

# Greenwich Hospital and Travers Foundation

## Annual report and accounts 2020-2021

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## Annual report and accounts 2020-2021

For the period 1 September 2020 to 31 August 2021

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

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## **GREENWICH HOSPITAL**

### **LEGAL AND ADMINISTRATIVE INFORMATION**

#### **Responsible for the governance of Greenwich Hospital on behalf of the Sovereign**

Secretary of State for Defence

#### **Interim Director and Accounting Officer**

Andrew Turner

#### **Advisory Board**

Vice Admiral Martin Connell	Chair	(appointed 12 January 2022)
Vice Admiral Nick Hine	Chair	(resigned 12 January 2022)
Sarah Davies	Deputy Chair	
Ian Harwood		
Richard Hunting		
Mark Lewthwaite		(appointed 26 January 2022)
Malcolm Naish		
Christopher Tite		
Andrew Turner		
Caroline Thynne		(resigned 18 November 2021)
Stuart Beevor		(resigned 18 November 2021)
Graham Faulkner		(resigned 18 November 2021)

#### **Royal Hospital School Governing Body**

Mark Pendlington	Chair	
John Gamp		(resigned 31 March 2022)
Andrew Turner		
Jonathan Agar		
Tan Arulampalam		
Nick Bevington		(resigned 25 June 2021)
Judy Dow		
Adam Kerr		
James Lynas		
Andrew Tate		(resigned 29 November 2021)
Paul Smith		
Nella Probert		
Tony Stenning		
Paul Torrington		
Commodore Rob Bellfield		(appointed 1 February 2022)
Nick Gallop		(appointed 30 September 2021)
Richard Harvey		(appointed 22 January 2021)

## GREENWICH HOSPITAL

### Senior staff

Andrew Turner	Interim Director of Greenwich Hospital	
John Gamp	Clerk-in-Charge and Charity Operations Director	(resigned 31 March 2022)
David Edgar	Director of Finance and Resources	(appointed 21 June 2021)
John Tyson	Director of Finance and Resources	(resigned 20 May 2021)
Kim Richardson	Director of Charity	
Jigna Gajarawala	Acting Director of Finance	(April to June 2021)
Simon Lockyer	Headmaster, Royal Hospital School	
Jo Bromley	Director of Finance and Strategic Development, Royal Hospital School	(appointed 11 January 2021)
Lisa Jillet	Interim Director of Finance and Operations, Royal Hospital School	(resigned 3 July 2021)

### Auditor

The Comptroller and Auditor General  
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### Reporting accountants

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E14 5HP

### Solicitors

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London  
SE1 9BB

### Investment manager

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Mellon Financial Centre  
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## **GREENWICH HOSPITAL**

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1 Shakespeare Terrace  
Portsmouth  
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Basing View  
Basingstoke  
RG21 4EB

**Lender** Royal Bank of Canada  
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London  
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**Property managers** Knight Frank  
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11 Museum Street  
Ipswich  
IP1 1HH

Savills  
The Lumen, St James Boulevard  
Newcastle Helix, Newcastle upon Tyne  
NE4 5BZ

# GREENWICH HOSPITAL

## OBJECTIVES AND ACTIVITIES

### Introduction

The Letters Patent 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 serving and veteran Royal Naval personnel and their families. It also includes a largely self-funding and self-governing school, the Royal Hospital School in Holbrook, Suffolk.

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

The Hospital is funded by the income from its property portfolio in Greenwich, Suffolk, Essex, Northumberland, Tyne and Wear and the Scottish Borders, its quoted investments and an investment in the Pollen Estate in London.

On behalf of the Sovereign, the Secretary of State for Defence is responsible for the governance of the Hospital with its day-to-day management through the Director of Greenwich Hospital.

### Charitable objects

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"*

The 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.



## **GREENWICH HOSPITAL**

For 2015 to 2025, the Admiralty Board directed the 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 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 to fund current and future charitable activities.

In April 2019, the Navy Board reviewed the Hospital's strategic direction and governance on behalf of the Secretary of State for Defence. The Navy Board made two broad proposals. The first aims to create close partnerships between the Hospital and Royal Navy and Royal Marines Charity reducing duplication and significantly improving coherence to maximise joint effect and beneficiaries. The second proposal relates to governance and aligning the Hospital with Charity Commission and Managing Public Money best practices. We are making good progress in implementing these proposals.

### **2020/21 aims and objectives**

The Hospital's key aims and objectives set for 2020/21 are set out below.

- To review its investment strategy in the light of coronavirus and the growing importance of Environmental, Social and Governance factors.
- To make substantive progress with Navy Command towards agreeing a future legal structure and status for Greenwich Hospital.
- To further improve controls and governance throughout the Hospital including financial management, charitable agreements and impact reporting
- To make significant progress towards completion of the Throckley site, including agreement on the sale of remaining phases and to pursue the emerging prospect at Clacton.
- To improve the coherence of Naval charity and its impact for beneficiaries through continued and closer co-operation with the Royal Navy and Royal Marines Charity and other Naval charities.
- To initiate two long term (three to five years for delivery) major (more than £500,000) charitable projects.

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The achievement of these objectives is reviewed in the section on 'delivery against objectives', as well as under the relevant operational headings below and under the financial review.

At the time of the signing of these accounts, discussions were continuing regarding the legal structure of the Hospital as a Crown charity. These discussions may lead to a change in the organisation's legal structure. However, they do not intend to change the charitable nature of the Hospital, nor do they intend to alter the long-term strategies of the organisation as regards its investment assets and the way that it generates income. The proposals are not at a sufficient stage for disclosure, and any proposals are subject to ratification in Parliament and are expected to be enacted more than twelve months from the signing of these accounts.

### **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 2016, or the jurisdiction of the Charity Commission, 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.

## **ACHIEVEMENTS AND PERFORMANCE**

### **Introduction to activities**

The Hospital achieves its charitable objectives through grant making, the direct provision of education, through the Royal Hospital School, and sheltered housing.

### **Grant making**

The Hospital provides grants to serving and former Royal Navy and Royal Marines personnel and their families and to other charities supporting the Royal Naval constituency. The Hospital seeks to provide support that prevents problems developing wherever possible but also addresses immediate issues faced by its beneficiaries. Grants are made to fund outputs which meet the objectives in our original Letters Patent. These are wide-ranging and cover, but are not limited to, six broadly defined categories which reflect the breadth and diversity of Hospital's charitable remit. These are:

- Employment and training
- Education
- Financial management advice
- Health and wellbeing
- Housing

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- Welfare and benevolence.

### Grants

The Hospital delivers charitable funding via four main funding streams as shown below.

	2020/21	2019/20
	£m	£m
Welfare and benevolence grants	1.3	1.1
Education and training grants	0.2	0.3
Grants paid via the Royal Navy and Royal Marines Charity	1.4	1.4
Jellicoe regular charitable payments	<u>0.9</u>	<u>0.9</u>
	<u>3.8</u>	<u>3.7</u>

Welfare and benevolence grants are made by the Hospital to organisations and individuals where there are gaps in current charity provision. Details of grants of more than £0.1m are given below.

- Royal British Legion Industries: £0.67m (2019/20: £0.67m) was given as the second tranche of a £2m grant towards the expansion of the veterans' village in Aylesford which provides holistic welfare support to the most vulnerable veterans of the Royal Navy and their dependents. The development will provide adapted housing with wrap around care. The project is due for completion in May 2022.
- Seafarers Advice and Information Line (SAIL): £0.1m (2019/20: £0.1m) was given for the in-depth casework service run by Citizens Advice Greenwich for seafarers and their dependants. It provides advice and advocacy on benefits and tax credits, debt, housing, immigration, relationships and family, tax and National Insurance and other topics.

Grants for education and training include grants paid via case working charities to veterans needing employment related training, bursaries for students from Naval families and support to the Sea Cadets.

Awards for welfare, benevolence, education and training totalled 111 during the year (2019/20: 100). In addition to the grants of more than £0.1m detailed above, other grants of more than £10,000 or more were made to the following organisations:

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	£'000
Royal Navy & Royal Marines Charity for Drumfork Families Centre	85
RFEA for Project Nova	50
Veterans Outreach Support	40
RMA, The Royal Marines Charity for the Gordon Messenger Centre	30
London Nautical School	26
SSAFA Tyne & Wear	26
Royal Naval Association	25
Aggie Weston's	21
Naval Service Family and People Support	21
Royal British Legion Industries	16
HMS Raleigh	13
Age UK for The Silver Line Helpline	12
Greenwich, Deptford & Rotherhithe Sea Cadets	10
Heropreneurs	10
Maritime Charities Group	10
Mission Motorsport	10
Naval & Military Bible Society	10
The Stationers' Foundation	10

Benevolence grants of £1.4m (2019/20: £1.4m) were paid to military and civilian charities serving the Navy via the Hospital's long-standing funding arrangement with the Royal Navy and Royal Marines Charity.

Jellicoe regular charitable payments from the Royal Naval Benevolent Trust are largely funded by the Hospital. They are paid quarterly to assist Royal Navy veterans on very low incomes. Payments are available to all irrespective of age and new awards are either £25 or £35 per week. There were 678 recipients in 2020/21, (2019/20: 708).

### **Royal Hospital School**

The Royal Hospital School was founded as part of the Hospital in 1712 to educate the sons of Greenwich Pensioners. Today it is a co-educational Headmasters' and Headmistresses' Conference school for 711 children aged 11 to 18 years in 2020/21 (2019/20: 747), 381 of whom board (2019/20: 409). It is set in 200 acres of Suffolk countryside near Ipswich. Greenwich Hospital bursaries are available to Naval families: in 2020/21, the Hospital funded 42 (2019/20: 51) bursaries and discounts to pupils from qualifying families.

The School is disclosed as a charitable activity in the Statement of Financial Activity in the accounts. The School's land and buildings are shown in the accounts at a depreciated historic cost of £27.2m (2019/20: £28.0m).

Donations of £0.1m (2019/20: £0.1m) were received by Royal Hospital School Charitable Trust.

### **Response to the pandemic**

2020/21 was a challenging year for all schools with coronavirus requiring a compulsory seven-week period of closure, when education was delivered remotely. In the latter half of Lent Term, the School operated in year group bubbles and did not record a single positive case. The financial impact was mitigated by continued fees, and payments from Coronavirus

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Job Retention Scheme (£0.3m in 2020/21 and £0.8m in 2019/20) and Business Interruption Insurance, alongside careful reductions in expenditure and stopping several capital projects.

The impact of coronavirus restrictions and more time on digital devices on children's mental health and academic progress is widely acknowledged. The School adapted its pastoral care approach accordingly to ensure support for pupils and staff, both when the School is open to all pupils but with the restrictions of 'bubbles' and also during periods of lockdown and quarantine for returning overseas pupils.

The School responded to new international travel rules by operating over the holiday periods, remaining open over half terms and Easter and providing pastoral care and activities for pupils. The summer break was used to undertake some essential projects that could not be done with summer lettings, including a new fire detection system in the main school and structural work to areas of the roof.

The pandemic also prompted some significant benefits. It acted as a major stimulus to develop IT skills amongst the staff and teachers have demonstrated some excellent ingenuity and creativity. Pupils have learnt skills including workflow, note keeping and remote working. Technology has enabled greater engagement from remote and international parents and overall the capacity for change has increased. The School entered the EdTech 50 list of leading national technology schools.

### Academic performance

The pandemic again has an impact on GCSE, BTEC and A-level exams, with results again decided through teacher assessment (including internal exams). Results for School pupils were excellent, notwithstanding nearly two years of disruption. At GCSE, 55.1% of grades awarded to RHS candidates were 7 or above (2019/20: 41.4%); and at A-Level 78% of grades achieved were at A\* to B (2019/20: 57.6%). 28 pupils achieved straight A\*/As this year (compared to 14 last year) with a further 12 gaining the points equivalent of three As. The Times Parent Power placing reflects the year on year improvement of the school's academic performance, moving up 70 places over the last five years.

### Wider educational provision

The School has continued to offer extensive co-curricular activities, developing the very innovative approaches introduced during the first lockdown. Most inter-school sports fixtures were lost and some did not play a competitive fixture for twelve months. However, the summer term enabled the return of some competitive sport.

The School sees its co-curricular programme as an essential feature in developing key skills in its pupils. During periods of normal attendance, pupils have had access to up to 160 different activities, all provided by staff at the School. In addition, the School was able to offer a programme of 78 activities remotely during the periods of lockdown to enrich pupils' days whilst at home.

Schools are usually judged on a mix of results and the relationships they build with the pupils and parents. 2020/21 has demonstrated very strongly the School's developing reputation, acknowledged in the independent parental assessment that showed a very high level of appreciation for the School's response. The School has continued to benefit from its foresight to invest in IT infrastructure that has facilitated remote teaching and learning. The Headmaster and School continue to receive very positive feedback both on their response to

## **GREENWICH HOSPITAL**

the pandemic and to the provision of education, reflected in the response to and improved scores in the 2021 Pupil Questionnaire despite the pandemic.

The School community is diverse, both from the relationship with the Hospital but also as the largest partner of Royal National Children's Springboard Foundation. It also has a relationship with Norfolk Local Education Authority. During the year the School offered various activities in response to the #BLM movement and 'Everyone's invited', engaging pupils through focus groups, surveys and discussions. The events culminated in a community wide Diversity Day and the creation of a Pupil Charter.

The School's relationship with alumni has developed dramatically over the last three years and the pandemic has provided a further stimulus.

Royal Hospital School Enterprises Limited is a subsidiary of the Hospital which operates holiday lettings at the School. The coronavirus pandemic meant that the level of income was substantially reduced in 2019/20 and 2020/21. It had a small deficit of £0.03m in 2020/21 (2019/20 £0.02m). The company distributes any surpluses to the School through Gift Aid.

### **Sheltered housing**

The Hospital owns three sheltered housing schemes, with a total of 91 flats in Southsea (Greenwich Court), Saltash (Greenwich Place) and Greenwich (Trafalgar Quarters). Each provides one- and two-bedroom accommodation built to modern standards. The tenants pay subsidised rent to contribute to the costs of running the schemes. Flats are allocated based on need and are currently fully let. Residents must be over 60 and either veterans or spouses or widows of veterans. The Hospital has contracted with the Church of England Soldiers', Sailors' & Airmen's Clubs charity, (in partnership with its sister housing association, a regulated, registered provider of social housing), to manage the schemes.

The schemes complied with the public health restrictions imposed during the year by the government to control and contain the spread of coronavirus. Ways of working were adjusted to take account of the restrictions. There were fewer consequences in 2020/21 for maintenance work than in the previous year and some of the work delayed from 2019/20 was undertaken. Heating was replaced at Greenwich Place and a number of showers and kitchens were replaced across the schemes.

During the year, the annual independent assessment (by erosh) of the service being delivered in all of the schemes confirmed the 'outstanding' assessment previously awarded. Consultation also took place with residents about the application of the National Housing Federation's 'Together with Tenants' Charter, which was then adopted.

The properties associated with the schemes were valued £6.5m at the year-end, a £0.7m decrease compared with the previous year. The valuation approach changed from that adopted in the previous year. Details of the change in approach are provided in accounting policy note 1d.

