

# Greenwich Hospital and Travers Foundation Accounts 2016-2017

# Greenwich Hospital and Travers Foundation Accounts 2016-2017

Presented to Parliament pursuant to section 49 of the Greenwich Hospital Act 1865 and section 21 of the Armed Forces Act 1976

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 6<sup>th</sup> FEBRUARY 2018

HC 729



© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Any enquiries regarding this publication should be sent to us at [enquiries@grenhosp.org.uk](mailto:enquiries@grenhosp.org.uk)

ISBN 978-1-5286-0194-8

CCS0118826300            02/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

## Annual Report

1	Administrative Information	7
2	Objectives and Activities	10
2.1	Introduction	10
2.2	Greenwich Hospital Aims and Objectives	10
2.3	2016-17 Aims and Objectives	11
2.4	Public Benefit Statement	11
2.5	Social Investment	12
2.6	Grant Making	12
3	Review of Operations, Achievements and Performance	12
3.1	Grants	12
3.2	Greenwich Hospital Partnership Awards	12
3.3	Education Grants	13
3.4	Greenwich Hospital Grants Paid via Royal Navy Royal Marines Charity	13
3.5	Jellicoe Regular Charitable Payments (RCP)	13
3.6	Charitable Targets	13
3.7	Royal Hospital School (RHS)	15
3.8	Sheltered Housing	15
3.9	Quoted Investments	15
3.10	Investment Property Portfolio	16
3.11	Royal Hospital School Enterprises Limited (RHSEL)	17
3.12	Royal Hospital School Charitable Trust (RH SCT)	17
3.13	Travers Foundation	17
4	Review of Finances	18
4.1	Financial Policies	18
4.2	Accounting Framework	19
4.3	Financial Management	19
4.4	Management Information	20
4.5	Summary of Financial Highlights	20
4.6	Future Plans	22
5	Governance Statement	23
5.1	Structure and Management	23
5.1.1	Sole Trustee	23
5.1.2	Advisory Board	24
5.1.1	Advisory Panel	24
5.1.2	Audit Committee	25
5.1.3	Royal Hospital School Committee (RHSC)	25
5.1.4	Nomination Committee	25
5.1.5	Director of Greenwich Hospital	25
5.1.6	Senior Executive Staff	26
5.1.7	Royal Hospital School (RHS)	26
5.1.8	Performance of the Advisory Board and Advisory Panel	27
5.1.9	Compliance with the Corporate Governance Code	27
5.2	Risk Management	27

5.2.1	Principal Risks and Their Management	27
5.2.2	Data Protection and Management	29
5.3	Review of Effectiveness of Internal Controls	29
6	Statement of Trustee's and Director's Responsibilities-Includes scope of responsibility	29
7	Statement as to Disclosure of Information to Auditors	30
	<b>Audit Report of the Comptroller and Auditor General to the Houses of Parliament</b>	31
	Consolidated Statement of Financial Activities for the Year ended 31 August 2017	33
	Charity Statement of Financial Activities for the Year ended 31 August 2017	34
	Consolidated and Charity Balance Sheet	35
	Consolidated and Charity Cash Flow_for the year ended 31 August 2017	36
	<b>Notes to the accounts</b>	37
1	Accounting policies	37
2	Summary of Resources for the year ended 31 August 2017	41
3	Net Rental Income	42
4	Income from Investments	42
5	Royal Hospital School	42
6	Other Income	43
7	Royal Hospital School Enterprises Limited	44
8	Grants, annuities and donations	44
9	Head Office Administration	45
10	Staff Costs	45
11	Pension Provision	46
12	Heritage Assets not recognised in the Balance Sheet	49
13	Loan Facility	49
14	Investment Property	50
15	Quoted investments - Available for sale financial assets	51
16	Charitable Property	51
17	Other Tangible Assets	52
18	Reconciliation of increase in cash to movement in net funds	53
19	Debtors: Amounts falling due within one year	53
20	Stocks	54
21	Creditors	54
22	Obligations under Finance Leases	54
23	Operating Lease Commitments	55
24	Operating Leases as a Lessor	55
25	Analysis of Funds	55
26	Capital Commitments	56
27	Grant Commitments	56
28	Contingent Liabilities	56
29	Related Parties Transactions	57
30	Financial Instruments	58
31	Post Balance Sheet Events	59
32	Length of Accounting Period	59
33	Finance Costs	59

# Travers Foundation

1	Governance Statement	62
2	Statement of Trustee's and Director's responsibilities.	62
3	Statement of Disclosure to the Auditors	63
4	Audit Report	64
5	Statement of Financial Activities	66
6	Balance Sheet	67
7	Cash Flow	68
8	Notes to the Accounts	69

## 1 Administrative Information

**Patron:**

HRH The Duke of York, KG

**Sole Trustee:**

Secretary of State for Defence

**Director and Accounting Officer:**

Hugh Player

**Principal Address of Greenwich Hospital and registered office RHSEL**

1 Farringdon Street  
Ludgate Circus  
London  
EC4M 7LG

**Business Address of Royal Hospital School Enterprises Limited (RHSEL)**

The Royal Hospital School  
Holbrook  
Ipswich  
Suffolk  
IP9 2RX

**Websites:**

[www.grenhosp.org.uk](http://www.grenhosp.org.uk)  
[www.royalhospitalschool.org.uk](http://www.royalhospitalschool.org.uk)

RHSEL Company Registration: 06550120

**During 2016/17 the members of the Advisory Board were**

Vice Admiral Jonathan Woodcock	Chairman
Deana Rouse	Deputy Chairman - MOD
Hugh Player	Director Greenwich Hospital
Stuart Beevor	Property Member
Graham Faulkner	Charity Member
Ian Harwood	Investment Member
Richard Hunting	Business Member
Malcolm Naish	Property Member
Jonathan Spence	Education Member
Matthew Thorne	Finance Member
Caroline Thynne	Legal & Education Member
Christopher Tite	Legal Member

**During 2016/17 the members of the Advisory Panel were**

Deana Rouse	Deputy Chairman - MOD
Hugh Player	Director Greenwich Hospital
Malcolm Naish	Property Member
Ian Harwood	Investment Member
Matthew Thorne	Finance Member

**During 2016/17 the members of the Royal Hospital School Governing Body were**

Henry Strutt	Chairman
John Gamp	Clerk-in-Charge Greenwich Hospital
Johnathan Agar	
Valerie Bidwell	
Kevin Beaton	
Thomas Hill	
Adam Kerr	
James Lynas	
Penny Marshall	
Elisabeth Todd	
Andrew Tate	
Paul Smith	
Nick Bevington	

**Auditors**

The Comptroller and Auditor General  
157-197 Buckingham Palace Road  
London SW1W 9SP

**Reporting Accountants**

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich  
IP1 3LG

**Solicitors**

Winckworth Sherwood  
Minerva House  
5 Montague Close  
London SE1 9BB

**Bankers**

Government Banking Service  
7th Floor  
Southern House  
Wellesley Grove  
Croydon  
CR9 1WW

HSBC Bank plc  
2nd Floor West End Commercial Centre  
16 King Street  
London WC2E 8JF

**Property Managers**

BNP Paribas Real Estate UK  
5 Aldermanbury Square  
London EC2V 7BP

Savills  
Eastfield House  
Main Street  
Corbridge NE45 5LD

Strutt & Parker LLP  
11 Museum Street  
Ipswich IP1 1HH

**Sheltered Housing Managers**

CESSAC  
1 Shakespeare Terrace  
Portsmouth PO1 2RH

**Investment Managers**

Newton Investment Management Limited  
Mellon Financial Centre  
160 Queen Victoria Street  
London EC4V 4LA

**Actuaries**

First Actuarial LLP  
The Square, Basing View,  
Basingstoke, Hampshire,  
RG21 4EB.

**Lender**

Royal Bank of Canada  
Riverbank House,  
Swan Lane,  
London, EC4R 3BF

**During 2016/17 the Senior Staff were:**

Hugh Player	Director and Accounting Officer
John Gamp	Charity Director & Clerk-in-Charge
Peter Linstead Smith	Head of Strategic Development to July 2017
Simon Lockyer	Head Royal Hospital School
Peter Church	Director of Finance & Operations Royal Hospital School
Gillie Bexson	Head of Property
Alison Gardner	Head of Finance
Sara Kortzenray	Charity Projects Manager
Kim Richardson	Commodore Naval Personnel People Projects

**During 2016/17 the Directors of Royal Hospital School Enterprises Limited were:**

Henry Strutt	Chair
Hugh Player	Director Greenwich Hospital
Simon Lockyer	Head Royal Hospital School
Peter Church	Director of Finance & Operations Royal Hospital School
Johnathan Agar	School Governor RHS

**During 2016/17 the Directors of Royal Hospital School Charitable Trust were:**

Andrew Tate	Chair
Valerie Bidwell	School Governor RHS
Simon Lockyer	Head Royal Hospital School
Peter Church	Director of Finance & Operations Royal Hospital School
Johnathan Agar	School Governor RHS

## 2 Objectives and Activities

### 2.1 Introduction

The Royal Charter of William and Mary dated 25 October 1694 established the Royal Hospital for Seamen (latterly known as Greenwich Hospital) as a home for retired seamen of the Royal Navy. It also provided for support for seamen's widows and education for their children, the improvement of navigation and the encouragement of seamen. The first pensioners arrived at Greenwich in 1705 and by 1800 more than 2,000 lived there. With changing social conditions the last pensioner left in 1869. The Hospital then devoted its resources to paying pensions and educating children. It now provides sheltered housing for elderly seafarers and their spouses, educational bursaries and grants for seafaring families and substantial grants to charities and other organisations supporting the Royal Naval family.

The Hospital's original buildings at Greenwich were used as a Royal Naval College until 1998. The buildings are now managed by the Greenwich Foundation which sublets to Greenwich University and Trinity Laban Conservatoire, to the freehold of which Greenwich Hospital has reversionary rights. The buildings once used by the Royal Hospital School in Greenwich are occupied by the National Maritime Museum.

The Hospital is funded by the income from its property portfolio in Greenwich, London, East Anglia and Northumberland and by its quoted investments.

### 2.2 Greenwich Hospital Aims and Objectives

Greenwich Hospital's Royal Charter of 1694 charges the Hospital with:

- *"The reliefe and support of seamen serving onboard the Shippes or Vessells belonging to the Navy Royall who by reason of Age, Wounds or other disabilities shall be incapable of further Service at Sea and being unable to maintain themselves.*
- *And for the Sustentation of the Widows and the Maintenance and Education of the Children of Seamen happening to be slain or disabled.*
- *Also for the further reliefe and Encouragement of Seamen and Improvement of Navigation"*

In the 21st Century Greenwich Hospital continues to support Royal Naval personnel by offering charitable assistance to them and their families throughout their lives both during and after their Naval service.

The Hospital received an Admiralty Board Directive in response to a Governance and Strategy Paper issued in 2014. Through the Directive, the Admiralty Board:

- Reaffirmed the aims of Greenwich Hospital's Charter and its modern interpretation.
- Declared its commitment to the continuing active management of Greenwich Hospital as the Crown's direct arm for charitable output to serving and former Naval Service personnel.
- Agreed to use all appropriate means including official Royal Navy channels to promote the services and activities of Greenwich Hospital to serving and former Naval Service personnel.
- Agreed to cooperate with Greenwich Hospital through the application of official resources to help to identify and meet present and future Naval need.

## Strategic Objectives

For 2015 – 2025 the Admiralty Board directed Greenwich Hospital to meet the following strategic objectives:

- Be a Naval Service delivery charity specialising in education and training, employment, housing and grant making.
- Identify unfulfilled areas of Naval need and provide timely charitable intervention in order to remove or reduce long term problems.
- Aim to coordinate and facilitate access to services available through other Naval and tri-service charities.
- Maintain a proactive and diversified investment portfolio in order to fund current and future charitable activities.

### 2.3 2016-17 Aims and Objectives

The Hospital's key aims and objectives for 2016/17 are set out below:

- *To complete research on the scope and reach of service charities in respect of our constituency.*
- *To have moved proactively to address identified gaps in provision.*
- *To work on rationalising provision of family and children's charitable support (currently three separate charities bidding for annual support).*
- *To build links with non service charities which serve or could serve our constituency, to identify more effective ways of working, and to develop our charity knowledge.*
- *To look within the serving community to address proactively issues that have previously led to the need for charitable support, during or after the service career.*
- *Where possible and practical work to join up the dots in Naval charitable provision*
- *To complete development and implementation of the Communication Strategy.*
- *Provide substantial funding for the development of WiFi on RN Ships.*
- *To develop Throckley North in order to provide future income streams.*

The achievement of these objectives is reviewed under the relevant operational headings below and under the financial review.

### 2.4 Public Benefit Statement

As a unique Crown body, the Hospital is governed by the Greenwich Hospital Acts 1865 to 1996, passed over the years to reflect changing social circumstances and the evolution of the Hospital. The Hospital is not subject to the Charities Act of 2011, or the jurisdiction of Charity Commissioners, but it seeks to follow best practice in the charity sector while meeting the requirements of its own legislation.

The Hospital has taken account of the Charity Commission's general guidance on public benefit when reviewing its aims and objectives, planning future activities and setting the grant making policy for the year. The Hospital delivers public benefit in accordance with its Royal

Charter through the provision of pensions, grants and care for seafarers in need by reason of age, disability or financial hardship; provision of education and training, and recreational facilities and amenities. Beneficiaries include serving and retired members of the Naval Service, their widows or widowers and their children.

## 2.5 Social Investment

Social Investment is not currently a material part of the Hospital's charitable and investment activities.

## 2.6 Grant Making

The Hospital achieves its charitable objectives both through direct provision of education and Sheltered Housing and through grant provision.

The basis of the Hospital's charitable provision is to seek upstream intervention to prevent or reduce downstream problems but that no charitable need should be left unaddressed. No restrictions are imposed on the purpose for which a grant may be made other than that they fund activities which support the objectives of the original charter; thus applications for support towards capital projects, other projects or core costs are considered.

The Hospital's Charity Development Committee has identified 11 Charitable Targets against which funding requests are assessed. These are discussed in section 3.

## 3 Review of Operations, Achievements and Performance

### 3.1 Grants

The Hospital provides grants to individual seafarers and their families and also to other charities supporting the Royal Navy Family. Greenwich Hospital delivers charitable funding via four main funding streams as shown below.

	Total Grants 12 months to 31.08.17 £	Total Grants 17 months to 31.08.16 £
Jellicoes Regular Charitable Payments	950,870	1,377,957
GH grant paid via RNRMC	1,442,169	2,000,339
GH Partnership Awards	2,916,995	1,112,627
GH Education Grants	94,003	120,497
	5,404,037	4,611,420

In 2016-17 the Hospital provided £5.4m by way of charitable grants to Royal Naval and tri-service charities and Naval beneficiaries. The largest partnership award was £2.4m towards Wi-Fi in ships.

### 3.2 Greenwich Hospital Partnership Awards

Greenwich Hospital Partnership Awards are funding awards distributed directly by Greenwich Hospital to organisations that are able to fill gaps in current welfare provision. The Greenwich Hospital Partnership Awards have been assessed against 5 very broad levels of impact on beneficiaries. These are:

- Life informing e.g. information giving
- Life enriching e.g. providing entertainment/fulfilment
- Life improving e.g. educational grants
- Life defining e.g. helping find employment
- Life changing e.g. medical support

Where funding awards are made for more than one year they are usually subject to satisfactory annual review and are not considered binding commitments. There are exceptions to this where grant is committed for future years. These grants total £126k and have been accrued for. The main ones are £76k for completion of a capital project by Veterans Aid and £30k to the Stationers Company for a new cadet force at an inner city school.

### **3.3 Education Grants (2016/17 £0.094m, 2015/16 £0.12m)**

The Hospital provides means tested grants to students from Naval Families at 4 higher educational establishments. Greenwich Hospital also provides training grants to clients referred by other service charities including SSAFA, TRBL, The Poppy Factory and High Ground.

### **3.4 Greenwich Hospital Grants Paid via Royal Navy Royal Marines Charity (2016/17 £1.4m, 2015/16 £2.0m)**

A large part of the Hospital's charitable funding for Naval benevolence is made through a block grant to the Royal Navy and Royal Marines Charity (RNRMC) for allocation and distribution via the Naval Service Benevolent Fund Committee. In 2016/17 the RNRMC allocated £2.0m of grants excluding "Jellicoe" Regular Charitable Payments. £1.4m of this funding came from Greenwich Hospital.

The Hospital led the establishment of RNRMC as an umbrella charity for smaller Naval Charities. The Hospital continues to support the RNRMC. Subject to annual review the Hospital has pledged to provide RNRMC £1.375m per annum for the next 5 years. The Hospital also looks to signpost the RNRMC to the serving community through the funding it gives to that community. This will harness the joint brands of the two charities and maximise the income for joint beneficiaries. In addition to this the Hospital is increasing funding made directly to other charities to meet identified needs. The difference in allocation from the £1.375m agreed is a timing difference as the RNRMC has a different financial year to the Hospital.

### **3.5 Jellicoe Regular Charitable Payments (RCP) (2016/17 £0.95m, 2015/16 £1.38m)**

Greenwich Hospital provided £0.95m, (2015/16 £1.38m) to the Royal Navy Benevolent Trust to fund Jellicoe Regular Charitable Payments. RCPs are paid quarterly to assist older members of the RNBT Family on very low incomes. They are currently paid at the rate of £20 per week (£220 per quarter). Prospective RCP recipients are normally identified when a member of the RNBT Family applies for a grant for a specific purpose. The Hospital's funding pays for over 950 beneficiaries with around 126 new beneficiaries being identified each year.

