



The Royal Star  
& Garter Homes  
Caring for the nation's military family since 1916

# Annual Report & Accounts

For the year ended 31 December 2014



We believe that **people** make a home.



Residents, relatives, staff and volunteers all play a part in making our Homes what they are: happy and welcoming places to live and work.





**The Royal Star  
& Garter Homes**  
Caring for the nation's military family since 1916

Our resident Douglas Jakeman, who lives with dementia, loves to dance. Douglas had just been dancing with Sanna Laaksonen, a member of our care team.

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# Chairman's Report

## Our Mission

Our Charity was established in 1916 and our mission has always been to provide the highest quality of care for our residents. We invest heavily in our facilities, staff teams and the systems we operate; and our teams provide a wide range of therapies, encouragement, and the necessary support which help residents to live their lives to the full.

The nature of the care we provide has changed over the years. In 1916, we looked after young ex-Servicemen who had been severely disabled during the First World War. Today, we primarily provide care for older ex-Servicemen and women and their spouses or partners who are disabled or living with dementia. This is our 'Military Family'.

We are investing heavily to ensure we are able to provide the highest quality of care and an outstanding range of services to all our beneficiaries. Any income we receive is invested in providing care, improving and developing our Care Homes, supporting our excellent staff teams, and organising the wide range of therapies and activities which make The Royal Star & Garter Homes so special.

## Transforming our great Charity

We achieved a number of major milestones in the implementation of our strategy to rejuvenate our Charity during 2014:

- Our Solihull Home celebrated its sixth birthday during the year. This Home has capacity for 60 residents, including specially designed accommodation for 15 residents living with dementia. We are continuing to invest significant amounts in developing our care model in Solihull, with the aim of achieving a 'best in class' approach to person-centred care for residents living with significant nursing care needs and/ or dementia. This model is forming the basis for care in each of our Homes.
- Our Surbiton Home celebrated the first anniversary of its opening during the year. Having transferred residents and care teams from the former Richmond Home over one weekend in August 2013, we are investing heavily in our staff teams to enable them to take advantage of the new facilities, and to implement our model for providing care for residents living with dementia. Our Surbiton Home has capacity for 63 residents, including 26 on a specially designed dementia care floor.
- Our central administration team transferred to our new Hampton office in February 2014.
- We exchanged contracts on the purchase of the site for our proposed third new Care Home in High Wycombe in July 2014, and submitted the planning application for this exciting new Home in January 2015. If all goes well, we hope to start building our new Care Home in 2016, and for residents to start moving in during 2017. Our plans include capacity for 74 residents including 30 in a specially designed dementia care facility.

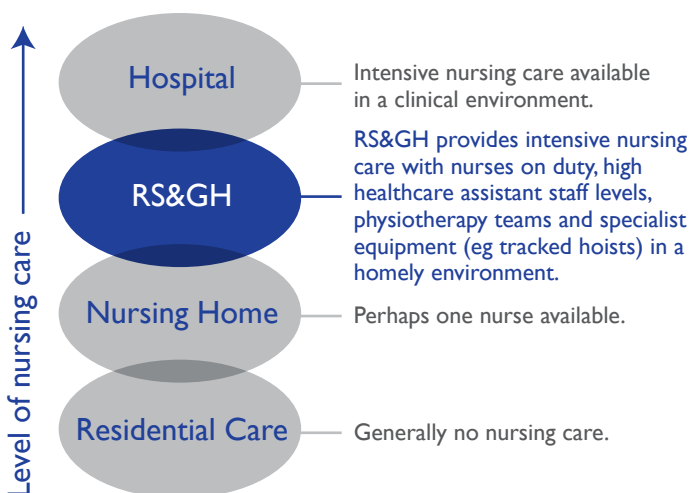
- We completed the sale of our Richmond buildings in November 2014, and have agreed the following steps as the next phase in our strategy to develop our capacity to care for beneficiaries:
  - To quantify the need and viability of a fourth new Care Home following completion of our High Wycombe Home;
  - To establish a fund which we intend to build gradually to enable us to finance the replacement of our existing Care Homes when they reach the end of their useful lives; and
  - To establish a Care Support Fund to provide income and capital to use to secure the future of dependent beneficiaries in case other fundraising income falls.

Having won the Pinders Healthcare Design Award for our Solihull Home in the 'Best Large Care Home' category in 2009, we were delighted that we were able to win the Pinders Award for our new Surbiton Home in the 'Best Dementia Home – Small' category in 2014.

## The challenges ahead

Although we are well placed to develop our work, we continue to face significant challenges which are caused by the failure of government to develop a coherent approach to funding for the provision of care for the elderly and disabled.

We believe our work falls into a tightly defined niche in the spectrum for the provision of care, which can be illustrated by the following model:



This means that the Charity's cost of care is significantly higher than traditional care homes and reflects the cost of the staff needed to support disabled residents and those living with dementia. The Charity's fees for all residents are significantly lower than the actual care costs – which means that the Charity provides a significant subsidy for the care we provide to all our residents. This subsidy is particularly large for residents whose care is funded by local authorities. Consequently, we believe strongly that

the government must start to recognise the true cost of providing care for disabled individuals when it sets funding arrangements for the provision of care.

We continue to provide our distinctive care model despite all the challenges because if we did not, then we believe many disabled members of the ex-Service family would suffer because they would not be able to obtain the specialist care which they need. We believe that this provides a fundamental justification for the work we do to help our beneficiaries.

This means we rely heavily on legacies and donations to enable us to provide the highest quality of care for residents, and to invest in the new facilities I have described above. We are very grateful to the many individuals and organisations who have supported the Charity with donations over the 99 years since our foundation. This income is critical and allows us to continue to meet the changing needs of the ex-Service community.

I have given a broad outline of our plans, which are transforming the work of our great Charity. Further details are contained in the 2014 Annual Report & Accounts.

## Appointment of new Chairman

I have been Chairman since 2003 and during this time I am delighted that the Charity has made such significant progress in so many key areas. The Governing Body has approved the appointment of my successor, and I am delighted that Major General Tim Tyler CB MA, who joined the Governing Body in December 2013, will take over as Chairman in September 2015.

## Governors' thanks to Mike Barter

The Governors are most grateful to Mike Barter who, as Chief Executive, has led the Charity through this important period of transformation since March 2009. Mike has announced his intention to retire in December 2015, and the Governors have initiated a recruitment process to identify his successor who will lead the Charity through the next stages in our development programme.

My fellow Governors are committed to developing the work of our Charity for the benefit of those who have served. We are confident we are taking the right approach and we have an excellent professional team in support. We have made tremendous headway in many areas during 2014. By this time next year, we hope to report significant further progress.

**Vice Admiral Sir John Dunt KCB**  
Chairman, Governing Body

16 June 2015



# Governors' Report

The Governors present their annual report and audited financial statements for the year ended 31 December 2014, and confirm they comply with the requirements of the Charities Act 2011, the Charity's governing document and the relevant Statement of Recommended Practice (Charities SORP 2005).

## About The Royal Star & Garter Homes

The Royal Star & Garter Homes ('the Charity') was established in 1916 to care for soldiers and sailors who had been disabled during the First World War. The Charity is registered with the Charity Commission under charity number 210119.

Our mission is to provide an outstanding range of care and therapies for disabled men and women who have served or who are serving in Her Majesty's Armed Forces, and for disabled partners or spouses of those who have served. This is our 'Military Family'.

Our Charity has been delivering the highest quality of care for more than 99 years; and residents, funding providers and supporters have the assurance that all the income we receive is invested in providing care and improving the facilities we offer to beneficiaries.

## Enhancing residents' lives

We believe passionately in providing the highest quality of care, and our teams are committed to helping residents live life to the full irrespective of age, care needs or level of dependency. We employ a wide range of professional care staff including nurses and care assistants, together with physiotherapy, speech and language therapy and activities teams. We operate with relatively high staffing levels to meet the care, mobility and therapy requirements of our disabled and elderly residents; and we invest significant amounts in staff training, activities and benevolent services which are a hallmark of our care. We assist residents in maintaining and enhancing mobility and encourage involvement in activities and personal interests which help to improve confidence, enhance independence, and create a sense of community. The average age of residents in both our Solihull and Surbiton Homes was 88 years on 31 December 2014.