### **Subsidiary undertakings**

The group comprises the parent charity, Greenwich Hospital, and four subsidiary undertakings: Royal Hospital School Charitable Trust, Royal Hospital School Enterprises Limited, the Travers Foundation and Throckley North Management Company (which is not consolidated in the Group accounts).

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Details of the subsidiary undertakings and their results for the year can be found in note 4 of the financial statements. The combined year end value of the subsidiary undertakings was £4.3m (2019/20: £3.7m).

There is a legal obligation to present the Travers Foundation accounts separately to Parliament and a copy of the Foundation's accounts therefore follow the accounts of the Hospital.

### **Delivery against objectives**

The Hospital's key aims and objectives for 2020/21 are set out below along with a summary of progress in achieving them:

- To review its investment strategy in the light of coronavirus and the growing importance of Environmental, Social and Governance factors.
  - The Hospital's senior staff produced a review, endorsed by the Advisory Panel and are pursuing agreed follow-up.
- To make substantive progress with Navy Command towards agreeing a future legal structure and status for Greenwich Hospital.
  - Work in this area continued throughout the year, and on into 2022, with significant constructive input to Navy and Ministry of Defence consideration by the Hospital.
- To further improve controls and governance throughout the Hospital including financial management, charitable agreements and impact reporting
  - Further improvements in financial control were enacted during the year, with more in train. The Charity Scrutiny Panel oversaw a shared high standard of governance for charity projects.
- To make significant progress towards completion of the Throckley site, including agreement on the sale of remaining phases and to pursue the emerging prospect at Clacton.
  - Phases 1b, 4 and 5 were successfully sold in the year, with completion delivered after year end. The Hospital contributed to consideration of the Local Plan for Clacton (now adopted) and is working in co-operation with a leading institutional development partner on future options.
- To improve the coherence of Naval charity and its impact for beneficiaries through continued and closer co-operation with the Royal Navy and Royal Marines Charity (RNRMC) and other Naval charities.
  - The Hospital continues to be a major funder of other Naval charities, including the RNRMC and the Royal Navy Benevolent Trust. In addition to strategic co-operation at Director or Chief Executive level, the Hospital instigated Finance and Charity joint meetings with RNRMC in 2020/21 and the Hospital's Head of Charity (Delivery) has continued to deepen working co-operation with the RNRMC, working closely with her counterpart to deliver a shared approach to the charities the two organisations fund.

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- To initiate two long term (three to five years for delivery) major (more than £500,000) charitable projects.
  - Whilst charitable sector project activity remained limited by coronavirus, the Hospital was able to provide the second tranche of funding, £0.7m, for the Royal British Legion Industries' Greenwich House capital project in during the year. It also initiated work on a major long-term programme of support to the Special Boat Service Association, which has now been agreed and grants commenced in 2021/22.

## FINANCIAL REVIEW

### Review of financial position

The net operating result for 2020/21 for the Group was a deficit of £0.1m, a reduction from the deficit of £0.7m in the previous year. Income and expenditure both fell in 2020/21.

Income was down from £29.0m to £27.9m with an increase in the School's income – up by £1.0m – offset by reductions in income from property investments of £1.5m, government grants of £0.5m and donated assets of £0.3m. The fall in property investment income was mainly due to the impact of the coronavirus pandemic on the commercial part of the Greenwich Estate. Government grants fell because the level of furloughed staff at the School was lower and therefore less Coronavirus Job Retention Scheme Grant was claimed. Income from donated assets relates to the value of heritage assets being added to the accounts, a process which was completed in 2019/20.

Expenditure was down from £29.7m to £27.8m. The main contributors to this fall were reductions in the cost of raising funds of £0.9m, (principally because of reduced and deferred costs in the commercial part of the Greenwich Estate), and in School expenditure of £0.7m. In both cases, the coronavirus pandemic was the reason for lower costs.

The falls in the value of the Hospital's investments in the previous year, largely because of the pandemic, were more than reversed in 2020/21. Indirect financial investments in equities and bonds rose in value by £20.3m compared with a loss of £11.8m in 2019/20. Investment properties gained £8.5m compared with a loss of £8.0m. These gains were partially offset by a fall in the value of the direct financial investment in the Pollen Estate of £6.2m (2019/20: £2.2m).

The net gains on investments meant that net income was £23.4m, a very significant increase on net expenditure of £23.5m in 2019/20.

The balance sheet shows an increase in Group net assets and funds from £364.2m at the end of 2019/20 to £386.4m at the end of 2020/21. The main reason for the growth is the increase in the value of investment property and investments in equities and bonds. Cash held also increased from £9.4m to £13.0m with net cash from operating activities of £2.4m being the largest contributor to the increase.

The liability due after one year of £20.5m mainly relates to the Hospital's loan from Royal Bank of Canada, which remains at £20m.

The pension liability for the defined benefit scheme has risen to £32.2m from £31.7m following an update of the most recent formal actuarial valuation which was done in 2019.



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### **Investments**

#### Investment property portfolio

The Hospital and Travers Foundation have an investment property portfolio valued at £194.7m, up from £189.5m at the end of 2019/20. The portfolio includes property in Greenwich, the north-east of England and Scottish Borders, Suffolk and Essex. Net income (including allocated support costs) from the portfolio was £1.1m in 2020/21 compared to £1.9m in 2019/20. The fall between the years principally reflects the impact of the coronavirus pandemic on commercial activity in the Greenwich Estate.

The Greenwich Estate comprises commercial units, a market, residential and heritage properties in Greenwich town centre and within the World Heritage Site. The Estate is managed on the Hospital's behalf by Knight Frank LLP.

The Northern Estates are in Northumberland, Tyne and Wear and the Scottish Borders. The properties are a mix of agricultural, residential, commercial and forestry land. The Estate, which comprises 5,420 acres, is managed on the Hospital's behalf by Savills.

The Hospital continued to develop its site at Throckley near Newcastle on Tyne for sale to house builders by putting in the infrastructure prior to phased sales. The infrastructure work was completed in 2020/21. Sales commenced in 2019 and continued during 2020/21 and into 2021/22.

The property in Suffolk includes the Holbrook Estate which was formerly a traditional rural estate surrounding the Royal Hospital School. It comprises parcels of arable farmland, grassland, woodland, foreshore and reed beds together with a portfolio of houses. The Travers Foundation, a part of the Hospital Group, also owns land near Clacton in Essex. Both holdings are managed on the Hospital's behalf by Strutt & Parker.

#### Direct financial investment

The Hospital has a holding of 10.253% in the Pollen Estate, from which it receives regular dividends. The Estate consists of offices, art galleries, residential units and retail outlets in Mayfair, London. The Hospital has no involvement in the day-to-day management of the Estate, which is managed through a trustee company.

The Hospital's share of the Estate was valued at £75.2m at the year end (2019/20: £81.4m) and it generated income of £1.1m in the year (2019/20: £1.1m).

The audit report on the accounts for 2019/20 included a limitation of scope in respect of the valuation of the Pollen Estate as the Comptroller and Auditor General reported that he was unable to obtain sufficient appropriate audit evidence to support the valuation. The Estate agreed to provide the auditors with additional information in respect of the valuations for 2020/21 and 2019/20. As a result, the limitation of scope qualification has been removed for 2019/20.

#### Indirect financial investments in equities and fixed interest instruments

The Hospital has £123.9m, (2019/20: £101.1m), in quoted investments. The value of the investments has more than recovered from the impact of the coronavirus pandemic.

The composition of the portfolio and funds does not fluctuate significantly as they are invested in companies that provide long term growth prospects. Net income from the financial investments was £3.1m during 2020/21, the same as in the previous year.

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The investments 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 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 may be insufficient to meet expenditure. In these instances, cash is released through sales. 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.

The total gross return on the Main Fund, comprising £114.6m of the total investments of £123.9m at 31 August 2021 was 23.73% (2019/20: -8.19%). The total return net of fees was 23.30% (2019/20: -8.51%). The capital component of the total gross return was 20.56% (2019/20: -10.78%). The benchmark in 2020/21 was 24.42% (2019/20: -2.14%).

The total gross return on the Reade Accumulation Fund, comprising £7.7m of the total investments, was 26.26% (2019/20: -9.75%). The total return net of fees was 25.88% (2019/20: -10.13%). The capital component of the total gross return was 26.17% (2019/20: -9.93%). The benchmark in 2020/21 was 27.07% (2019/20: -3.78%).

The total gross return on the School Fund, comprising £1.0m of the total investments, was 14.63% (2019/20: 2.74%). The total return net of fees was 14.19% (2019/20: 2.34%). The capital component of the total return was 14.63% (2019/20: 2.74%). The benchmark in 2020/21 was 3.05% (2019/20: 3.46%).

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.

### **Reserves**

#### Reserves policy

It is the policy of the Hospital that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to twelve month's expenditure. The Advisory Panel consider that reserves at this level will ensure that in the event of a significant drop in funding, they will be able to continue the Hospital's current activities while consideration is given to ways in which additional funds may be raised. This level of reserves has been maintained throughout the year. As at 31 August 2021, the unrestricted balance of its group reserves was £384.7m (2019/20: £362.5m), which, adjusting for non-liquid assets and secured liabilities including fixed assets, bank loan and pension liability, gives adjusted free reserves of £294.2m (2019/20: £270.8m). Adjusted free reserves would cover 9.9 years of annual operating expenditure (2019/20: 9.2 years).

#### Designated reserves

The School had designated reserves of £0.7m at the year end (2019/20: £0.8m). The funds relate to specific projects.

## **GREENWICH HOSPITAL**

Although not identified as a designated fund, £32.2m (2019/20: £31.7m) of the Hospital's unrestricted funds are to meet the pension liability of the defined benefit scheme as identified in note 11. This scheme is closed to new entrants and to further liability.

### 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. Restricted reserves totalled £1.1m at the year end (2019/20: £0.9m) including £0.8m (2019/20: £0.6m) relating to the School's charitable trust, whose funds are all restricted as they can only be used for the School.

### 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 actively 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 has the option of spending all, or part, of the capital of these assets as well as any income produced, and as such treats them as unrestricted.

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 keeps 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.

### **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 £20m loan facility with Royal Bank of Canada. This was fully drawn before the start of the year and used to fund the Throckley work. The Hospital is also able to liquidate financial investments at short notice if required.

### **Payments to suppliers**

The Hospital aims to pay suppliers in accordance with contractual terms. In 2020/21, the Hospital paid its suppliers on average within 23 days (2019/20: 32 days), calculated using the year-end amount owed to trade creditors as a proportion of the amount invoiced during the year.

## **FUTURE PLANS**

The Hospital continues to progress the recommendations arising from the Navy Board's 2018/19 review of Governance and Strategy:

- Work with the Joint Partnership Committee, formed of Greenwich Hospital, Royal Navy and Royal Marines Charity and Royal Navy to consider and prioritise requests for funding.

## GREENWICH HOSPITAL

- Deliver a high quality programme of work over the coming 12 to 18 months, and beyond; taking into account the Royal Navy Transformation and the impact of the coronavirus crisis on the sector and the Hospital's beneficiaries.
- Undertake a review of policies and procedures in line with best practice in the charity and public sector.
- Take forward the Throckley Project to increase funds for charitable projects.
- Identify scope to further increase charitable funding.
- Develop an investment strategy that takes into account environmental and socially-responsible practices.
- Review recommendations from internal audit reports on procurement and internal controls and implement appropriate improvements.

Like other organisations, the Hospital pursued its objectives alongside dealing with the impact of coronavirus. The economic impact of the pandemic hit its income which fell from £29.0m to £27.9m, but it was able to make progress on other objectives and continues to do so.

The primary aims for 2021/22, drawn from the detailed objectives for the year, are:

- Make substantive progress with Navy Command towards agreeing a future legal structure and status for the Hospital and the way to deliver them.
- Provide backstop funding to meet urgent Naval charity needs driven by coronavirus, whether direct needs of beneficiaries or those of Naval charities in need of extra funding to deliver their missions. Put in place sustained new funding for the Naval charity sector and its beneficiaries.
- Further deepen the co-operative relationship with Royal Navy and Royal Marines Charity, including partnering on coronavirus contingency funding.
- Successfully complete the remaining Throckley sales and move towards the Hospital's disengagement from the site. Take forward the long-term prospect at Clacton in a low-risk sustainable manner to deliver an early financial return for the Hospital.
- Improve the yield from the Hospital's estates, engaging with tenants as they recover from the impact of the pandemic lockdowns and produce a strategic plan to implement the investment strategy.
- Embed sustainable stronger controls and governance throughout the Hospital including financial management, charitable agreements and impact reporting and

## GREENWICH HOSPITAL

complete the review of policies.

- Fill staff vacancies and integrate new staff into the organisation, ensuring that all staff experience relevant training and development.

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### Nature of governing document and how the charity is constituted

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

The Secretary of State for Defence is responsible for the governance of the Hospital on behalf of the Sovereign, with the day-to-day administration of the Hospital delegated to the Director of Greenwich Hospital who is the Accounting Officer. Oversight of the Hospital's strategic policy is carried out by the Advisory Board and, for finance and investment matters, the Advisory Panel.

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

### Advisory Board

An Advisory Board chaired by the Second Sea Lord oversees the management of the 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 Secretary of State for Defence, 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.

Members of the Advisory Board during 2020/21 are listed below with the number of meetings they attended. There were three meetings during the year.

Vice Admiral Nick Hine	Second Sea Lord and Deputy Chief of Naval Staff (Chair)	2
Sarah Davies	Finance Director, Royal Navy	3
Andrew Turner	Interim Director	3
Stuart Beevor	Property member	2
Graham Faulkner	Charity member	2
Ian Harwood	Investment member	3
Richard Hunting	Business member	3
Malcolm Naish	Property member	3
Caroline Thynne	Legal member	3
Christopher Tite	Legal member	2

## **GREENWICH HOSPITAL**

### **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 Secretary of State for Defence 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 receives an update on the management accounts, financial investments and investment property for information and advice at each meeting.

The Panel also met regularly with the Greenwich Estate property agents, Knight Frank, and the financial investment managers, Newton Investment Management, for updates on these significant assets, as well as being briefed by Savills and Strutt & Parker on the Hospital's smaller estates.

Members of the Advisory Panel during 2020/21 are listed below with the number of meetings they attended. There were six meetings during the year.

Sarah Davies	Finance Director, Royal Navy (Chair)	6
Andrew Turner	Interim Director	6
Ian Harwood	Investment member	6
Richard Hunting	Business member	6
Malcolm Naish	Property member	6

### **Audit Committee**

The Audit Committee is comprised of Advisory Board members. It is responsible for advising the Advisory Panel on the Annual Report and Accounts of the Hospital, the accounting policies and the financial reporting judgements included therein. The 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 committee met four times in 2020/21.

The committee reviewed the statutory accounts and received the reports of the external and internal auditors. During the year, Sayer Vincent were appointed as internal auditors following a competitive process. They replaced Crowe Clark Whitehill.

Members of the Audit Committee during 2020/21 are listed below with the number of meetings they attended. There were three meetings during the year.

Richard Hunting	Chair	3
Andrew Turner	Interim Director	3
Ian Harwood	Investment member	3

### **Royal Hospital School Committee**

The Royal Hospital School Committee (RHSC) advises the Greenwich Hospital Advisory Board on the progress of the Royal Hospital School towards achieving the overarching aims

## **GREENWICH HOSPITAL**

set by the Secretary of State for Defence 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.