### **3.6 Charitable Targets**

The Hospital's Charity Development Committee has endorsed 11 Charitable Targets against which funding requests are assessed.

The charitable targets for Greenwich Hospital shown below:

	<b>Target</b>	<b>Relevant Project</b>
1	That Naval veterans, and/or their immediate dependants, in hardship are supported.	Financial Support to individuals through block grants to Naval Charities such as RNRBT, RMC, RNRMCF who give grants to individuals. Grants to fund SSAFA casework

	Target	Relevant Project
		which identifies individuals. Grants to SAIL for provision of advice on debt and benefits.
2	That Naval personnel make the most of their service career possibilities, and, in the process, build the best possible opportunities for their civilian careers after they leave.	Financial support for personal development training (MSSC); prizes for professional excellence and achievement; funding for education and training. Funding of My Navy App.
3	That Naval personnel, serving or retired, who have the desire to purchase their own home receive encouragement and support to do so.	This is being explored for our new development in Throckley.
4	That Naval families have the opportunity of accessing the Naval families' network and receiving appropriate timely advice and support.	Funding for family holidays via Sailors Children Society and RNRMCF. Grants to Naval Families Federation & Homeport Magazine. Grants to SAIL. Research Into the needs of Naval families.
5	That Naval children in need of help are appropriately supported, particularly with suitable education.	Bursaries at RHS for seafaring children; bursaries at partner Universities for former RN personnel and their children; assistance from RNRMCF; improvement of home environments.
6	That Naval personnel have the best opportunity in the process of transition to civilian life and that Naval veterans who wish to do so can enter meaningful education or employment.	Vocational training, careers advice, job-seeking assistance direct or through other providers e.g. Poppy Factory, RFEA, Royal Navy Association Shipmates and Oppos programme
7	That Naval veterans and their dependants suffering from physical, mental or age-related health issues receive appropriate support.	Combat Stress, Care after Combat, VOS, all support beneficiaries with mental health issues. Dementia Support is provided through the Admiral Nursing Service. Mobility aids provided through individual grants via RNBT and other Naval charities funded by GH.
8	That vulnerable Naval veterans are given the opportunity of appropriate residential accommodation.	Supported accommodation provided via Alabare, Veterans Aid, Stoll. Direct provision of sheltered housing. Grants given to care homes such as Pembroke House, Star and Garter and Royal Alfred Seafarers Society.
9	That Naval veterans experiencing later life loneliness are given appropriate encouragement and support.	Support for RNA LIBOR bid for iPads, training and broadband to facilitate digital branches and communications.
10	That support and encouragement is provided to the Sea Cadets and other youth organisations with a maritime ethos or objectives.	Navy Board Cadets prize; Sea Cadets capital programmes, support of VCC.

	Target	Relevant Project
11	To support RN personnel objectives on enhancing morale and personnel development, child care and retention.	MyNavy App, RN Gymnastics team,

### 3.7 Royal Hospital School (RHS)

#### Net Deficit (2016/17 £2.28m, 2015/16 £4.67m)

The Royal Hospital School was founded by Greenwich Hospital in 1712 to educate the sons of Greenwich Pensioners. Today it is a co-educational school for over 700 children age 11 to 18 years, around 400 of whom board. It is set in 200 acres of Suffolk countryside near Ipswich. The School Land and Buildings is valued at depreciated historic cost of £29m.

Investment in the facilities has continued with refurbishment of the Sports Centre, Nelson House and Drake House. The rolling refurbishment of classrooms also continued with the renovation of the Chemistry Laboratories. Overall £1.1m was invested into the school buildings in 2016/17 compared to £2.1m in 2015/16.

In accordance with Greenwich Hospital's Royal Charter, the Hospital supports eligible seafaring families with means tested bursaries. In the 12 month 2016/17 year the Hospital provided £2.0m bursaries compared to £2.75m in the previous 17 months. In Summer 2017 there were 91 pupils from seafaring families in the School, (2015-16 104)

Pupil numbers have remained steady with 752 enrolled in September 2017 compared to 754 in September 2016.

Royal Hospital School Enterprises Limited is a subsidiary of Greenwich Hospital operating holiday lettings at the School. It generated a surplus of £448k (2015-16: £762k) which was gift aided to the School. See note 7 for details.

### 3.8 Sheltered Housing

#### Net Deficit (2016/17 £157k, 2015/16 £86k)

Greenwich Hospital owns three sheltered housing schemes, with a total of 91 units, located in Portsmouth (Southsea), Plymouth (Saltash) and Greenwich. All three sites offer one or two bedroom accommodation built to modern standards. The tenants pay affordable rent to contribute to the costs of running the schemes. Flats are allocated on the basis of priority of need and are currently fully let. Residents must be over 60 and either veterans or spouses or widows of veterans. Greenwich Hospital has contracted with the Church of England Soldiers, Sailors and Airmen Housing Association to manage the schemes.

The schemes were revalued this year and given a market value existing use of £3.4m in total. The value of two schemes had increased significantly since the last valuation whereas the value of the scheme in Portsmouth had fallen. The schemes are now in the balance sheet at valuation existing use.

### 3.9 Quoted Investments

#### Net Surplus (2016/17 £ 3.2m, 2015/16 £4.2m)

#### Year end Value (2016/17 £107m, 2015/16 £103m)

The Hospital has £107m, (31.8.16 £103m), in quoted investments. These are managed on the Hospital's behalf by Newton Investment Management. The portfolio is invested in pooled funds to obtain a balance of investments across different geographic areas, industries and asset classes. Each fund is benchmarked against a relevant index and the overall portfolio is

benchmarked against a composite benchmark. The portfolio comprises the main fund of £100m, the income from which is spent on charitable purposes and the Reade Accumulation fund valued at £5.6m and the School Fund valued at £1.7m the proceeds of which are reinvested.

Net Income from the financial investments was £3.2m during the 12 months of 2016/17 compared to £4.2m in the previous 12 months. The composition of the portfolio and funds does not fluctuate significantly as they are invested in companies that provide long term growth prospects.

Decision making on investment matters is delegated to the Director of Greenwich Hospital. The Hospital's Advisory Panel provides the Director with guidance on investment matters.

### **Investment Objectives**

The Hospital seeks to produce the best financial return within an acceptable level of risk. The investment objective is to generate a total return of inflation plus 4.5% per annum over the long term, after expenses. This should allow the Hospital to at least maintain the real value of the assets, whilst funding annual expenditure in the region of £3.5m per annum from investments. The Hospital adopts a total return approach to investment, generating the investment return from income and capital gains or losses. In any one year the total return maybe insufficient to meet expenditure but in the long term the real value of the Portfolio will still be maintained. The Funds are in three portfolios for historical reasons but their investment objectives are the same.

### **Attitude to risk**

The Hospital relies on returns from investment to help fund charitable activities including grants to other charities. However, grants are generally one-off awards and the number and value of these may vary depending on circumstances. The key risk to the long term sustainability of the Hospital is inflation, and the assets should be invested to mitigate this risk over the long term. The Hospital understands that this is likely to mean that investment will be concentrated in property and that the capital value will fluctuate.

## **3.10 Investment Property Portfolio**

**Net Surplus (2016/17 £ 5.1m, 2015/16 £5.3m)**

**Year end Value (2016/17 £262m, 2015/16 £249m)**

The Hospital has an investment property portfolio valued at £262m, (2015/16 £249m). This includes commercial and residential property in Greenwich, rural and development land predominately in the North East of England and Suffolk and a share in a central London Estate.

Net income from the investment property portfolio during the 12 months in 2016/17 was £5.1m compared to £5.4m in the previous 17 months.

### **Pollen Estate 10.253% - Market Valuation £74m (2015/16 £69m)**

The Pollen Estate consists of offices, residential units and retail, which are situated in Mayfair, London. It is managed through a trustee company. The Hospital owns 10.253% of the Estate and receives regular dividends. The Hospital's share of the estate, net of debt, is valued at £74m and it generated £1.0m net income during the year. In the previous 17 months it generated £1.7m.

The majority of the Estate is owned by the Norges Bank Investment Managers and Crown Estate partnership. The descendants of the original Pollen family also hold a proportion of shares and are represented on the Board.

The Pollen Estate has outperformed the Investment Property Databank Universe for the last twenty years.

#### **Greenwich Estate - Market Valuation £145m (2015/16 £139m)**

The Greenwich Estate comprises 201 commercial units, residential and heritage properties in Greenwich town centre and within the World Heritage Site. The Estate has been valued at £145m, (2015/16 £139m), on an individual building basis and produced net income of £3.4m (2015/16 £3m). The Estate was managed on the Hospital's behalf by BNP Paribas Real Estate. During the year the Hospital retendered the management of the Estate and from 1.9.17 it has been managed by Knight Frank.

#### **Northern Estates - Market Valuation £38m (2015/16 £35m)**

The Northern Estates are situated in the counties of Northumberland and Tyne & Wear. The properties are a mix of agricultural, residential, commercial and forestry land. The Estate, which comprises 5,250 acres, is managed on the Hospital's behalf by Savills.

The Estate has been valued at £38m (2015/16 £35m). It generated net income of £554k (2015/16 £669k).

During the year the Hospital has continued developing plans to sell part of its land in Throckley North for Development. The Hospital has achieved planning consent for purchasers to develop around 580 new homes on the site.

#### **Holbrook Estate - Market Valuation £5.4m (2015/16 £5.4m)**

The Holbrook Estate, in Suffolk, extends to about 600 acres comprising agricultural land, farm houses, cottages and other properties including a playing field and reed beds. The Estate surrounds the Royal Hospital School and parts of the villages of Holbrook and Harkstead. It is managed by Strutt & Parker.

The Holbrook Estate has been valued at £5.4m (2015/16-£5.4m) and during 2016/17 it generated a surplus of £114k, (2015/16-£80k).

### **3.11 Royal Hospital School Enterprises Limited (RHSEL)**

The Hospital owns 100% of the share capital of RHSEL which carries out commercial trading activities on behalf of the Royal Hospital School. All profits generated are gift aided to the Hospital. See note 7 for further details. The accounts of RHSEL are consolidated into the Hospital's group accounts.

The previous 17 month financial period included two summers of lettings. There was therefore an increase in lettings income. The net gift aid from RHSEL is lower in 2016/17 at £448k, (2014/15 £762k). The company has no staff and no fixed assets.

### **3.12 Royal Hospital School Charitable Trust (RHSCT)**

The RHSCT is a Charitable Incorporated Organisation set up in 2015/16 to benefit the pupils of the Royal Hospital School. The organisation seeks to advance pupils' education through providing funding for facilities and equipment and will seek to enhance the educational experience of all pupils by developing effective relationships between staff, pupils, parents, alumni and others. The Trustees will carry out these purposes through fundraising activities such as social events, alumni reunions and professional networking events.

### **3.13 Travers Foundation**

The Travers Foundation was established in 1725 and transferred to Greenwich Hospital by Act of Parliament in 1892. Surplus income from the Foundation is applied for the general purposes of Greenwich Hospital.

No grants were made to Greenwich Hospital in 2016/17 compared to £942k in 2015/16.

## **4 Review of Finances**

### **4.1 Financial Policies**

#### **Liquidity**

The Hospital's policy is to maintain sufficient liquidity to meet the commitments made for charitable activities and capital improvements but not to the extent that it impacts negatively on investment returns. Liquidity is reviewed each year as part of the budgeting process to ensure it is consistent with the Hospital's aims and monitored throughout the year. The Hospital has a £10m loan facility over a five year term with Royal Bank of Canada. This was fully drawn down at the year end. The Hospital is also able to liquidate financial investments at short notice if required. The Hospital favours borrowing over liquidating investments due to relatively low levels of current interest rates in comparison to financial investment returns.

#### **Designated Reserves**

RHS has designated reserves of £3.0m, (2015/16 £2.3m), relating to specific projects which are outlined in note 25 to the accounts. The funds relate to future refurbishment of staff houses, the Schools capital programme and the Fees in Advance scheme which is invested in the Newton school fund portfolio.

Although not identified as a designated fund £29m, (2015/16 £29m) of the Hospital's unrestricted funds are provided for to meet the pension liability as identified in note 11.

#### **Restricted Reserves**

Restricted reserves represent monies received by way of gifts and historic legacies where the use is limited by specific conditions. They relate to the School and include funds for bursaries and for specific clubs and societies. A breakdown of the £134k, (2015/16 £138k) restricted reserves is shown in note 25 of the accounts.

#### **Other Reserves**

The balance of the assets of the Hospital is held to produce income for activities in accordance with the Royal Charter of the Hospital. The Hospital does not seek outside income apart from that which is produced from its own investments and that which relates to the Royal Hospital School and Sheltered Housing. In addition, the Hospital also has the option of spending all, or part, of the capital of these assets as well as any income produced.

The Hospital seeks to manage its quoted and property investments on a total return basis so that the value of the investment, and hence income produced for its charitable output, at least keep pace with inflation over the very long term. By its nature, these funds are more akin to an expendable endowment rather than "free" reserves and a separate policy governing general reserves is not felt to be relevant.

## **Payments to Suppliers**

The Hospital aims to pay all suppliers in accordance with contractual terms. In 2015/16 the Hospital paid all its suppliers on average within 14 days, calculated using year-end figures of amount owed to trade creditors as a proportion of the amount invoiced during the year. In 2016/17 payments have been slower at an average of 29 days. This reflects a small number of invoices which were held up at the year end as the Hospital moved to new property contractors.

## **4.2 Accounting Framework**

The Annual Accounts are prepared by Greenwich Hospital as required by legislation (Greenwich Hospital Act 1865 (s.47), as amended by the Greenwich Hospital Act 1885 (s.4)) and are audited by the National Audit Office.

Due to the charitable nature of the majority of the Hospital's activities, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities FRS 102.

The Secretary of State for Defence is the sole Trustee on behalf of the Sovereign acting in execution of the Greenwich Hospital Acts for the exclusive benefit of the Hospital. He does not thus act in his defence capacity or for the benefit of the Ministry of Defence or Government but solely for the charitable purposes of the Hospital. The Ministry of Defence as a Department does not control the Hospital either for defence or charitable purposes.

Greenwich Hospital is a Crown body but not a public authority. It performs no public function, nor is it funded by any public money. Its accounts are audited by the NAO and laid before Parliament. The accounts do not form part of the Ministry of Defence's accounts. The NAO engage EY to undertake the fieldwork for the audit on behalf of the Comptroller and Auditor General.

## **4.3 Financial Management**

There is an effective system of financial control throughout Greenwich Hospital's activities, including those of the Royal Hospital School. Accounts are maintained in a form which meets the Hospital's internal management needs, the requirements of the Charities SORP and the needs of the Advisory Board and Panel. No funds from the Hospital are paid or disposed of without proper authorisation and such authorisation is preceded by appropriate scrutiny of requirements and value for money considerations. In addition major projects are subject to a formal investment appraisal.

All of the Hospital's directly held property and financial investments are managed by independent specialists. The specialist managers are required to report quarterly with a financial report against budget and benchmarks, a commentary on variances and the performance of the investments. In addition, the Head of Finance and her assistants undertake management validation reviews of the three main property holdings, the Royal Hospital School and Sheltered Housing. The Hospital has implemented Internal Audit during the year and a review of Greenwich Estate has been completed.

The Hospital is also the steward of some 700 heritage works of art, goods and chattels. The Hospital's art collection and other significant heritage items are predominately under the day to day care of the Royal Museums Greenwich and the Greenwich Foundation for the Old Royal Naval College with whom there are formal loan agreements.

A five year Short Term Plan (STP) is prepared annually comprising individual plans for each of the Hospital's major activities, including the sheltered housing schemes, the directly held estates, quoted investments, headquarters and the Royal Hospital School. The individual STPs are prepared by the agents and managers responsible and the School's STP is

approved by its Board of Governors. The combined STP is approved by the Director and reviewed by the Advisory Panel and Advisory Board.

#### 4.4 Management Information

Executive information including all financial reporting is prepared either by internal Greenwich Hospital staff or external professional consultants. Advisory Board and Admiralty Board endorsement, where required, is given on the basis of the Boards being satisfied that the data is accurate and of sufficient quality.

Board meetings and Committee meetings are minuted and amendments to management reports or information are approved where necessary. The minutes and papers of the Advisory Board and subcommittees are deposited periodically in the National Archives as a matter of public record. Monthly management accounts are produced for the Senior Management Team and the most recent versions are reported to the Advisory Panel.

#### 4.5 Summary of Financial Highlights

The year 2016/17 is not directly comparable to the previous period which was 17 months long as the Hospital transitioned to a different accounting year end. The change in financial year end is discussed in note 32.

The top level results are:

<b>Highlights from Group SOFA</b>	<b>12 months 2016/17</b>	<b>17 months 2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Total Income	27,812	36,372
Total Expenditure	(29,908)	(38,825)
Net gains from disposals	32	205
Net gains from revaluations	17,223	28,385
<b>Net Income/(Expenditure)</b>	<b>15,159</b>	<b>26,137</b>
Actuarial Gain/(Loss on pension)	687	(3,633)
Increase in Funds in the period	15,846	22,504
Balance brought forward 1.4.15	346,133	323,629
<b>Balance Carried Forward 31.8.16</b>	<b>361,979</b>	<b>346,133</b>

#### Summary

The Hospital's total income from property and financial investments was £28m, (2015/16 £36m) giving net income of £8.3m compared to £10.5m in 2015/16. There were small gains on disposal of property and financial investments of £32k, (2015/16 205k). This is because only one property has been sold during the year compared to 22 the previous year.

