



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

# Annual Report & Accounts

For the year ended 31 December 2016





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



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

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

“This is the best job I have ever had. I enjoy getting to know our residents and what makes them tick so I can tailor physio sessions specifically to their needs.”

Jo Whitehead, Physiotherapist



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The Royal Star & Garter Homes provides award-winning care for veterans and their spouses who live with disability or dementia.

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## Chairman's Report

### Providing the Highest Quality of Care

As a charity we continually strive to provide the highest quality care for disabled ex-Servicemen and women and their spouses or partners.

In 1916, we looked after young ex-Servicemen who had been severely disabled during the First World War. Today, we primarily care for older ex-Servicemen and women and their spouses or partners who are living with a disability or dementia.

Our aim is to deliver outstanding, person-centred care for residents with significant care needs. To achieve this, we invest heavily in our facilities and staff and our dedicated teams of staff and volunteers provide a wide range of therapies and activities which make The Royal Star & Garter Homes so special.

To achieve our high standards:

- We continually explore new developments in care provision. We work closely with a number of organisations, including leading academic researchers and Service charities, to share our expertise and explore new approaches.
- We invest in recruiting and training the very best professional care teams.
- We seek to create a wonderful homely environment for residents, incorporating leading-edge technology, with plenty of private space for residents, and a wide range of activities which bring residents and their families together with our staff and volunteers into one vibrant community.

### Transforming our Charity

Our Charity has evolved continuously over the past century. Our new High Wycombe Home will be our third new purpose-built, state-of-the-art Home completed since 2008. Each of our Homes will enable us to provide the highest quality of care for generations to come:

- Our Solihull Home celebrated its eighth birthday during 2016. The Home has capacity for 60 residents, including specially designed accommodation for 15 residents living with dementia.
- Our Surbiton Home celebrated its third birthday and has capacity for 63 residents, including 26 who live in specially-designed dementia communities within the Home.
- We started building our new High Wycombe Home in March 2016 and expect to welcome our first residents in April 2018. The Home has capacity for 74 residents including 30 living with dementia.

This is a clear statement of our commitment to invest in providing the highest quality of care for the veterans' community.

2016 has been a year of significant developments for the Charity, with a number of our long term plans moving forward:

- The completion of the new activities area in our Solihull Home has had a marked positive impact on residents' wellbeing. We are planning to build on this and refurbish all the Home's public areas in 2017.
- Our new Homes mean that we are once again able to play our part in supporting younger members of the Armed Forces if they become disabled, and we are currently providing care for a young member of The Rifles who was seriously injured by a mortar bomb while serving in Basra.
- We are also expanding our range of services and plan to provide day-care at our Solihull Home in 2017. This will enable us to support a much wider group of ex-Service men and women in the Home. If this initiative proves successful, we will explore how we can extend it to all our Homes.

These new developments underline the spectrum of care which we deliver.

### The Challenges Ahead

Although we are well placed to develop our work, we continue to face significant challenges which include the current level of funding for the provision of care for the elderly and disabled, uncertainty about future government policy, and recent changes in fundraising regulations.

We believe that our work fills an important role in the spectrum for the provision of care, between hospitals and a more typical care home:

### OUR SPECIALIST CARE



This means that the Charity's cost of care is significantly higher than for a traditional care home. This reflects the cost of the staff we need to support residents who have a disability and those living with dementia. The Charity's fees for all residents are significantly lower than the actual cost of care - which means that the Charity provides a significant subsidy for the care we provide to all our residents.

We continue to provide our distinctive care because we believe that many members of the ex-Service community would otherwise suffer because they would not be able to obtain the specialist care which they need. This provides a fundamental justification for the work we do to help our beneficiaries.

The Charity relies heavily on legacies and public donations to finance the care we provide. As we enter the second century since our foundation, we are very grateful for the tremendous support from a wide range of individuals and organisations. This income is critical and allows us to continue to meet the changing needs of the ex-Service community and to invest in new facilities.

We place great emphasis on finding, developing and supporting people who are committed to delivering the highest quality of care in our Homes for the benefit of those who have served in the Armed Forces community. I would like to thank our outstanding team of staff and volunteers who make the Homes so special for our residents, and the Governors for their commitment and support.

**Major General Tim Tyler CB  
Chairman, Governing Body**

**20 June 2017**

## Governors' Report

The Governors present their annual report and audited financial statements for the year ended 31 December 2016, 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 2015).

### 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. The Charity's activities are governed by Royal Charter dated 21 September 1990 as amended on 13 June 2007.

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. We are immensely privileged to have marked a century of providing care to our 'Military Family' in 2016.

We believe passionately in providing the highest quality of care, and our teams of staff and volunteers are committed to helping residents live life to the full irrespective of age and care needs. 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 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 vibrant sense of community.

### 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 living 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 12% of the population over the age of 85, and a significant proportion of these live 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 beds provided in ex-Service care homes in England, with just over 100 of these available for those with dementia.

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 personalised care plan which will help enable them to live life to the full.

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 while ensuring that support is available whenever it is needed. Each Home offers a spacious homely environment with

dedicated activities, dining and social areas for residents, attractive gardens and a wide range of spaces 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 our Solihull Home in 2010 and, guided by Dementia Care Matters, are applying the 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, memory and reason. We were delighted that the quality of our Surbiton Home was recognised with an award for Best Interior Dementia Design in the 2016 National Dementia Care Awards.

### **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 are also committed to providing an environment that is free from discrimination on any grounds including age, race, religion, sex, sexual orientation and disability, and have a policy of making reasonable adjustments to accommodate the needs of staff or residents who are or who become disabled.