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee advises on the composition of the Advisory Board and Advisory Panel and the remuneration and objectives of the Director of the Hospital.

### **Director of Greenwich Hospital**

The Director of Greenwich Hospital is responsible by an order in Council and a directive from the Secretary of State for Defence, 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.

### **Senior staff**

The Director is authorised to delegate his powers and responsibilities to members of Hospital staff as he sees fit except for the power to authenticate the seal of the Secretary of State for Defence 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 was for 2020/21 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.

### **Royal Hospital School**

The School is owned and operated by the Hospital. Responsibility for ensuring the School complies 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 Director of Finance and Strategic Development.

A Governing Body is appointed to oversee the strategic management and workings of the School.

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

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

Minutes of the Advisory Board, Advisory 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 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 Director.

### **Accounting framework**

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

## **GREENWICH HOSPITAL**

Due to the charitable nature of most of the Hospital's activities, the accounts have been prepared to comply with the underlying principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) (the Charities SORP).

The Secretary of State for Defence is responsible for the governance of the Hospital and as a representative of the Crown, acts in execution of the Greenwich Hospital Acts (1865 to 1996) 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 or other charities but as a representative of the Crown, for the charitable purposes of the Hospital.

The 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. For 2020/21, the NAO engaged Grant Thornton to undertake the fieldwork for the audit on behalf of the Comptroller and Auditor General.

### **Financial management**

There is an effective system of financial control throughout the 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 Advisory 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. Major projects are subject to a formal investment appraisal.

All the Hospital's directly held property and financial investments, as well as its sheltered housing provision, are managed by independent specialists. The specialist managers are required to provide regular financial reports, with challenge from the Hospital's Management where results significantly differ from budgets and expected performance.

### **Management information**

Executive information, including all financial reporting, is prepared either by Hospital staff or external professional consultants. Advisory Board endorsement, where required, is given based on it 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.

### **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.



## **GREENWICH HOSPITAL**

### **Risk management**

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.

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 which determines whether the overall level of risk profile is in line with the Hospital's risk appetite.

The Hospital's risk management is a dynamic process which seeks to incorporate good practice. It is managed through the regular review of internal developments and external factors including political, economic, demographic, technological and legal developments that influence the Hospital's exposure to risks and opportunities.

### **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 are raised to a strategic level.

Each risk has a designated owner and specific actions are planned to mitigate the risk. This information is collated in a risk register which is reviewed regularly. The Throckley development has its own risk register which is also reviewed and updated regularly.

The following table shows the highest-level risks identified in the strategic risk register, as presented to the Audit Committee in November 2021.

## GREENWICH HOSPITAL

### Risk

Uncertainty over the Hospital's future status; and the impact of a change to a new status.

Insufficient investment returns to meet charitable need.

Inadequate operational capacity and capability.

Poor internal and external understanding of the Hospital's obligations and accountabilities.

Third-party loss of significant funds, property or reputation.

Cyber security breach - both through online hacks or loss of physical equipment.

### Management

Regular engagement with the key stakeholders in the process including the Sole Trustee, Ministry of Defence, Navy Board and Royal Hospital School.

Close liaison with estate and fund managers. Review of the property and investment strategies with external, expert input. Scrutiny of performance and strategy by the Advisory Panel.

Recruitment to vacant roles as a matter of priority. Ensuring that documentation of policies and processes is up-to-date. Provision of training and close support to existing staff.

Close engagement with stakeholders including new members of the Navy Board and Advisory Board. Full documentation of historic and current legal status and advice relating to the Hospital's status. Briefing of new staff.

Regular meetings with and reporting by key third-party managers including estate and investment fund managers. Retendering for key suppliers and agents to help ensure good quality services.

Multi-factor authentication in place. Firewalls and anti-virus scans on all Hospital equipment. Training for staff on how to recognise cyber security threats. Cyber Essentials Plus accreditation being sought.

### Data protection and management

The Hospital is committed to protecting the rights and freedoms of data subjects, and to safe and secure processing of personal data, in accordance with the data protection legislation applicable in England & Wales (currently the General Data Protection Regulation (EU 2016/679) (GDPR) and Data Protection Act 2018).

In 2020/21, the Clerk-in-Charge was 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 the Hospital's agents, contractors, managers and professional advisers. During 2020/21, no incidents were reported that have resulted in the unauthorised disclosure of protected personal data.

## **GREENWICH HOSPITAL**

### **Review of effectiveness of internal controls**

As Accounting Officer, I have responsibility for maintaining a robust and appropriate system of internal controls. The Advisory Board and its subcommittees offer advice on implementing and reviewing controls and they highlight any matters of concern. Regular senior management team meetings review ongoing activities and issues. The Hospital employs third party internal auditors to review systems and controls.

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.

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



Andrew Turner  
Interim Director of Greenwich Hospital

20 May 2022

## **GREENWICH HOSPITAL**

### **STATEMENT OF SECRETARY OF STATE FOR DEFENCE'S AND DIRECTOR'S RESPONSIBILITIES**

The Director of Greenwich Hospital is its Accounting Officer and is responsible to the Secretary of State for Defence in his capacity as a representative of the Crown, acting in execution of the Greenwich Hospital Acts 1865 to 1996, 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.

### **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.



Andrew Turner  
Interim Director of Greenwich Hospital

20 May 2022

## **GREENWICH HOSPITAL**

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

#### **Opinion on financial statements**

I have audited the financial statements of Greenwich Hospital and its Group for the year ended 31 August 2021 under the Greenwich Hospital Act 1865. The financial statements comprise: the Consolidated and Charity Statements of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Greenwich Hospital's affairs as at 31 August 2021 and of its income and expenditure 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 regularity**

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

#### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Greenwich Hospital in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### **Conclusions relating to going concern**

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

## **GREENWICH HOSPITAL**

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

My responsibilities and the responsibilities of the Director with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises information included in the Objectives and activities, Achievements and performance, Financial Review, Future Plans and Structure, governance and management, but does not include the financial statements and my auditor's report thereon. The Director is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion the information given in the Objectives and activities, Achievements and performance, Financial Review, Future Plans and Structure, governance and management for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

In the light of the knowledge and understanding of the Greenwich Hospital and its environment obtained in the course of the audit, I have not identified material misstatements in the Objectives and activities, Achievements and performance, Financial Review, Future Plans and Structure, governance and management.

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

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

## **GREENWICH HOSPITAL**

- the Structure, governance and management section does not reflect compliance with HM Treasury's guidance.

### **Responsibilities of the Director**

As explained more fully in the Statement of Secretary of State for Defence's and Director's responsibilities, the Director is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Director determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Greenwich Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Director either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with the Greenwich Hospital Act 1865.

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

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

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Greenwich Hospital's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Group's controls relating to Greenwich Hospital Act 1865, Managing Public Money and Charities Act 2011.

## GREENWICH HOSPITAL

- discussing among the engagement team including significant component audit teams and involving relevant internal and external specialists, including property valuation, pensions and tax specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, bias in accounting estimates and posting of unusual journals; and
- obtaining an understanding of Greenwich Hospital and Group's framework of authority as well as other legal and regulatory frameworks that the Greenwich Hospital and Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Greenwich Hospital and Group. The key laws and regulations I considered in this context included Greenwich Hospital Act 1865, Managing Public Money, Employment Law, Tax Legislation, Pensions Legislation and Charities Act 2011.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of revenue recognition due to fraud, assessing the recognition of income in line with the accounting framework.

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

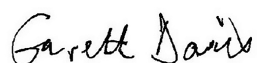
A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

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



## **GREENWICH HOSPITAL**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**Gareth Davies**  
**Comptroller and Auditor General**

20 May 2022

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

# GREENWICH HOSPITAL

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Introduction

The Greenwich Hospital produces accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In accordance with the Greenwich Hospital Act 1865, I am required to audit and express an opinion on the financial statements.

The purpose of this report is to explain the removal of the prior year qualified audit opinion.

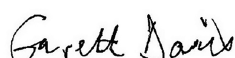
### Removal of the prior year Limitation of Scope on the valuation of the financial investment in the Pollen Estate

In the prior year, I limited the scope of my audit opinion in respect of the valuation of the financial investment in the Pollen Estate. I also concluded that there were possible uncorrected material misstatements in the Other Information and qualified my opinion on other matters because the Review of Operations, Achievements and Performance and the Review of Finances included financial information that was derived from the financial statement figures on which I had qualified my opinion.

The prior year qualification related to Note 16 – Financial Investments. The Pollen Estate was valued at £81.4 million at 31 August 2020, including a revaluation loss of £2.2 million for the year ended 31 August 2020. I was unable to obtain sufficient appropriate audit evidence to support this valuation due to policies in place at the Pollen Estate, an organisation with its own management and outside of Greenwich Hospital's direct control, preventing the release of commercially sensitive information to beneficiaries. Whilst the Pollen Estate's independently audited accounts for the year ended 31 December 2019 were available to me, I was unable to obtain further information to validate the valuation as at 31 August 2020.

Greenwich Hospital worked with the Pollen Estate to provide the necessary information and enable me to audit the valuation. I have revisited the prior year valuation in light of this information and have concluded that the valuation as at 31 August 2020, and the associated revaluation loss, was not materially misstated. As a result, I have not qualified my opinion on the prior year comparative figures disclosed in respect of the valuation of the financial investment in the Pollen Estate as at 31 August 2020.

With arrangements to access information now formally in place, I was also able to conclude that the valuation of the financial investment in the Pollen Estate as at 31 August 2021 was not materially misstated. I therefore do not expect this issue to recur in the future.



**Gareth Davies**  
**Comptroller and Auditor General**

20 May 2022

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

# GREENWICH HOSPITAL

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2021

	Note	Unrestricted funds £m	Designated funds £m	Restricted funds £m	Total 2021 £m	Total 2020 £m
<b>Income from:</b>						
<b>Donations and legacies</b>						
Income from donated assets	13	-	-	-	-	0.3
		-	-	-	-	0.3
<b>Charitable activities</b>						
Royal Hospital School		15.1	-	0.4	15.5	14.4
Sheltered housing		0.6	-	-	0.6	0.6
Royal Hospital School Charitable Trust	4	-	-	0.1	0.1	0.1
Government grants receivable	7	-	-	0.3	0.3	0.8
		15.7	-	0.8	16.5	15.9
<b>Investments</b>						
Property investments	5	6.6	-	-	6.6	8.1
Direct financial investments	6a	1.1	-	-	1.1	1.1
Indirect financial investments	6b	3.7	-	-	3.7	3.6
		11.4	-	-	11.4	12.8
<b>Total income</b>		27.1	-	0.8	27.9	29.0
<b>Expenditure on:</b>						
<b>Charitable activities</b>						
Royal Hospital School		15.9	-	0.7	16.6	17.3
Sheltered housing		1.0	-	-	1.0	0.9
Royal Hospital School Charitable Trust	4	-	-	0.1	0.1	-
Grants, annuities and donations payable	8	4.0	-	-	4.0	4.3
		20.9	-	0.8	21.7	22.5
<b>Raising funds</b>	20	6.3	-	-	6.3	7.2
<b>Total expenditure</b>		27.2	-	0.8	28.0	29.7
Gain on sale of investment properties	15	0.9	-	-	0.9	-
(Loss) on sale of indirect financial investments	16b	-	-	-	-	(1.1)
Gain/(loss) on revaluation of investment properties	15	9.0	-	-	9.0	(7.9)
(Loss) on revaluation of direct financial investments	16a	(6.2)	-	-	(6.2)	(2.2)
Gain/(loss) on revaluation of indirect financial investments	16b	20.3	-	0.1	20.4	(11.8)
<b>Net income/(expenditure)</b>		23.9	-	0.1	24.0	(23.7)
<b>Transfers between funds</b>						
Transfers from designated funds	24	0.1	(0.1)	-	-	-
		0.1	(0.1)	-	-	-
<b>Other recognised (losses)/gains</b>						
Actuarial (loss) on pension scheme	11	(1.1)	-	-	(1.1)	(0.9)
(Loss)/gain on revaluation of charitable properties	12	(0.5)	-	-	(0.5)	1.8
		(1.6)	-	-	(1.6)	0.9
<b>Net movement in funds</b>		22.4	(0.1)	0.1	22.4	(22.8)
<b>Reconciliation of funds</b>						
Balance brought forward	24	362.5	0.8	0.9	364.2	387.0
<b>Balance carried forward</b>		384.9	0.7	1.0	386.6	364.2

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

# GREENWICH HOSPITAL

## CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2021

	Note	Unrestricted funds £m	Designated funds £m	Restricted funds £m	Total 2021 £m	Total 2020 £m
<b>Income from:</b>						
<b>Donations and legacies</b>						
Income from donated assets	13	-	-	-	-	0.3
		-	-	-	-	0.3
<b>Charitable activities</b>						
Royal Hospital School	3	15.1	-	0.4	15.5	14.8
Sheltered housing		0.6	-	-	0.6	0.6
Government grants receivable	7	-	-	0.3	0.3	0.8
		15.7	-	0.7	16.4	16.2
<b>Investments</b>						
Property investments	5	6.6	-	-	6.6	8.0
Direct financial investments	6a	1.1	-	-	1.1	1.1
Indirect financial investments	6b	3.7	-	-	3.7	3.6
		11.4	-	-	11.4	12.7
<b>Total income</b>		27.1	-	0.7	27.8	29.2
<b>Expenditure on:</b>						
<b>Charitable Activities</b>						
Royal Hospital School	3	15.9	-	0.7	16.6	17.3
Sheltered housing		1.0	-	-	1.0	0.9
Grants, annuities and donations payable	8	4.0	-	-	4.0	4.3
		20.9	-	0.7	21.6	22.5
<b>Raising funds</b>	20	6.2	-	-	6.2	7.1
<b>Total expenditure</b>		27.1	-	0.7	27.8	29.6
Gain on sale of investment properties	15	0.9	-	-	0.9	-
Loss on sale of indirect financial investments	16b	-	-	-	-	(1.1)
Gain/(loss) on revaluation of investment properties	15	8.5	-	-	8.5	(8.0)
(Loss) on revaluation of direct financial investments	16a	(6.2)	-	-	(6.2)	(2.2)
Gain/(loss) on revaluation of indirect financial investments	16b	20.3	-	-	20.3	(11.8)
<b>Net income/(expenditure)</b>		23.5	-	-	23.5	(23.5)
<b>Transfers between funds</b>						
Transfers from designated funds	24	0.1	(0.1)	-	-	-
		0.1	(0.1)	-	-	-
<b>Other recognised (losses)/gains</b>						
Actuarial (loss) on pension scheme	11	(1.1)	-	-	(1.1)	(0.9)
(Loss)/gain on revaluation of charitable properties	12	(0.5)	-	-	(0.5)	1.8
		(1.6)	-	-	(1.6)	0.9
<b>Net movement in funds</b>		22.0	(0.1)	-	21.9	(22.6)
<b>Reconciliation of funds</b>						
Balance brought forward	24	359.4	0.8	0.3	360.5	383.1
<b>Balance carried forward</b>		381.4	0.7	0.3	382.4	360.5