The increase in funds for the 12 month year was £16m compared to £23m in the 17 months of 15/16. The main change, apart from the longer accounting period in 2015/16, is that no Travers grant was received in 2016/17, (2015/16 £942k.).

#### Income and Endowments

Overall, once adjustment is made for the previous 17 month period, incoming resources are higher than in the prior period. Within property income the returns from the Greenwich Estate of £3.4m were higher than the previous period £2.9m.

The increase in net income at Greenwich Estate represents the completion of Greenwich Market Enhancements in 2015/16 and subsequently the rent concessions coming to an end. There has also been an increase in surplus on the Holbrook Estate following rent reviews. The net income from the Pollen Estate of £1,027k, (2015/16 £1,649k) was lower than previous years due to the ongoing redevelopment at Cork Street and subsequent temporary reduction in rent.

There was also a decrease in net income on the Northern Estate as a result of the substantial sales programme completed last year

Net income from financial investments of £3.2m, (2015/16 £4.2), was higher than the previous year when adjusted for the 17 month period. The total return on the Main fund was 6%.

There has been an actuarial gain on the defined benefit pension scheme of £0.7m, (2015/16 deficit -£3.6m). The gain is due to inflation over the year being lower than assumed so pensions are lower at the end of the year than was expected. There was also a gain on the demographic assumptions, in that the latest mortality projections show that mortality is improving more slowly than was previously anticipated.

## **Expenditure**

Sheltered Housing made a deficit of £157k when depreciation is included compared to £86k deficit the previous period. This is partially offset by the revaluation of the property by £140k.

The School recorded a £2.1m deficit in the 12 month period of 2016/17 compared to £4.5m in the 17 months of 2015/16. This deficit is made up mainly by the cost of bursaries to Seafaring families and depreciation on the buildings. The reduction in deficit in 2016/17 is the result of increased pupil numbers from 698 at September 2015 to 752 in September 2017.

Head office costs for the year were £1.67m compared to £2.241m the previous period. A large part of this cost, £253k, is the legacy service costs for staff, who are close to retirement age, at the school who were allowed to remain active members of the defined benefit pension scheme for a transitional period. The additional costs for these school staff are met by Head Office as part of the defined benefit pension scheme cost.

The interest on the pension liability was £579k compared to £1,110K in the previous period. This is a significant reduction when adjusted for the relative lengths of accounting period and reflects a lower interest rate. This was 3.1% pa as at 1 April 2015, but 2.0% at the start of the 2016/17 year.

The bank loan increased from £10m to £13m during the year and the interest costs were £231k.

The Hospital had £32k gains on disposal compared to £205k in 2015/16. The bulk of this was disposal of financial investments and sale of land at RHS.

## **Balance Sheet**

The net assets have increased from £346m at 31.3.16 to £362m at 31.8.17. The £16m increase is largely the result of property revaluation of £12m.

The Greenwich Estate increased in value from £139 to £145m. This can mainly be accounted for by rising rents as expenditure on the estate was only £1m.

The Northern Estate increased in value slightly from £35m to £38m. This is mainly due to the increasing value of the Throckley development land from £4m in 2015/16 to £6.6m in 2016/17. The land comprising 61 acres at Throckley increased from nil value to £4m as a result of development planning permission being granted in 2015/16. This increase was partially offset by the expenditure incurred in achieving planning approval. It is intended to sell this land to developers over the next decade.

On the Holbrook Estate the valuation decreased slightly.

The Hospital's share of the Pollen Estate increased in value from £69m to £74m. It should be noted that the last available Market valuation was in December 2016 rather than at the balance sheet date of 31.8.17.

UK property is generally perceived to be becoming increasingly polarised. The prime market

continues to forge ahead with exceptional prices being paid for the best quality stock as investors seek a 'safe haven' in challenging times. However, while in the past this has filtered through the markets to the secondary and tertiary sectors, this is not necessarily the case following the Brexit vote in June 2016 and the subsequent shocks that have followed, culminating most recently with the General Election on 8th June 2017.

Up until now, investors have shown appetite to cast the net further than the Home Counties as prime stock in London has been priced out of the reach of many. However, enthusiasm to take risks further afield appears to have dissipated more recently in terms of pricing. There is now little enthusiasm to take risks where the property fundamentals (location, quality of building, lease length and quality of tenant) are not in place. Growth in the retail sector nationally owes much to London and the tourist centres (including the likes of Greenwich) that are benefiting from critical mass and the 'cheap pound'. There has been downward pressure on London house prices which might be attributed to Brexit and the SDLT. While these factors may influence other regions in the UK, the impact beyond London appears to remain small.

The change in value of charitable property represented the net effect of depreciation and the capital costs incurred at the School. There was £1m investment in the fabric of the School during this year including refurbishment of the sports centre, class room and boarding houses.

The value of listed investments increased during the year from £103m at 31.8.16 to £107m at 31.8.17. This represented a 6% total return.

The Group completed the year with £8.0 m cash, (31.8.16 £6.8m). This level of cash at the year end was required for payments towards refurbishment projects at the school and the Throckley Development.

The reduction in debtors from £2.0m to £1.84m reflects the reduction in amounts owed by RHSEL to the group.

The increase in short term creditors from £8.4m to £10m relates mainly to the Travers foundation. A number of properties were sold by the Travers Foundation bringing in a net receipt of £1.3m. This money is held in the Greenwich Hospital bank account as Travers does not have its own bank account.

The liability due after one year was the Hospital's loan from Royal Bank of Canada and the School's finance lease. The bank loan increased from £10m on 31.8.16 to £13m on 31.8.17 as a result of a loan drawdown to finance the Throckley redevelopment and the Schools capital program.

#### **4.6 Future Plans**

The Hospital's key aims and objectives for 2017/18 are set out below:

- To raise the profile of the Hospital in order to be more visible to, and accessible by, those we are here to help.
- To better establish the Hospital's position in relation to well-being and welfare within the Naval constituency.
- To build links with other charities, both service and non-service, and other organisations which serve or could help us serve our constituency to greater effect.
- To address proactively issues within the serving community that have previously led to the need for charitable support during or after a service career.
- To complete funding for the installation of wifi on RN Ships of the surface fleet.
- To progress the Throckley North development in order to provide future income streams

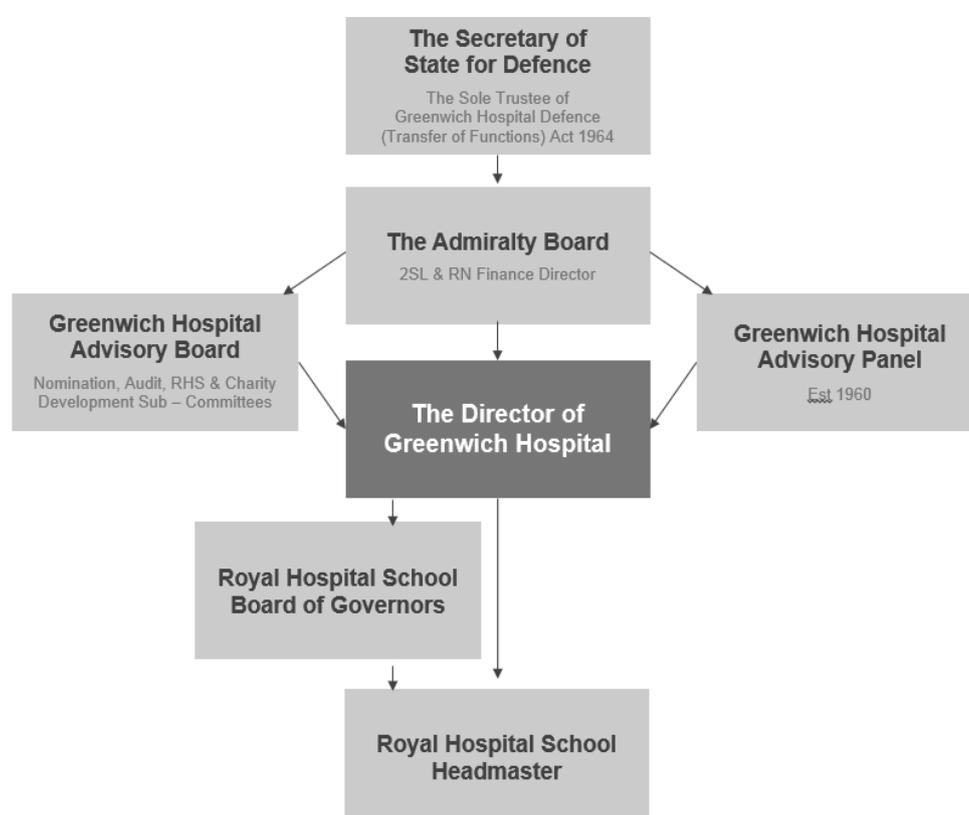
## 5 Governance Statement

This statement sets out the arrangements for the governance of the Hospital, including the Board and Sub Committee structure for the advisors. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Director who is the Accounting Officer for the Hospital.

### 5.1 Structure and Management

Greenwich Hospital is a Crown Body. The constitution of Greenwich Hospital is set out in the Royal Charter of 1694 and its charitable objects are governed by the subsequent Greenwich Hospital Acts 1865-1996 and the Defence (Transfer of Functions Act) 1964.

The Secretary of State for Defence is the sole Trustee of Greenwich Hospital, delegating its management through the Admiralty Board to the Director of Greenwich Hospital. Responsibility for management of the Hospital is delegated to the Director by a formal letter of delegation from the Admiralty Board.



The oversight of Greenwich Hospital's strategic policy is carried out by the Advisory Board and, for finance and investment matters, the Advisory Panel.

#### 5.1.1 Sole Trustee

The legal personality of Greenwich Hospital is the Secretary of State for Defence, acting in execution of the Greenwich Hospital Acts 1865-1996 and the Defence (Transfer of Functions) Act 1964. The Trustee holds all the land, property and financial assets of Greenwich Hospital in trust for the Sovereign for the exclusive benefit of Greenwich Hospital (Greenwich Hospital Act 1865 s.23).

### 5.1.2 Advisory Board

An Advisory Board chaired by the Second Sea Lord oversees the management of Greenwich Hospital on behalf of the Admiralty Board and Secretary of State for Defence. It also provides advice to the Director of Greenwich Hospital and the Admiralty Board.

Members of the Advisory Board are appointed by the Admiralty Board, with terms of office intended to ensure smooth transitions, and with strength in depth in terms of professional expertise, qualification and experience. These appointed non-executive members bring significant skills. They receive no remuneration or other benefits from their considerable commitment of time to the Hospital, although reasonable expenses are paid where appropriate.

The Advisory Board members are listed below alongside the numbers of meetings attended in 2016/17.

Vice Admiral Jonathan Woodcock	3	Chair	Appointed 10.03.2015
Deana Rouse	3	Deputy Chair	Appointed 01.12.2015
Hugh Player	3	Director	Appointed 01.09.2012
Malcolm Naish	2	Property Member	Appointed 01.09.2012
Stuart Beevor	2	Property Member	Appointed 01.09.2012
Graham Faulkner	3	Charity Member	Appointed 01.08.2015
Johnathan Spence	1	Education Member	Appointed 01.08.2015
Matthew Thorne	2	Finance Member	Appointed 01.09.2012
Ian Harwood	3	Investment Member	Appointed 01.09.2012
Christopher Tite	3	Legal Member	Appointed 01.09.2012
Richard Hunting	3	Business Member	Appointed 01.07.2011
Caroline Thynne	2	Legal Member	Appointed 01.09.2012

John Gamp acted as Secretary to the Board. During the year the Board agreed funding arrangements with the RNRMC. The Board also considered a framework for assessing whether funding for the serving Navy should be funded by public or charitable funds. A review of what the beneficiary population might need in 30 years' time was also considered and the Hospital's complaints policy and governance was reviewed.

### 5.1.3 Advisory Panel

The Director of Greenwich Hospital is assisted in his duties by an Advisory Panel, which offers professional and expert guidance on the formulation of the Hospital's investment strategy. The Advisory Panel acts in an advisory capacity and responsibility for implementing the investment strategy rests with the Director.

Members of the Advisory Panel are appointed by the Admiralty Board and its members bring significant skills to the work of the Hospital. Members of the Advisory Panel receive no remuneration or other benefits although reasonable expenses are paid where appropriate.

The Advisory Panel members are listed below alongside the numbers of meetings attended in 2016/17.

Deana Rouse	3	Chair		Appointed 01.12.2015
Hugh Player	3	Director		Appointed 01.09.2012
Malcolm Naish	3	Property Member		Appointed 01.09.2012
Ian Harwood	3	Investment Member		Appointed 01.09.2012
Matthew Thorne	3	Finance Member		Appointed 01.09.2012

The Advisory Panel receives an update on the management accounts, financial investments and investment property for information and advice at each meeting. During the year the Panel also reviewed a set of Key Development Indicators covering the main areas of the Hospital's business. The financial investments were compared to the Asset Risk Consultancy benchmarks and the main parts of the property portfolio were compared to IPD benchmarks. The Panel has supported Hospital staff in managing the selection of new managing agents at the Greenwich Estate and in preparing the investment land at North Throckley for sale.

#### **5.1.4 Audit Committee**

The Audit Committee is responsible for advising the Advisory Board on the Annual Report and Accounts of the Hospital, the accounting policies and the financial reporting judgements included therein. The Audit Committee seeks to maintain an appropriate relationship with the Auditor and receives and reviews the annual audit completion report from the National Audit Office. It also oversees the relationship with the internal auditors and receives their reports. The committee monitors the effectiveness of the Hospital's risk management and internal control systems and provides an assessment of the risk processes and policies to the Advisory Board. The Audit Committee met three times in 2016/17.

During the year Crowe Clark Whitehill the Hospital's internal auditors undertook reviews of financial reporting and fraud resilience. The anti money laundering and anti bribery policies were also reviewed.

The Audit Committee is comprised of Board members Mathew Thorne, Ian Harwood and Richard Hunting. It is chaired by Mathew Thorne.

#### **5.1.5 Royal Hospital School Committee (RHSC)**

The RHSC exists to advise the Greenwich Hospital Advisory Board on the progress of the Royal Hospital School towards achieving the overarching aims set by the Admiralty Board and its path to an appropriate form of independence. The RHSC is appointed by the Advisory Board and comprises at least two non-executive members, the Director of Greenwich Hospital and the Clerk-in-Charge. The focus of the Committee during the year has been the School's Strategic plan 2016-20.

#### **5.1.6 Nomination Committee**

The Nomination Committee advises the Admiralty Board on the composition of the Advisory Board and Advisory Panel and the remuneration of the Director of Greenwich Hospital. The Nomination Committee met once during 2016/17 and agreed to reappoint Matthew Thorne, Malcolm Naish and Caroline Thynne to the AB for a further three years.

#### **5.1.7 Director of Greenwich Hospital**

The Director of Greenwich Hospital is responsible by virtue of a directive from the Admiralty Board for the proper and effective conduct of the functions of Greenwich Hospital including

the regularity and propriety of the Hospital's administration, adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

#### 5.1.8 Senior Executive Staff

The Director is authorised to delegate his powers and responsibilities to members of Greenwich Hospital staff as he sees fit with the exception of the power to authenticate the seal of the Secretary of State which authority is solely given to the Director and Clerk-in-Charge. Such delegation is made on a personal basis and in writing. In addition, the Clerk-in-Charge of Greenwich Hospital, who is for the time being a serving civilian officer of the Ministry of Defence, is authorised to assume any of these powers and responsibilities in the Director's absence without specific further direction.

During the year the senior staff of the Hospital were:

Hugh Player	Director	Appointed 01.10.2012
John Gamp	Clerk-in-Charge/Charity Director	Appointed 01.07.2003
Peter Linstead-Smith	Head of Strategic Development	Retired 31.07.17
Gillie Bexson	Head of Property	Appointed 01.08.2013
Alison Gardner	Head of Finance	Appointed 01.08.2013
Sara Kortenray	Charity and Projects Manager	Appointed 01.08.2013
Kim Richardson	CN PERS People Projects	Appointed 20.07.2015
Simon Lockyer	Headmaster, Royal Hospital School	Appointed 01.01.2016
Peter Church	Bursar, Royal Hospital School	Resigned 31.07.17
Anthony McNiff	Director of Finance & Operations RHS	Appointed 15.08.2017

#### 5.1.9 Royal Hospital School (RHS)

The RHS is owned and operated by Greenwich Hospital. Responsibility for ensuring RHS compliance with all appropriate legislation is delegated to the Headmaster, albeit that the School has no separate legal identity from the Hospital which ultimately bears the legal responsibility. There are also separate financial delegations to the Headmaster and the Bursar. The Bursar Peter Church left in July 2017 and was succeeded by Director of Finance and Operations Tony McNiff.

A Governing Body is appointed to oversee the strategic management and workings of RHS. The following served on the Governing Body during 2016-17.

Henry Strutt	Chair
John Gamp	Governor/Clerk-in-Charge
Valerie Bidwell	Governor
James Lynas	Governor
Thomas Hill	Governor
Penny Marshall	Governor

Elisabeth Todd	Governor
Andrew Tate	Governor
Kevin Beaton	Governor
Johnathan Agar	Governor
Paul Smith	Governor
Adam Kerr	Governor

### **5.1.10 Performance of the Advisory Board and Advisory Panel**

The principal achievements of the Hospital during the year are highlighted elsewhere in the Report and Accounts.

Minutes of the Advisory Board, Panel and subcommittees are circulated to all members with routine papers in advance of the meetings. The Chair of the Advisory Panel also highlights any matters of particular note for the attention of the Advisory Board.

There is a wide range of information and data (financial and otherwise) routinely available to members of the various governing and management bodies, including management accounts. This enables the Advisory Board and Advisory Panel to exercise appropriate oversight of the Hospital and to provide well informed advice to the Admiralty Board and the Director.