### **The essential role of volunteers**

The Charity benefits from the services of approximately 70 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 to support the care and welfare of residents and fundraising activities. Most of this work would not be affordable if performed by employees. The 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 for the future**

Our Charity has reached a number of important milestones in 2016:

- We are successfully running two new purpose-built Homes which are delivering high quality care services to residents. We opened our Solihull Home in 2008 and our Surbiton Home in 2013.
- We received planning permission for our third new Home (in High Wycombe) in November 2015 and have designated £25m to cover its construction and fit out. We completed the purchase of the land in February 2016, and contractors started building in March 2016. We expect to welcome our first residents in April 2018. Our plans include capacity for 74 residents, including 30 living with dementia.
- These three Homes will enable us to provide the highest quality of care for 197 residents with state-of-the-art facilities, including 71 residents in specially-designed dementia communities. This is a higher number of residents than the Charity was able to care for in our old Richmond Home.

## Financial review

The cost of providing the Charity's care to residents amounted to £11.13m during 2016. This represents an increase of 1.5% (from £10.97m in 2015) and reflects an increase in average resident numbers from 104 in 2015 to 105 in 2016.

The Charity received fee income from residents and other funding organisations (principally local authorities and the NHS) totalling £5.8m during 2016 (2015: £5.2m). This means that the Charity provided an effective grant from its own resources to finance the cost of resident care totalling £5.3m during 2016 (2015: £5.8m). This grant has been financed from fundraising and other income generated during the year. The grant was lower in 2016 as a result of increased occupancy and a slightly higher proportion of self-funding and NHS continuing care residents in the Surbiton Home.

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 century 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 work provided by the Charity could not continue.

The current environment for fundraising is particularly challenging. We have continued to benefit from the generosity of legacy donors, receiving legacy income totalling £6.3m in 2016. Although this is 41% less than we received in 2015 (£10.6m, which was a record year), legacy income is invaluable and it has enabled us to meet the cost of care for residents and invest in our new Homes strategy.

The reduction in legacy income in 2016 provides a reminder that this source of income is unpredictable. To help provide greater financial security, we are working to increase the range of regular donors and supporters for our work. We received donations and gifts from individuals and organisations totalling £1.96m during the year. Although this represents an increase of 8.3% from £1.81m in 2015, the increase was less than our ambitious target. The Charity is committed to employing the highest standards in its approach to fundraising. We have adapted our approach over recent years but always ensure that we comply with best practice and regulation. The executive team undertook a review of the Charity's fundraising strategy in 2016 and there will now be a greater focus on creating long term relationships with our donors, particularly through new digital activities.

The total number of residents supported was 175 in 2016 (2015: 178). The average age of residents in both our Solihull and Surbiton Homes was 89 years on 31 December 2016.

Our Solihull Home has capacity for 60 residents, including 15 who are living with dementia. Average occupancy in Solihull was 90% in 2016. This was lower than planned as we closed several rooms while we were creating the new activities area in the Home. Our Surbiton Home has capacity for 63 residents, including 26 who are living with dementia. We took the decision to operate below full capacity when we opened our Surbiton Home in 2013 to enable us to develop specialist care communities for residents with dementia. Average occupancy in Surbiton was 81% during 2016. As our specialist staff team becomes more established, we will increase resident numbers to full capacity early in 2017.

When setting our fees, we seek to achieve a balance between affordability, a level which is consistent with the first class care and accommodation 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.

Our Homes provide care for residents drawn from a wide geographical area. During the year, our Surbiton Home provided care for residents funded by eleven local authorities and our Solihull Home provided care for residents funded by five local authorities.

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 14). In setting objectives and planning activities, Governors give full consideration to the Charity Commission's guidance on public benefit and fee-charging.

## Reserves Policy

The Charity held funds totalling £141.6m at 31 December 2016 and has a policy of designating funds to meet specific strategic objectives, which include the retention of sufficient general funds to protect the Charity against unforeseen adverse developments. A brief explanation of the designated purpose of the Charity's funds is set out below. Further details are set out in Note 12, and the allocation of net assets between funds is set out in Note 13.

- The Charity's investments in our Solihull, Surbiton and High Wycombe Homes and administration office are recorded at £55.8m.
- £6.9m has been designated as a *Home Replacement Fund*. We will increase the value of this fund over 25 years to provide resources to finance the overhaul of our existing Homes, including the services which are critical to their efficient operation, when they reach the end of their expected useful lives.
- £3.2m has been earmarked to finance the periodic refurbishment of our Homes to ensure they continue to provide the outstanding environment which our residents deserve.
- Governors have designated £13.2m as a *Strategic Development Fund* which will be applied to meet the needs of beneficiaries. The Governors' Strategy Group is seeking to identify significant care needs within the Service community which we are best placed to meet. The report from this Group in 2017 will help inform the next stages in the development of the Charity's care services, and these activities will be supported by the application of these funds as appropriate.
- Governors have designated £25m as a *Fourth Home Fund*. As part of its work, the Strategy Group will assess the viability and need for a fourth Home, and identify whether there are other significant areas where we can make a real difference.
- The *Care Support Fund* (£25.5m) is designed to provide income and capital which will be used to secure the future of dependent beneficiaries in case other fundraising income falls. Although the Charity has benefited from excellent support from fundraising over many years, the majority of this is in the form of legacies from individuals who had experience of the Second World War. This income is unpredictable and the Charity considers it is likely that the amount of legacy income will fall significantly in the future. We do not know when the Charity will need to make use of this fund, but believe it is appropriate to hold it because the Charity is committed to providing long term care for residents, and the annual 'grant' from the Charity to cover the cost of this care amounts to some £5.3m.

Governors review the Charity's reserves policy at least annually and have approved the holding of a General Fund amounting to £12.0m (2015: £9.7m) as set out in Notes 12 and 13. This unrestricted free reserve is designed to enable the Charity to cope with unforeseen expenditure or loss of income and includes items held for the following purposes:

- Free Reserves (£10.3m) are held in the form of disposable assets including cash, term deposits, equities and fixed interest investments, and are equivalent to 12 months' operating costs (2015: 9 months). This increase has been implemented because the Charity has become a more complicated operation with two Homes, and this complexity will increase when the High

Wycombe Home opens. The actual level of reserves is reviewed regularly, and 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 (£1.7m) is being held to cover the agreed contributions into the Charity's defined benefit pension scheme as described in Note 14.2.