The cost of providing the Charity's care to residents amounted to £10.7m during 2014. The cost was higher in 2013 (£11.0m), which reflected the impact of the transition from operating the Richmond Home and moving to our new Surbiton Home in August 2013.

The Charity received fee income from residents and other funding organisations (principally local authorities and the NHS) totalling £4.6m during 2014 (£4.35m in 2013). This means that the Charity provided an effective grant from its own resources to finance the cost of resident care totalling £6.1m during 2014 (2013: £6.65m). This grant has been financed from fundraising and other income generated during the year.

We have a number of active programmes to encourage individuals and organisations to support our work, and the Governors gratefully acknowledge the financial support given to the Charity by so many generous donors over the 99 years since our foundation. This income is critical as it enables us to provide the level of care which is needed by our residents, and is enabling us to transform the Charity so we can continue to meet the changing needs of the Service community. Without this support, much of the excellent work provided by the Charity could not continue.

We have continued to benefit from the generosity of legacy donors, receiving legacy income totalling £6.4m in 2014. Although this represents a decline by 15% from £7.5m in 2013, this income provides invaluable funds which have enabled us to invest in our new Homes strategy.

We are working to increase the range of supporters for our work, and received donations and gifts from individuals and organisations totalling £1.97m during the year. During 2013, we received the final instalment of the very generous donation from The Royal British Legion amounting to £1.08m. The value of other donations and gifts amounted to £1.7m in 2013. This represents an increase by 16%, which is an excellent result in a difficult economic environment.

A summary of the Charity's strategy is set out in the Chairman's Report, and details of the Charity's results for the year are set out in the Statement of Financial Activities (page 13). In setting objectives and planning activities, Governors give full consideration to the Charity Commission's guidance on public benefit and fee-charging.

## Meeting the need for care

We know that the Service community will continue to require high levels of care from our Charity, and that the nature of this care will continue to evolve. After the Great War, we provided a home for young Servicemen who had become disabled. Now, and for the foreseeable future, there is a growing need to provide for the elderly disabled and those with dementia:

- By 2020 it is estimated that around 115,000 veterans and 102,000 dependents of veterans will require residential and nursing care.
- A report by The National Audit Office, 'Improving Services and Support for People with Dementia' (July 2007), identified dementia as presenting "a significant and urgent challenge to health and social care". Dementia affects more than 15% of the population over the age of 85, and a significantly higher percentage of those living in care homes. By 2020, it is estimated that 40,000 veterans requiring nursing care will be affected by dementia.
- There are currently around 1,500 rooms provided in ex-Service care homes in England, with just over 160 caring for those with dementia.

## Creating a first class care environment

Our Homes welcome residents from all backgrounds. Before admitting a prospective resident we ensure that our Home will be able to provide the appropriate care and accommodation. We then work with the resident to develop a care plan which will enable them to achieve their full potential. As an equal opportunity organisation, we are committed to providing a home and working environment that is free from discrimination on the grounds of the nine protected characteristics including age, race, religion, sex, sexual orientation and disability. We have a policy of making reasonable adjustments to accommodate the needs of staff or residents who are or who become disabled.

Each of our new Homes provides outstanding accommodation which will meet the expected care needs of our residents for the foreseeable future. Each resident's bed-sitting room has an en-suite shower room, ample space to facilitate bedside therapies and treatments, and easy access for wheelchairs and hoists. These arrangements help residents to be as independent and mobile as possible whilst ensuring that support is available whenever it is needed. Each Home presents a spacious, homely environment with dedicated dining and social areas for residents, and a wide choice of venues where residents and visitors can spend time together.

We also maintain strong links with the Armed Forces which our residents value so highly. We reinforce these links with the presence of military student nurses completing clinical placements; encouraging visits and events organised by Service organisations; and by means of a ceremonial presence at key events during the year.

## Continuing development of dementia care

We are continuing to invest in our 'Butterfly Project' which is helping us to significantly enhance the quality and personal focus of the care we provide for residents who are living with dementia. We launched this project in the Roundel Wing (the dementia care centre) in our Solihull Home in June 2010 and, guided by Dementia Care Matters, we are applying this model in both our Homes. Involving residents' families, friends, staff and supporting professionals, we are developing an approach which achieves a really positive personal connection between residents and their carers and families. Based on the concept of 'emotional care', this is particularly important for people living with dementia, where they can no longer rely on logic, facts, memory and reason. This programme has helped us to enhance the quality of care we provide throughout the Charity and in the design of the specialist dementia care floor in our new Surbiton Home. We were delighted that the strength of this design was recognised when we received the 2014 Pinders Award in the 'Best Dementia Home – Small' category.

We are currently rolling out the Butterfly Programme for all care staff in our Solihull Home, and also to the team in Surbiton who are providing specialist care for residents with dementia.

## Communicating and meeting residents' needs

We are committed to finding out, and meeting the needs of our residents and use a number of informal and structured approaches to obtain feedback from residents and their families about the services which we provide. We were very pleased that our most recent survey showed that residents were satisfied with the care they receive, and would recommend the Charity to others.

## The essential role of volunteers

The Charity benefits from the services of approximately 81 active volunteers who in some cases receive reimbursement of expenses. Volunteers are very generous with their time, and their work covers a wide range of activities including the care and welfare of residents and fundraising activities. Most of this work would not be affordable if performed by remunerated employees. The Body of Governors wish to record their gratitude, and that of our residents, to all our volunteers for their support which enables residents to enjoy such a wide range of activities and outings.

## Investing in Care

Our Charity has reached a number of important milestones in 2014:

- We have completed two of the three new Care Homes which we committed to building as part of the New Homes Strategy adopted in 2004. Our first new Home opened in 2008 in Solihull, West Midlands. Our second new Home opened in 2013 in Surbiton, Surrey. These Homes represent an investment of more than £33m;
- We exchanged contracts (subject to planning) on the purchase of a site for our third new Home in High Wycombe in July 2014, and submitted a planning application for our new Home in January 2015. We have designated £25m for the construction of this new Home, and will review this budget when we receive formal proposals from building contractors;
- These three new purpose-built Care Homes will enable us to provide the highest quality of care for approximately 197 residents. The Homes incorporate state-of-the-art facilities and include accommodation for up to 71 residents with dementia. They will enable us to provide the highest quality of care for a wide range of disabled ex-Servicemen and women for the foreseeable future;
- Our central administration team transferred to our new Hampton office in February 2014; and
- We completed the sale of our Richmond buildings in November 2014. The Charity received a payment of £5.1m on completion of the sale of these buildings, and will receive a final payment of £49.2m in February 2016.

## Reserves Policy

The receipt from the sale of the Richmond buildings, and the results of the Charity's other activities, mean that the Charity's Total Group Funds increased to £126.7m at 31 December 2014 (2013: £70.9m) as set out on page 23.

The Body of Governors has taken the opportunity to undertake a thorough review of the Charity's strategy, with the intention of providing a secure base for the Charity's operations for the foreseeable future. Governors have agreed the following steps as the next phase in our strategy to develop our capacity to care for beneficiaries following completion of our High Wycombe Home:

- To quantify the need and viability of a fourth new Care Home. Governors have designated funds totalling £25m to a Fourth Care Home Fund which represents an estimate of the potential cost of designing and constructing a fourth Care Home at today's prices;
- To establish a Care Home Replacement Fund with an initial contribution of £5m which we intend to increase gradually to enable us to finance the replacement of our existing Care Homes when they reach the end of their useful lives; and
- To establish a Care Support Fund with assets totalling £25.54m to provide income and capital to use to secure the future of dependent beneficiaries in case other fundraising income falls. To some, this amount may seem large. However, the Charity currently has to rely on legacy and other voluntary income to supplement fee income to meet the full cost of the care which we provide to residents. This includes a significant number of residents whose care is funded by local authorities whose fee rates meet less than half of the cost of the care we provide. The Charity provided an effective grant totalling £6.1m from its own resources to meet the cost of the care provided to residents during 2014, and the majority of this income is received from individuals who have direct experience of the Second World War. The Charity anticipates that the level of legacy and voluntary income will fall significantly in future years as fewer people have direct contact with the Armed Forces. Moving to three new purpose-built state-of-the-art Care Homes is enabling the Charity to continue to provide outstanding nursing care to residents, and to operate as efficiently and effectively as possible. The Care Support Fund is a safety net which would cover these costs for a period of four years if other fundraising income streams ceased to be available.