### **5.1.11 Compliance with the Corporate Governance Code**

To the extent that it is deemed relevant and practical, the Hospital has followed the requirements set out in the 2011 Code (Corporate governance in central Government departments: Code of good practice), which is focused on the role of boards.

## **5.2 Risk Management**

As a Crown Charity the Hospital takes its responsibilities seriously in relation to compliance, regulation and key strategic risks. In the property and financial investment portfolios the Hospital is prepared to take calculated risk where it can be justified by the potential return for charitable purposes. Risk appetite is discussed by the advisory Board and its subcommittees and the Senior Management Team. The Senior Management Team determine whether the overall level of risk profile is in line with the Hospital's risk appetite.

The Hospital has an established approach to risk management which operates in line with the development of the charity. The risk review process is designed to consistently identify and prioritise risks to the achievement of its charitable aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically.

### **5.2.1 Principal Risks and Their Management**

Risks are divided into high level strategic risks, requiring Advisory Board or Advisory Panel attention, and operational risks. Operational risks which escalate would be raised to a strategic level.

Each risk has a designated owner and specific actions are planned to mitigate the risk. This information is collated into a risk register which is a standing item on the Audit Committee agenda. The Risk Register is reviewed regularly.

The table on the next page shows the highest level risks identified in the strategic risk register. The Senior Management Team reviews operational risks on a quarterly basis. The risk register was last reviewed by the board in May 2017.

Risks	Management
Public criticism at the way in which funds are invested or used; including property management and development .	Continue to meet charitable output in accordance with Royal Charter. Proactive property management is part of plan to establish an improved, stable long term income stream. Proactive management of risk for the quoted investments and tighter working with beneficiary charities.
Potential for reputation to suffer if one or more charitable organisations associated with Greenwich Hospital performs inappropriately in its actions resulting in loss of help to beneficiaries.	Regular reviews of the impact & use of GH funds. Now more closely involved with RNRMC's grant making process through membership of NSBF committee and rights of veto over GH Grant awards. More charitable support now being supplied directly by GH.
Behaviour of School teaching or support staff or pupils bring the School into disrepute.	Training, staff awareness as role models. Policies in place including H&S and child protection legislation
Stewardship of heritage property and actions as a landlord	Actions as Landlord compatible with charity status, caring and understanding but still commercial. Audit of goods and chattels includes valuations and location schedules.
Investment Risk	Spread of investments includes the more stable property element and a mix of high and medium and low risk quoted investments. Total return investments policy. Regular review of investment policy and portfolio management by advisory panel.
Insufficient Demand for School Places Risk	Monitor pupil numbers closely. Raise academic standards to improve competitiveness, reputation and public profiles. Ensure facilities remain competitive.  Fundraising structures and programs being put in place to supplement fees income.
Increasing Liability from the Defined Benefit pension Scheme	Scheme closed to new members and in the process of being closed to further accrual.
Data Security Risk	Access to electronic storage password controlled. Hard copy storage of data in locked cabinets; access limited to need to know. Adoption of Cloud System provides off site secure holding of data and backup information. Careful use of mobile devices capable of remote access exercised by Greenwich Hospital employees. Greenwich Hospital and RHS each have Information Commissioners Office (ICO) registered Data Controllers.
Business Continuity Risk if HQ inaccessible	Data held offsite and alternative office provision exists in Greenwich.
Demographic changes in beneficiary population changing welfare needs	Developed 50 year demographics projection.

The Hospital's risk management is a dynamic process which actively seeks to incorporate good practice. It is responsive and current and is managed through regular review of both

internal developments and external factors including the political, economic, demographic, technological and legal developments that influence the Hospital's exposure to risks and opportunities.

### **5.2.2 Data Protection and Management**

The Director, Greenwich Hospital's Senior Information Risk Owner, ensures that Greenwich Hospital protects the personal data of its employees, beneficiaries and other intermediaries in accordance with the Data Protection Act 1998.

The Clerk-in-Charge is the Hospital's Data Controller registered with the Information Commissioner's Office. The Director also ensures that appropriate data protection arrangements are in place at the Royal Hospital School and with any of Greenwich Hospital's agents, contractors, managers and professional advisers. During 2016-17 no incidents were reported that have resulted in the unauthorised disclosure of protected personal data.

### **5.3 Review of Effectiveness of Internal Controls**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control. The Advisory Board and its subcommittees offer advice on implementing and reviewing controls and they draw my attention to any matters of concern. I am also informed by the work of managers within the Hospital who have delegated responsibility for the development and maintenance of the internal control framework.

The Hospital's systems of internal control are designed to manage risk; they do not eliminate all risk and therefore only provide a reasonable and not absolute assurance of effectiveness. The key processes for risk management were in place throughout the year. Processes were strengthened during 2016/17 with the development of an effective internal audit programme and the first full year of increased staffing levels within the finance team.

As Accounting Officer, I am able to give a reasonable assurance on the effectiveness and current quality of internal control at Greenwich Hospital.

*H H Player*

Director of Greenwich Hospital

18<sup>th</sup> January 2018

## **6 Statement of Trustee's and Director's Responsibilities-Includes scope of responsibility**

The Director of Greenwich Hospital is its Accounting Officer and is responsible to the Secretary of State for Defence in his capacity as the sole trustee of Greenwich Hospital for:

- The proper and effective management of Greenwich Hospital and the achievement of its charitable objectives; and
- The regularity and propriety of Greenwich Hospital's administration and expenditure in

accordance with the objects of the Royal Charter and the provisions of the relevant Acts of Parliament.

Greenwich Hospital employees are Crown servants and adhere to the Seven Principles of Public Life as established by the Committee on Standards in Public Life ("The Nolan Committee") in 1995 (Cm 2850, 11 May 1995). These standards are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

## **7 Statement as to Disclosure of Information to Auditors**

In so far as I am aware there is no relevant audit information of which the Hospital's auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

*H H Player*

Director of Greenwich Hospital

18<sup>th</sup> January 2018

## **Audit Report of the Comptroller and Auditor General to the Houses of Parliament**

I have audited the financial statements of Greenwich Hospital for the year ended 31 August 2017 under the Greenwich Hospital Act 1865. The financial statements comprise: the Consolidated and Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Trustee, Director and auditor**

As explained more fully in the Statement of Trustee's and Director's Responsibilities – includes scope of responsibility, the Trustee and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Greenwich Hospital Act 1865. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Greenwich Hospital's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Greenwich Hospital; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Greenwich Hospital Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Greenwich Hospital's affairs as at 31 August 2017 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Greenwich Hospital Act 1865 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the information given in the Review of Operations, Achievements and Performance and the Review of Finances for the period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

**Report**

I have no observations to make on these financial statements.

*Sir Amyas C E Morse*  
Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London

# Consolidated Statement of Financial Activities for the Year ended 31 August 2017

		Unrestricted	Designated	Restricted	Total Funds	Total funds
		Funds	Funds	Funds	2016/17	2015/16
	Note	£'000	£'000	£'000	12 Mnths	17 Mnths
		£'000	£'000	£'000	£'000	£'000
<b>Income &amp; Endowments From:</b>						
<b>Charitable Activities</b>						
Royal Hospital School	5	13,001	74	936	14,011	17,233
Sheltered housing		528			528	747
		<u>13,529</u>	<u>74</u>	<u>936</u>	<u>14,539</u>	<u>17,980</u>
<b>Investments</b>						
Property Investments	3	8,838			8,838	11,248
Financial Investments	4	3,625		0	3,625	4,699
		<u>12,463</u>	<u>0</u>	<u>0</u>	<u>12,463</u>	<u>15,947</u>
<b>Other Trading Activities</b>						
RHSEL Lettings Income	7	804			804	1,497
<b>Other</b>						
Bank interest receivable		1			1	4
Travers Foundation	6	0			0	942
Miscellaneous Income		5			5	2
		<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>948</u>
<b>Total Income &amp; Endowments</b>		<u>26,802</u>	<u>74</u>	<u>936</u>	<u>27,812</u>	<u>36,372</u>
<b>Expenditure on:</b>						
<b>Raising Funds</b>						
Property Management Costs	3	3,781			3,781	5,859
Financial Investment Management Costs	4	424			424	506
RHSEL Lettings Costs	7	344			344	712
		<u>4,549</u>	<u>0</u>	<u>0</u>	<u>4,549</u>	<u>7,077</u>
<b>Charitable Activities</b>						
Royal Hospital School	5	15,642	27	940	16,609	22,528
Sheltered housing		685			685	833
Supported Housing		14			14	0
Grants, annuities and donations	8	5,404			5,404	4,611
		<u>21,745</u>	<u>27</u>	<u>940</u>	<u>22,712</u>	<u>27,972</u>
<b>Other</b>						
Headquarters administration	9	1,672			1,672	2,241
RHSEL Legal & Professional Costs	7	13			13	25
Interest on Pension Liability	11	579			579	1,110
Finance Costs	33	383			383	400
		<u>2,647</u>	<u>0</u>	<u>0</u>	<u>2,647</u>	<u>3,776</u>
<b>Total Expenditure</b>		<u>28,941</u>	<u>27</u>	<u>940</u>	<u>29,908</u>	<u>38,825</u>
Gain/(Loss) on Sale of Investment Property		(1)			(1)	19
Gain/(Loss) on Sale of Financial Investments		29	(3)		26	186
Gain/(Loss) on Sale of Charitable Land		7			7	0
Gain/(Loss) on Revaluation of Investment Properties	14	11,871			11,871	16,673
Gain/(Loss) on Charitable Properties	16	140			140	
Gain/(Loss) on Revaluation of Financial Investments	15	5,212			5,212	11,712
<b>Net Income/(Expenditure)</b>		<u>15,119</u>	<u>44</u>	<u>(4)</u>	<u>15,159</u>	<u>26,137</u>
<b>Transfer Between Funds</b>						
Transfer out of RHS Maintenance Reserve	25	(591)	591		0	0
		<u>(591)</u>	<u>591</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other recognised gains/(losses)</b>						
Actuarial gain/(loss) on pension scheme	11	687			687	(3,633)
<b>Net movement in funds</b>		<u>15,215</u>	<u>635</u>	<u>(4)</u>	<u>15,846</u>	<u>22,504</u>
<b>Reconciliation of Funds</b>						
Balance brought forward at 31/8/16		343,665	2,330	138	346,133	323,629
<b>Balance carried forward at 31/8/17</b>	25	<u>358,880</u>	<u>2,965</u>	<u>134</u>	<u>361,979</u>	<u>346,133</u>

All activities are classed as continuing and all recognised gains and losses have been included in the accounts. Note 32 refers to the change in length of accounting period in 2015/16.

# Charity Statement of Financial Activities for the Year ended 31 August 2017

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds 2016/17 12 Mnths £'000	Total funds 2015/16 17 Mnths £'000
<b>Income &amp; Endowments From:</b>	Note	£'000	£'000	£'000	£'000	£'000
<b>Charitable Activities</b>						
Royal Hospital School	5	13,001	74	936	14,011	17,233
Sheltered housing		528			528	747
		<u>13,529</u>	<u>74</u>	<u>936</u>	<u>14,539</u>	<u>17,980</u>
<b>Investments</b>						
Property Investments	3	8,838			8,838	11,248
Financial Investments	4	3,625			3,625	4,699
		<u>12,463</u>	<u>0</u>	<u>0</u>	<u>12,463</u>	<u>15,947</u>
<b>Other Trading Activities</b>						
Gift Aid from Trading Subsidiary RHSEL	7	448			448	762
<b>Other</b>						
Bank interest receivable		0			0	2
Travers Foundation	6	0			0	942
Miscellaneous Income		5			5	2
		<u>5</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>946</u>
<b>Total Income &amp; Endowments</b>		<u>26,445</u>	<u>74</u>	<u>936</u>	<u>27,455</u>	<u>35,635</u>
<b>Expenditure on:</b>						
<b>Raising Funds</b>						
Property Management Costs	3	3,781			3,781	5,859
Financial Investment Management Costs	4	424			424	506
<b>Charitable Activities</b>						
Royal Hospital School	5	15,642	27	940	16,609	22,528
Sheltered housing		685			685	833
Supported Housing		14			14	0
Grants, annuities and donations	8	5,404			5,404	4,611
		<u>21,745</u>	<u>27</u>	<u>940</u>	<u>22,712</u>	<u>27,972</u>
<b>Other</b>						
Headquarters administration	9	1,672			1,672	2,241
Interest on Pension Liability	11	579			579	1,110
Finance Costs	33	383			383	400
		<u>2,634</u>	<u>0</u>	<u>0</u>	<u>2,634</u>	<u>3,751</u>
<b>Total Expenditure</b>		<u>28,584</u>	<u>27</u>	<u>940</u>	<u>29,551</u>	<u>38,088</u>
Gain/(Loss) on Sale of Investment Property		-1			(1)	19
Gain/(Loss) on Sale of Financial Investments		29	(3)		26	186
Gain/(Loss) on Sale of Charitable Land		7			7	0
Gain/(Loss) on Revaluation of Investment Properties	14	11,871			11,871	16,673
Gain/(Loss) on Revaluation of Charitable Properties	16	140			140	0
Gain/(Loss) on Revaluation of Financial Investments	15	5,212			5,212	11,712
<b>Net Income/(Expenditure)</b>		<u>15,119</u>	<u>44</u>	<u>(4)</u>	<u>15,159</u>	<u>26,137</u>
<b>Transfer Between Funds</b>						
Transfer out of RHS Maintenance Reserve	25	(591)	591		0	0
		<u>(591)</u>	<u>591</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other recognised gains/(losses)</b>						
Actuarial gain/(loss) on pension scheme	11	687			687	(3,633)
<b>Net movement in funds</b>		<u>15,215</u>	<u>635</u>	<u>(4)</u>	<u>15,846</u>	<u>22,504</u>
<b>Reconciliation of Funds</b>						
Balance brought forward at 31/8/16		343,665	2,330	138	346,133	323,629
<b>Balance carried forward at 31/8/17</b>	25	<u>358,880</u>	<u>2,965</u>	<u>134</u>	<u>361,979</u>	<u>346,133</u>

All activities are classed as continuing and all recognised gains and losses have been included in the accounts. Note 32 refers to the change in length of accounting period in 2015/16.

## Consolidated and Charity Balance Sheet

		Group	Group	Charity	Charity
		31.8.17	31.8.16	31.8.17	31.8.16
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Charitable property	16	32,674	31,790	32,674	31,790
Other tangible assets	17	1,965	1,976	1,965	1,976
		<b>34,639</b>	33,766	<b>34,639</b>	33,766
Investment property	14	262,466	248,507	262,466	248,507
Quoted investments	15	107,239	103,319	107,239	103,319
		<b>369,705</b>	351,826	<b>369,705</b>	351,826
<b>Investment in subsidiary</b>	7	-	-	-	-
<b>Total fixed assets</b>		<b>404,344</b>	385,592	<b>404,344</b>	385,592
<b>Current assets</b>					
Debtors	19	1,835	2,026	2,081	2,670
Stock	20	44	46	43	44
Short term deposits	18	0	0	0	0
Cash at bank and in hand	18	7,965	6,813	7,527	6,027
		<b>9,844</b>	8,885	<b>9,651</b>	8,741
<b>Current liabilities (amounts falling due within one year)</b>	21	<b>(10,022)</b>	(8,427)	<b>(9,829)</b>	(8,283)
<b>Net current assets</b>		<b>(178)</b>	458	<b>(178)</b>	458
<b>Liabilities (amounts falling due after more than one year)</b>	13,21	<b>(13,624)</b>	(10,676)	<b>(13,624)</b>	(10,676)
<b>Net assets excluding pension liability</b>		<b>390,542</b>	375,374	<b>390,542</b>	375,374
<b>Pension provision</b>	11	<b>(28,563)</b>	(29,241)	<b>(28,563)</b>	(29,241)
<b>Net assets including pension liability</b>		<b>361,979</b>	346,133	<b>361,979</b>	346,133
<b>Funds</b>					
Unrestricted funds	25	358,880	343,665	358,880	343,665
Share Capital	7	0	0	0	0
Designated Funds	25	2,965	2,330	2,965	2,330
Restricted funds	25	134	138	134	138
		<b>361,979</b>	346,133	<b>361,979</b>	346,133

The notes on pages 37 to 60 form part of these accounts

Hugh Player

Director of Greenwich Hospital

18<sup>th</sup> January 2018

## Consolidated and Charity Cash Flow for the year ended 31/8/17

	Note	Group	Group	Charity	Charity
		2016-17	2015-16	2016-17	2015-16
		£'000	£'000	£'000	£'000
		12 months	17 months	12 months	17 months
<b>Cash Flows from operating Activities</b>					
Net Cash Provided by Operating Activities		1,152	4,728	1,500	4,711
<b>Cash Flows from investing Activities</b>					
Receipts from sale of property and other capital		100	5,997	100	5,997
Payments to acquire or improve charitable property	16	(1,529)	(2,124)	(1,529)	(2,124)
Payments to acquire or improve property	14	(2,168)	(10,990)	(2,168)	(10,990)
Receipts from sale of other tangible fixed assets		22	27	22	27
Payments to acquire other tangible fixed assets	17	(308)	(171)	(308)	(171)
Receipts from sale of investments		6,225	20,677	6,225	20,677
Payments to acquire investments	15	(4,907)	(20,687)	(4,907)	(20,687)
<b>Net Cash Flow provided by/( used in) investment</b>		<b>(2,565)</b>	<b>(7,271)</b>	<b>(2,565)</b>	<b>(7,271)</b>
<b>Cash Flows from Financing Activities</b>					
Capital element of finance lease payments		(65)	(97)	(65)	(97)
Net proceeds from additional borrowing		3,013	6,510	3,013	6,510
Cost of secured borrowing		(249)	(260)	(249)	(260)
Interest element of finance lease payments		(134)	(140)	(134)	(140)
		<b>2,565</b>	<b>6,013</b>	<b>2,565</b>	<b>6,013</b>
<b>Change in Cash or Cash Equivalents in the Reporting Period</b>					
		1,152	3,470	1,500	3,453
Cash and Cash Equivalents at the beginning of the period		6,813	3,343	6,027	2,574
Cash and Cash Equivalents at the end of the period		<b>7,965</b>	<b>6,813</b>	<b>7,527</b>	<b>6,027</b>

### Reconciliation of Net Income/(Expenditure) to net cash flow from operating activities

		Group	Group	Charity	Charity
		2016-17	2015-16	2016-17	2015-16
		£'000	£'000	£'000	£'000
		12 months	17 months	12 months	17 months
Net income/(Expenditure) for the reporting period (as per the Statement Of Financial Activities)		15,159	26,137	15,159	26,137
Interest on Pension Liability	11	579	1,110	579	1,110
Movement of pension liability during the year	11	(570)	(798)	(570)	(798)
Depreciation	16,17	1,076	1,740	1,076	1,740
Net interest and other financing cost	33	383	400	383	400
(Profit)/loss on sale of tangible fixed assets		(15)	0	(15)	0
(Profit)/loss on sale of Investment Property		1	(186)	1	(186)
(Profit)/loss on sale of Financial Investments		(26)	(19)	(26)	(19)
Gains or Losses on Revaluation of investment properties	14	(11,871)	(16,673)	(11,871)	(16,673)
Gains or Losses on Revaluation of charitable properties	16	(140)	-	(140)	-
Gains or Losses on Revaluation of Financial Investment	15	(5,212)	(11,712)	(5,212)	(11,712)
(Increase)/decrease in debtors	19	191	1,328	589	1,356
Decrease in Stock	20	2	6	1	6
Increase/(Decrease) in creditors	21	1,595	3,395	1,546	3,350
		<b>1,152</b>	<b>4,728</b>	<b>1,500</b>	<b>4,711</b>

Note 32 refers to the change in length of accounting period in 2015/16.