## 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 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's defined benefit pension scheme was closed to future accrual on 30 April 2007. A triennial actuarial valuation by a qualified independent actuary indicated that a 'pension deficit' of £1.88m existed as at 1 January 2014. 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 102 ('FRS 102'). This valuation indicated that a deficit of £0.5m existed at 31 December 2016 (2015: £0.5m surplus). This deficit has been recognised in these accounts. Further details of the FRS 102 valuation are set out in Note 14.2.

## Subsidiary Companies

The Charity had two wholly owned subsidiary companies during 2016:

- Star & Garter Property Limited, whose principal activity is to undertake the design and build of new Homes to supply to The Royal Star & Garter Homes. Star & Garter Property Limited received income totalling £6.4m during the year (2015: £0.6m) as payments in advance for the supply of the Surbiton and High Wycombe Care Homes to the Charity. The company contributed £187k to the Charity during 2016 by way of the payment of Gift Aid, and this has eliminated its taxable profits (2015: Gift Aid payment of £18k).
- Star and Garter Promotions Limited is dormant.

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

## Investment Policy

The Charity received the proceeds from selling its Richmond properties in February 2016 and invested a significant proportion of these to meet its long term operational objectives.

At 31 December 2016, the Charity's investments were valued at £103.8m (2015: £48.6m) as set out in Note 9. This amount included bank deposits totalling £30.5m (2015: £31.1m). The Charity increased the amount invested with Sarasin & Partners LLP ('Sarasin') (2016: £39.6m; 2015: £17.5m), and invested funds with Smith & Williamson Investment Management LLP ('Smith & Williamson') (2016: £33.6m; 2015: £Nil).

The Sarasin portfolio produced a net gain of £2.3m during 2016 (2015: loss £0.02m). The Smith & Williamson portfolio produced a net gain of £2.5m in 2016. The Charity benefited from investing funds at a time when market values were relatively low. The overall performance of these investments has been consistent with movements in world stock markets generally, and Governors consider that the investment

approaches employed by Sarasin and Smith & Williamson remain sound. Governors will continue to monitor the performance of the investment portfolios in the light of external developments during 2017.

## Risk

Governors consider that the principal risks and uncertainties facing the Charity, and the plans which are in place for managing these are as follows:

### Risk and uncertainty

- Recruitment and retention of high quality care staff including nurses.
- Ensure the Charity continues to provide the highest quality of care for residents.
- Challenge to secure fundraising income, including potential for significant reduction in legacy income.
- Ensure the High Wycombe Home provides the highest quality of care from its opening in April 2018.
- Serious accident, incident or allegation of abuse.
- Loss in value of investments.

### Management plans

- Apply multiple approaches to attract nurses in an environment of national shortage.
- High quality training, management support and working environment to help retain high quality teams.
- Effective recruitment, training, development and retention of staff.
- Monthly internal audit of Homes and central key quality performance systems.
- Independent evaluation of performance by external specialists.
- Implement new fundraising strategy in 2017.
- Care Support Fund to secure future for dependent beneficiaries if fundraising income falls.
- Senior management overseeing build programme with professional team.
- Detailed planning for opening the Home based on successful implementation at Solihull and Surbiton Homes.
- Ensuring consistent approach to systems and procedures in all Homes.
- Appropriate training for staff.
- Lead nurse monitoring standards of care, staff supervision and observational audits.
- No-blame reporting culture.
- Whistleblowing and safeguarding policies.
- Match investment strategy with operational strategy to minimise risk of realising loss.
- Regular monitoring of performance by Governors.
- Investment managers with diverse investment approaches.

The management team maintain a Risk Register which is updated following regular reviews of the Charity's activities and future strategy 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 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 Governors, and consider that the Charity has a clear plan which will enable it to continue providing the highest quality of care for beneficiaries.

## GOVERNANCE

The Governors are responsible for the overall governance of the Charity. All Governors, who are the Charity's trustees, give their time freely and no remuneration was paid to Governors in the year (2015: £Nil).

The minimum number of Governors at any time is ten and the maximum twenty. 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 selected on the basis of their skills, knowledge and experience, and we maintain strong links with the military through appointing serving and retired officers from all three Services. The Charity seeks to ensure that the Governors retain 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 Governors are set out on page 29. The names of the executive team and external advisers are set out on page 30.

### The Governors

The Governors meet 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 Governors delegate 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 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 Governors at their quarterly meetings.

#### Property Committee

The Property Committee comprises a minimum of four Governors. The Committee is authorised to exercise the powers of the 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 Governors at their quarterly meetings.

#### Remuneration Committee

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

The Remuneration Committee considers independent data from the care and charity sectors when setting the pay and remuneration for the key senior team.

## Strategy Group

The Strategy Group comprises five Governors and it met twice during the year. The Group was established in order to review care needs within the Service community and identify those which the Charity is best placed to meet. The Group will present a report to Governors in 2017 to help inform the next stages in the development of the Charity's care services.

## Key management personnel

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

## 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 and operational 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 and effectiveness. 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.

## 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 income for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities' SORP;
- 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.

The Governors' Report was approved by the Body of Governors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J. N. M. K.', with a long horizontal stroke extending to the right.

**Chairman**

Date: 20 June 2017

## **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 2016 which comprise the Statement of Financial Activities, the Balance Sheets, the Consolidated Statement of Cash Flows and the related notes numbered 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Charity's 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 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.