The Charity has a policy of designating funds for specified strategic purposes, and of retaining sufficient general funds to protect the Charity against unforeseen adverse developments. Details of the purpose of each fund are set out in Note 12, and the allocation of net assets between funds is set out in Note 13.

Governors have an approved reserves' policy, which is reviewed at least annually. At 31 December 2014, the Charity held a General Fund amounting to £9.64m (2013: £14.13m) as set out in Notes 12 and 13. This Fund includes items which are being held for the following purposes:

- Free Reserves (£8.07m) are held in the form of disposable assets including cash, term deposits, equities and fixed interest investments, and would enable the Charity to cope with unforeseen expenditure or loss of income. The level of reserves is reviewed regularly and is currently equivalent to 9 months' operating costs. Governors consider that the current level of Free Reserves is sufficient in view of the scale and scope of the Charity's operations, and their assessment of the Charity's risk profile.
- A Pension Reserve (£1.57m) is being held to cover the agreed contributions into the Charity's defined benefit pension scheme as described below.

## Pension Schemes

During the year the Charity provided access to money purchase pension schemes which are operated by Standard Life PLC and the National Employment Savings Trust ('NEST'). These arrangements comply with the new pension auto-enrolment rules, and if an employee makes a contribution of 5% or more of pensionable salary into one of these schemes, then the Charity will also contribute 5% into the scheme on their behalf.

The Charity retains responsibility for a defined benefit pension scheme which was closed to future accrual on 30 April 2007. A full triennial actuarial valuation of this scheme was completed by a qualified independent actuary based on the position as at 1 January 2014 which indicated that a 'triennial pension deficit' of £1.88m existed at that date. The Charity has agreed with the trustees of the pension scheme a Schedule of Contributions to be paid into the pension scheme in order to eliminate this deficit over a period of 10 years from 1 January 2015.

A qualified independent actuary has also prepared a valuation of the pension scheme for these accounts in accordance with Financial Reporting Standard 17 ('FRS17'). This valuation indicated that a deficit of £0.32m existed at 31 December 2014, and this amount has been recognised as a liability in these accounts. The Charity has also established a Pension Reserve with a value of £1.57m to cover the balance of the payments which have been agreed to eliminate the triennial pension deficit. Further details of the FRS17 valuation are set out in Note 15.2.

## Investment Policy

At 31 December 2014, the Charity's investments were valued at £42.5m (2013: £34.3m) as set out in Note 9. This amount included bank deposits totalling £25.6m (2013: £18.4m). The remainder of the Charity's investment portfolio, with a value of £16.9m (2013: £15.9m), was managed by Sarasin & Partners LLP during the year.

The Sarasin portfolios produced a net gain of £0.5m during the year (2013: £1.5m). This performance was consistent with movements in world stock markets generally, and Governors consider that the thematic approach used by Sarasin for stock selection remains sound. Governors will continue to monitor the performance of the Sarasin investment portfolio in the light of external developments during 2015.

## Risk

The management team maintain a Risk Register which is updated following regular reviews of the activities and future strategy of the Charity as part of a formal risk management process. This involves examining the types of risk the Charity faces and prioritising them in terms of likelihood of occurrence and consequence. Governors employ the following specific measures to manage potential risks:

- a wide and appropriate variety of professional skills and experience within the Body of Governors;
- the maintenance of a prudent level of reserves;
- the employment of professionally qualified staff in key areas such as clinical services, finance and human resource management;
- a comprehensive and adequate suite of insurance policies;
- the setting of standards which meet or exceed those required by legislation and regulations;
- good internal communications and controls; and
- a comprehensive suite of written policies and procedures covering all of the Charity's activities.

Governors review potential risks to the Charity and the Charity's Risk Register at each meeting of the Finance Committee and twice a year at meetings of the Body of Governors, and consider that the Charity has a clear plan which will enable it to continue providing the highest quality of care. As mentioned in the Chairman's Report, Governors have identified that the government's proposed changes to care funding fail to ensure that fees will meet the real cost of care being provided, and this will present a significant challenge for care home operators like The Royal Star & Garter Homes. This matter is being considered by the Body of Governors as they explore options for the future development of the Charity's work.

## Fees policy

When setting our fees, we seek to achieve a balance between affordability, a level which is consistent with the first class care and accommodation which we provide for our residents, and our desire not to exclude any beneficiary on the grounds of financial hardship. This means that we welcome residents whose care is funded from a variety of sources. At 31 December 2014, our Homes provided care for residents whose sources of funding were as follows:

	Surbiton	Solihull
Local authority (see note below)	12	14
National Health Service/ Ministry of Defence (continuing care)	2	12
Self-funding	34	32
<b>Total number of residents</b>	<b>48</b>	<b>58</b>

Our Surbiton Home has capacity for 63 residents including 26 who are living with dementia. When planning the move from our Richmond Home and the opening of our Surbiton Home, we took the decision to operate below full capacity. This has enabled us to support residents and their families during the move; enable staff teams who transferred from Richmond to become familiar with their new environment; and enabled us to integrate new staff team members and develop our specialist care for residents with dementia. We plan to increase resident numbers to full capacity during 2015.

Our Homes provide care for residents drawn from a wide geographical area. During the year, our Surbiton Home provided care for residents funded by 12 local authorities, and our Solihull Home provided care for residents funded by 3 local authorities. When a local authority places a resident in a care home, it usually specifies the fee rate which it is prepared to pay for different categories of care, and these rates differ between authorities. The Charity applies a policy of accepting the rates set by Richmond and Solihull Councils as the minimum when agreeing local authority fee rates for residents who come from outside their area. The Charity has a policy of not requiring a 'top-up' in respect of residents whose care is funded by their local authority, and this means that the Charity does not exclude any potential beneficiary on the grounds of financial hardship.

## Governance

The Body of Governors is responsible for the overall governance of the Charity. All Governors, who are also the Charity's trustees, give of their time freely and no remuneration was paid to Governors in the year (2013: £Nil).

The minimum number of Governors at any time is ten and the maximum twenty. The Charity has a policy of co-opting senior serving medical officers from the Army, Navy and Royal Air Force as Governors. Other new Governors are elected by existing Governors and initially serve for a term of three years at which time they are eligible for re-election. Governors are chosen on the basis of their knowledge and experience. The Charity seeks to ensure that the Body of Governors retains a wide range of professional and other skills. New Governors receive a handbook about the Charity and meet members of the executive team, other staff and residents in order to familiarise themselves with the workings of the Charity.

Details of the Patron, President, Vice-Presidents and Members of the Body of Governors are set out on page 28. The names of the executive team and external advisers are set out on page 29.

## The Body of Governors

The Body of Governors meets four times each year. Governors receive comprehensive reports on all aspects of the Charity's affairs in preparation for these meetings and are encouraged to attend relevant external training courses where appropriate.

The Body of Governors delegates the exercise of certain powers in connection with the management and administration of the Charity as follows:

### Finance Committee

The Finance Committee comprises a minimum of five members of the Body of Governors. Meetings are held at least twice each year. The Committee considers the annual report and financial statements, the appointment of external auditors and the annual budget and operating plan. It also considers the risk management report, investment strategy, investment performance and other relevant financial matters and makes recommendations to the Body of Governors at their quarterly meetings.