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

# GREENWICH HOSPITAL

## CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 AUGUST 2021

	Note	Group 2021 £m	Group 2020 £m	Charity 2021 £m	Charity 2020 £m
<b>Fixed assets</b>					
Charitable property	12	34.1	35.6	34.1	35.6
Heritage assets	13	2.9	2.9	2.9	2.9
Other tangible assets	14	1.3	1.5	1.3	1.5
		<b>38.3</b>	40.0	<b>38.3</b>	40.0
Investment property	15	194.8	189.5	191.4	186.6
Direct financial investments	16a	75.2	81.4	75.2	81.4
Indirect financial investments	16b	123.9	101.1	123.4	100.9
		<b>393.9</b>	372.0	<b>390.0</b>	368.9
<b>Total fixed assets</b>		<b>432.2</b>	412.0	<b>428.3</b>	408.9
<b>Current assets</b>					
Debtors	17	1.9	2.9	1.9	2.9
Stock		0.1	-	0.1	-
Cash at bank and in hand	18	13.1	9.4	12.9	9.0
		<b>15.1</b>	12.3	<b>14.9</b>	11.9
<b>Current liabilities (amounts falling due within one year)</b>	19	<b>(8.0)</b>	(7.9)	<b>(8.1)</b>	(8.1)
<b>Net current assets</b>		<b>7.1</b>	4.4	<b>6.8</b>	3.8
<b>Liabilities (amounts falling due after more than one year)</b>	19	<b>(20.5)</b>	(20.5)	<b>(20.5)</b>	(20.5)
<b>Net assets excluding pension liability</b>		<b>418.8</b>	395.9	<b>414.6</b>	392.2
<b>Pension liability</b>	11	<b>(32.2)</b>	(31.7)	<b>(32.2)</b>	(31.7)
<b>Net assets including pension liability</b>		<b>386.6</b>	364.2	<b>382.4</b>	360.5
<b>Funds</b>					
Unrestricted funds	24	384.9	362.5	381.4	359.4
Designated funds	24	0.7	0.8	0.7	0.8
Restricted funds	24	1.0	0.9	0.3	0.3
		<b>386.6</b>	364.2	<b>382.4</b>	360.5

The notes on pages 39 to 68 form part of these accounts

The financial statements were approved by the Advisory Panel on 12 May 2022, and signed on its behalf by:



Andrew Turner  
Interim Director of Greenwich Hospital

20 May 2022

**CONSOLIDATED AND CHARITY CASH FLOW  
FOR THE YEAR ENDED 31 AUGUST 2021**

		<b>Group</b>	Group	<b>Charity</b>	Charity
		<b>2020/21</b>	2019/20	<b>2020/21</b>	2019/20
	Note	<b>£m</b>	£m	<b>£m</b>	£m
<b>Cash flows from operating activities</b>					
Net cash provided by operating activities		<b>2.5</b>	1.3	<b>2.3</b>	1.8
<b>Cash flows from investing activities</b>					
Receipts from sale of property and other capital receipts		<b>6.4</b>	-	<b>6.4</b>	-
Payments to acquire or improve charitable property	12	<b>(0.4)</b>	(0.4)	<b>(0.4)</b>	(0.4)
Payments to acquire other tangible fixed assets	14	<b>(0.2)</b>	(0.2)	<b>(0.2)</b>	(0.2)
Payments to acquire or improve investment property	15	<b>(1.8)</b>	(1.9)	<b>(1.7)</b>	(1.9)
Receipts from sale of investments	16b	-	14.5	-	14.5
Payments to acquire investments	16b	<b>(2.5)</b>	(15.6)	<b>(2.2)</b>	(15.4)
<b>Net cash flow provided by/(used in) investing activities</b>		<b>1.5</b>	(3.6)	<b>1.9</b>	(3.4)
<b>Cash flows from financing activities</b>					
Cost of secured borrowing	20	<b>(0.2)</b>	(0.4)	<b>(0.2)</b>	(0.4)
Interest element of finance lease payments		<b>(0.1)</b>	(0.1)	<b>(0.1)</b>	(0.1)
<b>Net cash flow (used in) financing activities</b>		<b>(0.3)</b>	(0.5)	<b>(0.3)</b>	(0.5)
<b>Change in cash or cash equivalents in the year</b>					
Cash and cash equivalents at the beginning of the year	18	<b>3.7</b>	(2.8)	<b>3.9</b>	(2.1)
Cash and cash equivalents at the end of the year		<b>9.4</b>	12.2	<b>9.0</b>	11.1
		<b>13.1</b>	9.4	<b>12.9</b>	9.0

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

		<b>Group</b>	Group	<b>Charity</b>	Charity
		<b>2020/21</b>	2019/20	<b>2020/21</b>	2019/20
	Note	<b>£m</b>	£m	<b>£m</b>	£m
<b>Net income/(expenditure) for the year (as per the Statement of Financial Activities)</b>					
Income from donated assets		<b>24.0</b>	(23.7)	<b>23.5</b>	(23.5)
Interest on pension liability		-	(0.3)	-	(0.3)
Movement of pension liability during the year	11, 30	<b>0.5</b>	0.5	<b>0.5</b>	0.5
Depreciation	11	<b>(1.1)</b>	(1.3)	<b>(1.1)</b>	(1.3)
Depreciation	12,14	<b>1.6</b>	1.6	<b>1.6</b>	1.6
Impairment of tangible assets	14	<b>0.1</b>	-	<b>0.1</b>	-
Net interest and other financing cost		<b>0.3</b>	0.5	<b>0.3</b>	0.5
Profit on sale of investment property		<b>(0.9)</b>	-	<b>(0.9)</b>	-
Loss on sale of indirect financial investments	16b	-	1.1	-	1.1
(Gain)/loss on revaluation of investment properties	15	<b>(8.9)</b>	7.9	<b>(8.5)</b>	8.0
Loss on revaluation of direct financial investments	16a	<b>6.2</b>	2.2	<b>6.2</b>	2.2
(Gain)/loss on revaluation of indirect financial investments	16b	<b>(20.3)</b>	11.8	<b>(20.3)</b>	11.8
Decrease in debtors	17	<b>1.0</b>	1.9	<b>1.0</b>	1.9
Decrease/(increase) in stock		<b>(0.1)</b>	-	<b>(0.1)</b>	-
Decrease/(increase) in creditors	19	<b>0.1</b>	(0.9)	-	(0.7)
<b>Net cash flow from operating activities</b>		<b>2.5</b>	1.3	<b>2.3</b>	1.8

## **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 Comptroller and Auditor General.

The accounts have been prepared under the historical cost convention as modified below. Due to the charitable nature of most of the Hospital's activities, the accounts have been prepared to comply with the underlying principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) (the Charities SORP). Greenwich Hospital, as a Crown charity, is considered a public benefit entity. The accounts comply with the Charities Act 2016.

The group financial statements consolidate the financial statements of Greenwich Hospital, Royal Hospital School Enterprises Limited, Royal Hospital School Charitable Trust and Travers Foundation and drawn up to 31 August each year.

The group and charity financial statements are presented in pounds sterling and all values are rounded to the nearest £0.1 million, except where indicated otherwise.

#### **b) Basis of consolidation**

Consolidated financial statements have been prepared in respect of the charity, its wholly owned subsidiary Royal Hospital School Enterprises Limited and the Hospital's related organisations Travers Foundation and Royal Hospital School Charitable Trust. A separate Statement of Financial Activities for the charity itself is included.

#### **c) Going concern**

The Director has a reasonable expectation that the Hospital has adequate resources to continue in operational existence for the foreseeable future. The Hospital therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

In reaching this conclusion, the Director has considered the impact of reductions in the Hospital's income and in the value of its assets on its ability to cover its charitable and other expenditure over the period to 31 August 2023. Detailed cash flow projections have been prepared incorporating the impact of various scenarios brought about by a significant worsening of the economic environment resulting from an event of the scale of the coronavirus pandemic. These include:

- reductions in rental income from our investment property portfolio in line with the level experienced during the coronavirus pandemic to date
- a comparable impact to the coronavirus pandemic on the School and our Northern and Holbrook estates
- a ten per cent increase in demand for individual support arising from a significant increase in the cost of living faced by beneficiaries
- a reduction of 20% in dividends from the Pollen Estate
- no significant disposals of investment properties take place during the period beyond the limited programme of sales already envisaged.

The repayment of the loan of £20m in full in April 2023 has also been assumed along with a fall of five per cent in the value of the Pollen Estate investment and a ten per cent fall in the

value of the Hospital's investment in indirect financial investments by 31 August 2022. The cash flow forecast includes the completion of the Throckley disposal of land which took place in March 2022. No increase in the value of the investment property elsewhere as a result of discussions with developers or changes in the designation of land use by local authorities has been included in the forecasts.

The cash flow projections and forecasts which arise from the scenarios set out above indicate that the Hospital will be able to draw down sufficient of its indirect financial investments to meet its charitable and other expenditure commitments over the period to 31 August 2023.

#### **d) Tangible fixed assets**

Assets over £1,000 are capitalised. The Hospital recognises seven classes of tangible fixed assets:

- Investment property
- Charitable land
- Charitable sheltered housing
- Charitable supported housing
- Other charitable property
- Other tangible assets
- Heritage assets

**Investment properties** are held either to earn rental income or for capital appreciation or both. They comprise the Greenwich Estate, the Northern Estates and the Holbrook Estate. Investment properties and those in the course of construction are held at fair value. They are valued based on 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.

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 is recognised in the Statement of Financial Activities.

The valuations are carried out by independent valuers: BNP Paribas for the Greenwich Estate, Savills for the Northern Estates and Throckley development, and Strutt and Parker for Holbrook and Travers. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Global Standards in force at the time the valuation was instructed. This defines fair value as the estimated amount for which an asset or liability should exchange between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. In reaching a valuation for the Throckley development, the Hospital's commitments for the site required to bring it to market, inclusive of s106 requirements were taken into account.

There was a change in the basis for the accounting estimate for the valuation of the Greenwich Estate this year. The valuation as at 31 August 2020 was based on Valuation Office Agency measurements of the size of all properties except for six which were measured by the valuer. The valuation as at 31 August 2021 was based on measurements provided by the estate manager except for properties which were measured by the valuer as part of a phased programme of measuring properties where the measurements held differ by more than 5% or 100 square feet from those recorded by the Valuation Office Agency.

**Charitable land** is not depreciated. It is assumed that where market values are obtained the land is a third of the value of the whole site.

**Sheltered housing** is held at market value. The Hospital's expenditure on sheltered housing is capitalised at historic cost on acquisition and revalued every year using independent



valuers BNP Paribas. Unrealised gains or losses on revaluation are recognised in the Statement of Financial Activities. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Global Standards in force at the time the valuation was instructed. There was a change in the valuation approach adopted for the valuation at 31 August 2021 from that used at 31 August 2020. In 2021, the valuation included the assumption that there was a restriction on the title such that a purchaser could only use the property for social housing subject to the existing tenancies. In 2020, the assumption was that the property was sold with vacant possession and that the rooms were let at a market rent rather than adopting the subsidised rents that apply to tenancies. The valuers were also provided in 2021 with information about actual rental levels, service charges, rebuild cost assessments and other details which were not provided in 2020. The approach adopted in 2021 is considered to provide a better basis for the valuation.

**Supported housing** is held at historic cost less depreciation.

**Other charitable property** is the School which is held at historic cost less depreciation.

**Other tangible assets** are held at cost of acquisition less depreciation.

**Heritage property assets** at the Greenwich Estate include The Royal Naval College, Dreadnought Seamen's Hospital, Devonport Nurses' Home, the Bellot Memorial and Greenwich Pier. These buildings are of historical importance and there are restrictions on their use. Their market value in existing use 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 costs.

**Heritage assets excluding property** comprise a collection of art, furniture, silver plates, clocks and historical artefacts. The majority of these are at the National Maritime Museum in Greenwich.

Heritage assets are initially recognised at cost, or valuation if donated and a reliable valuation is available. This is then assumed to be their deemed cost going forward. Heritage assets are not depreciated, but are instead assessed annually for impairment, and their carrying value reduced as necessary.

An overview of the collection is given in Note 13.

## **e) Financial investments**

Financial investments are initially recognised and subsequently measured at fair value in the accounts.

### **(i) Direct financial investments**

The Hospital has a direct financial investment in the Pollen Estate. The valuation used in the accounts is the Hospital's share, which is 10.253%, of the balance sheet value shown in the quarterly accounts closest to the Hospital's year end, being the valuation at 30 September 2021.

### **(ii) Indirect financial investments**

Quoted investments are shown at market value. Unrealised gains and losses on the valuation of investments are recognised in the Statement of Financial Activities. Cash deposits held with investment managers 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.

## **f) Recognition of incoming and outgoing resources**

Income is recognised in the period in which it is receivable. Income is recognised if it is deemed probable that it will be received, the Charity is entitled to the income, and it can be

reliably measured. Rental increases arising because of rent reviews and lease negotiations are not recognised until negotiations are completed.

Resources expended are included in the statement of financial activities on an accruals basis, inclusive of any irrecoverable VAT. Expenditure is recognised where an obligation exists for the Charity to pay, it is deemed probable, and it can be reliably measured.

Income and expenditure is recognised on the Statement of Financial Activities on an activity basis:

**(i) Donations and legacies**

Donated assets are recognised at their value on acquisition. Grants receivable are recognised when the conditions for entitlement have been met.

**(ii) Charitable activities**

Income and expenditure relating to charitable activities include the operations of the Royal Hospital School and the associated charitable trust, sheltered housing provision, and grants payable.

Income associated with the Royal Hospital School and charitable trust includes school fees (recognised over the teaching period), and other ancillary income. Income associated with the sheltered housing provision includes rents (recognised over the rental period) and other ancillary income. Expenditure related to the Royal Hospital School, charitable trust, and sheltered housing provision is recognised on an accruals basis.

Grants payable are recognised when the conditions for disbursement have been met.

**(iii) Investment income, other trading activities, and costs of raising funds**

Investment income includes dividends receivable, interest on bonds and cash balances, and rental income on investment properties. Income on dividends, bonds and cash balances is recognised when receivable. Rental income is recognised over the rental period.

Other trading income includes lettings fees (recognised over the lettings period) related to the Royal Hospital School commercial activities.

Costs of raising funds includes investment management fees, investment property costs, finance costs, and costs associated with commercial lettings. These are all recognised on an accruals basis.

**(iv) Other costs, gains and losses, and support costs**

Other costs include exceptional expenditure, usually recognised on an accruals basis.

Gains and losses are shown by asset or liability class.

Support costs are apportioned by activity type, and primarily on a staff time basis.

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

**g) 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 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.

#### **h) Gains and losses**

In compliance with the Charities SORP, 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.

#### **i) Cash and bank**

The Hospital maintains a bank account with the Government Banking Service and maintains several current and deposit accounts with Barclays Bank. Within cash, the Hospital includes cash equivalents. The Hospital defines cash equivalents as highly liquid investments having a maturity of three months or less which are at minimal risk of a change in value.

#### **j) Depreciation**

Depreciation is provided on tangible fixed assets as detailed in note 1 b). 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 and 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 based on costs accrued to date. Depreciation is not charged until the asset is in use. Where an asset is recognised to be impaired, its carrying value is reduced to reflect its impaired value. If it remains in use, it will then be depreciated on a revised basis.