In addition, 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 2016 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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
- 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*

**Crowe Clark Whitehill LLP**  
Statutory Auditor  
London

**Date: 20 June 2017**

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 2016

	Note	Unrestricted Funds (Note 12) £000	Restricted Funds (Note 12) £000	Permanent Endowment (Note 12) £000	Total Funds 2016 £000	Total Funds 2015 £000
<b>Income and endowments from:</b>						
Charitable activities		5,835	-	-	5,835	5,198
Surplus on disposal of tangible fixed assets		-	-	-	-	2,336
Donations and gifts	1b	1,711	246	-	1,957	1,809
Legacies	1b	6,242	70	-	6,312	10,556
Investments		1,629	-	-	1,629	857
Other trading activities		136	-	-	136	171
Other income		1	-	-	1	1
<b>TOTAL</b>		<b>15,554</b>	<b>316</b>	<b>-</b>	<b>15,870</b>	<b>20,928</b>
<b>Expenditure on:</b>						
Charitable activities	3	11,130	-	-	11,130	10,971
Raising funds	3	1,747	-	-	1,747	1,694
Investment management fees	3	267	-	-	267	84
Decommissioning costs	3	12	-	-	12	12
<b>TOTAL</b>	<b>3</b>	<b>13,156</b>	<b>-</b>	<b>-</b>	<b>13,156</b>	<b>12,761</b>
<b>NET INCOME BEFORE INVESTMENT GAIN/ (LOSS)</b>		<b>2,398</b>	<b>316</b>	<b>-</b>	<b>2,714</b>	<b>8,167</b>
Net gain/ (loss) on investments	9	4,808	-	3	4,811	(15)
<b>NET INCOME</b>		<b>7,206</b>	<b>316</b>	<b>3</b>	<b>7,525</b>	<b>8,152</b>
Transfers between funds	12	316	(316)	-	-	-
<b>OTHER RECOGNISED (LOSSES)/ GAINS</b>						
Actuarial (losses)/ gains on defined benefit pension scheme	14	(845)	-	-	(845)	117
<b>NET MOVEMENT IN FUNDS</b>		<b>6,677</b>	<b>-</b>	<b>3</b>	<b>6,680</b>	<b>8,269</b>
Total funds brought forward		134,873	-	48	134,921	126,652
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>141,550</b>	<b>-</b>	<b>51</b>	<b>141,601</b>	<b>134,921</b>

A comparative statement of financial activities has not been prepared on the basis that all comparative amounts relate to unrestricted funds, with the exception of £171k of Donations and Gifts.

**BALANCE SHEETS**  
**At 31 December 2016**

	Note	Group		Charity	
		2016 £000	2015 £000	2016 £000	2015 £000
<b>FIXED ASSETS</b>					
Tangible fixed assets	8	37,625	32,505	38,191	32,884
Investments	9	103,761	48,570	103,761	48,570
		<u>141,386</u>	<u>81,075</u>	<u>141,952</u>	<u>81,454</u>
Subsidiary companies	2	-	-	-	-
<b>CURRENT ASSETS</b>					
Stocks		2	157	2	3
Debtors: amounts receivable within one year	10	949	52,494	1,146	52,565
Cash at bank and in hand		1,930	3,007	1,767	2,947
		<u>2,881</u>	<u>55,658</u>	<u>2,915</u>	<u>55,515</u>
<b>LIABILITIES</b>					
Creditors: amounts falling due within one year	11	(2,121)	(1,812)	(2,155)	(1,669)
<b>NET CURRENT ASSETS</b>		<u>760</u>	<u>53,846</u>	<u>760</u>	<u>53,846</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<b>142,146</b>	<b>134,921</b>	<b>142,712</b>	<b>135,300</b>
Defined benefit pension scheme liability	14	(545)	-	(545)	-
<b>TOTAL NET ASSETS</b>		<b>141,601</b>	<b>134,921</b>	<b>142,167</b>	<b>135,300</b>
<b>THE FUNDS OF THE CHARITY:</b>					
<b>Unrestricted funds:</b>					
General fund		12,545	9,703	13,111	10,082
Less: Pension reserve	14	(545)	-	(545)	-
	12	<u>12,000</u>	<u>9,703</u>	<u>12,566</u>	<u>10,082</u>
Designated funds		129,550	125,170	129,550	125,170
<b>Total unrestricted funds</b>	12	<u>141,550</u>	<u>134,873</u>	<u>142,116</u>	<u>135,252</u>
<b>Permanent endowment fund</b>	12	<u>51</u>	<u>48</u>	<u>51</u>	<u>48</u>
<b>TOTAL CHARITY FUNDS</b>	12	<b>141,601</b>	<b>134,921</b>	<b>142,167</b>	<b>135,300</b>

Approved and authorised for issue by the Governors on 20 June 2017 and signed on their behalf by



**Amanda Francis DSS BSc ACA**  
**Treasurer**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2016**

	Note	2016 £000	2015 £000
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	A	54,050	4,050
<b>Cash flows from investing activities:</b>			
Investment income and interest received		1,629	857
Proceeds from the disposal of tangible fixed assets	B	-	2,336
Purchase of tangible fixed assets		(6,376)	(1,098)
Purchase of investments		(50,957)	(601)
<b>Net cash (used in)/ provided by investing activities</b>		<b>(55,704)</b>	<b>1,494</b>
<b>Change in cash and cash equivalents during the year</b>	C	<b>(1,654)</b>	<b>5,544</b>

**(A) Reconciliation of cash flows from operating activities**

	2016 £000	2015 £000
Net income for the year	2,714	8,167
<b>Adjustments for:</b>		
Investment income and interest receivable	(1,629)	(857)
Depreciation	1,256	1,248
Surplus on disposal of tangible fixed assets	-	(2,336)
Decrease in stocks	155	3
Decrease in debtors receivable in more than one year	-	49,211
Decrease/ (increase) in debtors receivable within one year	51,545	(51,222)
Increase in creditors	309	35
Pension expense	(300)	(199)
<b>Net cash provided by operating activities</b>	<b>54,050</b>	<b>4,050</b>

**(B) Disposal of tangible fixed assets**

The Charity accounted for the sale of its Richmond buildings in 2014. The Charity received additional consideration in 2015, amounting to £2.3m, in connection with the disposal of these buildings.