### Property Committee

The Property Committee comprises a minimum of four members of the Body of Governors. The Committee is authorised to exercise the powers of the Body of Governors when dealing with property matters on behalf of the Charity including the acquisition, development and disposal of any land and/or buildings. The Committee meets on an ad hoc basis as required and may take decisions without holding a meeting provided that a majority of committee members shall have communicated their views to the Chairman on the matter in question. All decisions are reported to the Body of Governors at their quarterly meetings.

### Remuneration Committee

The Remuneration Committee was established in 2013 and makes recommendations to the Body of Governors concerning the remuneration of the Charity's Chief Executive and its Directors. The Committee comprises a minimum of four members of the Body of Governors and it met once during the year.

### Strategy Group

The 'Strategy Group' was established in 2012 with six Governors to identify broad principles on which the Charity's future strategy could be developed, taking account of the additional charitable funds which would become available following the sale of the Richmond properties. The Strategy Group met once during the year and provided a briefing to the Body of Governors at their subsequent meeting.

### Investment Group

The 'Investment Group' was established in December 2014 with four Governors to make recommendations to the Body of Governors regarding the appointment of an Investment Consultant and to conduct a review of the Charity's investment strategy following completion of the sale of the Richmond buildings. The Investment Group held its first meeting in March 2015.



## Chief Executive

The Chief Executive is responsible for the day-to-day management of the Charity and for implementing policies agreed by the Body of Governors. The Chief Executive is assisted by an executive team and other senior managers.

## Statement of Governors' Responsibilities

The Governors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Governors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of its net incoming resources for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue to operate.

The Governors are responsible for keeping proper accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Corporate Governance

The Charity operates systems of internal control which are designed to provide reasonable assurance against material misstatement or loss. They include:

- an annual operating plan and budget approved by the Governors;
- regular consideration by the Governors of financial results against the budget and other performance indicators;
- delegation of day-to-day management authority and segregation of duties; and
- identification and management of risks.

Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency. Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the Executive and the Governors.

## Review of the Performance of Subsidiary Companies

The Charity had two wholly owned subsidiary companies during 2014:

- Star & Garter Property Limited, whose principal activity is to undertake the design and build of new Care Homes to supply to The Royal Star & Garter Homes. Star & Garter Property Limited received income totalling £0.2m during the year (2013: £5.2m) as payments in advance for the supply of the Surbiton Care Home to the Charity. The company contributed £6k to the Charity during 2014 by way of the payment of Gift Aid which has eliminated its taxable profits (2013: Gift Aid payment of £154k).
- Star and Garter Promotions Limited is dormant.

Further information about these companies is set out in Note 2.

**On behalf of the Body of Governors  
Chairman**

Date: 16 June 2015

# Independent Auditor's Report

## To the Governors of The Royal Star & Garter Homes

We have audited the financial statements of The Royal Star & Garter Homes for the year ended 31 December 2014 set out on pages 13 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governors, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's Body of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Governors and Auditor

As explained more fully in the Statement of Governors' Responsibilities, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under Section 151 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

We read all the financial and non-financial information in the Chairman's Report and the Governors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the Charity's affairs as at 31 December 2014 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.



## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Chairman's Report and Governors' Report is inconsistent in any material respect with the financial statements; or
- the parent charity has not kept adequate accounting records; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Crowe Clark Whitehill LLP**

Statutory Auditor  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

Date: 16 June 2015

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# Consolidated Statement of Financial Activities

## For the year ended 31 December 2014

	Notes	General Fund (Note 12) £000	Designated Funds (Note 12) £000	Restricted Funds (Note 12) £000	Permanent Endowment (Note 12) £000	Total 2014 £000	Total 2013 £000
<b>INCOMING RESOURCES</b>							
<b>Incoming resources from charitable activities</b>							
Accommodation and nursing fees receivable		4,560	-	-	-	4,560	4,349
Profit on sale of Fixed Assets		53,691	-	-	-	53,691	46
Other income		1	-	-	-	1	1
<b>Incoming resources from generated funds</b>							
<i>Voluntary income:</i>							
Donations and gifts	1b	1,825	-	149	-	1,974	2,777
Legacies	1b	6,080	-	301	-	6,381	7,456
<i>Activities for generating funds:</i>							
Investment income		656	-	-	-	656	626
Interest receivable		162	-	-	-	162	363
Lotteries, sale of Christmas cards and other income		195	-	-	-	195	218
Rental of accommodation		22	-	-	-	22	136
<b>Total Incoming Resources</b>		<b>67,192</b>	<b>-</b>	<b>450</b>	<b>-</b>	<b>67,642</b>	<b>15,972</b>
<b>RESOURCES EXPENDED</b>							
<b>Cost of generating funds</b>							
Cost of generating voluntary income and other fundraising costs	3	1,518	-	-	-	1,518	1,281
Investment management fees	3	80	-	-	-	80	75
		<b>1,598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,598</b>	<b>1,356</b>
<b>Charitable activities</b>							
Care and support costs	3	10,650	-	-	-	10,650	10,986
Development and decommissioning costs	3	472	-	-	-	472	396
Governance costs	3	86	-	-	-	86	86
		<b>11,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,208</b>	<b>11,468</b>
<b>Total Resources Expended</b>	<b>3</b>	<b>12,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,806</b>	<b>12,824</b>
<b>NET INCOMING RESOURCES BEFORE TRANSFERS</b>							
		<b>54,386</b>	<b>-</b>	<b>450</b>	<b>-</b>	<b>54,836</b>	<b>3,148</b>
Transfers between funds		(59,778)	60,228	(450)	-	-	-
<b>Net Incoming Resources before Gains and Losses</b>		<b>(5,392)</b>	<b>60,228</b>	<b>-</b>	<b>-</b>	<b>54,836</b>	<b>3,148</b>
<b>Other recognised gains and losses</b>							
Realised and unrealised gain on investments	9	479	-	-	3	482	1,452
Pension scheme actuarial gain/ (loss) (FRS17)	15	430	-	-	-	430	(819)
<b>NET MOVEMENT IN FUNDS</b>		<b>(4,483)</b>	<b>60,228</b>	<b>-</b>	<b>3</b>	<b>55,748</b>	<b>3,781</b>
Balances brought forward		14,125	56,734	-	45	70,904	67,123
<b>BALANCES CARRIED FORWARD AT 31 DECEMBER</b>		<b>9,642</b>	<b>116,962</b>	<b>-</b>	<b>48</b>	<b>126,652</b>	<b>70,904</b>

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

# Balance Sheets

## At 31 December 2014

	Notes	Group		Charity	
		2014 £000	2013 £000	2014 £000	2013 £000
<b>FIXED ASSETS</b>					
Tangible fixed assets	8	32,655	35,604	33,016	35,959
Investments	9	42,497	34,291	42,497	34,291
		75,152	69,895	75,513	70,250
<b>SUBSIDIARY COMPANIES</b>					
	2	-	-	-	-
<b>CURRENT ASSETS</b>					
Stocks		160	167	6	7
Debtors:					
Amounts falling due in more than one year	10	49,211	-	49,211	-
Amounts falling due within one year	10	1,272	889	1,291	1,069
Cash at bank and in hand		2,950	2,474	2,909	2,317
		53,593	3,530	53,417	3,393
<b>CREDITORS:</b> amounts falling due within one year					
Trade creditors & accruals	11	1,777	1,788	1,601	1,651
<b>NET CURRENT ASSETS</b>					
		51,816	1,742	51,816	1,742
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>					
		126,968	71,637	127,329	71,992
Defined benefit pension scheme liability	15	316	733	316	733
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>					
		126,652	70,904	127,013	71,259
<b>THE FUNDS OF THE CHARITY:</b>					
<b>Unrestricted Funds:</b>					
General Fund		9,958	14,858	10,319	15,213
Less : Pension Reserve	15	(316)	(733)	(316)	(733)
	12	9,642	14,125	10,003	14,480
Designated Funds	12	116,962	56,734	116,962	56,734
<b>Total Unrestricted Funds</b>		126,604	70,859	126,965	71,214
<b>Permanent Endowment</b>	12	48	45	48	45
<b>TOTAL CHARITY FUNDS</b>					
		126,652	70,904	127,013	71,259