#### **k) Pension schemes**

The 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 to, although not part of, the Principal Civil Service Pension Scheme and the Hospital is responsible for paying pensions to retired employees other than Royal Hospital School teachers. The scheme closed to further accrual for most members in June 2015. Those who were within nine years of normal retirement date in June 2015 were given enhanced protection on closure and could be active members of the scheme for up to 4.5 more years.

As from July 2011, the 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' Pension 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 FRS 102

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**

Members of the Advisory Board and Advisory Panel, Governors of the Royal Hospital School and Directors of the Royal Hospital School Enterprises Limited, where not ex officio, all gave their services voluntarily and received no remuneration for their activities with the Hospital.

**n) Restricted, designated 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. Where management assesses a specific operational need for a significant project or undertaking, it may designate a portion of the unrestricted funds. Unused designated funds are reviewed annually to see whether they should be released.

**o) 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 nature. Unless otherwise noted, the Hospital is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

**p) Taxation**

The Hospital is exempt from corporation tax under Section 505 ICTA 1988. The trading subsidiary, Royal Hospital School Enterprises Limited, is taxable but no tax is incurred as the surplus is distributed to the Charity under gift aid.

**q) Accounting estimates, judgements and assumptions**

In preparing these accounts, management relies on various estimates, judgements and assumptions derived by the accounting team and experts consulted to provide suitable evidentiary statements. Significant items in this regard include the property valuations underlying the investment property assets, future cash flows related to the defined benefit pension scheme liability, and provisioning regards recoverability of debts receivable. In reaching these assumptions, management and its consultants rely on historic trends and market sector evidence.

Property market valuations have generally been made on the basis of existing tenancies with the addition of hope value where it is considered that land may be designated for mixed use development. Changes in the valuation approaches for sheltered housing and the Greenwich Estate from those adopted in the previous year are set out in accounting policy note 1 d. All 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.

The valuation of the defined benefit pension liability has been performed by an independent actuary and the assumptions used are considered reasonable.

Provisions regarding the recoverability of debts receivable are made on a prudent basis taking into account the advice of professional estate managers and, where necessary, the advice of lawyers.

In valuing the investment in the Pollen Estate, the Hospital has considered information provided by the Estate and the valuation of its property portfolio by professional valuers. A valuation as at 29 September 2021 has been used as the basis for the value of the Hospital's interest as at 31 August 2021. While the valuation was in September 2021 rather

than at the balance sheet date, it is not anticipated that the valuation will have changed significantly because, in the view of the Interim Director and Advisory Panel, there is no material difference between the two points in time. Valuations at each quarter end from 31 December 2020 to 29 September 2021 showed very limited changes with a maximum change of only 2%.

At the year-end date, and the date of the signing of these accounts, uncertainty remained regarding the long-term impact of the coronavirus pandemic. Whilst management recognises this uncertainty, it believes that necessary prudence has been made in reaching the necessary conclusions to support the financial information in these accounts.

## 2 Comparative Statements of Financial Activities for 2019/20

Group	Note	Unrestricted funds £m	Designated funds £m	Restricted funds £m	Total 2019/20 £m
<b>Income from:</b>					
<b>Donations and legacies</b>					
Income from donated assets	13	0.3	-	-	<b>0.3</b>
		<u>0.3</u>	<u>-</u>	<u>-</u>	<b>0.3</b>
<b>Charitable activities</b>					
Royal Hospital School		13.7	-	0.7	<b>14.4</b>
Sheltered housing		0.6	-	-	<b>0.6</b>
Royal Hospital School Charitable Trust	4	-	-	0.1	<b>0.1</b>
Government grants receivable	7	-	-	0.8	<b>0.8</b>
		<u>14.3</u>	<u>-</u>	<u>1.6</u>	<b>15.9</b>
<b>Investments</b>					
Property investments	5	8.1	-	-	<b>8.1</b>
Direct financial investments	6a	1.1	-	-	<b>1.1</b>
Indirect financial investments	6b	3.6	-	-	<b>3.6</b>
		<u>12.8</u>	<u>-</u>	<u>-</u>	<b>12.8</b>
<b>Total income</b>		<u>27.4</u>	<u>-</u>	<u>1.6</u>	<b>29.0</b>
<b>Expenditure on:</b>					
<b>Charitable activities</b>					
Royal Hospital School		15.8	-	1.5	<b>17.3</b>
Sheltered housing		0.9	-	-	<b>0.9</b>
Grants, annuities and donations payable	8	4.3	-	-	<b>4.3</b>
		<u>21.0</u>	<u>-</u>	<u>1.5</u>	<b>22.5</b>
<b>Raising funds</b>	20	<u>7.2</u>	<u>-</u>	<u>-</u>	<b>7.2</b>
<b>Total expenditure</b>		<u>0.0</u>	<u>-</u>	<u>1.5</u>	<b>29.7</b>
(Loss) on sale of indirect financial investments		(1.1)	-	-	<b>(1.1)</b>
(Loss) on revaluation of investment properties		(7.9)	-	-	<b>(7.9)</b>
(Loss) on revaluation of direct financial investments		(2.2)	-	-	<b>(2.2)</b>
Loss) on revaluation of indirect financial investments	16b	(11.8)	-	-	<b>(11.8)</b>
<b>Net (expenditure)/income</b>		<u>(23.8)</u>	<u>-</u>	<u>0.1</u>	<b>(23.7)</b>
<b>Transfers between funds</b>					
Transfers from restricted funds	24	0.4	-	(0.4)	-
<b>Other recognised gains/(losses)</b>					
Actuarial (loss) on pension scheme	11	(0.9)	-	-	<b>(0.9)</b>
Gain on revaluation of charitable properties		1.8	-	-	<b>1.8</b>
		<u>0.9</u>	<u>-</u>	<u>-</u>	<b>0.9</b>
<b>Net movement in funds</b>		<u>(22.5)</u>	<u>-</u>	<u>(0.3)</u>	<b>(22.8)</b>
<b>Reconciliation of funds</b>					
Balance brought forward	24	385.0	0.8	1.2	<b>387.0</b>
<b>Balance carried forward</b>		<u>362.5</u>	<u>0.8</u>	<u>0.9</u>	<b>364.2</b>

Charity	Note	Unrestricted funds £m	Designated funds £m	Restricted funds £m	Total 2019/20 £m
<b>Income from:</b>					
<b>Donations and legacies</b>					
Income from donated assets	13	0.3	-	-	<b>0.3</b>
<b>Charitable activities</b>					
Royal Hospital School	3	13.7	-	1.1	<b>14.8</b>
Sheltered housing		0.6	-	-	<b>0.6</b>
Government grants receivable	7	-	-	0.8	<b>0.8</b>
		<u>14.3</u>	<u>-</u>	<u>1.9</u>	<u><b>16.2</b></u>
<b>Investments</b>					
Property investments	5	8.0	-	-	<b>8.0</b>
Direct financial investments	6a	1.1	-	-	<b>1.1</b>
Indirect financial investments	6b	3.6	-	-	<b>3.6</b>
		<u>12.7</u>	<u>-</u>	<u>-</u>	<u><b>12.7</b></u>
<b>Total income</b>		<u>27.3</u>	<u>-</u>	<u>1.9</u>	<u><b>29.2</b></u>
<b>Expenditure on:</b>					
<b>Charitable activities</b>					
Royal Hospital School	3	15.8	-	1.5	<b>17.3</b>
Sheltered housing		0.9	-	-	<b>0.9</b>
Grants, annuities and donations payable	8	4.3	-	-	<b>4.3</b>
		<u>21.0</u>	<u>-</u>	<u>1.5</u>	<u><b>22.5</b></u>
<b>Raising funds</b>	20	7.1	-	-	<b>7.1</b>
<b>Total expenditure</b>		<u>28.1</u>	<u>-</u>	<u>1.6</u>	<u><b>29.6</b></u>
(Loss) on sale of indirect financial investments		(1.1)	-	-	<b>(1.1)</b>
(Loss) on revaluation of investment properties		(8.0)	-	-	<b>(8.0)</b>
Loss) on revaluation of indirect financial investments		(2.2)	-	-	<b>(2.2)</b>
Loss) on revaluation of indirect financial investments	16b	(11.8)	-	-	<b>(11.8)</b>
<b>Net (expenditure)/income</b>		<u>(23.9)</u>	<u>-</u>	<u>0.4</u>	<u><b>(23.5)</b></u>
<b>Transfers between funds</b>					
Transfers from restricted funds	24	0.4	-	(0.4)	<b>-</b>
<b>Other recognised gains/(losses)</b>					
Actuarial (loss) on pension scheme	11	(0.9)	-	-	<b>(0.9)</b>
Gain on revaluation of charitable properties		1.8	-	-	<b>1.8</b>
		<u>0.9</u>	<u>-</u>	<u>-</u>	<u><b>0.9</b></u>
<b>Net movement in funds</b>		<u>(22.6)</u>	<u>-</u>	<u>-</u>	<u><b>(22.6)</b></u>
<b>Reconciliation of funds</b>					
Balance brought forward	24	382.0	0.8	0.3	<b>383.1</b>
<b>Balance carried forward</b>		<u>359.4</u>	<u>0.8</u>	<u>0.3</u>	<u><b>360.5</b></u>

### 3 Royal Hospital School

An analysis of the income and expenditure associated with the School is shown in the table below.

Charity	Total 2020/21 £m	Total 2019/20 £m
<b>Income</b>		
School fees	14.1	13.2
Incidental charges, hire of facilities and other income	1.0	0.5
Restricted fund income	0.4	1.1
	<u>15.5</u>	<u>14.8</u>
<b>Expenditure</b>		
Staff costs	8.6	8.6
Restricted funds - staff costs	0.3	0.8
Academic costs	1.6	1.5
Premises and facilities	1.4	1.2
Administration	1.7	2.0
Depreciation	1.5	1.4
Interest element of finance lease payments	0.1	0.1
Allocated support costs	0.5	0.5
Interest on pension liability	0.5	0.5
Restricted funds - non-staff costs	0.4	0.7
	<u>16.6</u>	<u>17.3</u>
Net expenditure	<u>1.1</u>	<u>2.5</u>

### 4 Subsidiary undertakings

The Group comprises the parent Charity (Greenwich Hospital) and four subsidiary undertakings as detailed below.

The Royal Hospital Charitable Trust (registration number 1157146) is a Charitable Incorporated Organisation set up in 2015/16 to benefit the pupils of the Royal Hospital School. The Director of Greenwich Hospital has the authority to change School governors and hence trustees of the Trust, who decide where funds will be allocated. It has therefore been determined that the Director is able to control the Trust and the accounts which are material have therefore been consolidated. The Hospital considers that it has a moral obligation not to influence the distribution of funds by the School trustees. The Trust's year end is 31 August.

Royal Hospital School Enterprises Limited (company number 06550120) is a limited company which carries out commercial trading activities on behalf of the Royal Hospital School. All profits are gift aided to the Hospital. The Charity holds 100% of the share capital. The company's year end is 31 August.

The Travers Foundation was established by the will of Samuel Travers in 1725 for the payment of pensions to retired lieutenants of the Royal Navy. The Foundation comprises property on the Bovills Estate in Essex. The assets of the Foundation were transferred to the



Secretary of State for Defence (in his role as the representative of the Crown responsible for the governance of Greenwich Hospital on behalf of the Sovereign) by the Defence (Transfer of Functions) Act 1964, and by the Armed Forces Act 1976, and are treated as the property of the Hospital. The income can be applied for the general purposes of the Hospital.

S.21 (3) of the Armed Forces Act 1976 states that the accounts of the property shall be kept distinct from the general accounts of the Hospital and be shown separately in any statement rendered to Parliament under the Greenwich Hospital Acts 1865 to 1967. Separate accounts for the Travers Foundation are therefore prepared. The Foundation's year end is 31 August.

The summary results and balance sheets of the subsidiary undertakings for the year are in the next table.

	RHS Charitable Trust		RHS Enterprises Limited		Travers Foundation	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
Income	0.09	0.13	0.04	0.04	0.03	0.03
Expenditure	(0.05)	(0.38)	(0.07)	(0.06)	(0.01)	(0.06)
<b>Net income/(expenditure)</b>	<b>0.04</b>	<b>(0.25)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>0.02</b>	<b>(0.03)</b>
Other gains	0.08	-	-	-	0.46	0.06
<b>Net movement in funds</b>	<b>0.12</b>	<b>(0.25)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>0.48</b>	<b>0.02</b>
Assets	0.76	0.63	0.03	0.04	3.55	3.06
Liabilities	-	-	(0.07)	(0.05)	-	-
<b>Total funds</b>	<b>0.76</b>	<b>0.63</b>	<b>(0.04)</b>	<b>(0.01)</b>	<b>3.55</b>	<b>3.06</b>

Travers Foundation assets include investment property held at a market value of £3.4m (2019/20: £2.9m) as shown in note 15.

The Hospital owns land in Throckley near Newcastle-upon-Tyne for which planning consent was obtained for the area to be developed for housing. Throckley North Management Company is the company established to own and be responsible for the upkeep and insurance of common areas in the area that are not adopted by the local authority.

It is a company limited by guarantee without share capital. Its company number is 11230974 and it was incorporated on 28 February 2018. The Hospital is the Special Member of the company and for the period before the disposal of all of the plots of land to housebuilders, Special Directors of the company are members of the Hospital's staff.

The Hospital considers that under paragraph 9.9A of Financial Reporting Standard 102, the company can be excluded from consolidation in the Group accounts as it is not material for the purpose of giving a true and fair view.

## 5 Property investment income

Property investment income comprises rental income from the Hospital's Holbrook, Northern and Greenwich estates and includes residential, commercial and agricultural lettings.

## 6 Financial investment income

### a) Direct financial investment income

Direct financial investment income comprises income from the Hospital's holding in the Pollen Estate which holds property in east Mayfair, London.

## b) Indirect financial investment income

	2020/21 £m	2019/20 £m
UK equities	1.6	1.4
Overseas equities	1.6	1.6
Fixed interest investments	0.3	0.3
Reade Accumulation Fund	0.2	0.2
Cash instruments	-	0.1
	<b>3.7</b>	<b>3.6</b>

## 7 Government grants receivable

The Hospital does not usually receive government funding. However, due to the need to furlough staff at the Royal Hospital School during the coronavirus pandemic, it received £0.3m (2019/20: £0.8m) from the government's Coronavirus Job Retention Scheme. Income from the Scheme has only been recognised to the extent that it was receivable in the year. Due to the restricted nature of the grant, both the grant income and associated expenditure have been treated as restricted. The expenditure is included within Royal Hospital School restricted expenditure in the Statement of Financial Activities.