**(C) Analysis of changes in cash and cash equivalents during the year**

	2015 £000	Change In Year £000	2016 £000
Cash at bank and in hand	3,007	(1,077)	1,930
Cash on deposit	31,076	(577)	30,499
<b>Total cash and cash equivalents</b>	<b>34,083</b>	<b>(1,654)</b>	<b>32,429</b>

## 1. Principal Accounting Policies

### 1a *Basis of Preparation*

The financial statements have been prepared in accordance with the Charities SORP (Financial Reporting Standard 102 ('FRS 102')) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2016. The consolidated accounts include the trading activities, assets and liabilities of Star & Garter Property Limited consolidated on a line-by-line basis.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014.

The Charity constitutes a public benefit entity as defined by FRS 102. In the view of the Governors, there are no material uncertainties casting doubt on the ability of the Charity to continue providing care for beneficiaries in the foreseeable future.

### 1b *Voluntary Income*

Donations are accounted for on receipt. Grant income is recognised when receivable. Legacies are accounted for at the earlier of receipt of the legacy, authorisation by the executors of an interim distribution or the point at which the final accounts of the estate are agreed by the Charity.

### 1c *Fee Income*

Fee income represents charges for accommodation, nursing and care of residents and is accounted for in the year care was provided.

### 1d *Expenditure and the Allocation of Costs*

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

- Care - nursing and care costs together with catering, domestic and facilities costs relating to residents.
- Raising funds - direct and indirect costs of this activity.
- Governance - 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.

### 1e *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.

**1f Financial instruments**

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. At the balance sheet date the Charity held the following financial assets at amortised cost:

	<i>Note</i>	<i>2016</i> £000	<i>2015</i> £000
Bank deposits	9	30,499	31,076
Fees receivable	10	183	528
Accrued income	10	231	42
Legacies receivable	10	27	12
Proceeds from disposal of Richmond buildings	10	-	51,561
Other debtors	10	362	22
Cash at bank and in hand		1,930	3,007
<b>Total</b>		<b>33,232</b>	<b>86,248</b>

Financial liabilities which comprise amounts payable, accruals and other creditors are held at the Balance Sheet date at amortised cost of £1.95m (2015: £1.27m) (Note 11).

Investments which form part of an investment portfolio are held at the Balance Sheet date at fair value of £73.26m (2015: £17.49m) (Note 9), with gains and losses recognised within income and expenditure.

**1g 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.

**1h Pensions**

The Charity operates two defined contribution pension schemes for employees. Contributions are charged to the Statement of Financial Activities ('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<sup>th</sup> 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.

**1i Operating Leases**

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

**1j Funds**

**Endowment funds** comprise investment assets which are held as capital by the Charity and whose income is applied for charitable purposes.

**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.

**1k Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Charity's accounting policies, which are described in Note 1, Governors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical

experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the view of the Governors, other than in respect of the defined benefit pension scheme, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

## 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 2011 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:

	2016	2015
	£	£
Shares in Star and Garter Promotions Limited	2	2
Shares in Star & Garter Property Limited	1	1
Total	<u>3</u>	<u>3</u>

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

	2016	2015
	£000	£000
Turnover	6,404	623
Operating costs	<u>(6,217)</u>	<u>(605)</u>
Contribution to The Royal Star & Garter Homes: Gift aid payment	187	18
	<u>(187)</u>	<u>(18)</u>
Net profit before taxation	-	-
Corporation tax	-	-
Retained in subsidiary	<u>-</u>	<u>-</u>

Turnover represents charges for construction services relating to the provision of Care Homes to the Charity. Apart from this, and the payment of Gift Aid, there were no other related party transactions with subsidiaries.

### The Net Assets of Star & Garter Property Limited at 31 December 2016 were as follows:

	2016	2015
	£000	£000
Total Assets	1,706	479
Total Liabilities	<u>(1,706)</u>	<u>(479)</u>
Net Assets	<u>-</u>	<u>-</u>

### 3. Analysis of Total Expenditure

	Staff costs £000	Depreciation £000	Other £000	<b>Total 2016 £000</b>	Total 2015 £000
Charitable activities: care costs	7,241	1,150	2,739	<b>11,130</b>	10,971
Raising funds	536	106	1,105	<b>1,747</b>	1,694
Investment management fees	-	-	267	<b>267</b>	84
Decommissioning costs	-	-	12	<b>12</b>	12
<b>TOTAL EXPENDITURE</b>	<b>7,777</b>	<b>1,256</b>	<b>4,123</b>	<b>13,156</b>	<b>12,761</b>

Care costs include support costs totalling £1.5m (2015: £1.6m). This total includes staff costs £0.7m (2015: £0.8m), depreciation £0.1m (2015: £0.1m) and other costs £0.7m (2015: £0.7m).

The cost of raising funds includes support costs totalling £121k (2015: £112k). This total includes staff costs £46k (2015: £44k) and other costs £75k (2015: £68k).

Support costs include governance costs totalling £86k (2015: 78k).

### 4. Auditor's Remuneration

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

	2016 £000	2015 £000
In respect of audit services:		
Charity	25	25
Group companies	3	3
In respect of taxation and other advice and services	1	3
	<b>29</b>	<b>31</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 £4.9m at 31 December 2016 (2015: £4.4m).

### 6. Governors' Remuneration

No Governor received any remuneration during the years ended 31 December 2016 or 2015. During the year, five Governors (2015: six) received reimbursement of personal travel and subsistence expenditure amounting to £1,361 (2015: £2,178).

## 7. Emoluments & Numbers of Employees

The total emoluments of employees for the year comprised:

	2016	2015
	£000	£000
Wages and salaries	6,267	6,206
Employer National Insurance costs	554	552
Contributions to defined contribution pension scheme	239	259
	<u>7,060</u>	<u>7,017</u>
Other staff costs	717	497
<b>Total staff costs</b>	<b><u>7,777</u></b>	<b><u>7,514</u></b>

During the year, staff from commercial agencies provided cover for nurses, health care assistants and clerical services at a total cost of £651k (2015: £445k). This is included within other staff costs above.