Approved and authorised for issue by the Body of Governors on 16 June 2015 and signed on its behalf by

**Amanda Francis DSS BSc ACA**  
Treasurer



# Consolidated Statement of Cash Flows

## For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
<b>NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES</b>	<b>A</b>	<b>(55,117)</b>	<b>8,411</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Investment income and interest receivable		818	989
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS</b>			
Purchase of tangible fixed assets		(145)	(9,227)
Proceeds from sale of tangible fixed assets		55,496	46
Purchase of investments		(576)	(550)
<b>Net cash inflow/ (outflow) from capital expenditure and financial investments</b>		<b>54,775</b>	<b>(9,731)</b>
<b>INCREASE/ (DECREASE) IN CASH</b>	<b>B</b>	<b>476</b>	<b>(331)</b>

### A. Reconciliation of Changes in Resources to Net Cash (Outflow)/ Inflow from Operating Activities

	2014 £000	2013 £000
Net incoming resources before gains and losses on investment assets	54,836	3,148
Investment income and interest receivable	(818)	(989)
Depreciation	1,289	815
(Gain) on disposal of tangible fixed assets	(53,691)	(46)
(Increase)/ Decrease in cash on deposit	(7,148)	5,033
Decrease in stocks	7	33
(Increase) in debtors falling due in more than one year	(49,211)	-
(Increase)/ Decrease in debtors falling due within one year	(383)	897
(Decrease) in creditors	(11)	(394)
Pension income/ (expense)	13	(86)
<b>Net Cash (Outflow)/ Inflow from Operating Activities</b>	<b>(55,117)</b>	<b>8,411</b>

### B. Analysis of Changes in Cash During the Year

	2013 £000	Change in Year £000	2014 £000
Cash at bank and in hand	<b>2,474</b>	<b>476</b>	<b>2,950</b>

## Notes to the Consolidated Accounts For the year ended 31 December 2014

### I. Accounting Policies

#### Ia Basis of Preparation

The accounts have been prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with applicable accounting standards. In preparing the financial statements the Charity complies with the Charities Act 2011 and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP) issued in 2005.

The consolidated accounts include the trading activities, assets and liabilities of Star & Garter Property Limited consolidated on a line-by-line basis.

#### Ib Voluntary Income

Donations and donations in kind are accounted for on receipt. Grant income is recognised when receivable.

Pecuniary and reversionary legacies are accounted for on receipt. Residuary legacies are accounted for at the earlier of receipt of the legacy or the point at which the final accounts of the estate are agreed by the Charity. In the event that residuary legacies are settled after the accounting year end they are included in the accounts provided the Charity was certain of the amount to be distributed at the balance sheet date.

#### Ic Fee Income

Fee income represents charges for accommodation, nursing and care of residents and is accounted for on an accruals basis.

#### Id Expenditure and the Allocation of Costs

The costs of the Charity are allocated directly to the activity to which they refer as follows:

- Care and support costs - nursing and care costs together with catering, domestic and facilities costs relating to residents.
- Fundraising costs - direct and indirect costs of this activity.
- Governance costs - costs incurred in compliance with constitutional and statutory requirements.

Depreciation is allocated on the basis of the use of the assets concerned.

All expenses are accounted for on an accruals basis and the irrecoverable element of VAT is included with the item of expense to which it relates.

#### Ie Investment Assets and Income

Investments are shown in the balance sheet at market value. Income is accounted for on a receivable basis.

#### If Realised and Unrealised Gains and Losses on Investments

Realised gains and losses on disposals of investments during the year are the aggregate of the difference between the market value at the beginning of the year (or the historical cost if acquired during the year) and the sale proceeds net of related costs.

Unrealised gains and losses represent the adjustment required to show the investments at market value at the balance sheet date.

## Ig Fixed Assets – Valuation and Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Freehold land	–	Not depreciated
Leasehold land	–	0.4% (250 year lease)
Buildings	–	2% - 5%
Plant and equipment	–	10% - 20%
Motor vehicles	–	20%

The carrying values of tangible fixed assets are reviewed for impairment periodically when events or changes in circumstances indicate that the carrying value may not be recoverable.

Items costing less than £5,000, and expenditure on buildings where the cost is below £10,000 are written off as an expense when incurred.

## Ih Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less cost of disposal.

## Ii Pensions

The Charity operates two defined contribution pension schemes for employees. Contributions are charged to the SOFA as they become payable in accordance with the rules of the Scheme.

The Charity also operates a defined benefit pension scheme which closed to future accrual on 30 April 2007. The defined benefit pension scheme current service costs together with the scheme interest cost less the expected return on the scheme assets for the year are charged to the SOFA within total resources expended. The scheme actuarial gains and losses are recognised immediately as other recognised gains and losses.

The defined benefit scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

## Ij Funds

*Restricted funds* are accounted for in accordance with the particular terms of trust arising from the express or implied wishes of donors in so far as these are intended to be binding on the Governors.

*Designated funds* are set aside by the Governors out of unrestricted funds.

*General funds* are available for use by the Charity in accordance with its charitable objects.

## Ik Operating Leases

Rentals payable under operating leases are charged to the SOFA on a straight line basis over the lease term.

## 2. Subsidiary Undertakings

The Charity holds 100% of the share capital in the following subsidiary companies, whose results are included in the consolidation:

- Star & Garter Property Limited (Registered in England No. 7393425) whose principal activity is to undertake the design and build of new care homes which will be supplied to The Royal Star & Garter Homes. At the balance sheet date the Charity held one £1 ordinary share (100% of voting rights) in the company. The company makes gift aid payments to the Charity to cover its taxable profits.
- Star and Garter Promotions Limited (Registered in England No. 1990808) which ceased trading on 31 December 2010 and is now dormant. At the balance sheet date the Charity held two £1 ordinary shares (100% of voting rights) in the company.

**The value attributed to the investment in subsidiaries in the Charity's balance sheet comprises:**

	2014 £	2013 £
Shares in Star and Garter Promotions Limited	2	2
Shares in Star & Garter Property Limited	1	1
<b>Total</b>	<b>3</b>	<b>3</b>

**Net income from the trading activities of Star & Garter Property Limited was as follows:**

	2014 £000	2013 £000
Turnover	199	5,243
Operating costs	(193)	(5,089)
	6	154
Contribution to The Royal Star & Garter Homes:		
Gift aid payment	(6)	(154)
Net profit before taxation	-	-
Corporation tax	-	-
Retained in subsidiary	-	-

**The Net Assets of Star & Garter Property Limited at 31 December 2014 were as follows:**

	2014 £000	2013 £000
Total Assets	257	349
Total Liabilities	(257)	(349)
Net Assets	-	-

The Charity has taken advantage of the exemptions allowed under FRS8 not to disclose transactions with other group companies.



### 3. Analysis of Total Resources Expended

	Staff Costs 2014 £000	Depreciation 2014 £000	Other 2014 £000	Total 2014 £000	Total 2013 £000
<b>Cost of Generating Funds:</b>					
Fundraising costs	452	78	988	1,518	1,281
Investment management fees	-	-	80	80	75
	<b>452</b>	<b>78</b>	<b>1,068</b>	<b>1,598</b>	<b>1,356</b>
<b>Charitable Expenditure:</b>					
<i>Cost of activities in furtherance of the Charity's objects:</i>					
Care costs	6,600	1,132	2,918	10,650	10,986
Development and decommissioning costs	-	79	393	472	396
Governance costs	49	-	37	86	86
	<b>6,649</b>	<b>1,211</b>	<b>3,348</b>	<b>11,208</b>	<b>11,468</b>
<b>Total Resources Expended</b>	<b>7,101</b>	<b>1,289</b>	<b>4,416</b>	<b>12,806</b>	<b>12,824</b>

Fundraising costs included support costs totalling £111k during 2014 (staff costs: £45k; and other costs: £66k). The Charity did not allocate support costs or depreciation to the fundraising activities in 2013 or previous years when the team was based in the Richmond Home due to difficulties in attributing costs in a meaningful manner.