## Notes to the accounts

### 1 Accounting policies

#### a) Basis Of Accounting

The Annual Accounts are prepared by Greenwich Hospital as required by legislation (Greenwich Hospital Act 1865 (s.47), as amended by the Greenwich Hospital Act 1885 (s.4)) and are audited by the National Audit Office.

The accounts have been prepared under the historical cost convention as modified below. Due to the charitable nature of the majority of the Hospital's activities, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities FRS 102.

The accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board. The accounts comply with the Charities Act 2011.

Note 7 to the accounts discloses the results for the Royal Hospital School Enterprises Limited which are also consolidated into the group accounts.

#### b) Tangible fixed assets

The Hospital recognises seven classes of tangible fixed assets:

- Directly Managed Investment Property
- Indirectly Managed Investment Property
- Charitable Land
- Charitable Sheltered Housing
- Charitable Supported Housing
- Other Charitable property
- Other Tangible Assets
- Heritage Assets

Directly Managed Investment properties are held either to earn rental income or for capital appreciation or for both. They currently comprise the Greenwich Estate, the Northern Estate and the Holbrook Estate. Investment properties and those in the course of construction are held at fair value. They are valued on the basis of open market value. When The Hospital begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

Directly Managed Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties consist of costs of a capital nature. At the balance sheet date investment properties are revalued to fair value. Any surplus or deficit arising on revaluing investment properties in the SOFA.

The Hospital holds a share in the Pollen Estate as indirectly managed investment property. The valuation used in the accounts is the Hospital's share of the balance sheet value shown in the last published financial statements of the Pollen Estate.

Land held for charitable purposes is held at historic cost.

Sheltered Housing is held at Market value. The Hospital's expenditure on investment property is capitalised at historic cost on acquisition, and revalued every two years using independent valuers. Unrealised gains or losses on the revaluation of sheltered housing are recognised in the SOFA.

The Hospital's supported housing is held at historic cost less depreciation.

The school is held at historic cost less depreciation.

Other Tangible assets are held at cost of acquisition less depreciation.

The Hospital owns several Heritage buildings of historical importance which are let on long leases at nominal rents. The Royal Naval College, Dreadnought Seamen's Hospital and the Devonport Nurses' Home have a market value existing use which is included under the Greenwich Estate on the Hospital's balance sheet. This value is low because of the regulations and restrictions applicable to them and the significant maintenance.

The Hospital also owns the Bellot Memorial Garden which is limited to public space has no income potential but the Hospital has liability for repairs. It has been assessed as having no value.

Greenwich Pier Promenade is also owned by the Hospital and has been independently valued at nil, we have continued to assess the value at 'nil'. Currently, it is let to the Port of London Authority for a term of 999 years from 2010 at a peppercorn rent.

Other fixed assets, with the exception of works of art and artefacts, are shown at original cost (estimated where necessary). Assets costing less than £2,000 are expensed at the time of purchase.

#### c) Heritage Assets Excluding Property

Works of art and artefacts have been acquired historically through bequest and gift. The Hospital does not currently seek to acquire art works or artefacts. Its disposal policy is that items may be considered for disposal where this would be to the exclusive benefit of the charitable aims of the Hospital. Where such items may be of national, historic or cultural significance, disposal would be reviewed.

The majority of the Hospital's heritage assets are on permanent loan to the Royal Museums Greenwich (RMG). There is a formal deed of agreement between GH and the RMG dated 23 April 1936, which provides for the loan of specified items from the Greenwich Hospital Collection to the RMG and for the RMG to be fully responsible for their care. These include many which are of great national heritage significance or subject to specific bequests, which would in many cases inhibit or prevent their disposal on the open marketplace. Greenwich Hospital does not hold any substantial risks or rewards of ownership from this collection. In addition, the Hospital holds some other heritage assets. A valuation was made by professional valuer (Sotheby's) covering the Hospital's collection in 2001. Further updates were made in 2007 and 2013 of parts of the collection. As a result no value has been recognised for these assets in the Hospital's Balance Sheet. The Hospital's management policy in respect of its heritage assets is summarised in note 12.

#### d) Fixed assets investments

Quoted investments are shown at market value. Unrealised gains and losses on the valuation of investments are recognised in the SOFA. Cash deposits held with external investors are presented in the balance sheet as current assets. All other financial assets are presented as fixed assets.

The fair values of quoted investments are based on externally reported bid prices at the Balance Sheet date. Transaction costs or management support costs are not included in valuations. They are charged to expenditure in the year in which they are incurred.

#### e) Recognition of incoming and outgoing resources

Income is recognised in the period in which it is receivable. Rental increases arising as a result of rent reviews and lease negotiations are not recognised until negotiations are completed. Income is recognised if it is deemed probable that it will be received. Resources expended are included in the statement of financial activities on an accruals basis, inclusive of any

irrecoverable VAT. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

f) Leases

Premiums paid to acquire an interest in property, including lease surrenders, are recorded as capital expenditure on completion. Premiums received upon the granting of a lease or variation of lease terms in favour of a tenant are recorded as capital receipts.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future years. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each year.

The benefit of rent free periods and reduced premiums which we receive as property lessees is recognised as reduced rental expense over the year from the lease start date to the end of the lease term. The benefit is allocated on a straight line basis.

g) Gains and losses

In compliance with SORP FRS102, surpluses and deficits on realisation of Quoted Investment assets are calculated as the difference between the sale price and the latest market valuation at the end of each quarter or cost if purchased during the last month of the financial year.

h) Cash and bank

The Hospital maintains a bank account with the Government Banking Service and also maintains a number of current and deposit accounts with commercial banks.

i) Payments

The Hospital's policy is to pay its creditors for goods and services supplied by them in accordance with the terms negotiated with them. The Hospital aims to pay all suppliers within 30 days of receipt of the invoice.

j) Depreciation

Depreciation is provided on all on some tangible fixed assets as noted on 1b. Depreciation is calculated on the straight line basis to write off the value of each asset over its expected useful life or lease term, as follows:

Buildings	Fifteen to fifty years
Leasehold improvements	Over the life of the lease remaining
Motor Vehicles	Five to ten years
Plant & Machinery	Five to twenty years
Sailing Vessels	Five to twenty years
Educational Equipment	Five to ten years
Computers	Five to ten years

The useful economic lives of fixed assets are reassessed each year and the associated depreciation rates amended as necessary. No depreciation is provided on freehold land and buildings which are held as investment assets. Assets under construction are shown on the

basis of cash expended to date. Depreciation is not charged until the asset is in use.

k) Pension schemes

Greenwich Hospital operates an unfunded, defined benefit, contracted out pension scheme to provide retirement and related benefits to all eligible employees who joined the hospital up to June 2011. The scheme is broadly analogous, although not part of, the Principal Civil Service Pension Scheme and Greenwich Hospital is responsible for paying pensions to retired employees other than RHS teachers. The scheme closed to further accrual for the majority of members in June 2015. Those who were within 9 years of normal retirement date in June 2015 were given enhanced protection on closure and were allowed to be active members of the scheme for up to 4.5 more years.

As from July 2011 Greenwich Hospital has offered a defined contribution scheme to all new non teaching staff and those who ceased to be members of the defined benefit scheme. This is a money-purchase scheme and all deductions paid to the scheme provider are non refundable.

Teaching staff at the Royal Hospital School are members of the Teachers' Superannuation Scheme. The nature of this scheme is set out in note 11.

l) Provisions

Provisions for liabilities and charges have been established under the criteria of FRS102 and are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations that exist at the balance sheet date. Provisions are charged to the Statement of Financial Activities.

m) Volunteers and related parties

There is no volunteer time that requires quantifying within these financial statements. The Governors of the Royal Hospital School and Directors of the Royal Hospital School Enterprises Limited (RHSEL) and members of the Advisory Board and Panel, where not ex officio, all gave their services voluntarily and received no remuneration for their activities with the Hospital.

n) Basis of Consolidation

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiary Royal Hospital School Enterprises Ltd. A separate Statement of Financial Activities for the charity itself is also included.. The Consolidated Balance Sheet includes the net assets of Royal Hospital School Enterprises. The financial statements of Royal Hospital School Enterprises used in consolidation are those for the period to 31 August 2017.

o) Restricted and unrestricted funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overhead costs. Unrestricted funds are donations or other incoming resources received or generated for the charity's general purposes.

p) Financial Instruments

The Hospital's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade debtors, trade creditors and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the Hospital is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

q) Tax

The Hospital is exempt from corporation tax under Section 505 ICTA 1988. The trading subsidiary RHSEL is taxable but no tax is incurred because the surplus is gift aided to the charity.

## 2 Summary of Resources for the year ended 31 August 2017

We have included this page to provide the reader of the accounts with more information about the Hospital's activities. This reflects our net income and charitable activities separately. Income and expenditure are reported gross and recognised in the Statement of Financial Activities on page 33 of these accounts.

	Note	Group 2016-17 £'000 12 Months	Group 2015-16 £'000 17 Months
<b>Net Incoming Resources</b>			
Net income from property	3	5,057	5,389
Net income from investments	4	3,201	4,193
Other income	6	5	946
<b>Total incoming resources</b>		<b>8,263</b>	<b>10,528</b>
<b>Charitable Activities</b>			
Net Royal Hospital School expenses	5	2,150	4,533
Net sheltered housing expenses		157	86
Supported Housing		14	0
Grants, pensions and donations	8	5,404	4,611
<b>Net resources expended</b>		<b>7,725</b>	<b>9,230</b>
<b>Other Expenditure</b>			
Notional Interest on pension liabilities	11	579	1,110
Headquarters administration costs	9	1,672	2,241
Finance Costs	33	383	400
		<b>2,634</b>	<b>3,751</b>
<b>Total Expenditure</b>		<b>10,359</b>	<b>12,981</b>
Gain/(Loss) on Sale of Investment Property		(1)	19
Gain/(Loss) on Sale of Financial Investments		26	186
Gain/(Loss) on Sale of Charitable Land		7	-
Gain/(Loss) on Revaluation of Investment Properties	14	11,871	16,673
Gain/(Loss) on Revaluation of Charitable Properties	16	140	0
Gain/(Loss) on Revaluation of Financial Investments	15	5,212	11,712
<b>Net Income/(Expenditure)</b>		<b>15,159</b>	<b>26,137</b>
<b>Gain/(loss) on revaluation of assets</b>			
Actuarial gain/(loss) on pension scheme	11	687	(3,633)
<b>Net movement in funds</b>		<b>15,846</b>	<b>22,504</b>
<b>Total fund balances at 1 September 2016</b>		<b>346,133</b>	<b>323,629</b>
<b>Total fund balances at 31 August 2017</b>		<b>361,979</b>	<b>346,133</b>

### 3 Net Rental Income

	Income £'000	Expenditure £'000	Group 2016-17 £'000 12 Months	Group 2015-16 £'000 17 Months
Greenwich estate	6,864	3,502	3,362	2,991
Northern estates	778	224	554	669
Holbrook estate	169	55	114	80
Pollen estate	1,027	-	1,027	1,649
<b>Total</b>	<b>8,838</b>	<b>3,781</b>	<b>5,057</b>	<b>5,389</b>

### 4 Income from Investments

	Group 2016-17 £'000 12 Months	Group 2015-16 £'000 17 Months
UK equities	1,482	2,051
Overseas Equities	1,569	1,979
Reade Accumulation fund	159	195
Fixed interest Investments	403	415
Cash instruments	12	59
<b>Total income from investments</b>	<b>3,625</b>	<b>4,699</b>
Less: Investment Manager's fees	(424)	(506)
<b>Net income from investments</b>	<b>3,201</b>	<b>4,193</b>

### 5 Royal Hospital School

The table below shows how the Royal Hospital School is presented within the Charitable Statement of Financial Activities. It includes the Gift Aid from the subsidiary RHSEL.

Royal Hospital School as reported in Statement of Financial Activities	12 months to 31.08.17 £'000	17 months to 31.08.16 £'000
<b>Income on Charitable Activities</b>		
School Income	16,096	21,291
Less Greenwich Hospital Bursary Income	(2,025)	(4,058)
Less other GH Income	(60)	0
	<b>14,011</b>	<b>17,233</b>
<b>Income from other Trading Activities</b>		
Gift Aid from RHSEL	448	762
<b>Expenditure on Charitable Activities</b>		
School Expenditure	(16,184)	(21,538)
Less Finance Costs	134	140
Depreciation Costs funded by Head Office	(542)	(1,130)
Other costs funded by Head Office	(20)	
Less loss on Newton Fund	3	
	<b>(16,609)</b>	<b>(22,528)</b>
<b>Net Deficit before finance &amp; Sales</b>	<b>(2,150)</b>	<b>(4,533)</b>
Expenditure on Finance Costs	(134)	(140)
Gain on Charitable Property Sale	7	
<b>Net Deficit</b>	<b>(2,277)</b>	<b>(4,673)</b>

The next table shows a more detailed breakdown of the Royal Hospital School's income and Expenditure. It separates out the income and expenditure managed by the School from income and expenditure managed by Head Office.

## Royal Hospital School Expenditure

	Note	12 months 2016-17 £'000	17 months 2015-16 £'000
<b>Income</b>			
School fees		14,518	17,675
Incidental charges & other Income		237	407
Supplementary income		141	1,444
Income from lettings and hire of facilities		190	289
Restricted funds		936	1,337
Designated Funds		74	139
		<b>16,096</b>	<b>21,291</b>
<b>Gift aid donation from Royal Hospital School Enterprises Limited</b>	<b>7</b>	<b>448</b>	<b>762</b>
<b>Expenditure</b>			
Staff costs		(9,140)	(12,557)
Academic costs		(1,963)	(2,191)
Premises and facilities		(1,493)	(2,210)
Administration		(2,041)	(2,363)
Depreciation of Fixtures and Fittings		(443)	(487)
Restricted funds		(940)	(1,375)
Designated Funds		(27)	(211)
Interest element of finance lease payments		(134)	(140)
(Profit)/Loss on disposal of fixed assets		(3)	(4)
		<b>(16,184)</b>	<b>(21,538)</b>
<b>Surplus/(Deficit)</b>		<b>360</b>	<b>515</b>
<b>Income included above from Greenwich Hospital Head Office</b>			
Greenwich Hospital Bursaries		(2,025)	(2,754)
Internal Donation Greenwich Hospital		(60)	(1,304)
		<b>(2,085)</b>	<b>(4,058)</b>
<b>Other Income &amp; Costs funded by Greenwich Hospital Head Office</b>			
Other Costs		(20)	(8)
Building Depreciation		(542)	(1,122)
Loss on Newton Fund		3	
Surplus on land sale		7	-
		<b>(552)</b>	<b>(1,130)</b>
<b>Excess of Expenditure over Income</b>		<b>(2,277)</b>	<b>(4,673)</b>
Incoming Resources excluding GH Contributions and transfers from reserves		14,011	17,233
Gift Aid		448	762
Resources Expended on School by RHS and Greenwich Hospital		(16,609)	(22,668)
RHS Surplus on Sale of Charitable Land		7	
RHS Finance Cost		(134)	
		<b>(2,277)</b>	<b>(4,673)</b>

Supplementary income includes admin charges made on arranging insurances, visas etc. for overseas pupils. These were reviewed upwards during the year.