The average monthly number of staff employed during the year was as follows:

	2016	2015
Nursing and care	180	180
Domestic, catering and other Home based staff	39	39
Fundraising	14	14
Management and administration	12	12
	<u>245</u>	<u>245</u>

The number of employees who received more than £60,000 in the year was as follows:

Emoluments :	2016	2015
£60,001 - £70,000	4	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
£90,001 - £100,000	2	2
£100,001 - £110,000	2	-
£110,001 - £120,000	-	1

The total employment benefits (including employers' national insurance contributions) of the above employees, who are the Charity's key management personnel, were £854k (9 employees) during the year (2015: £637k - 6 employees).

## 8. Tangible Fixed Assets - Group

	Freehold Land & Buildings £000	Asset in the course of construction £000	Leasehold Land & Buildings £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
<b>Cost :</b>						
At 1 January 2016	17,049	1,101	14,108	5,606	144	38,008
Additions	24	6,206	146	-	-	6,376
<b>At 31 December 2016</b>	<b>17,073</b>	<b>7,307</b>	<b>14,254</b>	<b>5,606</b>	<b>144</b>	<b>44,384</b>
<b>Accumulated depreciation :</b>						
At 1 January 2016	894	-	1,539	2,926	144	5,503
Charge for year	405	-	230	621	-	1,256
<b>At 31 December 2016</b>	<b>1,299</b>	<b>-</b>	<b>1,769</b>	<b>3,547</b>	<b>144</b>	<b>6,759</b>
<b>Net book value at 31 December 2016</b>	<b>15,774</b>	<b>7,307</b>	<b>12,485</b>	<b>2,059</b>	<b>-</b>	<b>37,625</b>
Net book value at 31 December 2015	16,155	1,101	12,569	2,680	-	32,505

The Charity commenced construction of the High Wycombe Home in March 2016. Completion is expected in March 2018 and we expect to welcome our first residents in April 2018. The Charity has established a budget of £25m for constructing and fitting out the Home.

The net book value of tangible fixed assets owned by the Charity is as follows:

<b>Net book value at 31 December 2016</b>	<b>16,130(*)</b>	<b>7,517(**)</b>	<b>12,485</b>	<b>2,059</b>	<b>-</b>	<b>38,191</b>
Net book value at 31 December 2015	16,510(*)	1,125(**)	12,569	2,680	-	32,884

These figures include cumulative profit earned by Star & Garter Property Limited on the provision of construction services to the Charity in connection with:

(\*) the Surbiton Home amounting to £356k at 31 December 2016 (2015: £355k); and

(\*\*) the High Wycombe Home amounting to £210k at 31 December 2016 (2015: £24k).

The Charity had contracted capital commitments totalling £14.4m in relation to the High Wycombe Home at 31 December 2016 (2015: £2.7m).

## 9. Investments

	2016 £000	2015 £000
Market value at 1 January	48,570	42,497
Net investment of capital	50,380	6,088
Net realised and unrealised gain/ (loss) during the year	4,811	(15)
<b>Market value at 31 December</b>	<b>103,761</b>	<b>48,570</b>
Historical cost as at 31 December	101,178	46,624
<b>Analysis of Investments:</b>	<i>2016</i> £000	<i>2015</i> £000
Bank deposits	30,499	31,076
Investment portfolio managed by Smith & Williamson Investment Management LLP	33,612	-
Investment portfolio managed by Sarasin & Partners LLP:		
The Alpha Common Investment Fund for Endowments	34,641	17,494
The Alpha Common Investment Fund for Income & Reserves	5,009	-
	<b>103,761</b>	<b>48,570</b>

The investment portfolio managed by Smith & Williamson included listed investments (£32.0m) and cash or cash equivalents (£1.6m) at 31 December 2016.

## 10. Debtors

### Amounts falling due within one year:

	Group 2016 £000	Group 2015 £000	Charity 2016 £000	Charity 2015 £000
Fees receivable	183	528	183	528
Amounts due from subsidiary companies	-	-	540	93
Accrued income	231	42	231	42
Prepayments	146	329	146	329
Legacies receivable	27	12	27	12
Proceeds from disposal of Richmond buildings	-	51,561	-	51,561
Other debtors	362	22	19	-
	<b>949</b>	<b>52,494</b>	<b>1,146</b>	<b>52,565</b>

The Charity received the proceeds from selling its Richmond properties in February 2016.

## 11. Creditors

	Group 2016 £000	Group 2015 £000	Charity 2016 £000	Charity 2015 £000
Expense creditors	1,140	375	268	319
Accruals	750	816	723	586
Deferred income	-	372	-	372
Amounts due to subsidiary companies	-	-	933	143
Other taxation and social security	169	169	169	169
Other creditors	62	80	62	80
	<b>2,121</b>	<b>1,812</b>	<b>2,155</b>	<b>1,669</b>

All amounts included as deferred income are released to income in the following year.

## 12. Funds

	At 1 Jan 16 £000	Income in year £000	Expenditure in year £000	Transfers in year £000	Other Gains 31 £000	At Dec 16 £000
<b>PERMANENT ENDOWMENT FUND</b>						
Central Regimental Institutes Fund	48	-	-	-	3	51
<b>UNRESTRICTED FUNDS</b>						
Solihull Home Fund	13,203	-	(308)	-	-	12,895
Surbiton Home Fund	15,620	-	(659)	-	-	14,961
High Wycombe Home Fund	25,000	-	-	-	-	25,000
Fourth Home Fund	25,000	-	-	-	-	25,000
Home Replacement Fund	5,600	-	-	1,250	-	6,850
Administration Office Fund	3,100	-	(202)	-	-	2,898
Property Refurbishment Fund	3,205	-	(36)	-	-	3,169
Strategic Development Fund	8,900	-	-	4,335	-	13,235
Care Support Fund	25,542	-	-	-	-	25,542
General Fund	9,703	15,870	(11,951)	(5,585)	3,963	12,000
<b>Total of Unrestricted Funds</b>	<b>134,873</b>	<b>15,870</b>	<b>(13,156)</b>	<b>-</b>	<b>3,963</b>	<b>141,550</b>
<b>TOTAL FUNDS</b>	<b>134,921</b>	<b>15,870</b>	<b>(13,156)</b>	<b>-</b>	<b>3,966</b>	<b>141,601</b>

### Permanent Endowment Fund:

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

### Designated Funds:

The *Solihull Home Fund* (established December 2004) represents the book value of the tangible fixed assets of the Solihull Home.