## 8 Grants, annuities and donations payable

	2020/21 £m	2019/20 £m
Welfare and benevolence grants	1.2	1.1
Education and training grants	0.2	0.3
Grants paid via Royal Navy and Royal Marines Charity	1.4	1.4
Jellicoe Regular Charitable Payments	0.9	0.9
	<b>3.7</b>	<b>3.7</b>
Allocated support and governance costs	0.3	0.6
	<b>4.0</b>	<b>4.3</b>

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

## 9 Expenditure

2020/21	Note	Group			Charity		
		Direct costs £m	Support costs £m	Total £m	Direct costs £m	Support costs £m	Total £m
Royal Hospital School		16.1	0.5	<b>16.6</b>	16.1	0.5	<b>16.6</b>
Sheltered housing		0.9	0.1	<b>1.0</b>	0.9	0.1	<b>1.0</b>
Grants, annuities and donations payable	8	3.7	0.3	<b>4.0</b>	3.7	0.3	<b>4.0</b>
Raising funds	20	5.6	0.8	<b>6.4</b>	5.5	0.7	<b>6.2</b>
		<b>26.3</b>	<b>1.7</b>	<b>28.0</b>	<b>26.2</b>	<b>1.6</b>	<b>27.8</b>

2019/20	Note	Group			Charity		
		Direct costs £m	Support costs £m	Total £m	Direct costs £m	Support costs £m	Total £m
Royal Hospital School		16.8	0.5	17.3	16.8	0.5	17.3
Sheltered housing		0.8	0.1	0.9	0.8	0.1	0.9
Grants, annuities and donations payable	8	3.7	0.6	4.3	3.7	0.6	4.3
Raising funds	20	6.4	0.8	7.2	6.4	0.7	7.1
		<b>27.7</b>	<b>2.0</b>	<b>29.7</b>	<b>27.7</b>	<b>1.9</b>	<b>29.6</b>

Support costs include governance costs totalling £0.7m (2019/20: £0.5m).

The basis for the allocation of support costs is as follows.

Group		Basis of allocation	Raising funds £m	Royal Hospital School £m	Sheltered housing £m	Grants, annuities and donations payable £m	Governance £m	Total £m
Salaries and other staff costs	Staff time		0.4	0.1	0.1	0.1	0.3	1.0
Audit and professional fees	Direct costs		-	-	-	-	0.3	0.3
Office expenses and depreciation	Staff time		0.2	-	-	0.1	0.1	0.4
<b>Total 2020/21</b>			<b>0.6</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.7</b>	<b>1.7</b>
Total 2019/20			0.7	0.2	0.1	0.5	0.5	2.0

Charity		Basis of allocation	Raising funds £m	Royal Hospital School £m	Sheltered housing £m	Grants, annuities and donations payable £m	Governance £m	Total £m
Salaries and other staff costs	Staff time		0.3	0.1	0.1	0.1	0.3	0.9
Audit and professional fees	Direct costs		-	-	-	-	0.3	0.3
Office expenses and depreciation	Staff time		0.2	-	-	0.1	0.1	0.4
<b>Total 2020/21</b>			<b>0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.7</b>	<b>1.6</b>
Total 2019/20			0.6	0.2	0.1	0.5	0.5	1.9

Group audit fees in respect of 2020/21 were £123,100 (2019/20: £119,227). The audit fees for the Charity in respect of 2020/21 were £115,890 (2019/20: £112,127).

The fee for the independent examination of the Royal Hospital School Charitable Trust was £2,220 (2019/20: £2,160).

No fees were paid to the auditors for non-audit work.

## 10 Staff, Secretary of State for Defence, Advisory Board and Advisory Panel

### Staff costs

	2020/21 £m	2019/20 £m
Salaries and wages	7.8	8.2
Social security costs	0.8	0.8
Pension costs	1.2	1.3
	<b>9.8</b>	10.3
Composed of:		
Royal Hospital School	9.0	9.4
Head Office	0.8	0.9
	<b>9.8</b>	10.3

Staff costs include termination benefits of £65,000 to five employees (2019/20: £103,000 to 15 employees). The payments comprised £65,000 (2019/20: £63,000) in redundancy payments and £nil (2019/20: £40,000) in other termination payments.

Subsequent to the year end, a termination payment of £54,000 was made in March 2022 to Hugh Player, a former Director of the Hospital.

The average monthly number of staff was:

	<u>Head count</u>		<u>Full-time equivalent</u>	
	2020/21	2019/20	2020/21	2019/20
Royal Hospital School	242	254	208	218
Head Office	10	12	9	11
	<b>252</b>	266	<b>217</b>	229

The number of staff including the Director whose remuneration including benefits but excluding employer's pension contributions exceeded £60,000 was as follows:

	<u>2020/21</u>			<u>2019/20</u>		
	Royal Hospital School	Head Office	Total	Royal Hospital School	Head Office	Total
£60,000 to £69,999	5	2	7	4	2	6
£70,000 to £79,999	2	1	3	2	0	2
£80,000 to £89,999	2	0	2	1	1	2
£90,000 to £99,999	0	0	0	0	1	1
£120,000 to £129,999	0	0	0	1	0	1
£140,000 to £149,999	1	0	1	1	0	1
	<b>10</b>	<b>3</b>	<b>13</b>	9	4	13

Key management personnel are deemed to be the Director, the Clerk-in-Charge and the Director of Finance and Resources. During the year, remuneration including employer's pension and National Insurance contributions (and secondment costs in the case of the current Director) for key management personnel was £271,000 (2019/20: £367,000).

The remuneration of the Director, including employer's pension and National Insurance

contributions, was £105,000 (2019/20: £197,000). The 2019/20 Director's remuneration figure of £197,000 and the remuneration of key management personnel of £367,000 include amounts in respect of the Interim Director and the previous Director, whereas the 2020/21 costs relate solely to the Interim Director.

#### Secretary of State for Defence, Advisory Board and Advisory Panel

The Secretary of State for Defence in his role as the representative of the Crown responsible for the governance of the Hospital on behalf of the Sovereign and members of the Advisory Board and Advisory Panel neither received nor waived any remuneration for their services in those capacities or for any other services provided to the Hospital (2019/20: £nil). The total value of expenses reimbursed to members of the Advisory Board and Advisory Panel was £nil (2019/20: £1,000 of which travel was the most significant element). No expenses were claimed by the Secretary of State for Defence in the above role.

### **11 Pension costs**

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 Teachers' Pension Scheme. Other staff are offered the option of joining a defined contribution scheme.

The employer's contribution to these schemes in 2020/21 was £1.2m (2019/20: £1.3m).

	<b>2020/21</b>	2019/20
	<b>£m</b>	£m
Teachers' Pension Scheme	<b>1.0</b>	1.0
Defined contribution scheme	<b>0.2</b>	0.3
	<b>1.2</b>	1.3

#### Defined benefit scheme for non-teaching staff

Pension benefits to 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, and Classic Plus or a whole career scheme Nuvos). Pension benefits are either based on the members' final pensionable salaries and service at their retirement date (final salary) or are built up each year, linked to the members' pensionable salaries in that year and then increased each year in line with inflation (career average revalued earnings).

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) their pension for a lump sum. The scheme is closed to new members and closure to further accrual was completed in 2020. These pensions are unfunded with the cost of benefits met by the Hospital.

There are now two categories of scheme members: deferred members – former active members of the scheme not yet in receipt of a pension; and pensioner members in receipt of a pension. At 31 August, the scheme membership comprised:

	<b>2021</b>	2020	2019	2018	2017	2016
Active members	-	-	15	29	36	47
Deferred members	<b>113</b>	129	129	134	134	138
Pensioners	<b>266</b>	270	256	259	256	243
	<b>379</b>	<b>399</b>	<b>400</b>	<b>422</b>	<b>426</b>	<b>428</b>

The results of the most recent formal actuarial valuation as at 31 August 2019 have been updated to 31 August 2021 by a qualified independent actuary. The assumptions used were as follows:

	<b>2020/21</b>	2019/20
Significant actuarial assumptions:		
Discount rate	1.50%	1.50%
Inflation: Consumer Prices Index (CPI)	3.00%	2.60%
Mortality assumptions:		
Mortality before and after retirement	S2PMA/S2PFA Middle CMI Model [1.25%] 2020	S2PMA/S2PFA Middle CMI Model [1.25%] 2019
	<b>2020/21</b>	2019/20
Other actuarial assumptions:		
Pension increases - in line with CPI	3.00%	2.60%
Revaluation of deferred pensions in excess of guaranteed minimum pension	3.00%	2.60%

Life expectancies assumed are as follows.

	<b>2020/21</b>	<b>2020/21</b>	2019/20	2019/20
	<b>Males</b>	<b>Females</b>	Males	Females
For an individual aged 65 in 2021	21.3	23.7	21.4	23.7
At age 65 for an individual aged 45 in 2021	22.6	25.2	22.7	25.2

A reconciliation of the scheme's defined benefit obligation is in the next table.

	<b>2020/21</b>	2019/20
	<b>£m</b>	£m
At 1 September	<b>(31.7)</b>	(31.6)
Benefits paid:		
Pensions	<b>0.9</b>	0.9
Other	<b>0.2</b>	0.4
Interest cost	<b>(0.5)</b>	(0.5)
Remeasurement gains/(losses)		
Actuarial (losses): change of basis	<b>(1.7)</b>	(0.9)
Actuarial gains: experience	<b>0.6</b>	-
At 31 August	<b>(32.2)</b>	(31.7)

A reconciliation to the Group and Charity balance sheets is in the next table.

	<b>2020/21</b>	2019/20
	<b>£m</b>	£m
Present value of defined benefit obligation	32.2	31.7
Funded status	(32.2)	(31.7)
Pension liability recognised in the balance sheets	(32.2)	(31.7)

Amounts recognised in the Consolidated and Charity Statements of Financial Activities follow.

	<b>2020/21</b>	2019/20
	<b>£m</b>	£m
Interest cost	<b>0.5</b>	0.5
Actuarial losses on defined benefit obligation	<b>(1.1)</b>	(0.9)

#### 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 £0.2m (2019/20: £0.3m) were a cost to the Hospital in the year.

#### Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme for its teaching staff. The pension charge for the year includes contributions payable to the Scheme of £1.0m (2019/20: £1.0m) and at the year-end £0.1m (2019: £0.1m) was accrued in respect of contributions to this scheme.

The Teachers' Pension Scheme is a statutory, contributory, defined benefit scheme. It operates under the Teachers' Pensions Regulations 2010 (as amended) and the Teachers' Pension Scheme Regulations 2014 (as amended). Membership is automatic for full-time teachers and part-time teachers in schools on appointment or change of contract, although teachers may opt out. The Scheme is an unfunded scheme and members contribute on a 'pay as you go' basis. Employee and employer contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament. The latest actuarial valuation of the Scheme was carried out as at 31 March 2016 and was

published by Department for Education in April 2019. The employer contribution rate was increased from 16.48% to 23.68% on 1 September 2019. These rates include a levy of 0.08% to cover administration expenses which was introduced from 1 September 2015. The formal actuarial valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The Hospital has accounted for employer contributions to the Scheme as if it was a defined contribution scheme

## 12 Charitable property

	Royal Hospital School £m	Supported housing £m	Sheltered housing £m	Total Charity and Group £m
Cost or valuation at 1 September 2020	41.6	0.4	7.2	49.2
Additions	0.4	-	-	0.4
Revaluation loss	-	-	(0.7)	(0.7)
Cost at 31 August 2021	42.0	0.4	6.5	48.9
Depreciation at 1 September 2020	13.6	-	-	13.6
Charge for the year	1.2	-	0.2	1.4
Depreciation written out on revaluation	-	-	(0.2)	(0.2)
Depreciation at 31 August 2021	14.8	-	-	14.8
<b>Net book value at 31 August 2021</b>	<b>27.2</b>	<b>0.4</b>	<b>6.5</b>	<b>34.1</b>
Net book value at 31 August 2020	28.0	0.4	7.2	35.6

The Royal Hospital School and supported housing are at historic cost less depreciation. The supported housing is a property purchased in Gosport as temporary accommodation with support for veterans.

Sheltered housing is held at market value. The Hospital's expenditure on sheltered housing is capitalised at historic cost on acquisition and revalued every year as at 31 August using independent valuers, BNP Paribas. Unrealised gains or losses on revaluation are recognised in the Statement of Financial Activities. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Global Standards in force at the time the valuation was instructed. The valuation approach changed from that adopted in the previous year. Details of the change in approach are provided in accounting policy note 1d.

## 13 Heritage assets

The Hospital has a large and diverse art collection which it accumulated over its long history. The origin of the collection was the 'The National Gallery of Naval Art' which was opened in 1824 in the Painted Hall at the Royal Hospital for Seamen Greenwich. The 'Naval Gallery', as it became known, was Britain's first 'national historical' art museum: it aimed to promote Naval patriotism, and maintain the public charitable profile of the Hospital, by a display of art showing great events and figures of Britain's maritime past.

The Gallery was based entirely on gifts. The Hospital already had some paintings and George IV launched it by presenting over 30 Naval portraits from the Royal Collection. In 1829, he added Turner's 'Battle of Trafalgar' with its pendant, Philippe de Loutherbourg's 'Battle of 1 June 1794'. Others followed his example and eventually the Painted Hall held nearly 300 works of art.

The Gallery was very popular in the 19th century. It closed when the National Maritime Museum was founded in the 1930s and the Hospital transferred most of its contents to the



new Museum, on permanent loan in 1936. There is a memorandum of understanding in place between the Hospital and the National Maritime Museum (NMM) where it is agreed that the NMM will apply the same standards of care to the Greenwich Hospital Collection as the NMM applies to its own collection as a national museum. This also applies to items loaned back to the Hospital for display.

Financial Reporting Standard 102 requires that where information on cost or value is available, heritage assets should be reported in the balance sheet separately from other tangible assets. However, where this information is not available and cannot be obtained at a cost commensurate with the benefits to the user of the accounts the assets will not be recognised in the balance sheet. Assets received by Hospital were largely gifted to it prior to 1950, and records do not remain that ascertain their value on receipt. As the Hospital is a caretaker of these assets, with no intention of selling them, either due to their value to the nation, or because they hold value of historic importance to the Hospital's legacy, there is no specific economic benefit to be derived from them.

The assets included within these accounts relate solely to those insured by the Hospital. In the event of their destruction, they would give rise to an economic benefit, and as such have been capitalised at the insured value. For the purpose of insurance, these assets were valued at various dates mainly in 2014 by Townleys and 2012 by Sothebys. These valuations have been taken as their fair value at the time of recognition and have been considered deemed cost going forwards in line with the accounting policy. The number of assets which have been valued is 70.

<b>Group and Charity</b>	<b>2021</b>	2020	2019	Restated	
				2018	2017
	<b>£m</b>	£m	£m	£m	£m
Value at 1 September	2.9	2.6	0.8	0.8	0.8
Additions	-	0.3	1.8	-	-
<b>Value at 31 August</b>	<b>2.9</b>	2.9	2.6	0.8	0.8

The next table shows the nature of the heritage assets.