## 6 Other Income

In 2015/16 most of the other income was a £942k grant from the Travers Foundation. The Travers Foundation was established in 1725 by the will of Samuel Travers, for the payment of pensions to retired Lieutenants of the Royal Navy. The assets of the Foundation were transferred to the Admiralty by the Naval Knights of Windsor (Dissolution) Act 1892 and from them to the Secretary of State by the Defence (Transfer of Functions) Act 1964. Since 1892 the Travers Foundation has been administered by Greenwich Hospital. By virtue of the Armed Forces Act 1976, the assets of the Foundation are treated as the property of Greenwich Hospital and the income can be applied for the general purposes of the Hospital.

In 2016/17 no grants were made compared to 2015/16 £941,672. The remaining other income is bank interest and small donations relating to the use of Greenwich Hospital property.

## 7 Royal Hospital School Enterprises Limited

Royal Hospital School Enterprises Limited was established to run the trading activities of the Royal Hospital School. The company is limited by shares and incorporated in England and Wales. Its share capital is wholly owned by the Trustee of the Hospital and as a result it is a subsidiary of the Hospital.

The company's profits are transferred under gift aid rules to the Hospital. A summary of the accounts is as follows:

	Note	12 months 2016-17 £'000	17 months 2015-16 £'000
<b>Income</b>			
Summer lettings		804	1,058
Income from hire of facilities			426
Other income			13
		<u>804</u>	<u>1,497</u>
<b>Cost Of Sales</b>			
Summer letting costs		(344)	(709)
Other Direct Costs			(3)
		<u>(344)</u>	<u>(712)</u>
<b>Administration</b>			
Gift aid donation	5	(448)	(762)
Legal and Professional		(13)	(22)
Auditor's remuneration			(3)
Accountancy Fees			
Bank Charges			-
		<u>(461)</u>	<u>(787)</u>
<b>Operating Loss</b>		(1)	(2)
Interest Receivable		1	2
<b>Profit</b>		<u>0</u>	<u>0</u>

Net assets are a £1 and below the £1k rounding threshold.

## 8 Grants, annuities and donations

	Total Grants 12 months to 31.08.17 £	Total Grants 17 months to 31.08.16 £
Jellicoes Regular Charitable Payments	950,870	1,377,957
GH grant paid via RNRMC	1,442,169	2,000,339
GH Partnership Awards	2,916,995	1,112,627
GH Education Grants	94,003	120,497
	<u>5,404,037</u>	<u>4,611,420</u>

All grants are accounted for as being commitments where the beneficiary has been notified of the award and Greenwich Hospital has no discretion to avoid future expenditure based on their assessment of whether the conditions have been met by the recipient.

## 9 Head Office Administration

	12 months to 31.08.17 £'000	17 months to 31.08.16 £'000
Salaries	1,094	1,542
Other Staff Costs	83	96
Audit fee	38	36
Professional, legal and consultancy fees	139	128
Depreciation	16	25
Office rent & expenses	302	414
	<b>1,672</b>	<b>2,241</b>

### Support cost allocation

For the purpose of the analysis of activity by objective, Head Office costs have been allocated as follows:

	Basis of allocation	Cost of generating funds £'000	Education £'000	Sheltered Housing £'000	Grants and Bursaries £'000	Governance £'000	Total £'000
Salaries	Staff time	359	105	67	330	233	1,094
Other Staff Costs	Staff time	26	8	5	25	19	83
Audit fee	Activity	-	-	-	-	38	38
Professional fees	Activity	10	29	-	18	82	139
Depreciation	Staff time	5	2	1	5	3	16
Office expenses	Staff time	99	29	19	92	63	302
Total at 31 August 2017		<b>499</b>	<b>173</b>	<b>92</b>	<b>470</b>	<b>438</b>	<b>1,672</b>
Total at 1 September 2016		<b>759</b>	<b>243</b>	<b>137</b>	<b>585</b>	<b>517</b>	<b>2,241</b>

Greenwich Hospital Headquarters at Gate House is occupied on a 10 year lease which started in November 2012. The rental was subject to an initial rent free period to November 2013, then rents of £69,290 pa to July 2015 and then £138,580pa to November 2017. The lease then reverts to the higher of passing or market rent. In accordance with leases standard FRS102 the rentals have been recognised on a straight line basis.

Costs allocated directly to Governance include legal fees relating to our structure, Board and Panel recruitment costs, audit and valuation costs of heritage assets.

## 10 Staff Costs

	12 months to 31.08.17 £'000	17 months to 31.08.16 £'000
Salaries and wages	8,225	12,164
Social security costs	753	106
Pension costs	1,278	1,829
	<b>10,256</b>	<b>14,099</b>

Composed of:

Royal Hospital School	9,162	12,557
Headquarters administration	1,094	1,542
	<b>10,256</b>	<b>14,099</b>

The remuneration of the Director of the Hospital was as follows:

	<b>12 months to 31.08.17</b>	<b>17 months to 31.08.16</b>
	<b>£</b>	<b>£</b>
Salary	<b>109,717</b>	<b>164,139</b>
Employer's pension cost	<b>16,413</b>	<b>18,117</b>
	<b>126,130</b>	<b>182,256</b>

The Director is entitled to pension benefits under the Hospital's pension scheme. Salaries are at amounts received, not annual equivalents.

	<b>12 months to 31.08.17</b>	17 months to 31.08.16
Royal Hospital School	233	232
Headquarters administration	13	14
	<b>246</b>	246

The Trustee of the Hospital and the members of the Advisory Panel and Board are not remunerated for their services as board members or for other services provided to the organisation. The most significant element of members' expenses is travel to meetings. In 2016/2017 members incurred a total of £1,136, (2015/16 £1118) through expenses reimbursed.

Excluding the Director, the number of staff whose remuneration including benefits but excluding pension contributions exceeded £60,000 for the year was as follows:

<b>Numbers of Staff Salaries exceeding £60k</b>	<b>12 months to 31.08.17</b>	<b>17 months to 31.08.16</b>
£60,000 to £69,999	9	27
£70,000 to £79,999	1	12
£80,000 to £89,999	1	7
£90,000 to £99,999	1	2
£100,000 to £109,999	1	-
£110,000 to £119,999	1	2
£120,000 to £129,999	-	-
£130,000 to £139,999	-	1
£140,000 to £149,999	-	-
£150,000 to £159,999	-	-
£160,000 to £169,1000	-	1
£170,000 to £179,1000	-	-
	14	52

The very large decrease in the numbers of staff being paid over £60k in the year are the result of 2015/16 payments being over a 17 month period rather than 12 months.

## 11 Pension Provision

The Hospital has a range of pension arrangements depending on staff role and when staff joined the organisation. There is a defined benefit pension scheme analogous to the Civil Service schemes for non teaching staff who joined prior to the scheme being closed to new joiners. Teachers belong to the Teacher's pension scheme. Other staff are offered the option of joining a defined contribution scheme.

The employers contribution to these schemes in 2016/17 was £1,278k,(2015/16 £1,829K).

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
MOD Pension	14	19
Teachers Pension Scheme	718	945
GH Defined Benefit Scheme	291	481
Defined Contribution Schemes	255	384
<b>Total</b>	<b>1,278</b>	<b>1,829</b>

### **Defined Benefit Scheme for non teaching staff**

Pension benefits to Greenwich Hospital non-teaching staff were historically provided through defined benefit schemes analogous to Civil Service pension arrangements. These comprise defined benefit schemes; either a final salary scheme (Classic, Premium, Classic plus or a whole career scheme Nuvos). Pensions payable under the schemes are increased annually in line with changes in the Consumer Prices Index (CPI). Members may opt to give up (commute) pension for a lump sum. The Pension scheme is closed to new members. During 2015/16 the scheme began closing to further accrual but will remain open to members nearing retirement for up to a further 2.3 years.

These pensions are unfunded with the cost of benefits met by Greenwich Hospital's cash flow each year. At 31<sup>st</sup> August 2017 the scheme membership comprised:

	<b>31.8.17</b>	<b>31.8.16</b>	<b>31.3.15</b>
Active Members	36	47	101
Deferred Members	134	138	95
Pensioners	256	243	237
<b>Total</b>	<b>426</b>	<b>428</b>	<b>433</b>

A full actuarial valuation of the liability was carried out as at 31 August 2017 by First Actuarial plc and a provision is included in the balance sheet.

The major assumptions made by the actuary are as follows and have regard to the yields available on corporate bonds for assessing the potential investment return and the relative yields on fixed and inflation linked bonds for assessing inflation. The adoption of different assumptions would result in a different set of calculations and a different liability.

	<b>2016/17</b>	<b>2015/16</b>
Discount rate	2.3%	2.0%
Rate of increase in inflation (CPI)	2.4%	2.1%
Rate of increase in salaries	2.4%	2.1%
Rate of increase of pensions in payment	2.4%	2.1%
Rate of increase for deferred pensioners	2.4%	2.1%
Mortality before and after retirement	S2PMA/S2PFA CMI Model 2016	S2PMA/S2PFA CMI Model 2015

## Defined Benefit Scheme for Support Staff Pension Costs

	2016-17 £'000	2015-16 £'000
Balance at 1 September 2016	29,241	25,296
Employee transfer of benefit	-	-
Increase/(Decrease) in provision	(678)	3,945
Balance at 31 August 2017	<u>28,563</u>	<u>29,241</u>
<b>Analysis of the amounts that have been charged to the SOFA</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
Amount that has been charged to operating expenditure - Current service cost	(291)	(481)
Amount that has been debited to other financial costs - Interest on liabilities	(579)	(1,110)
<b>Analysis of the amount that has been recognised in the SOFA as actuarial (loss)/gain</b>		
Actuarial gain/(loss) recognised in SOFA	687	(3,633)
<b>Movement of liability during the year</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
Liability at beginning of the year	29,241	25,296
Movement of Liability During Year		
<i>Current service cost</i>	291	481
<i>Pension payments made during the year</i>	(899)	(1,364)
<i>Employees' contributions</i>	38	85
	<u>(570)</u>	<u>(798)</u>
Interest on Liabilities	579	1,110
Actuarial (gain)/loss	(687)	3,633
Liability at end of the year	<u>28,563</u>	<u>29,241</u>

The pension liability of the Defined Benefit Pension Scheme for Support Staff is shown below.

History of liability	2016/17 £'000	2015-16 £'000	2014-15 £'000	2013-14 £'000	2012-13 £'000
Value of scheme liability	28,563	29,241	29,145	21,447	20,509

### Defined Contribution Money Purchase Schemes

Since July 2011 the Hospital has offered defined contribution schemes to all new employees (except teachers at the Royal Hospital School). The schemes have been money-purchase schemes and all deductions paid are non-refundable. The employer's contributions of £255k (2016 £384k) were a cash cost to the Hospital for the year.

### Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £717,654 (2016: £662,363 Apr15-Mar16 & £282,035 Apr16 - Aug16) and at the year-end £91,350 (2016 -

£90,951) was accrued in respect of contributions to this scheme. The scheme is a multi employer scheme and the school is unable to identify its share of the underlying assets and liabilities.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Scheme Regulations 2014. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament. The employer contribution rate is set following scheme valuations undertaken by the Government Actuary's Department. The latest actuarial valuation of the TPS was prepared as at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%. This employer rate will be payable until the outcome of the next actuarial valuation, which is due to be prepared as at 31 March 2016 and completed in 2018, with any resulting changes to the employer rate expected to take effect from 1 April 2019. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

## 12 Heritage Assets not recognised in the Balance Sheet

The Hospital owns over 700 works of art and artefacts. In accordance with the provisions of the National Maritime Museum Act 1934, the majority of the collection is on permanent loan to the Royal Museums Greenwich (see note 1c). In accordance with FRS102 these assets are not capitalised because the Hospital does not hold any substantial risks and rewards of ownership from this collection.

There have been no acquisitions or disposals of heritage assets during the last five years.

Collectors' items include arms, armour, tribal art, medals and measures and the Naval officer's uniform worn by Nelson when he was killed at the Battle of Trafalgar. Items of note include the painting The Battle of Trafalgar, 21 October 1805, by Joseph MW Turner on loan to Royal Museums Greenwich, valued in 2001 at £40m.

	Manuscripts, Furniture Muniments and Plans	Furniture and Clocks	Collectors items	Sculptures	Pictures	Silver and plated	Total
National Maritime Museum	13	2	160	23	248	50	496
Royal Pavilion Brighton	-	12	-	-	-	-	12
Old Royal Naval College	2	34	4	4	8	35	87
Ganges Museum			1				1
Royal Hospital School	2	9	19	1	34	16	81
GH Headquarters	1	2	2	-	12	-	17
Defence College	-	-	-	-	1	-	1
Northern Estates	4	1	-	-	3	-	8
Other Locations					2		2
The National Archives	1	-	-	-	-	-	1
	23	60	186	28	308	101	706

## 13 Loan Facility

In January 2015 Greenwich Hospital entered into a five-year committed £10 million revolving credit facility with RBC Europe Limited, part of the Royal Bank of Canada Group, to finance the redevelopment of Greenwich Market and refurbishment of the Greenwich Estate. Interest is charged at 1.15 per cent per annum above LIBOR rates and a commitment fee of 0.25 per cent per annum is payable on the undrawn value of the facility. During 2016/17 the loan facility

was extended to £16m to cover the costs of preparing the investment land at Throckley for sale. At 31 August 2017, the loan was £13m drawn down. Amounts outstanding under the facility are secured on a portfolio of cash and securities of Greenwich Hospital held in an account with Royal Bank of Canada (Channel Islands) Limited. Greenwich Hospital undertook to maintain the value of this charged portfolio equal to at least 167 per cent of the amount outstanding at any time. At 31 August 2017, the value of the charged portfolio was £36m (31.8.16 £24m).

## 14 Investment Property

	<b>Greenwich Estate £'000</b>	<b>Northern Estates £'000</b>	<b>Holbrook Estate £'000</b>	<b>Pollen Estate £'000</b>	<b>Total £'000</b>
<b>Valuation at 1st September 2016</b>	138,825	35,168	5,440	69,074	248,507
Additions	954	1,214	-	-	2,168
Disposals	-	(80)	-	-	(80)
Revaluation	5,054	2,148	(90)	4,759	11,871
<b>Valuation at 31 August 2017</b>	<b>144,833</b>	<b>38,450</b>	<b>5,350</b>	<b>73,833</b>	<b>262,466</b>

The disposal at the Northern Estate was a single cottage which was surplus to requirements. The sales income was broadly in line with the balance sheet value.

At 31 August 2017, the Hospital held a 10.253% beneficial interest in the Pollen Estate, which is an independent trust investing in property. CB Richard Ellis Ltd provided a valuation for the Pollen Estate Trustee Company as at 31 December 2016 and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 August 2017.

Other investment property comprises freehold land and buildings and is shown at market value as at 31 August 2017. The property agents Strutt & Parker provided a valuation of the Holbrook Estate and Savills provided a valuation of the Northern Estate. GL Hearn provided a valuation of the Greenwich Estate. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the Estates and did so on a professional basis.

In addition to the above items, Greenwich Hospital also owns heritage property including the Old Royal Naval College, the Dreadnought Seamen's Hospital and Devonport Nurses Home. These buildings are classed as investment properties as they are currently being occupied by other organisations under operating leases on peppercorn rents. Each operating lease lasts for 150 years from 1998. These buildings are part of the Maritime Greenwich World Heritage Site (UNESCO reference 795). Due to the nature of these assets and the terms on which they are occupied, their value is nominal. The valuation of heritage property is discussed in note 1B.

Greenwich Hospital also owns the King William Pier (known as Greenwich Pier). This structure is classed as an investment property as it is currently being occupied by the Port of London Authority under an operating lease lasting for 999 years from 2010. No value has been ascribed to this asset in these accounts. Greenwich Hospital also owns Bellot Memorial Gardens a small patch of land next to Greenwich Pier. Greenwich Council did not renew its lease in 2009 and the cost of maintaining the existing memorial, garden and sea wall railings has reverted to the Hospital. No alternative uses or potential to create an income have been identified for this land. No value has been ascribed to this asset in these accounts.

Included in the Greenwich Estate property is the Estate Management office at 6 College approach valued at £370,000 (2015-16 £355,000). This is provided rent free to the managing agents as part of the estate management contract.

## 15 Quoted investments - Available for sale financial assets

	31.8.17	31.8.16
	£'000	£'000
Market value at 1 September 2016	103,319	91,577
Additions at cost	4,907	20,687
Value of investments sold	(6,199)	(20,683)
Unrealised gain on revaluation	5,212	11,738
Market value at 31 August 2017	107,239	103,319
	<b>Market value</b>	<b>Market value</b>
	<b>Cost Price</b>	<b>31.8.16</b>
	<b>£'000</b>	<b>£'000</b>
UK Equity Funds	28,781	38,856
Global/International Equity Funds	32,408	46,201
Global/International Bond Funds	8,856	12,336
Reade Accumulation Fund	4,880	4,862
School Fund	1,667	1,064
	76,592	103,319

Proceeds from the sale of financial investments were £6.225m giving a £0.026m surplus on disposal.

## 16 Charitable Property

The sheltered housing properties are shown at market value. The Royal Hospital School is at historic cost less depreciation. The supported housing is at historic cost less depreciation.