The *Surbiton Home Fund* (established December 2004) represents the book value of the tangible fixed assets of the Surbiton Home.

The *High Wycombe Home Fund* was established in 2007 to provide funds for constructing the third new Home planned by the Charity. The Charity received donations towards the cost of fitting out the High Wycombe Home totalling £3k during the year (2015: £14k). These amounts were not spent in 2016, and are expected to be spent in 2017.

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

The *Home Replacement Fund* was established in 2014. Governors agreed to increase this fund by £1.25m in 2016. This fund is being built up to finance the replacement of existing 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 tangible fixed assets of the Charity's administration office in Hampton.

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

The *Strategic Development Fund* was established in 2015 to provide capital to be applied in developing the Charity's work for beneficiaries. Governors agreed to increase this fund by £4.3m in 2016. The Charity is undertaking a review of significant care needs in the Service community and will apply these funds to meet identified needs.

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.

### General Fund:

The Charity received donations during the year totalling £313k to finance specific care activities. Of this amount, £293k was utilised during the year together with £3k brought forward from 2015. A total of £20k has been carried forward to 2017.

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

	Tangible Fixed Assets £000	Investments £000	Current Assets £000	Current Liabilities £000	Pension Liabilities £000	Total £000
Permanent Endowment Fund	-	51	-	-	-	51
<b>Unrestricted Funds:</b>						
Solihull Home Fund	12,895	-	-	-	-	12,895
Surbiton Home Fund	14,961	-	-	-	-	14,961
High Wycombe Home Fund	6,871	18,129	-	-	-	25,000
Fourth Home Fund	-	25,000	-	-	-	25,000
Home Replacement Fund	-	6,850	-	-	-	6,850
Administration Office Fund	2,898	-	-	-	-	2,898
Property Refurbishment Fund	-	3,169	-	-	-	3,169
Strategic Development Fund	-	13,235	-	-	-	13,235
Care Support Fund	-	25,542	-	-	-	25,542
General Fund	-	11,785	2,881	(2,121)	(545)	12,000
<b>Total Net Assets</b>	<b>37,625</b>	<b>103,761</b>	<b>2,881</b>	<b>(2,121)</b>	<b>(545)</b>	<b>141,601</b>

### 14. Pension Schemes

The Charity operated a Pension Scheme for some of the Charity's staff as described in Note 14.2. 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.

#### 14.1 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 £238,818 (2015: £258,667) into the defined contribution pension schemes during the year. The value of outstanding contributions at 31 December 2016 was £40,609 (2015: £61,388).

#### 14.2 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 2016 by a qualified independent actuary in accordance with FRS102. 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.

The actuarial valuation indicated that a deficit of £0.5m existed at 31 December 2016 (surplus of £0.5m at 31 December 2015). This amount has been provided for in these accounts. In order to reflect the obligations set out in the Schedule of Contributions agreed between the Charity and Pension Trustees, the Charity has established a *Pension Reserve* with a value of £1.7m to cover the balance of the payments which have been agreed to eliminate the triennial pension deficit.

As at 31 December 2016, contributions are payable to the Scheme by the Charity at the rates set out in the Schedule of Contributions dated 12 February 2015, which is based on the results of the most recent full

triennial actuarial valuation as at 1 January 2014. The Employer contribution expected to be made in the year commencing 1 January 2017 is £206,000.

#### (A) Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2016	2015
Discount rate	2.70%	3.70%
Expected return on scheme assets	2.70%	3.70%
RPI Inflation	3.50%	3.30%
CPI Inflation	2.50%	2.50%
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment (lower of RPI or 5%)	3.20%	3.20%
Pensioner and non-pensioner mortality (pre and post retirement)	See note 1 below	See note 1 below
Cash commutation	See note 2 below	See note 2 below

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

**Note 1:** Based on S2PA table using CMI 2015 improvements and an assumed 1.25% long term rate of mortality improvement.

**Note 2:** Members take 50% of maximum cash available.

#### (B) Asset Breakdown

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

	2016	2015
Gilts/Corporate Bonds	54.1%	49.2%
Investment portfolio	44.9%	48.7%
Cash	0.4%	0.4%
Insurance policies	0.6%	1.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### (C) Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2016 £000	2015 £000
Present value of funded obligations	(25,553)	(22,732)
Fair value of scheme assets	25,008	23,254
<b>Present value of obligations:</b>		
(Deficit)/Surplus	(545)	522
Restriction applied to irrecoverable surplus	-	(522)
<b>Net liability recognised in the balance sheet</b>	<b>(545)</b>	<b>-</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:**

	2016 £000	2015 £000
Interest on obligation	824	839
Expected Return on Pension Scheme Assets	(848)	(832)
<b>Total – included within Total Resources Expended</b>	<b>(24)</b>	<b>7</b>

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

	2016 £000	2015 £000
Actuarial (loss)/ gain	(1,367)	639
Release of/ (restriction applied to) irrecoverable surplus	522	(522)
<b>Actuarial (loss)/ gain recognised in Statement of Financial Activities</b>	<b>(845)</b>	<b>117</b>
Cumulative amount of actuarial (loss)/ gain recognised in the STRGL	(380)	465

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

	2016 £000	2015 £000
Opening defined benefit obligation	22,732	24,367
Interest cost	824	839
Impact of adjustments and assumptions on scheme liabilities (Note I)	2,932	(1,686)
Benefits paid	(935)	(788)
<b>Closing defined benefit obligation (Note H)</b>	<b>25,553</b>	<b>22,732</b>

