	-	194,551	194,551	364,532
Medical	18,856	-	18,856	18,856	15,514
Surveyor of works	4,533	-	4,533	4,533	9,235
Stationery	1,544	-	1,544	1,544	2,211
	<u>219,484</u>	<u>7,500</u>	<u>226,984</u>	<u>256,562</u>	<u>420,969</u>

24 Debtors

	Grant-in-Aid fund £	Army Prize Money and Legacy fund £	Hospital funds £	Total funds 2002 £	Total funds 2001 £
Sundry debtors	11,383	79,295	90,678	326,765	351,015
Prepayments	20,020	-	20,020	20,020	17,037
	<u>31,403</u>	<u>79,295</u>	<u>110,698</u>	<u>346,785</u>	<u>368,052</u>

25 Cash at bank and in hand

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Hospital funds	Total funds 2002	Total funds 2001
	£	£	£	£	£
Term deposits	-	1,100,000	1,100,000	1,100,000	400,00
Other accounts and cash in hand	1,075	975,836	976,911	989,271	2,510,858
	<u>1,075</u>	<u>2,075,836</u>	<u>2,076,911</u>	<u>2,089,271</u>	<u>2,910,858</u>

26 Creditors – amounts falling due within one year

	Grant-in-Aid fund	Army Prize Money and Legacy fund	Hospital funds	Total funds 2002	Total funds 2001
	£	£	£	£	£
Sundry Creditors	4,095	-	4,095	281,923	36,356
Accrued charges	179,496	10,382	189,878	189,878	269,904
Taxation creditors	-	619	619	619	624
Other Creditors	4,013	10,031	14,044	14,044	350,415
	<u>187,604</u>	<u>21,032</u>	<u>208,636</u>	<u>486,464</u>	<u>657,299</u>

27 Related party transactions

Creditors falling due in over one year represents a balance of £232,671 (2001: £232,671) which are funds held by the Hospital on behalf of the In-Pensioners' Club. The Club is an independent unincorporated association, managed by the In-Pensioners to provide social and welfare activities for them. 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. These costs amounted to £57,864 in 2001-2002, and the Hospital estimates that they will be approximately £37,000 in 2002-2003.

The President of the 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 Governor is Chairman of the Army Benevolent Fund. Transactions with the Army Benevolent Fund during the year amounted to £1,517 in respect of provision of facilities.

28 Pensions

The Hospital operates three pension schemes, as follows

Principal Civil Service Pension Scheme (PCSPS)

Specific staff of the Hospital funded by Grant-in-Aid are members of funded defined benefit schemes, employed under the same conditions of service as civil servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. For the year ended 31 March 2002, contributions of £408,934 (2001: £383,150) were paid to the Paymaster General at rates of between 12% and 18.5% of the pensionable pay of current employees based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The Scheme is an unfunded defined benefits scheme, but is accounted for as a defined contribution scheme, as it is a multi-employer scheme and, although the Royal Hospital's contributions are affected by surpluses and deficits on the Scheme, the Hospital is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis.

A full actuarial valuation of the Scheme was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

National Mutual Life

Staff paid from the Army Prize Money and Legacy Fund are members of a funded defined contribution scheme with National Mutual Life Assurance Society. The Hospital's contributions range between 8.5% and 20.5% of pensionable pay of current employees. Contributions in the year were £35,316 (2001 - £33,453). There were prepaid contributions of £0 (2001 - £0) at the balance sheet date.

Unfunded Scheme

Former Governors, Lieutenant Governors and Captains of Invalids are members of an unfunded defined benefit scheme. The Hospital pays these pensions from its own funds, and charges them to expenditure as they are paid. The scheme will be subject to an actuarial valuation during 2002-2003.

The scheme has 20 retired members (or their widows) and one current member of staff who will qualify as a scheme member on retirement. Following his retirement, the scheme will be closed to new entrants. The scheme is a final salary scheme with benefits based on number of years service and final salary.

29 Capital commitments

	2002 £	2001 £
Authorised but not contracted	-	-
Authorised and contracted	91,865	75,500
	91,865	75,500

30 Restricted funds

a Army Prize Money and Legacy Fund

The Army Prize Money and Legacy Fund does not hold any restricted funds. The income to the fund is applied immediately to direct charitable expenditure or invested in accordance with the directions of the Commissioners of the Royal Hospital Chelsea.

b Subsidiaries

Chelsea Pensioner (RH) Limited

This company does not hold any reserves or restricted funds. All its profits are paid directly to Chelsea Pensioners 2000 Limited.

Chelsea Pensioners 2000 Limited

This company does not hold any reserves or restricted funds. It pays all of its profits to the Army Prize Money and Legacy Fund.

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