Care costs included support costs totalling £1.8m during 2014 (staff costs: £0.8m; depreciation: £0.1m; and other costs: £0.9m).

### 4. Auditor's Remuneration

The amount of remuneration payable to the auditor was as follows:

	2014 £000	2013 £000
In respect of audit services	23	23
In respect of taxation and other advice and services	2	12
<b>Total</b>	<b>25</b>	<b>35</b>

### 5. Legacies

The Charity has received notification of a number of residuary legacies which have not been included in these accounts because they are not certain in value. The estimated total value of this potential income is £3.7m at 31 December 2014 (2013: £4.2m).

### 6. Governors' Remuneration

No member of the Body of Governors received any remuneration during the years ended 31 December 2014 or 2013. During the year, 5 Governors (2013: 11) received reimbursement of personal travel and subsistence expenditure amounting to £1,407 (2013: £2,679).

## 7. Emoluments & Numbers of Employees

The total emoluments of employees for the year comprised:

	2014 £000	2013 £000
Wages and salaries	5,810	5,927
Employer National Insurance costs	512	530
Contributions to personal pension plans	224	125
	6,546	6,582
Other staff costs	555	733
<b>Total staff costs</b>	<b>7,101</b>	<b>7,315</b>

The average monthly number of employees on a full-time equivalent basis during the year was made up as follows:

	2014	2013
Nursing and care	163	157
Support services	37	42
Fundraising	11	10
Other	14	14
<b>Total</b>	<b>225</b>	<b>223</b>

During the year, staff from commercial agencies provided cover for nurses, health care assistants and clerical services at a total cost of £466,939 (2013: £564,036).

The emoluments of all employees who received more than £60,000 in the year were as follows:

Emoluments	2014	2013
£60,001 - £70,000	-	1
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1
£90,001 - £100,000	2	-
£100,001 - £110,000	-	2
£110,001 - £120,000	1	1

One of the above employees (2013:1) is a member of the Charity's defined benefit pension scheme. The Charity paid contributions totalling £23,500 into a money purchase pension scheme in respect of five of the above employees during the year (2013: £50,913 contributed on behalf of 4 employees).

## 8. Tangible Fixed Assets - Group

	Freehold Land & Buildings £000	Assets held for Resale £000	Leasehold Land & Buildings £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
<b>Cost:</b>						
At 1 January 2014	18,977	1,500	14,094	5,525	144	40,240
Additions	138	-	-	7	-	145
Disposals	(1,970)	(1,500)	-	(5)	-	(3,475)
<b>At 31 December 2014</b>	<b>17,145</b>	<b>-</b>	<b>14,094</b>	<b>5,527</b>	<b>144</b>	<b>36,910</b>
<b>Accumulated Depreciation:</b>						
At 1 January 2014	1,330	350	1,089	1,723	144	4,636
Charge for year	464	-	225	600	-	1,289
Disposals	(1,315)	(350)	-	(5)	-	(1,670)
<b>At 31 December 2014</b>	<b>479</b>	<b>-</b>	<b>1,314</b>	<b>2,318</b>	<b>144</b>	<b>4,255</b>
<b>Net book value at 31 December 2014</b>	<b>16,666</b>	<b>-</b>	<b>12,780</b>	<b>3,209</b>	<b>-</b>	<b>32,655</b>
Net book value at 31 December 2013	17,647	1,150	13,005	3,802	-	35,604

The total net book value of tangible fixed assets owned by the Charity amounted to £33.02m at 31 December 2014 (2013: £35.96m). This included 'Freehold land and buildings' with a value of £17.03m at 31 December 2014 (2013: £18.00m). This total included the cumulative profit earned by Star & Garter Property Limited on the sale of the Surbiton Home to the Charity amounting to £361k at 31 December 2014 (2013: £355k).

The Charity had no contracted capital commitments at 31 December 2014 (2013: £nil).

The Charity sold the following assets during 2014:

- a house at 3 Langley Avenue, Surbiton was sold in February 2014 for £1.5m. This property was held as an 'asset held for resale';
- the sale of the Royal Star & Garter Home, Richmond and Ancaster House completed during November 2014. These properties were held as 'Freehold Land & Buildings'. The Charity received a payment of £5.1m on completion of the sale of these buildings, and will receive deferred consideration of £49.2m in February 2016; and
- plant and equipment with a net book value of £nil was disposed of during the year.

## 9. Investments

	2014 £000	2013 £000
Market value at 1 January	34,291	37,322
Net investment/ (withdrawal) of capital	7,724	(4,483)
Net realised and unrealised gain during the year	482	1,452
<b>Market value at 31 December</b>	<b>42,497</b>	<b>34,291</b>
<b>Historical cost as at 31 December</b>	<b>40,536</b>	<b>32,701</b>

**Analysis of Investments:**

	2014 £000	2013 £000
Bank deposits	25,589	18,441
Investment portfolio managed by Sarasin & Partners LLP ('Sarasin'):		
The Alpha Common Investment Fund for Endowments ('ACIFE')	16,908	13,987
The Alpha Common Investment Fund for Income and Reserves ('ACIFIR')	-	1,863
	<b>42,497</b>	<b>34,291</b>

The Charity instructed Sarasin on 20 December 2013 to sell all units held in ACIFIR over an appropriate period (depending on market conditions), and to invest the proceeds in purchasing units in ACIFE. This process was completed in 2014 as noted above.

**10. Debtors****Amounts falling due in more than one year:**

	Group 2014 £000	Group 2013 £000	Charity 2014 £000	Charity 2013 £000
Proceeds from sale of Richmond buildings	<b>49,211</b>	-	<b>49,211</b>	-

The contract for the sale of the Richmond properties provides that the Charity will receive the above amount in February 2016.

**Amounts falling due within one year:**

	Group 2014 £000	Group 2013 £000	Charity 2014 £000	Charity 2013 £000
Fees receivable	501	426	501	426
Amounts due from subsidiary companies	-	-	24	180
Accrued income	102	86	102	86
Pre-payments	577	366	577	366
Legacies receivable	86	-	86	-
Other debtors	6	11	1	11
	<b>1,272</b>	<b>889</b>	<b>1,291</b>	<b>1,069</b>

**11. Trade Creditors & Accruals**

	Group 2014 £000	Group 2013 £000	Charity 2014 £000	Charity 2013 £000
Trade creditors	100	157	100	155
Accruals	1,123	1,146	890	987
Deferred income	344	209	344	209
Amounts due to subsidiary companies	-	-	57	31
Other taxation and social security	158	189	158	182
Other creditors	52	87	52	87
<b>Total</b>	<b>1,777</b>	<b>1,788</b>	<b>1,601</b>	<b>1,651</b>

## 12. Funds

	At 1 Jan 14 £000	Income in year £000	Expenditure in year £000	Transfers in year £000	Other Gains/Losses £000	At 31 Dec 14 £000
<b>PERMANENT ENDOWMENT</b>						
Central Regimental Institutes Fund	45	3	-	-	-	48
<b>UNRESTRICTED FUNDS</b>						
Solihull Care Home Fund	13,989	-	-	(436)	-	13,553
Surbiton Care Home Fund	17,890	-	-	(1,640)	-	16,250
High Wycombe Care Home Fund	18,000	311	-	6,689	-	25,000
Fourth Care Home Fund	-	-	-	25,000	-	25,000
Care Home Replacement Fund	-	-	-	5,000	-	5,000
Administration Office Fund	3,540	-	-	(238)	-	3,302
Property Refurbishment Fund	3,315	-	-	-	-	3,315
Care Support Fund	-	-	-	25,542	-	25,542
<b>Total of Designated Funds</b>	<b>56,734</b>	<b>311</b>	<b>-</b>	<b>59,917</b>	<b>-</b>	<b>116,962</b>
General Fund	14,125	67,328	(12,806)	(59,917)	912	9,642
<b>TOTAL FUNDS</b>	<b>70,904</b>	<b>67,642</b>	<b>(12,806)</b>	<b>-</b>	<b>912</b>	<b>126,652</b>

### Permanent Endowment:

The income from the *Central Regimental Institutes Fund* is available for the Charity's general purposes.