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

	2016 £000	2015 £000
Opening fair value of scheme assets	23,254	24,051
Actual return on scheme assets (*)	2,413	(215)
Contributions by employer	276	206
Benefits paid	(935)	(788)
<b>Closing fair value of scheme assets (Note H)</b>	<b>25,008</b>	<b>23,254</b>

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

Expected return	848	832
Experience adjustments on scheme assets (Note I)	1,565	(1,047)
<b>Actual return on scheme assets</b>	<b>2,413</b>	<b>(215)</b>

**(H) Movements over previous five years**

	<i>2016</i> £000	<i>2015</i> £000	<i>2014</i> £000	<i>2013</i> £000	<i>2012</i> £000
<b>(Deficit) reported in Balance Sheet:</b>					
Defined benefit obligations (Note F)	(25,553)	(22,732)	(24,367)	(21,825)	(20,898)
Scheme assets (Note G)	25,008	23,254	24,051	21,092	21,844
(Deficit)/ surplus	(545)	522	(316)	(733)	946
Restriction applied to irrecoverable surplus	-	(522)	-	-	(946)
<b>Deficit reported in Balance Sheet</b>	<b>(545)</b>	<b>-</b>	<b>(316)</b>	<b>(733)</b>	<b>-</b>

**(I) Impact of adjustments and assumptions on scheme liabilities and assets:**

Experience adjustments on scheme liabilities	267	137	189	9	(727)
Changes in the assumptions underlying the present value of scheme liabilities	(3,199)	1,549	(2,664)	(917)	(1,092)
<b>Impact of adjustments and assumptions on scheme liabilities (Note F)</b>	<b>(2,932)</b>	<b>1,686</b>	<b>(2,475)</b>	<b>(908)</b>	<b>(1,819)</b>
<b>Impact of experience adjustments on scheme assets (Note G)</b>	<b>1,565</b>	<b>(1,047)</b>	<b>2,905</b>	<b>(857)</b>	<b>(725)</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

Vice Admiral Sir John Dunt KCB

Air Chief Marshal Sir David Parry-Evans GCB CBE

Dennis Roberts OBE

The Mayor of the London Borough of Richmond upon Thames

The Mayor of the Royal Borough of Kingston upon Thames

The Mayor of Solihull

### Governors

- 1,2,3,4 Major General Tim Tyler CB MA (Chairman)  
Susan J Bush RRC MBA BA(Hons)
- 1,2,4 J. Malcolm D. Chapple BSc, Barrister at Law, FCIArb (Vice Chairman)
- 3,4 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
- 2 Digby Flower BSc MRICS
- 1,3,4 Amanda Francis DSS BSc ACA (Treasurer)  
Nigel Gaymer FCA – to 8 March 2016
- 2 Christopher Harrison  
Colonel Alison McCourt OBE ARRC – from 21 March 2017  
Colonel Matt Petersen MA – from 21 March 2017  
William Reid BA Chartered FCSI FRSA – from 21 March 2017
- 3 Robert Robson OBE BA MIOd  
Captain Julie Thain-Smith MSc BSc (Hons) RN  
Group Captain Marcus Wills CVO OBE
- 1,4 Mark Wills BSc FRGS DipAIBD MInstRE Chartered FCSI CWM

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

Surgeon Commodore Peter Buxton OBE QHP FRCR Royal Navy – to 21 March 2017

Surgeon Commodore Paul Hughes QHP FRCGP Royal Navy – from 6 December 2016

Major General Jeremy Rowan OBE QHS – to 8 March 2016

Group Captain Phil Spragg QHN MA MSc – to 8 March 2016

### Appointee of The British Red Cross Society

Professor Suzanna Rose JP DL PhD MA RN

### Committee membership as at 31 December 2016

- <sup>1</sup> Member of Finance Committee  
<sup>2</sup> Member of Property Committee  
<sup>3</sup> Member of Strategy Group  
<sup>4</sup> Member of Remuneration Committee

**LEGAL AND ADMINISTRATIVE INFORMATION**

**FULL NAME**

The Royal Star & Garter Homes  
Registered Charity No. 210119  
Incorporated by Royal Charter in England: Company No. RC000713

**BODY OF GOVERNORS**

A full list with appointments to sub-committees is shown on Page 29.

**EXECUTIVE**

Michael Barter CBE	Chief Executive – to 15 January 2016
Andy Cole OBE MA MBA	Chief Executive – from 15 January 2016
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  
general.enquiries@starandgarter.org

**SOLIHULL HOME**

Tudor Coppice  
Solihull  
West Midlands B91 3DE

**SURBITON HOME**

Upper Brighton Road  
Surbiton  
Surrey KT6 6JY

**BANKS**

National Westminster Bank Plc  
Lloyds Bank plc  
Barclays Bank PLC

**SOLICITOR**

Trowers & Hamlins LLP  
3 Bunhill Row  
London EC1Y 8YZ

**INVESTMENT MANAGERS**

Sarasin & Partners LLP Juxon House 100 St Paul's Churchyard London EC4M 8BU	Smith & Williamson Investment Management LLP 25 Moorgate London EC2R 6AY
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**AUDITOR**

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

# Our Homes



Encouraging activities



Solihull - opened 2008



Surbiton - opened 2013



Individually tailored care



A beautiful new home  
for 74 residents



High Wycombe  
- opening in Spring 2018



## Stephen's Story

Rifleman Stephen was 19 when he was wounded by a mortar bomb whilst serving in Iraq. He received brain injuries which left him severely disabled, and mean he uses a wheelchair and communicates via a tablet.

His courage is humbling. Our Care Team work with Stephen and his family to help him live as independently as possible: regular physiotherapy helps him to maintain his strength and well-being and to control the pain.

**“I joined the Army because I wanted to make a career and to push myself.”**



[general.enquiries@starandgarter.org](mailto:general.enquiries@starandgarter.org)

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