	National Maritime Museum	Other locations	Total
American art	1	-	1
Arms, armour and militaria	29	7	36
Clocks	2	3	5
Collectors items	90	17	107
Furniture and furnishings	-	52	52
Lithographs and engravings	-	2	2
Manuscripts	13	4	17
Measures	-	1	1
Medals	14	-	14
Miniatures and vertu	5	1	6
Pictures	238	60	298
Printed material	-	1	1
Sculpture	-	3	3
Sculpture and works of art	23	2	25
Ship model	-	1	1
Silver and plated wares	51	51	102
Other art	26	-	26
	<u>492</u>	<u>205</u>	<u>697</u>

#### 14 Other tangible assets

	Motor vehicles £m	Plant and machinery £m	Furniture and equipment £m	IT equipment £m	Charity and Group £m
Cost at 1 September 2020	0.3	2.2	0.8	1.0	4.3
Additions	-	-	0.1	0.1	0.2
Disposals	-	-	(0.1)	-	(0.1)
Cost at 31 August 2021	<u>0.3</u>	<u>2.2</u>	<u>0.8</u>	<u>1.1</u>	<u>4.4</u>
Depreciation at 1 September 2020	0.2	1.3	0.6	0.7	2.8
Charge for the year	-	0.1	-	0.1	0.2
Impairment	-	-	-	0.1	0.1
Depreciation at 31 August 2021	<u>0.2</u>	<u>1.4</u>	<u>0.6</u>	<u>0.9</u>	<u>3.1</u>
<b>Net book value at 31 August 2021</b>	<b><u>0.1</u></b>	<b><u>0.8</u></b>	<b><u>0.2</u></b>	<b><u>0.2</u></b>	<b><u>1.3</u></b>
Net book value at 31 August 2020	<u>0.1</u>	<u>0.9</u>	<u>0.2</u>	<u>0.3</u>	<u>1.5</u>

The net book value of assets held under finance leases included in above total is £0.5m (2019/20: £0.5m). The depreciation charge on these assets was £0.1m (2019/20: £0.1m).

## 15 Investment property

	<b>Total Charity £m</b>	<b>Travers Foundation £m</b>	<b>Total Group £m</b>
<b>Valuation at 1 September 2020</b>	186.6	2.9	189.5
Additions	1.7	0.1	1.8
Disposals	(5.4)	-	(5.4)
Revaluation	8.5	0.4	8.9
<b>Valuation at 31 August 2021</b>	<b>191.4</b>	<b>3.4</b>	<b>194.8</b>

Investment property comprises freehold land and buildings and is shown at market value as at 31 August 2021. The property includes Holbrook Estate, Northern Estates including land at Throckley and Greenwich Estate.

The property agents Strutt & Parker provided a valuation of the Holbrook Estate and the Travers Foundation property at Bovills Hall Farm. The latter includes an element of hope value, as it is considered that some land may be designated for mixed use development. Savills provided a valuation of the Northern Estates and the Throckley site. BNP Paribas provided a valuation of the Greenwich Estate. The valuation approach for the Greenwich Estate changed from that adopted in the previous year. Details of the change in approach are provided in accounting policy note 1d.

All 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, the 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 1 d).

The 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 a lease lasting for 999 years from 2010. No value has been ascribed to this asset in these accounts. The Hospital also owns Bellot Memorial Gardens, a small patch of land next to Greenwich Pier. The Hospital is responsible for maintaining the memorial, garden and sea wall railings. 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 £0.3m (2019/20: £0.4m). This is provided rent free to the managing agents as part of the estate management contract.

## 16 Financial investments

### a) Direct financial investments

At 31 August 2021, the Hospital held a 10.253% beneficial interest in the Pollen Estate, which is an independent trust investing in property. The Hospital receives regular dividends and has no involvement in the day to day management of the Estate.

**Charity and  
Group  
£m**

<b>Valuation at 1 September 2020</b>	81.4
Revaluation	<u>(6.2)</u>
<b>Valuation at 31 August 2021</b>	<u><b>75.2</b></u>

Cushman & Wakefield Limited provided a valuation for The Pollen Estate Trustee Company Limited as at 29 September 2021, and this has been used as the basis for the value of the Hospital's interest in the estate as at 31 August 2021. While the valuation was in September 2021 rather than at the balance sheet date, it is not anticipated that the valuation will have changed significantly because, in the view of the Interim Director and Advisory Panel, there is no material difference between the two points in time. Valuations at each quarter end from 31 December 2020 to 29 September 2021 showed very limited changes with a maximum change of only 2%.

**b) Indirect financial investments**

	<b>Group 2021 £m</b>	Group 2020 £m	<b>Charity 2021 £m</b>	Charity 2020 £m
Market value at 1 September	<b>101.1</b>	112.9	<b>100.9</b>	112.9
Additions at cost	<b>2.5</b>	15.6	<b>2.2</b>	15.4
Disposals	-	(15.6)	-	(15.6)
Unrealised gain/(loss) on revaluation	<b>20.3</b>	(11.8)	<b>20.3</b>	(11.8)
Market value at 31 August	<b>123.9</b>	101.1	<b>123.4</b>	100.9

Indirect financial investments included in fixed asset investments comprise the following:

	<b>Group at cost 2021 £m</b>	<b>Group at market value 2021 £m</b>	<b>Charity at cost 2021 £m</b>	<b>Charity at market value 2021 £m</b>	Group at cost 2020 £m	Group at market value 2020 £m	Charity at cost 2020 £m	Charity at market value 2020 £m
UK equities	31.4	44.2	30.8	43.7	30.2	34.5	29.9	34.3
Overseas equities	31.9	59.8	31.9	59.8	30.8	48.4	30.8	48.4
Fixed interest investments	11.0	11.2	11.0	11.2	11.1	11.2	11.1	11.2
Reade Accumulation Fund	5.7	7.7	5.7	7.7	5.7	6.1	5.7	6.1
School Fund	0.9	1.0	0.9	1.0	0.9	0.9	0.9	0.9
	<b>80.9</b>	<b>123.9</b>	<b>80.3</b>	<b>123.4</b>	78.7	101.1	78.4	100.9

## 17 Debtors: amounts falling due within one year

	<b>Group</b>	Group	<b>Charity</b>	Charity
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>£m</b>	£m	<b>£m</b>	£m
Rents receivable	<b>1.0</b>	0.8	<b>1.0</b>	0.8
Accrued income	<b>0.5</b>	1.5	<b>0.5</b>	1.5
Amounts due from subsidiary	-	-	-	-
Other debtors and prepayments	<b>0.4</b>	0.6	<b>0.4</b>	0.6
	<b>1.9</b>	2.9	<b>1.9</b>	2.9

## 18 Note to the cash flow statement

Analysis of cash and cash equivalents at the year end:

	<b>Group</b>	Group	<b>Charity</b>	Charity
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>£m</b>	£m	<b>£m</b>	£m
Government banking	<b>0.2</b>	-	<b>0.2</b>	-
Other bank accounts and cash in hand	<b>11.1</b>	8.6	<b>10.9</b>	8.2
Rent deposit accounts	<b>0.7</b>	0.7	<b>0.7</b>	0.7
Capital and income investment accounts	<b>1.1</b>	0.1	<b>1.1</b>	0.1
	<b>13.1</b>	9.4	<b>12.9</b>	9.0

Analysis of changes in net debt:

### Group

	<b>At start of year</b>	<b>Cash flows</b>	<b>Finance lease movements</b>	<b>At end of year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash	9.4	3.7	-	13.1
Loans falling due after more than one year	(20.0)	-	-	(20.0)
Finance lease obligations	(0.6)	-	0.1	(0.5)
	<b>(11.2)</b>	<b>3.7</b>	<b>0.1</b>	<b>(7.4)</b>

### Charity

	<b>At start of year</b>	<b>Cash flows</b>	<b>Finance lease movements</b>	<b>At end of year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash	9.0	3.9	-	12.9
Loans falling due after more than one year	(20.0)	-	-	(20.0)
Finance lease obligations	(0.6)	-	0.1	(0.5)
	<b>(11.6)</b>	<b>3.9</b>	<b>0.1</b>	<b>(7.6)</b>

## 19 Creditors

	<b>Group</b>	Group	<b>Charity</b>	Charity
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>£m</b>	£m	<b>£m</b>	£m
<b>Amounts falling due within one year</b>				
Trade creditors	<b>0.8</b>	1.1	<b>0.8</b>	1.0
School fees and related amounts received in advance	<b>2.9</b>	3.0	<b>2.9</b>	3.0
School fee deposits	<b>1.0</b>	1.0	<b>1.0</b>	1.0
Rents received in advance	<b>0.3</b>	0.3	<b>0.3</b>	0.3
Rent deposits	<b>0.8</b>	0.7	<b>0.8</b>	0.7
Other creditors	<b>0.7</b>	0.6	<b>0.8</b>	0.9
Accruals	<b>1.5</b>	1.2	<b>1.5</b>	1.2
	<b>8.0</b>	7.9	<b>8.1</b>	8.1
<b>Amounts falling due after one year</b>				
Secured bank loan (note 20)	<b>20.0</b>	20.0	<b>20.0</b>	20.0
Obligations under finance leases after one year (note 21)	<b>0.4</b>	0.5	<b>0.4</b>	0.5
Accruals	<b>0.1</b>	-	<b>0.1</b>	-
	<b>20.5</b>	20.5	<b>20.5</b>	20.5
	<b>28.5</b>	28.4	<b>28.6</b>	28.6

Accruals falling due within one year includes £13,333 (2019/20: £50,000) in relation to new grant commitments, where 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.

Those grant commitments which have not been accrued because payment is contingent on certain conditions are disclosed in note 26.

## 20 Loan facility

The Hospital has a five-year committed £20 million revolving credit facility with RBC Europe Limited, part of the Royal Bank of Canada Group, which has been used to finance the cost of capital work at investment properties. The loan is due to be repaid in April 2023. Interest was charged at 1.15 per cent per annum above LIBOR rate until 19 July 2021. After that date, interest was charged at 1.13 per cent per annum above the Bank of England's Bank Rate.

At 31 August 2021, the loan was £20m drawn down (31 August 2020: £20m).

Interest payable on the loan facility during the year was £0.2m (2019/20: £0.4m).

The loan is shown in the accounts at amortised cost. Amounts outstanding under the facility are secured on a portfolio of cash and securities of the Hospital held in an account with Royal Bank of Canada (Channel Islands) Limited. The 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 2021, the value of the charged portfolio was £53.5m (31 August 2020: £50m).

Under the terms of the loan, the Hospital is required to comply with certain covenants. A change in the covenant which specifies the time by which the bank should receive a copy of the audited financial statements was agreed during the year. The requirement has been changed from within 180 days from the fiscal year end to 270 days. The covenant was breached in 2019/20 but was not in 2020/21. In 2019/20, the Hospital obtained a Rights of Reservation letter from the bank confirming an extension to the term.

## 21 Obligations under finance leases

	2021 £m	2020 £m
Gross and net obligations repayable:		
within one year	0.1	0.1
in the second to fifth years	0.4	0.5
	0.5	0.6

## 22 Operating lease commitments

	Land and buildings 2020/21 £m	Plant and machinery 2020/21 £m	Land and buildings 2019/20 £m	Plant and machinery 2019/20 £m
Operating leases				
within one year	0.2	0.2	0.1	0.3
in the second to fifth years	-	0.2	0.2	0.2
	0.2	0.4	0.3	0.5

There is an operating lease for the Head Office at Gatehouse, 1 Farringdon Street, London. The remaining operating leases are mainly in relation to the School.

## 23 Operating leases as a lessor

Minimum rent due under non-cancellable operating leases

	Group 2020/21 £m	Group 2019/20 £m	Charity 2020/21 £m	Charity 2019/20 £m
Investment property				
Not later than one year	4.2	4.1	4.2	4.1
After one year but not more than five	11.2	11.2	11.2	11.2
After five years	71.6	72.5	71.6	72.5

Values of properties held for use under operating leases

	Group 2021 £m	Group 2020 £m	Charity 2021 £m	Charity 2020 £m
Charitable property	6.9	7.6	6.9	7.6
Investment property	194.8	189.5	191.4	186.6

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

## 24 Statement of funds

Unrestricted funds:

	Balance at 1 September 2020 £m	Net incoming resources £m	Movement in pension liability £m	Loss on revaluation of charitable properties £m	Transfer from designated funds £m	Balance at 31 August 2021 £m
<b>Charity</b>						
General fund	356.6	23.5	(1.1)	-	0.1	379.1
Revaluation reserve	2.8	-	-	(0.5)	-	2.3
	<b>359.4</b>	<b>23.5</b>	<b>(1.1)</b>	<b>(0.5)</b>	<b>0.1</b>	<b>381.4</b>
<b>Group</b>						
General fund	359.7	23.9	(1.1)	-	0.1	382.6
Revaluation reserve	2.8	-	-	(0.5)	-	2.3
	<b>362.5</b>	<b>23.9</b>	<b>(1.1)</b>	<b>(0.5)</b>	<b>0.1</b>	<b>384.9</b>

Designated funds:

Charity and Group	Balance at 1 September 2020 £m	Transfer to unrestricted fund £m	Balance at 31 August 2021 £m
Fees in advance fund	0.7	-	0.7
Boathouse donation	0.1	(0.1)	-
	<b>0.8</b>	<b>(0.1)</b>	<b>0.7</b>

Designated funds represent monies the School has earmarked for specific projects. The fees in advance fund is maintained to provide cover for cash received under the fees in advance scheme. The fund is invested in a Newton investment fund.

Restricted funds:

	Balance at 1 September 2020 £m	Incoming resources £m	Resources expended £m	Gain on revaluation of indirect financial investments £m	Balance at 31 August 2021 £m
<b>Charity</b>					
School funds	0.3	0.7	(0.7)	-	0.3
	<b>0.3</b>	<b>0.7</b>	<b>(0.7)</b>	<b>-</b>	<b>0.3</b>
<b>Group</b>					
School funds	0.3	0.7	(0.7)	-	0.3
RHS Charitable Trust	0.6	0.1	(0.1)	0.1	0.7
	<b>0.9</b>	<b>0.8</b>	<b>(0.8)</b>	<b>0.1</b>	<b>1.0</b>

Restricted funds 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, capital redevelopment projects and for specific clubs and societies.



Analysis of net assets between funds:

Group	Unrestricted	Designated	Restricted	Unrestricted	Designated	Restricted
	fund	fund	fund	fund	fund	fund
	2021	2021	2021	2020	2020	2020
	£m	£m	£m	£m	£m	£m
Fixed assets	38.3	-	-	40.0	-	-
Investment assets	393.2	0.7	-	371.2	0.8	-
Current assets	14.1	-	1.0	11.4	-	0.9
Current liabilities	(8.0)	-	-	(7.9)	-	-
Liabilities due after more than one year	(20.5)	-	-	(20.5)	-	-
Pension liability	(32.2)	-	-	(31.7)	-	-
	384.9	0.7	1.0	362.5	0.8	0.9

## 25 Capital commitments

At the year end, a contract was in place on one of the Northern Estates for the development of infrastructure for £7.5m. At the year-end work to the value of £7.2m (2019/20: £6.8m) had been completed.

There was also £nil of capital expenditure contracted but not provided for in relation to the School at the year end (2019/20: £0.1m).

## 26 Grant commitments

As at the year end, the Hospital had made grant commitments for future years as shown in the next table.

The organisations have been informed of the Hospital's intention to provide this funding over several years, but the grants are subject to satisfactory annual review and are not considered binding commitments.

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Grants committed but not provided for as contingent on certain conditions not met as at year end	0.955	0.075	0.030	1.060

The most substantial remaining commitment, which is included in the table above, is the balance of a grant of £2m for the assisted living building within the RBLI's Centenary Village development. As at the year end, £1.33m of this had been paid. The final tranche of £0.67m has been paid since the year end.