	<i>Royal Hospital under construction</i> £'000	<i>Royal Hospital complete</i> £'000	<b>Royal Hospital School Total</b> £'000	<b>Supported Housing</b> £'000	<b>Sheltered Housing</b> £'000	<b>Total</b> £'000
Cost at 1 September 2016		38,481	38,481	-	6,729	45,210
Additions	799	320	1,119	410		1,529
Disposal		(13)	(13)			(13)
Revaluation gain/(loss)					(3,349)	(3,349)
Cost at 31 August 2017	799	38,788	39,587	410	3,380	43,377
Depreciation at 1 September 2016		10,001	10,001	-	3,419	13,420
Charge for the year		700	700	2	70	772
Depreciation written out on revaluation		-	-		(3,489)	(3,489)
Depreciation at 31 August 2017		10,701	10,701	2	-	10,703
<b>Net book value at 31 August 2017</b>	<b>799</b>	<b>28,087</b>	<b>28,886</b>	<b>408</b>	<b>3,380</b>	<b>32,674</b>
<b>Net book value at 31 August 2016</b>	-	28,480	28,480	-	3,310	31,790

The additional supported housing is a property purchased in Portsmouth as temporary accommodation with support for veterans. It is managed by Alabare. It is in the accounts at market value less depreciation.

The accounts show a revaluation gain of £140k on sheltered housing. This is the net result of the £3.349m revaluation and the £3.489 depreciation written out.

## 17 Other Tangible Assets

	Motor vehicles	Plant and machinery	Furniture, Fixtures and Fittings	Educational equipment	Computer and network equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 September 2016	233	2,239	341	397	1,116	4,326
Additions	18	85	0	49	156	308
Disposals	-26	-10	0	-33	-70	-139
Cost at 31 August 2017	<u>225</u>	<u>2,314</u>	<u>341</u>	<u>413</u>	<u>1,202</u>	<u>4,495</u>
Depreciation at 1 September 2016	172	928	231	328	691	2,350
Charge for the Year	15	153	17	29	90	304
Released on Disposal	-24	-10	0	-27	-63	-124
Depreciation at 31 August	<u>163</u>	<u>1,071</u>	<u>248</u>	<u>330</u>	<u>718</u>	<u>2,530</u>
<b>Net book value at 31 August 2017</b>	<b><u>62</u></b>	<b><u>1,243</u></b>	<b><u>93</u></b>	<b><u>83</u></b>	<b><u>484</u></b>	<b><u>1,965</u></b>
Net book value at 31 August 2016	<u>61</u>	<u>1,311</u>	<u>110</u>	<u>69</u>	<u>425</u>	<u>1,976</u>

The other fixed assets at the school include a £780k capitalised catering equipment lease which is included above in plant and machinery. This is a non cash transaction.

Surplus on sale of other fixed assets was £14k.

## 18 Reconciliation of increase in cash to movement in net funds

	Group 2016-17 £'000	Group 2015-16 £'000	Charity 2016-17 £'000	Charity 2015-16 £'000
Increase/(Decrease) in short term deposits in the period	-	(4)	-	(4)
Increase in cash in the period	<b>1,152</b>	3,474	<b>1,500</b>	3,457
Change in net funds resulting from cash flows	<b>1,152</b>	3,470	<b>1,500</b>	3,453
Net funds at 1 April 2015	<b>6,813</b>	3,343	<b>6,027</b>	2,574
Net funds at 31 March 2016	<b>7,965</b>	6,813	<b>7,527</b>	6,027

Analysis of net funds	Charity As at 31 August 2016 £'000	Charity Cash flow £'000	Charity As at 31 August 2017 £'000
	Government Banking - Citibank/RBS	87	642
Other accounts and cash in hand	3,210	1,597	4,807
Rent Deposit Accounts	453	94	547
Capital and income accounts with Newton	2,277	(833)	1,444
	<b>6,027</b>	1,500	<b>7,527</b>
Short term deposits	-	-	-
	<b>6,027</b>	1,500	<b>7,527</b>

	Group As at 31 August 2016 £'000	Group Cash flow £'000	Group As at 31 August 2017 £'000
	Government Banking - Citibank	87	642
Other accounts and cash in hand	3,996	1,249	5,245
Rent Deposit Accounts	453	94	547
Capital and income Investment accounts	2,277	(833)	1,444
	<b>6,813</b>	1,152	<b>7,965</b>
Short term deposits	-	-	-
	<b>6,813</b>	1,152	<b>7,965</b>

Levels of cash at 31st August 2017 were high due to cash being made available for the development at Throckley and reinvestment in the school.

## 19 Debtors: Amounts falling due within one year

	Group 31.8.17 £'000	Group 31.8.16 £'000	Charity 31.8.17 £'000	Charity 31.8.16 £'000
School fees receivable	118	218	118	218
Rents receivable	1,023	1,333	1,023	1,333
Provision Bad Debt	(542)	(842)	(542)	(842)
Other debtors	492	336	186	196
Accrued Income	669	847	669	847
Tax Reclaim on Investment Income	-	30	-	30
Amounts due from subsidiary	-	-	552	784
VAT Refund	-	-	-	-
Prepayments	75	104	75	104
	<b>1,835</b>	2,026	<b>2,081</b>	2,670

## 20 Stocks

	Group		Charity	
	31/08/2017	31/08/2016	31/08/2017	31/08/2016
	£'000	£'000	£'000	£'000
RHS Maintenance Consumable Stores	43	44	43	44
RHSEL Consumable Stores	1	2		
	<b>44</b>	<b>46</b>	<b>43</b>	<b>44</b>

The stock held comprises day to day items such as light bulbs and stationery. Stock is shown at the lower of costs and net realisable value.

## 21 Creditors

	Group	Group	Charity	Charity
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Trade creditors	1,070	522	1,070	522
School fees and related amounts received in advance	3,170	3,011	3,170	3,011
School Fee Deposits	961	904	961	904
Rents received in advance	325	313	325	313
Rent Deposits	549	456	549	456
Other creditors	246	430	120	318
PAYE & NI	265	199	198	168
VAT	285	120	285	120
Travers Foundation	2,128	804	2,128	804
Pension Contributions	67	7	67	7
Obligations under finance leases <1 Year	65	65	65	65
Accruals	891	1,596	891	1,595
	<b>10,022</b>	<b>8,427</b>	<b>9,829</b>	<b>8,283</b>
<b>Amounts falling due after one year</b>				
Secured Bank Loan	13,026	10,026	13,026	10,026
Obligations under finance leases >1 Year	598	650	598	650
	<b>23,646</b>	<b>19,103</b>	<b>23,453</b>	<b>18,959</b>

The secured bank loan was increased to fund the infrastructure required to sell the investment land at Throckley.

## 22 Obligations under Finance Leases

	2016-17	2015-16
	£'000	£'000
Gross obligations repayable:		
within one year	65	65
in the second to fifth years	598	650
	<b>663</b>	<b>715</b>
Finance charges repayable:		
within one year	-	-
in the second to fifth years	-	-
	<b>-</b>	<b>-</b>
Net obligations repayable:		
within one year	65	65
in the second to fifth years	598	650
	<b>663</b>	<b>715</b>

## 23 Operating Lease Commitments

	Land and buildings 2016-17 £'000	Plant and machinery 2016-17 £'000	Land and buildings 2015-16 £'000	Plant and machinery 2015-16 £'000
Operating leases				
within one year	166	180	166	168
in the second to fifth years	665	198	831	450
over five years	28		17	
	<b>859</b>	<b>378</b>	1,014	618

There is an operating lease for the Head Office at Gatehouse, 1 Farringdon St. The remaining operating leases belong to the School.

## 24 Operating Leases as a Lessor

	2016-17 £'000	2015-16 £'000
<b>Investment property</b>		
The value of Investment property held for use in operating leases	188,633	179,433
In accordance with our policy on Investment property, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of accounting period were	7,805	9,598
<b>Charitable property</b>		
The value of Charitable property held for use in operating leases was	3,788	3,310
Depreciation charged in year on these assets was	(72)	100
The aggregate operating lease rentals receivable in respect of accounting period were	527	746

There are operating leases for the commercial property at Greenwich, Holbrook and the Northern estates. An operating lease also exists between Greenwich Hospital and CESSAC for the sheltered housing, between the Hospital and Greenwich Foundation for the Old Royal Naval College and between Greenwich Hospital and Alabare for the supported housing.

## 25 Analysis of Funds

**Designated Reserves** represent monies the School has earmarked for specific projects.

	Balance at 31 August 2016	Incoming resources	Resources expended	Gain on Investment & Dividend	Internal Transfer	Balance at 31 August 2017
	£'000	£'000	£'000		£'000	£'000
Amenities	6	0	(4)			2
Other School Projects	25	26	(23)			28
Newton Fund	1,078	28		-3	591	1,694
School Maintenance Reserve	1,221	20				1,241
	<b>2,330</b>	<b>74</b>	<b>(27)</b>	-3	591	<b>2,965</b>

**Unrestricted Reserves** is the legal term for the unexpended resources which can be used for any purpose within the Hospital's aims and objectives.

	Accumulated fund	Property revaluation	Investments revaluation	Total unrestricted
Analysis of unrestricted fund movement	£'000	£'000	£'000	£'000
<b>Balance as at 31/8/2016</b>	<b>130,575</b>	<b>187,900</b>	<b>25,190</b>	<b>343,665</b>
Net incoming resources	15,119	-	-	15,119
Revaluation reserves realised on sales	525	(80)	(445)	-
Movement in pension provision	687	-	-	687
Transfer from School Investments	(591)			(591)
<b>Balance as at 31/8/2017</b>	<b>146,315</b>	<b>187,820</b>	<b>24,745</b>	<b>358,880</b>

**Restricted Reserves** represent monies received by way of gifts and legacies where the use is limited by specific conditions. They relate to the School and include funds for Bursaries and for specific clubs and societies.

	Balance at 31 August 2016	Incoming resources	Resources expended	Balance at 31 August 2017
Houses	20	245	(240)	25
Clubs	98	687	(688)	97
Other Restricted Funds	20	3	(12)	11
Bursary Fund Restricted	-	1	-	1
	<b>138</b>	<b>936</b>	<b>(940)</b>	<b>134</b>

**Clubs & Societies** - The school runs a number of clubs and societies and well as many trips and tours throughout the year.

**Bursary Fund Restricted** – Two legacies were left to the school in previous years, one from Mrs Martin for £157,242 and the other from a Mr Martin for £53,270. The money was given to fund pupils' education.

**Houses** - The 11 boarding houses receive monies from parents to fund various house social activities including DVD, games etc.

**Other restricted Funds**-These are named prizes and memorial funds.

## 26 Capital Commitments

At the year end a contract was in place on the Greenwich Estate with Axis Europe PLC for £1.4m for the development of new housing at Nelsons Corner. A contract was also in place for refurbishment of the School Boarding Houses. At the year end £1m of future capital expenditure on each contract was contracted for but not accrued in the accounts.

## 27 Grant Commitments

Grants are committed if the beneficiary has been informed of the award at the year end and there are no further payment conditions which are within the control of Greenwich Hospital. Grant commitments of £126,000 have been accounted for in 2016/17, (2015/16 291k). This includes £76k committed to Veterans Aid for their ongoing capital project and £30k to the Stationers Company towards an inner City Cadets unit.

## 28 Contingent Liabilities

The Hospital had no contingent liabilities. At the year end the Hospital was subject to a VAT review which will result in HMRC paying underclaimed VAT to the Hospital. The amount involved is not material and has not been included in the accounts.

At the year end the Hospital was discussing a significant development proposition with a

tenant. This resulted in significant legal costs which have been assumed to be recoverable.

## 29 Related Parties Transactions

The Secretary of State for Defence is the sole Trustee of Greenwich Hospital and delegates the administration of the Hospital to the Admiralty Board.

The Ministry of Defence is regarded as a related party and during the year has been paid £13,696 (2015/16 £30,939) for pension costs of staff seconded to Greenwich Hospital. It was also paid £2.4m towards the costs of Ships WiFi which is included in grants expenditure.. A further £28k was granted to MOD Ships and Establishments for Welfare purposes.

Royal Hospital School Enterprises Limited, RHSEL, is a subsidiary of the School which itself is a cost centre of the Hospital, - see note 7. The company's entire taxable profit of (£447,529) 2015/16 £761,350) was transferred to the School at the year end. During the year RHSEL paid a rental charge to the School of £1.

Travers Foundation is a related party to Greenwich Hospital. Under the Armed Forces Act 1976, all funds of Travers Foundation are allowed to be used for the benefit of Greenwich Hospital. All cash funds are transferred to Greenwich Hospital for its exclusive use, but with the anticipation that Greenwich Hospital will finance any expenditure that Travers Foundation cannot fund through its ongoing activities. As such, the net amount transferred to Greenwich Hospital has been recorded as a creditor. From time to time the Travers Foundation makes a donation to Greenwich Hospital of the amount transferred. No donation was made in 2016/17.

A son of the Director of Greenwich Hospital works for HSBC the hospitals retail bank. No conflict of interest occurred.

The Director of Greenwich Hospital is a Trustee of The Poppy Factory which received a £110k Grant in 2016/17 (15/16 £104,000), as part of the Greenwich Hospital funded RMRMC grant distribution. The Hospital also funded £8k training grants for individuals referred from the Poppy Factory.

The Director of Greenwich Hospital is a Director of Visit Greenwich. The Company exists to improve and expand the marketing of Greenwich as a tourist destination both locally and nationally. Greenwich Hospital is the freeholder of the historic Greenwich Hospital site (now the ORNC), Greenwich Market and the adjacent residential and commercial property. The Trustee has limited liability of £1. There have been no transactions with Visit Greenwich during the year.

Kim Richardson the Hospital's employee based at Navy Headquarters is a Board member of the Royal Marines Association and the Victory Services Club. No grants were made to the Royal Marines Association during the year.

Alison Gardner the Head of Finance is the Branch Secretary of SSAFA London Northwest. The Hospital assists clients referred through SSAFA .Alison Gardner is not involved in the decision to fund clients. A total of £4,280 was paid to assist clients of SSAFA London North West during the year.

Board Member Ian Harwood is a Member of the Audit Committee of the University of Greenwich. The University is a sub tenant of the Hospital. A total of £33,000 was paid to the University of Greenwich in 2017 in the form of Student Bursaries.

In addition to RHSEL the school has 3 related organisations an Alumni association, a parents association and a fundraising trust. The group had no material transactions with these organisations.

Travers Foundation and RHSEL are both mandated to provide funds for the Hospital. No conflict of interest therefore exists in the Hospitals involvement in decision making.

### 30 Financial Instruments

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

	Group		Charity	
	31/08/2017	31/08/2016	31/08/2017	31/08/2016
<b>Financial Assets</b>	£'000	£'000	£'000	£'000
Quoted Investments	107,239	103,319	107,239	103,319
Cash Held	7,965	6,813	7,527	6,027
Rent and Other Receivables	1,835	1,996	1,529	1,856
<b>Total Financial Assets</b>	<b>117,039</b>	<b>112,128</b>	<b>116,295</b>	<b>111,202</b>
<b>Financial Liabilities</b>				
Finance Lease Liabilities	663	715	663	715
Trade and Other Payables	22,718	18,189	22,592	18,076
<b>Total Financial Liabilities</b>	<b>23,381</b>	<b>18,904</b>	<b>23,255</b>	<b>18,791</b>

#### Interest rate risk

The Hospital's exposure to interest rate is not material due to the small proportion of financial assets held as cash on deposit. The impact of interest rate movements on the value of quoted investments is considered under the section "Quoted investment price risk". Finance leases are on fixed rentals and interest rate movements have no impact on the value of rent and other receivables nor on the value of trade and other payables. Interest on loans under the revolving facility are fixed for the duration of the loans though the cost of re-financing a maturing via a new draw-down under the facility is exposed to movements in interest rates.

#### Liquidity risk

To ensure sufficient cash is available to meet operating and investment plans, cash flow projections are maintained and are reviewed at least monthly. A committed borrowing facility is maintained at an appropriate level. At 31 August 2017, the Hospital had the following drawn and undrawn committed borrowing facility available:

	Drawn facility		Undrawn facility	
	31.8.17	31.8.16	31.8.17	31.8.16
	£'000	£'000	£'000	£'000
Expiring from two to five years	13,000	10,000	3000	0

In addition, the Hospital's investment portfolio includes readily realisable bond funds.

#### Foreign currency risk

The Hospital has exposure to currency risk through its holdings in collective funds which invest in non-Sterling denominated quoted investments. These investments are held for the long term so it is the Hospital's policy not to hedge the net investment in each foreign currency and risk is managed through diversification. In addition, the proportion of such funds relative to the whole portfolio is monitored regularly.

#### Quoted investment price risk

Investments are managed by professional fund managers in line with the Hospital's Investment Policy which aims to balance risk and return effectively by placing limits on the amounts invested in different classes of assets; risk is positively managed through diversification across asset types and geographies. The policy is reviewed annually by the Advisory Panel, with the objective of safeguarding the Hospital's investment assets and maximising total return from the assets.

## **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Hospital. The Hospital is exposed to credit risk in respect of its cash deposits and rent receivables. At 31/08/2017, cash deposits were invested with banks of sound credit standing of at least Standard & Poor's A-2 rating. Rent receivables consist of amounts due from a large number of tenants, spread across diverse residential and commercial sectors. Procedures are in place to check the financial standing of all new counterparties before commencement of tenancies. An active credit control policy is applied to the management of rent arrears.

## **31 Post Balance Sheet Events**

These financial statements were authorised for issue, on the date given on the Comptroller and Auditor General's Report, by the Director of Greenwich Hospital as its Accounting Officer.

The Hospital is working on a legal agreement with one of its long term tenants, where the tenant will settle all their legal fees and outstanding rents owed to the Hospital in relation to a legal issues with The Hospital.

The Hospital is to pay £1.5m to the tenant to surrender the lease of a prime town centre asset. This agreement is likely to be finalised in early 2018.

As part of its VAT review The HMRC has also paid back the Hospital £165k in under claimed VAT.