### Designated Funds:

The *Solihull Care Home Fund* was established in December 2004 and represents the book value of the Solihull Home.

The *Surbiton Care Home Fund* was established in December 2004 and represents the book value of the Surbiton Home.

The *High Wycombe Care Home Fund* was established in 2007 to provide funds for constructing the third new Care Home planned by the Charity. Governors increased the value of this fund during 2014 to reflect the expected cost of the new Home. The Charity received donations towards the cost of the High Wycombe Home totalling £311k during the year. This amount will be expended during construction of the Home.

The *Fourth Care Home Fund* was established in 2014 to provide funds for constructing a fourth new Care Home planned by the Charity.

The *Care Home Replacement Fund* was established in 2014. Governors have agreed to build up this fund to finance the replacement of existing Care Homes when they reach the end of their useful lives.

The *Administration Office Fund* was established in 2010 and represents the book value of the Charity's administration offices in Hampton.

The *Care Support Fund* was established in 2014 to provide income and capital to use to secure the future of dependent beneficiaries in case other fundraising income falls.

The *Property Refurbishment Fund* was established in 2012 to provide funding for the refurbishment of the Charity's Care Homes and Hampton Office.

### General Fund:

The Charity received donations during the year totalling £139k to finance specific care activities. Of this amount £107k was utilised during the year with £32k carried forward for expenditure in 2015.



### 13. Analysis of Group Net Assets between Funds

	Tangible Fixed Assets £000	Investments £000	Current Assets £000	Current Liabilities £000	Pension Scheme Liabilities £000	Total £000
Permanent Endowment	-	48	-	-	-	48
<b>Unrestricted Funds:</b>						
Solihull Care Home Fund	13,553	-	-	-	-	13,553
Surbiton Care Home Fund	15,700	-	550	-	-	16,250
High Wycombe Care Home Fund	100	19,504	5,396	-	-	25,000
Fourth Care Home Fund	-	6,085	18,915	-	-	25,000
Care Home Replacement Fund	-	-	5,000	-	-	5,000
Administration Office Fund	3,302	-	-	-	-	3,302
Property Refurbishment Fund	-	-	3,315	-	-	3,315
Care Support Fund	-	7,218	18,324	-	-	25,542
General Fund	-	9,642	2,093	(1,777)	(316)	9,642
<b>Total Net Assets</b>	<b>32,655</b>	<b>42,497</b>	<b>53,593</b>	<b>(1,777)</b>	<b>(316)</b>	<b>126,652</b>

### 14. Related Party Transactions

The Charity operated a Pension Scheme for some of the Charity's staff as described in Note 15.2. This Scheme is administered by an external firm and its financial and other records are kept separately from those of the Charity. It operates in compliance with the Pensions Acts of 1995 and 2004 and the regulations of the appropriate pensions and financial sector regulators. Trustees include representatives of the Governors and members of staff of the Charity.

### 15. Pension Schemes

#### 15.1 Defined Contribution Scheme

During the year, the Charity provided access to money purchase pension schemes for employees which are operated by Standard Life PLC and the National Employment Savings Trust ('NEST'). If an employee makes a contribution of 5% or more of pensionable salary into one of these schemes, then the Charity also contributes 5% on their behalf. The Charity made contributions amounting to £224,079 (2013: £125,438) into the defined contribution pension schemes during the year. The value of outstanding contributions at 31 December 2014 was £37,083 (2013: £43,607).

#### 15.2 Defined Benefit Pension Scheme

The Charity's defined benefit pension scheme was closed to future accrual on 30 April 2007. The disclosures set out below are based on calculations carried out as at 31 December 2014 by a qualified independent actuary in accordance with FRS17. The Scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of Trustees to the fund is determined by the Scheme's trust documentation.

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out of the scheme using the projected unit method. This amount is reflected in the asset or deficit recorded in the balance sheet.

As at 31 December 2014, contributions are payable to the Scheme by the Charity at the rates set out in the Schedule of Contributions dated 6 December 2011. The Employer contribution expected to be made in the year commencing 1 January 2015 is £206,000.

## A. Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2014	2013
Discount rate	3.50%	4.50%
Expected return on scheme assets	3.50%	4.60%
RPI Inflation	3.30%	3.50%
CPI Inflation	2.50%	2.70%
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment (lower of RPI or 5%)	3.20%	3.30%
Non-pensioner mortality (pre and post retirement)	S2PxA YOB CMI 2013, 1.5%LTR	S2PxA YOB CMI 2013, 1.5%LTR
Pensioner mortality	S2PxA YOB CMI 2013, 1.5%LTR	S2PxA YOB CMI 2013, 1.5%LTR
Cash commutation	No Allowance	No Allowance

For the avoidance of doubt the above assumptions are in absolute terms.

## B. Asset breakdown

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2014	2013
Gilts/Corporate Bonds	47.9%	47.9%
Investment portfolio	49.5%	48.8%
Cash	0.6%	1.1%
Insurance policies	2.0%	2.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## C. Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2014 £000	2013 £000
Present value of funded obligations	(24,367)	(21,825)
Fair value of scheme assets	24,051	21,092
<b>Present value of obligations:</b>		
(Deficit)	(316)	(733)
Restriction applied to irrecoverable surplus	-	-
<b>Net (liability) recognised in the balance sheet</b>	<b>(316)</b>	<b>(733)</b>

The impact of deferred taxation has not been calculated as the Charity is not chargeable to corporation tax.

**D. The total expense recognised in the Statement of Financial Activities:**

	2014 £000	2013 £000
Interest on obligation	962	920
Expected Return on Pension Scheme Assets	(949)	(1,006)
<b>Total – included within Total Resources Expended</b>	<b>13</b>	<b>(86)</b>

**E. Statement of Total Recognised Gains and Losses (STRGL) in Statement of Financial Activities:**

	2014 £000	2013 £000
Actuarial gain/ (loss)	430	(1,765)
Restriction applied to irrecoverable surplus	-	946
<b>Actuarial gain/ (loss) recognised in Statement of Financial Activities</b>	<b>430</b>	<b>(819)</b>
Cumulative amount of actuarial gains and (losses) recognised in the STRGL	348	(82)

**F. Changes in the present value of the defined benefit obligation:**

	2014 £000	2013 £000
Opening defined benefit obligation	21,825	20,898
Interest cost	962	920
Impact of adjustments and assumptions on scheme liabilities (Note H)	2,475	908
Benefits paid	(895)	(901)
<b>Closing defined benefit obligation (Note H)</b>	<b>24,367</b>	<b>21,825</b>

**G. Changes in the fair value of scheme assets are as follows:**

	2014 £000	2013 £000
Opening fair value of scheme assets	21,092	21,844
Actual return on scheme assets (*)	3,854	149
Contributions by employer	-	-
Benefits paid	(895)	(901)
<b>Closing fair value of scheme assets (Note H)</b>	<b>24,051</b>	<b>21,092</b>

**(\*)Calculation of actual return on scheme assets:**

	2014 £000	2013 £000
Expected return	949	1,006
Experience adjustments on scheme assets (Note H)	2,905	(857)
<b>Actual return on scheme assets</b>	<b>3,854</b>	<b>149</b>