## 27 Contingent liabilities

The Hospital had no contingent liabilities at the year end.

## 28 Related party transactions

### Secretary of State for Defence

The Secretary of State for Defence is responsible for the governance of the Hospital on behalf of the Sovereign and as a representative of the Crown.

### Ministry of Defence

The Interim Director of Greenwich Hospital, Andrew Turner, is seconded from the Ministry of Defence (MoD), which is regarded as a related party. The Clerk-in-Charge, John Gamp, is seconded from the MoD and the Hospital pays contributions to the MoD for his civil service pension. During the year, the MoD has been paid £143,000 (2019/20 £58,000) to reimburse the salary of the Director and the pension costs of the Director and Clerk-in-Charge. A further £32,000 (2019/20 £48,000) has been accrued at the year. Grants of £30,000 (2019/20 £43,000) were made to welfare and amenity funds on ships and bases.

### Travers Foundation

Under the Armed Forces Act 1976, the assets of the Travers Foundation are treated as the property of the Hospital and the income can be applied for the general purposes of the Hospital. No conflict of interest therefore exists in the Hospital's involvement in its decision making. All cash funds are transferred to the Hospital for its exclusive use, but with the anticipation that the Hospital will finance any expenditure that Foundation cannot fund through its ongoing activities. The balance due from the Hospital to the Foundation at the year-end was £178,145 (2019/20 £224,618). From time to time, the Foundation donates to the Hospital the amount due. No donation was made in 2020/21 or 2019/20. The accounts of the Foundation are consolidated in the group accounts.

### Royal Borough of Greenwich Destination Management Company, 'Visit Greenwich'

The Hospital is a member of the Royal Borough of Greenwich Destination Management Company, a community interest company which trades as Visit Greenwich. The Hospital has a liability of £1 in the event of the company being wound up. The Director of Greenwich Hospital, Andrew Turner, is a director of the company. There were transactions totalling £12,000 (2019/20 £26,760) for advertising by Visit Greenwich during the year, of which £nil (2019/20 £12,000) was due to the company at the end of the year.

### Advisory Board members

Ian Harwood, a member of the Advisory Board and Advisory Panel, was an advisor to the Royal Navy and Royal Marines Charity which received a grant from the Hospital of £1.375m in the year (2019/20 £1.375m). No conflict of interest occurred.

Stuart Beevor, a member of the Advisory Board member (until 18 November 2021) is a Director for Legal and General Group UK Senior Pension Scheme. The Hospital operates a defined contribution pension scheme for its employees with Legal and General. No conflict of interest occurred.

### The Royal Hospital School Charitable Trust

The Royal Hospital School Charitable Trust is a Charitable Incorporated Organisation set up to benefit the pupils of the Royal Hospital School. It made donations of £48,248 (2019/20: £380,977) to the School which is a part of the Hospital.

### Royal Hospital School Enterprises Limited

Royal Hospital School Enterprises Limited, RHSEL, is a subsidiary of the Royal Hospital School which is a part of the Hospital. The company has a deed of covenant under which its distributable profits are paid to the Hospital. Gift aid of £nil (2019/20 £nil) was transferred to the School at the year-end. During the year, RHSEL paid a rental charge to the School of £1.

In addition to RHSEL, the School has three related organisations: an alumni association, a parent's association and a fundraising trust. The group had no material transactions (2019/20 £nil) with these organisations.

#### Throckley North Management Company Limited

The following current and former staff are or were directors of Throckley North Management Company Limited (TNMC), a company limited by guarantee of which the Hospital is the sole member.

Gillian Bexson (resigned 4 December 2020)  
 Howard Cattermole (resigned 4 December 2020)  
 James Charlton (appointed 1 July 2021)  
 Jigna Gajjarawala (appointed 4 December 2020)  
 John Tyson (resigned 19 April 2021)

Invoices totalling £24,635 (2019/20 £nil) were paid by the Hospital on behalf of TNMC during the year. The amount due by TNMC to the Hospital at the year end was £24,635.

## 29 Financial instruments

The Hospital's financial instruments as defined in Financial Reporting Standard 102 are set out by category in the next table.

	<b>Group 2021 £m</b>	Group 2020 £m	<b>Charity 2021 £m</b>	Charity 2020 £m
<b>Financial assets</b>				
Quoted investments	<b>123.9</b>	101.1	<b>123.4</b>	100.9
Cash held	<b>13.1</b>	9.4	<b>12.9</b>	9.0
Rent and other receivables	<b>1.9</b>	2.9	<b>1.9</b>	2.9
Total financial assets	<b>138.9</b>	113.4	<b>138.2</b>	112.8
<b>Financial liabilities</b>				
Finance lease liabilities	<b>0.5</b>	0.6	<b>0.5</b>	0.6
Trade and other payables	<b>28.0</b>	27.8	<b>28.1</b>	27.9
Total financial liabilities	<b>28.5</b>	28.4	<b>28.6</b>	28.5

The significance of these financial instruments to the risk profile of the Hospital is set out below.

#### 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 regularly. A committed borrowing facility is

maintained at an appropriate level. At 31 August 2021, the Hospital had fully drawn down its £20m loan.

In addition, the Hospital's investment portfolio includes readily realisable 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 August 2021, 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 many 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.

### **30 Post balance sheet events**

In accordance with the requirements of the Charities SORP, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Report of the Comptroller and Auditor General.

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

Travers Foundation

Annual report and accounts 2020-2021

## **TRAVERS FOUNDATION**

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## **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 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 representative of the Crown responsible for the governance of Greenwich Hospital on behalf of the Sovereign and is answerable to Parliament for the affairs of Greenwich Hospital. The Secretary of State is supported in the exercise of his responsibilities by the Parliamentary Under-Secretary of State for Defence with the day-to-day administration of the Hospital delegated to the Director of Greenwich Hospital. The office of the Director of Greenwich Hospital is provided for by the Greenwich Hospital Act 1865 (s.20). The Director of Greenwich Hospital is appointed by the Secretary of State for Defence on the advice of the Admiralty Board. The Director of Greenwich Hospital is responsible by a Directive from the Secretary of State for Defence 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 structure, governance and management report on pages 21 to 26 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 in his capacity as the representative of the Crown who is responsible for the governance of the Hospital on behalf of the Sovereign, 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 can give a reasonable assurance on the effectiveness and current quality of internal control for the Travers Foundation.



Andrew Turner  
Interim Director of Greenwich Hospital

20 May 2022

## **TRAVERS FOUNDATION**

### **STATEMENT OF SECRETARY OF STATE FOR DEFENCE'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 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.



Andrew Turner  
Interim Director of Greenwich Hospital

20 May 2022



## **TRAVERS FOUNDATION**

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

#### **Opinion on financial statements**

I have audited the financial statements of Travers Foundation for the year ended 31 August 2021 under the Armed Forces Act 1976. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion:

- the financial statements give a true and fair view of the state of the Travers Foundation's affairs as at 31 August 2021 and of its income and expenditure 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.

#### **Opinion on regularity**

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

#### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Travers Foundation in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Travers Foundation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the

## **TRAVERS FOUNDATION**

Travers Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Director with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises information included in the Governance Statement but does not include the financial statements and my auditor's report thereon. The Director is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

In the light of the knowledge and understanding of the Travers Foundation and its environment obtained in the course of the audit, I have not identified material misstatements in the Governance Statement.

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

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

### **Responsibilities of the Director**

As explained more fully in the Statement of Secretary of State for Defence's and Director's responsibilities, the Director is responsible for:

## **TRIVERS FOUNDATION**

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Director determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Travers Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Director either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with the Armed Forces Act 1976.

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

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

My procedures included the following:

- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Travers Foundation's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Travers Foundation's controls relating to Armed Forces Act 1976, Managing Public Money and Charities Act 2011.
- discussing among the engagement team and involving relevant internal and external specialists, including property valuation, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, bias in accounting estimates and posting of unusual journals; and
- obtaining an understanding of the Travers Foundation's framework of authority as well as other legal and regulatory frameworks that the Travers Foundation operates

## TRAVERS FOUNDATION

in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Travers Foundation. The key laws and regulations I considered in this context included Armed Forces Act 1976, Managing Public Money and Charities Act 2011.

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


- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of revenue recognition due to fraud, assessing the recognition of income in line with the accounting framework.

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

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**Gareth Davies**  
**Comptroller and Auditor General**

20 May 2022

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

**TRAVERS FOUNDATION**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

	Note	2020/21 £	2019/20 £
<b>Income from:</b>			
Investment property		<b>32,103</b>	32,134
<b>Expenditure on:</b>			
<b>Raising funds</b>			
Property management		<b>13,613</b>	13,187
<b>Other expenditure</b>		<b>(500)</b>	3,000
<b>Total expenditure</b>		<b>13,113</b>	16,187
Gain on revaluation of investment property	2	<b>464,538</b>	59,000
<b>Net income</b>		<b>483,528</b>	74,947
Total funds brought forward at 1 September	8	<b>3,058,597</b>	2,983,650
<b>Total funds carried forward at 31 August</b>		<b>3,542,125</b>	3,058,597

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

# TRAVERS FOUNDATION

## BALANCE SHEET AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Investment property	2	<u>3,364,001</u>	<u>2,834,000</u>
<b>Current assets</b>			
Debtors	3	183,624	230,097
Cash at bank and in hand	4	-	-
		<u>183,624</u>	<u>230,097</u>
<b>Current liabilities (amounts falling due within one year)</b>	5	<b>(5,500)</b>	<b>(5,500)</b>
<b>Total assets less current liabilities</b>		<u><b>3,542,125</b></u>	<u>3,058,597</u>
<b>Funds</b>			
Unrestricted funds	8	<u><b>3,542,125</b></u>	<u>3,058,597</u>

The notes on pages 80 to 83 form part of the accounts.

The financial statements were approved by the Advisory Panel on 12 May 2022, and signed on its behalf by:



Andrew Turner  
Interim Director of Greenwich Hospital

20 May 2022

## TRAVERS FOUNDATION

### CASH FLOW FOR THE YEAR ENDED 31 AUGUST 2021

	2020/21	2019/20
Note	£	£
<b>Cash flows from operating activities</b>		
Net cash provided by operating activities	<u>65,463</u>	-
<b>Cash flows from investing activities</b>		
Payments to acquire or improve property	<u>(65,463)</u>	-
<b>Net cash flow provided by investing activities</b>	<u>(65,463)</u>	-
<b>Change in cash or cash equivalents in the year</b>		
	-	-
Cash and cash equivalents at the beginning of the year	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year 4	<u>-</u>	<u>-</u>

### Reconciliation of net income to net cash flow from operating activities

	2020/21	2019/20
	£	£
<b>Net income for the year (as per the Statement of Financial Activities)</b>	<b>483,528</b>	74,947
(Gain) on revaluation of investment property 2	<b>(464,538)</b>	(59,000)
Decrease/(increase) in debtors 3	<b>46,473</b>	(18,947)
Decrease in creditors 4	-	3,000
<b>Net cash flow from operating activities</b>	<u><b>65,463</b></u>	<u>-</u>

All income and expenditure for Travers Foundation is via Greenwich Hospital. The Foundation does not own a bank account.

# TRAVERS FOUNDATION

## NOTES TO THE ACCOUNTS

### 1 Accounting policies

#### a) Basis of accounting

The accounts have been prepared under the historical cost convention.

Due to the charitable nature of most of the activities of Greenwich Hospital and Travers Foundation, the accounts have been prepared to comply with the underlying principles of the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) (the Charities SORP). The Travers Foundation is treated as a public benefit entity.

The financial statements are presented in pounds sterling.

#### b) Going concern

The accounts have been prepared on a going concern basis. Management personnel of the Travers Foundation and Greenwich Hospital are the same, and Greenwich Hospital has provided suitable assurances that in the unlikely event of the coronavirus pandemic having a significant impact on the rental income of the Foundation or the value of its assets, it would be able to provide necessary funds to the Foundation. Consequently, the going concern assumption is considered fair and reasonable to apply to the Foundation.

#### c) Recognition of incoming resources

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

#### d) Outgoing resources

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

#### e) 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 2021 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.

#### f) Payments

Travers Foundation's policy is that Greenwich Hospital pays its creditors for goods and services supplied by them in accordance with the terms negotiated with them.

### 2 Investment property

Investment property comprises freehold land and buildings and is shown at market value as at 31 August 2021, as approved by the Director based upon valuations provided by Strutt & Parker who are independent Chartered Surveyors. All the individuals who undertook valuations have the relevant knowledge, skills, qualifications and understanding to competently value the property. No sales or acquisitions were made during the year.

	2021	2020
	£	£
Market value at 1 September	2,834,000	2,775,000
Additions at cost	65,463	-
Unrealised gain on revaluation	464,538	59,000
Market value at 31 August	<u>3,364,001</u>	<u>2,834,000</u>



## TRIVERS FOUNDATION

### 3 Debtors

Greenwich Hospital receives cash and makes payments on behalf of Travers Foundation. Amounts due from Greenwich Hospital are 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.

Amounts falling due within one year	2021	2020
	£	£
Due from Greenwich Hospital	178,145	224,618
Rents receivable	5,479	5,479
	<u>183,624</u>	<u>230,097</u>

### 4 Cash

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

### 5 Creditors

Amounts falling due within one year	2021	2020
	£	£
Accruals	<u>5,500</u>	<u>5,500</u>

### 6 Audit fee

The audit fee for the year was £3,000 (2019/20: £2,500). No fees were paid to the auditors for non-audit work.

### 7 Operating leases as lessor

	2021	2020
	£	£
The value of investment assets held for use in operating leases	3,364,001	2,834,000
Minimum rent due under operating leases	2021	2020
	£	£
Not later than one year	24,880	24,880
After one year but not more than five	1,909	26,789

The operating lease is in relation to properties at Bovills Hall Farm.

## TRAVERS FOUNDATION

### 8 Statement of funds

	2021	2020
	£	£
<b>Balance as at 1 September</b>	<b>3,058,597</b>	2,983,650
Net incoming resources	<b>483,528</b>	74,947
<b>Balance as at 31 August</b>	<b><u>3,542,125</u></b>	<u>3,058,597</u>

### 9 Related party transactions

The Secretary of State for Defence is responsible for the governance of Greenwich Hospital on behalf of the Sovereign and as a representative of the Crown, acts in execution of the Greenwich Hospital Acts (1865 to 1996) for the exclusive benefit of the Hospital.

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

No grants have been made by Travers Foundation to Greenwich Hospital in the current or prior year.

### 10 Financial instruments

	2021	2020
	£	£
<b>Financial assets</b>		
Rent	<b>5,479</b>	5,479
Other receivables	<b>178,145</b>	224,618
	<b><u>183,624</u></b>	<u>230,097</u>
<b>Financial liabilities</b>		
Trade and other payables	<b>5,500</b>	5,500
	<b><u>5,500</u></b>	<u>5,500</u>

Financial Reporting Standard 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.

#### Credit risk

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

At 31 August 2021, cash deposits were invested via Greenwich Hospital with banks of sound credit standing of at least Standard & Poor's A-2 rating.

## **TRAVERS FOUNDATION**

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.

### **11 Post balance sheet events**

In accordance with the requirements of the Charities SORP, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Report of the Comptroller and Auditor General.

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

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