## **32 Length of Accounting Period**

In 2015/16 the financial year end date was moved from 31<sup>st</sup> March to 31 August by having a 17 month financial period for 2015/16. This change brought future financial years into line with the academic year at the Royal Hospital School. The majority of the Hospitals income generating and charitable activities are not subject to a significant annual cycle. The School's financial position, however, is dominated by the pupil numbers enrolling at the start of each academic year. Management information and financial planning is therefore improved by having a financial reporting year consistent with the academic year.

The audited statutory accounts for the Hospital compare a 12-month accounting year of 1st September 2016 – 31<sup>st</sup> August 2017 with the prior 17-month accounting period of 1st April 2015 – 31st August 2016. This nonstandard comparison is due to the change of the Hospital's year end that was implemented in the prior accounting period, achieved through a one-time extension into a 17-month accounting period.

Comparative amounts in the accounts including in the notes are therefore not directly comparable.

The Greenwich Hospital Acts are silent on the number of months in a reporting period and on the date of the year end. No additional legislation was required for the change.

## **33 Finance Costs**

The finance costs reported in the Statement of Financial Activities include interest on leases at the Royal Hospital School, interest on the Hospital's loan facility, and the associated fees and set-up costs.

	<b>Group</b>		<b>Charity</b>	
	<b>31/08/2017</b>	<b>31/08/2016</b>	<b>31/08/2017</b>	<b>31/08/2016</b>
	£'000	£'000	£'000	£'000
Interest on Loan	231	247	231	247
Other HQ Finance Costs	18	12	18	12
Interest on School Lease	134	140	134	140
	<b>383</b>	<b>399</b>	<b>383</b>	<b>399</b>

Travers Foundation Accounts  
Accounts 2016-17

# Travers Foundation

## **Governance Statement**

The Travers Foundation was established in 1725 by the will of Samuel Travers, for the payment of pensions to retired Lieutenants of the Royal Navy. The assets of the Foundation were transferred to the Admiralty by the Naval Knights of Windsor (Dissolution) Act 1892 and from them to the Secretary of State by the Defence (Transfer of Functions) Act 1964. Since 1892 the Travers Foundation has been administered by Greenwich Hospital. By virtue of the Armed Forces Act 1976, the assets of the Foundation are treated as the property of Greenwich Hospital and the income can be applied for the general purposes of the Hospital.

The Secretary of State for Defence is the Trustee of Greenwich Hospital and answerable to Parliament for the affairs of Greenwich Hospital. The Trustee is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence and charges the Admiralty Board with the administration of the Hospital which is overseen by the Director of Greenwich Hospital (DGH). The office of DGH is provided for by the Greenwich Hospital Act 1865 (s.20). DGH is appointed by the Trustee on the advice of the Admiralty Board. DGH is responsible by virtue of a Directive from Admiralty Board for the proper and effective conduct of the functions of Greenwich Hospital including the regularity and propriety of the Hospital's administration adhering faithfully to the spirit of the Charter and complying with the relevant statutes.

The Travers Foundation is therefore administered by Greenwich Hospital in accordance with the Hospital's principles and standards of governance, which are set out in Greenwich Hospital's Governance Statement on page 30 of these accounts.

### **Review of the Effectiveness of Internal Controls**

As the Director of Greenwich Hospital and its Accounting Officer, I am responsible to the Secretary of State for Defence (SofS) in his capacity as the sole trustee of the Hospital, for

- Maintaining an effective system of internal control that supports the achievement of the policies, aims and objectives of the Travers Foundation;
- Safeguarding the funds and assets of the Travers Foundation; and
- The regularity and propriety of the administration and expenditure of the Travers Foundation in accordance with the objects of the Foundation and the provisions of the relevant Acts of Parliament.

As Accounting Officer I am able to give a reasonable assurance on the effectiveness and current quality of internal control for the Travers Foundation.

H H Player

Director of Greenwich Hospital

**18<sup>th</sup> January 2018**

## **Statement of Trustee's and Director's responsibilities**

The Director is the accounting officer for Greenwich Hospital and is responsible for preparing the Annual Accounts for Travers Foundation and submitting them for audit. The Annual Accounts of the Travers Foundation are to be kept separate from those of Greenwich Hospital in accordance with Section 21 (3) of the Armed Forces Act 1976. The accounts are prepared

## Travers Foundation

on an accruals basis and must give a true and fair view of the state of affairs of Travers Foundation and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

### **Statement as to Disclosure of Information to Auditors**

In so far as I am aware there is no relevant audit information of which the Hospital's auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Hugh Player

Director of Greenwich Hospital

18<sup>th</sup> January 2018

# Travers Foundation

## **Audit Report of the Comptroller and Auditor General to the Houses of Parliament**

### **Audit Report of the Comptroller and Auditor General to the Houses of Parliament**

I have audited the financial statements of the Travers Foundation for the year ended 31 August 2017 under the Armed Forces Act 1976. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the 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 Trustee, Director and Auditor**

As explained more fully in the Statement of Trustee's and Director's Responsibilities, the Trustee and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Armed Forces Act 1976. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Travers Foundation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Travers Foundation; and the overall presentation of the financial statements.

#### **Opinion on regularity**

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

#### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view, of the state of Travers Foundation's affairs as at 31 August 2017 and of the incoming resources and application of resources of Travers Foundation for the year then ended; and
- the financial statements have been properly prepared in accordance with the Armed Forces Act 1976 and Secretary of State directions issued thereunder.

#### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have

# Travers Foundation

- not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records; or
  - I have not received all of the information and explanations I require for my audit.

## Report

I have no observations to make on these financial statements.

*Sir Amyas C E Morse*  
Comptroller and Auditor General

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

# Travers Foundation

## Statement of Financial Activities

		12 months to 31.08.17	17 months to 31.08.16
Income & Endowment From:	Note	£	£
<b>Investments</b>			
Property		35,616	75,005
Financial Investments		-	20,296
<b>Total Income &amp; Endowments</b>		<b>35,616</b>	<b>95,301</b>
<b>Expenditure On:</b>			
<b>Raising Funds</b>			
Property Management		50,846	58,532
Financial Investment Cost		-	136
		<b>50,846</b>	<b>58,668</b>
<b>Charitable Activities</b>			
Grant to Greenwich Hospital		-	941,672
<b>Other</b>			
Audit fees		2,500	2,500
<b>Total Expenditure</b>		<b>53,346</b>	<b>1,002,840</b>
Gain/(Loss) on Sale of Investment Property		(7,720)	(8,641)
Gain/(Loss) on Sale of Financial Investments		-	(84,967)
Gain/(Loss) on Revaluation of Investment Properties	2	(14,369)	159,000
Gain/(Loss) on Revaluation of Financial Investments	3	-	-
<b>Net Income/(Expenditure)</b>		<b>(39,819)</b>	<b>(842,147)</b>
Total funds brought forward at 1 August 2016	8	4,316,910	5,159,057
<b>Total funds carried forward at 31 August 2017</b>		<b>4,277,091</b>	4,316,910

The notes on pages 68 to 73 form part of the accounts. The audited statutory accounts for the Foundation in the following pages compare a 12-month accounting year of 1st September 2016 – 31<sup>st</sup> August 2017 with the prior 17-month accounting period of 1st April 2015 – 31st August 2016. This nonstandard comparison is due to the change of the Foundation's year end that was implemented in the prior accounting period, achieved through a one-time extension into a 17-month accounting period.

All activities are classed as continuing apart from Financial Investment. The financial investment portfolio has been sold and no further financial investments will be made.

# Travers Foundation

## Balance Sheet as at 31 August 2017

	Note	31.08.17 £	31.08.16 £
<b>Fixed assets</b>			
Investment property	2	2,145,000	3,515,000
Quoted investments	3	-	-
		<u>2,145,000</u>	<u>3,515,000</u>
<b>Current assets</b>			
Debtors	4	2,134,591	804,410
Cash at bank and in hand	5	-	-
Prepayments		-	-
		<u>2,134,591</u>	<u>804,410</u>
<b>Current liabilities (amounts falling due within one year)</b>	6	(2,500)	(2,500)
<b>Total assets less current liabilities</b>		<u>4,277,091</u>	<u>4,316,910</u>
<b>Funds</b>			
Unrestricted funds	8	<u>4,277,091</u>	<u>4,316,910</u>

The notes on pages 68 to 73 form part of the accounts.

*Hugh Player*

Director of Greenwich Hospital

18<sup>th</sup> January 2018

# Travers Foundation

## Cash flow for the year ended 31.8.17

		Charity 2016-17	Charity 2015-16
	Note	12 months	17 months
<b>Cash Flows from operating Activities</b>			
<i>Net Cash Provided by Operating Activities</i>		<b>(1,347,911)</b>	(1,681,892)
<b>Cash Flows from investing Activities</b>			
Receipts from sale of property and other capital		<b>1,373,780</b>	754,359
Payments to acquire or improve property	2	<b>(25,869)</b>	-
Receipts from sale of investments		-	927,183
<b>Net Cash Flow provided by/( used in) investment</b>		<b>1,347,911</b>	1,681,542
<b>Change in Cash or Cash Equivalents in the Reporting Period</b>			
		-	(350)
Cash and Cash Equivalents at the beginning of the period		-	350
Cash and Cash Equivalents at the end of the period		-	-

## Reconciliation of Net Income/ (Expenditure) to net cash flow from operating activities

		Charity 2016-17	Charity 2015-16
		12 months	17 months
Net income/(Expenditure) for the reporting period (as per the Statement Of Financial Activities)		<b>(39,819)</b>	<b>(842,147)</b>
(Profit)/loss on sale of Investment Property		<b>7,720</b>	<b>8,641</b>
(Profit)/loss on sale of Financial Investments		-	<b>84,967</b>
Revaluation of investment properties	2	<b>14,369</b>	(159,000)
Revaluation of quoted investments	3	-	-
(Increase)/decrease in debtors	4	<b>(1,330,181)</b>	(774,853)
Increase/(Decrease) in creditors	6	-	500
		<b>(1,347,911)</b>	(1,681,892)

# Travers Foundation

## **Notes to the Accounts for the year ended 31 August 2017**

### **1 ACCOUNTING POLICIES**

#### **a Basis of accounting**

The accounts have been prepared on a going concern basis, under the historical cost convention as modified below. The accounts have been prepared in accordance with the Financial Reporting Standard applicable in the UK (FRS 102). Due to the charitable nature of the majority of activities of Greenwich Hospital and Travers Foundation, the accounts have been prepared to materially comply with the underlying principles of the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP FRS 102).

The accounts meet the accounting and disclosure requirements of the Companies Act and accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are considered to be appropriate.

#### **b Recognition of incoming resources**

Income is recognised in the year in which it is receivable. Rental increases arising as a result of rent reviews and lease negotiations are not recognised until negotiations are completed.

#### **c Outgoing resources**

All expenditure is charged in the year to which it relates.

#### **d Tangible and intangible fixed assets**

Freehold land and buildings held for investment purposes are shown at market value. The market value as at 31 August 2017 has been approved by the Director based upon valuations provided by the appointed Chartered Surveyors for the estates in line with RICS Red Book standards.

#### **e Fixed assets investments**

Quoted investments are shown at market value, the carrying value of all investments is at fair value and changes in fair value between accounting years are charged or credited to equity. Cash deposits which are held with external investors are presented in the balance sheet as current assets. All other financial assets are presented as fixed assets.

The fair values of quoted investments are based on externally reported bid prices at the Balance Sheet date. Transaction costs or management support costs are not included in valuations. They are charged to expenditure in the period in which they are incurred.

#### **f Gains and losses**

In compliance with SORP FRS 102, surpluses and deficits on realisation of Quoted Investment assets are calculated as the difference between the sale price and the latest balance sheet valuation or cost if purchased during the year.

#### **g Payments**

Travers Foundation's policy is to pay its creditors for goods and services supplied by them in accordance with the terms negotiated with them.

# Travers Foundation

## **2 INVESTMENT PROPERTY**

Investment property comprises freehold land and buildings and is shown at market value as at 31 August 2017, as approved by the Director based upon valuations provided by Strutt & Parker who are independent Chartered Surveyors. All of the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the property. During the year a piece of Land called Dead Man's Lane and two cottages were sold.

	<b>12 months to</b> <b>31.08.17</b> <b>£</b>	17 months to 31.08.16 £
Market value at 1 September 2016	<b>3,515,000</b>	4,119,000
Additions at cost	<b>25,869</b>	-
Value of Investment Property sold	<b>(1,381,500)</b>	(763,000)
Unrealised (loss)/profit on revaluation	<b>(14,369)</b>	159,000
Market value at 31 August 2017	<b><u>2,145,000</u></b>	<b><u>3,515,000</u></b>

## **3 FINANCIAL INVESTMENTS**

The Financial Investment Portfolio was sold in 2015/16.

## **4 DEBTORS**

Greenwich Hospital receives cash and makes payments on behalf of Travers Foundation. The Greenwich Hospital Debtor is the balance of net cash received and represents the cash held by Greenwich Hospital on behalf of Travers Foundation. Travers Foundation does not have its own bank account.

During the 2016/17 financial year Land was sold for a net receipt of £1.3m which is held in the Greenwich Hospital Bank Accounts.

	<b>12 months to</b> <b>31.08.17</b> <b>£</b>	17 months to 31.08.16 £
Amounts falling due within one year		
Due from Greenwich Hospital	<b>2,128,486</b>	803,950
Rents receivable	<b>6,105</b>	460
Accrued income	-	-
Prepayments	-	-
	<b><u>2,134,591</u></b>	<b><u>804,410</u></b>

## **5 CASH**

The Travers Foundation's foundation income and expenditure is all made via Greenwich Hospital bank accounts. The net receipts and payments will show as the net change in the Greenwich Hospital debtor.

# Travers Foundation

## **6 CREDITORS**

	<b>2016-17</b>	2015-16
	£	£
Amounts falling due within one year		
Accruals	<u>2,500</u>	<u>2,500</u>

This creditor is the audit fee for the year.

## **7 OPERATING LEASES AS LESSOR**

	<b>12 months to</b>	17 months to
	<b>31.08.16</b>	31.08.16
	£	£
The value of investment assets held for use in operating leases	<b>2,145,000</b>	3,515,000
In accordance with our policy on investment assets, no depreciation was charged.	-	-
The aggregate operating lease rentals receivable in respect of an accounting period were	<b>35,616</b>	75,005

## **8 ANALYSIS OF FUNDS**

	<b>12 months to</b>	17 months to
	<b>31.08.17</b>	31.08.16
	£	£
<b>Analysis of unrestricted fund movement</b>		
<b>Balance as at 31 August</b>	<b>4,316,910</b>	5,159,057
Net (Outgoing) Incoming resources	<b>(39,819)</b>	(842,147)
<b>Balance as at 31 August</b>	<u><b>4,277,091</b></u>	<u>4,316,910</u>

## **9 POST BALANCE SHEET EVENT**

These financial statements were authorised for issue, on the date given on the Comptroller and Auditor General's Report, by the Director of Greenwich Hospital as its accounting officer.

There have been no events since the end of the financial year which would affect the understanding of the financial statements.

## **10 RELATED PARTY TRANSACTIONS**

The Secretary of State for Defence is the Trustee of Greenwich Hospital and delegates the administration of the Hospital to the Admiralty Board.

Greenwich Hospital is considered a related party to Travers Foundation. Under the Armed Forces Act 1976, all funds of Travers Foundation are allowed to be used for the benefit of Greenwich Hospital and are kept in Greenwich Hospital bank accounts.

# Travers Foundation

## **11 FINANCIAL INSTRUMENTS**

	12 months to 31.08.17	17 months to 31.08.16
	£	£
<b>Financial Assets</b>		
Rent	6,105	460
Other Receivables	2,128,486	803,951
<b>Total Financial Assets</b>	<u>2,134,591</u>	<u>804,411</u>
<b>Financial Liabilities</b>		
Trade and Other Payables	2,500	2,500
<b>Total Financial Liabilities</b>	<u>2,500</u>	<u>2,500</u>

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

### **Interest rate risk**

The Foundation's exposure to interest rate is not material due to the small proportion of financial assets held as cash on deposit and rent and other receivables. The impact of interest rate movements on the value of quoted investments is considered under the section "Quoted investment price risk". Finance leases are on fixed rentals and interest rate movements have no impact on the value of trade and other payables.

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Hospital. The Hospital is exposed to credit risk in respect of its cash deposits and rent receivables.

At 31.08.2017, cash deposits were invested with banks of sound credit standing of at least Standard & Poor's A-2 rating.

Rent receivables consist of amounts due from tenants. Procedures are in place to check the financial standing of all new counterparties before commencement of tenancies. An active credit control policy is applied to the management of rent arrears.

## **12.CHANGE IN YEAR END AND 17 MONTH ACCOUNTING PERIOD**

In 2015/16 the financial year end date was moved from 31<sup>st</sup> March to 31 August by having a 17 month financial period for 2015/16. This change brought future financial years into line with the Greenwich Hospital year. The Travers Foundation is managed by Greenwich Hospital and it is convenient and cost effective for it to be audited and its accounts laid before Parliament alongside the Hospital's accounts.

The audited statutory accounts for the Foundation compare a 12-month accounting year of 1st September 2016 – 31<sup>st</sup> August 2017 with the prior 17-month accounting period of 1st April 2015 – 31st August 2016. This non standard comparison is due to the change of the Foundation's year end that was implemented in the audited accounting period, achieved through a one-time extension into a 17-month accounting period.

Comparative amounts in the accounts including in the notes are therefore not directly comparable.

The will of Samuel Travers, the Naval Knights of Windsor (Dissolution) Act 1892 and the

## Travers Foundation

Defence (Transfer of Functions) Act 1964 are all silent on the number of months in the accounting period and the date of year end. No legislation was therefore required to change the year end or the length of the accounting period.