## H. Movements over previous five years

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
<b>(Deficit) Reported in Balance Sheet:</b>					
Defined benefit obligations (Note F)	(24,367)	(21,825)	(20,898)	(19,059)	(18,262)
Scheme assets (Note G)	24,051	21,092	21,844	22,470	20,198
(Deficit)/ Surplus	(316)	(733)	946	3,411	1,936
Restriction applied to irrecoverable surplus	-	-	(946)	(3,411)	(1,936)
<b>Deficit reported in Balance Sheet</b>	<b>(316)</b>	<b>(733)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Impact of Adjustments and Assumptions on Scheme Liabilities:</b>					
Experience adjustments on scheme liabilities	189	9	(727)	68	1,851
Changes in the assumptions underlying the present value of scheme liabilities	(2,664)	(917)	(1,092)	(710)	(58)
<b>Impact of adjustments and assumptions on scheme liabilities (Note F)</b>	<b>(2,475)</b>	<b>(908)</b>	<b>(1,819)</b>	<b>(642)</b>	<b>(1,793)</b>
<b>Impact of experience adjustments on scheme assets (Note G)</b>	<b>2,905</b>	<b>(857)</b>	<b>(725)</b>	<b>1,934</b>	<b>761</b>

# Office Bearers

## Patron

Her Majesty The Queen

## President

HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO

## Vice Presidents

Vice Admiral Sir David Dobson KBE  
Air Chief Marshal Sir David Parry-Evans GCB CBE  
Dennis Roberts OBE  
Marshal of the Royal Air Force The Lord Craig of Radley GCB OBE  
The Mayor of Richmond upon Thames  
The Mayor of the Royal Borough of Kingston upon Thames  
The Mayor of Solihull

## Members of the Body of Governors during the year ended 31 December 2014

- <sup>1,2,3,4,5</sup> Vice Admiral Sir John Dunt KCB BSc CEng FIET (Chairman)  
Captain Helen Allkins BSc RN Retd – to December 2014  
Susan J Bush RRC MBA BA RGN
- <sup>1,2,4</sup> J. Malcolm D Chapple BSc, Barrister at Law, FCI Arb (Vice Chairman)
- <sup>3,4,5</sup> Air Vice-Marshal Simon R C Dougherty MSc MBBS FRCP FFOM DAvMed DObstRCOG FCMI FRAeS  
Surgeon Rear Admiral Michael A Farquharson-Roberts CBE PhD MA MB FRCS
- <sup>2</sup> Digby Flower BSc MRICS
- <sup>1,3,4,5</sup> Amanda Francis DSS BSc ACA (Treasurer)
- <sup>1,3</sup> Nigel Gaymer FCA
- <sup>2</sup> Christopher Harrison
- <sup>3</sup> Robert Robson BA  
Captain Julie Thain-Smith BSc (Hons) RN(A) QARNNS – from December 2014
- <sup>1,4</sup> Major General Tim Tyler CB MA  
Group Captain Marcus Wills CVO OBE
- <sup>1,4,5</sup> Mark Wills BSc FRGS DipAIBD MInstRE Chartered MCSI CWM

## Medical Representatives from the Armed Services – Ex Officio Governors

Major General Ewan B Carmichael CBE QHDS L/RADC – to September 2014  
Surgeon Rear Admiral Calum J G McArthur QHP – to March 2014  
Air Vice-Marshal Aroop K Mozumder QHP MSc FRCGP RAF – to March 2014  
Surgeon Commodore Peter Buxton OBE QHP FRCR RN HRNMS/ACOS Med – from September 2014  
Surgeon Commodore Robin McNeil Love – from March 2014 to September 2014  
Major General Jeremy Rowan OBE QHS L/RAMC – from September 2014  
Group Captain Phil Spragg QHN MA MSc PMRAFNS – from June 2014

## Appointee of The British Red Cross Society

Professor Suzanna Rose DL PhD MA RN

<sup>1</sup> Member of Finance Committee as at 31 December 2014  
<sup>2</sup> Member of Property Committee as at 31 December 2014  
<sup>3</sup> Member of Strategy Group as at 31 December 2014  
<sup>4</sup> Member of Remuneration Committee as at 31 December 2014  
<sup>5</sup> Member of Investment Group as at 31 December 2014



# Legal and Administrative Information

## Full Name

The Royal Star & Garter Homes  
Registered Charity No. 210119

## Body of Governors

A full list with appointments to sub-committees is shown on Page 28.

## Executive

Michael Barter CBE  
**Chief Executive**

Gordon Craig BA MInstF  
**Director of Fundraising & Marketing**

Siobhan Creighton FCIPD  
**Director of Human Resources**

Malcolm Munro-Faure BSc ACA FRSA  
**Director of Finance & ICT**

Pauline Shaw BHSc MSc RGN PG Dip Arts (Nursing)  
**Director of Care & Service Development**

## Registered Office

15 Castle Mews  
Hampton  
Middlesex TW12 2NP  
Telephone 020 8481 7676  
Fax 020 8481 7677  
E-mail [general.enquiries@starandgarter.org](mailto:general.enquiries@starandgarter.org)

## Solihull Home

Tudor Coppice  
Solihull  
West Midlands B91 3DE  
Telephone 0121 711 6330  
Fax 0121 711 6329  
E-mail [solihull.enquiries@starandgarter.org](mailto:solihull.enquiries@starandgarter.org)

## Surbiton Home

Upper Brighton Road  
Surbiton  
Surrey KT6 6JY  
Telephone 020 8339 5100  
Fax 020 8339 5101  
E-mail [surbiton.enquiries@starandgarter.org](mailto:surbiton.enquiries@starandgarter.org)

## Bankers

National Westminster Bank plc  
Lloyds Bank plc  
Barclays Bank PLC

## Solicitors

Trowers & Hamlins LLP  
3 Bunhill Row  
London EC1Y 8YZ

## Investment Managers

Sarasin & Partners LLP  
Juxon House  
100 St Paul's Churchyard  
London EC4M 8BU

## Auditor

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

# Our Care Homes



The Royal Star & Garter Home,  
Surbiton opened in August 2013



Residents enjoy receiving therapeutic care from our physiotherapy teams. We encourage residents to remain active to help them retain their independence and well-being.



The Royal Star & Garter Home,  
Solihull opened in August 2008



Our residents and care staff engage in a wide range of activities which are an integral part of daily life in our Homes.



# Bert Ryder


Bert Ryder served in the RAF as a Wireless Operative, Mechanic and Gunner during the Second World War and Malaya Campaign, flying in India and the Far East. When he was demobbed after nine years in the RAF, he joined the Metropolitan Police, where he served for 35 years. As Bert's sight deteriorated, he found caring at home for his wife Jean, who was disabled by polio, increasingly difficult. The Royal Star & Garter Home in Surbiton has been able to offer them the specialist nursing and therapeutic care which they each require, and this has enabled them to stay together. Bert and Jean recently celebrated their emerald wedding anniversary and were delighted when the Home organised a party to celebrate their special day.





# Alan Smith

Alan Smith was called up to the Army in 1942 and posted to The Royal Corps of Signals as a Wireless Operator. After a year in Egypt, he was transferred to Italy, where he saw combat with 73 Medium Regiment of the Royal Artillery before being transferred back to the Signals Office. Alan was mentioned in dispatches for his gallant and distinguished services in the Mediterranean, and wears the bronze oak leaf on his 1939-1945 War Medal with enormous pride. Alan has always been a keen gardener and takes great pride in looking after the terrace and hanging baskets in our Solihull Home. He was absolutely delighted when the Linley garden at the Home won the 'Best Community Area' Award in the annual Solihull in Bloom Competition.



# Alan Smith

Alan Smith was called up to the Army in 1942 and posted to The Royal Corps of Signals as a Wireless Operator. After a year in Egypt, he was transferred to Italy, where he saw combat with 73 Medium Regiment of the Royal Artillery before being transferred back to the Signals Office. Alan was mentioned in dispatches for his gallant and distinguished services in the Mediterranean, and wears the bronze oak leaf on his 1939-1945 War Medal with enormous pride. Alan has always been a keen gardener and takes great pride in looking after the terrace and hanging baskets in our Solihull Home. He was absolutely delighted when the Linley garden at the Home won the 'Best Community Area' Award in the annual Solihull in Bloom Competition.





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[www.starandgarter.org](http://www.starandgarter.org)



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