



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

Annual Report & Accounts

For the year ended 31 December 2018





The Royal Star & Garter Homes

Caring for the nation's military family since 1916

"I'm happy here, I like the friendliness. The people that work here are very kind, very nice. And the volunteers are marvellous."

Alec Lewis - Army



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

We believe that **people** make a home



Contents

Chairman's Letter	1
Governors' Report	3
Independent Auditor's Report	15
Consolidated Statement of Financial Activities	18
Balance Sheets	19
Consolidated Statement of Cash Flows	20
Notes to the Consolidated Accounts:	
1. Charity Information	21
2. Principal Accounting Policies	21
3. Analysis of Total Expenditure	23
4. Auditor's Remuneration	23
5. Legacies	24
6. Governors' Remuneration	24
7. Emoluments & Numbers of Employees	24
8. Tangible Fixed Assets	25
9. Investments: Subsidiary Undertakings	26
10. Investments: Other Investments	27
11. Debtors	27
12. Creditors	27
13. Statement of Funds	28
14. Analysis of Group Net Assets between Funds	30
15. Pension Schemes	30
Office Bearers	34
Legal and Administrative Information	35

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



Chairman's Letter

Every day we focus on providing outstanding, compassionate and loving care to those who have had the courage to serve their country. We are proud to support veterans and their partners who have given so much and who are living with disability or dementia, and to lead the field in both the quality of our care and the scope of our innovation.

Our new strategy sets out a bold vision: to push further the boundaries of the quality of our services, while at least doubling the number of veterans we help. Our work has been recognised by an Outstanding rating in Solihull from the Care Quality Commission and both our Homes achieving high ratings from Dementia Care Matters. We are also now able to reach about 40 more veterans through our new day care service in Solihull and our new Home in High Wycombe will support even more.

To meet our exacting standards requires passion, commitment and significant financial investment. We continually challenge ourselves to improve through exposure to new cutting-edge research and identifying innovations in care. We place great emphasis on developing and supporting our staff – it is only through them that we can continue to deliver the highest quality of care. Alongside our people, we also continue to make a major investment in new and existing buildings.

I would like to thank our team of staff and volunteers who make our Homes so special for residents, as well as our Governors for their commitment and support. I am also delighted to be able to congratulate John Parvin who was awarded the British Empire Medal in the 2019 New Year's Honours List. John started volunteering with us in 1993, and along with his wife Lesley, makes a wonderful difference supporting residents.

We have made tremendous headway in a number of areas in 2018 and look forward to a very special year in 2019 with the opening of our new Home in High Wycombe.

Major General Tim Tyler CB
Chairman, Governing Body

18 June 2019

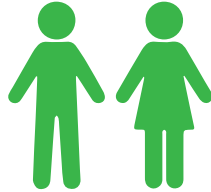


The new High Wycombe Home

2018

186

RESIDENTS
SUPPORTED



81

MEN

105

WOMEN



Over

5,600 ACTIVITIES

OUTINGS & EVENTS
OFFERED TO RESIDENTS



Over

60

VOLUNTEERS



42,165

DAYS of
RESIDENTIAL CARE

32

ROYAL NAVY &
ROYAL MARINES
VETERANS



95

ARMY
VETERANS



59

RAF
VETERANS



960

SESSIONS
OF DAY CARE

11,700 SESSIONS

OF PHYSIOTHERAPY AND SPEECH &
LANGUAGE THERAPY PROVIDED



Governors' Report

Our mission is to provide outstanding and loving care to ex-Service men and women and their partners living with disability and dementia - ensuring that they are able to live life to the full.

The Royal Star & Garter Homes was established in 1916 to care for soldiers and sailors who had been disabled during the First World War. We are registered with the Charity Commission (number 210119) and our activities are governed by Royal Charter dated 21 September 1990 as amended on 13 June 2007.

The Governors present their annual report and audited financial statements for the year ended 31 December 2018, and confirm they comply with the requirements of the Charities Act 2011, our governing document and the relevant Statement of Recommended Practice (Charities SORP 2015).

With modern medical advances, more Service men and women are surviving injury and illness into older age. However, the veteran community is more likely to experience long-term physical health conditions, and the proportion of veterans over the age of 90 is expected to double in the next decade. 1.6 million UK Armed Forces veterans will be living in Great Britain in 2028, with 37% of veterans aged over 75, and 12% over 90 (Ministry of Defence, January 2019). We have also seen a significant increase in the number of individuals requiring specialist dementia care. 1 in 14 people over 65 years will develop dementia, and the proportion rises to 1 in 6 for those aged over 80 (Alzheimer's Society, 2017). By 2028 we estimate that around 64,000 veterans will have developed dementia. This is why the work of The Royal Star & Garter Homes remains so vitally important. We continue to provide and expand our distinctive care because we believe that many veterans would otherwise not be able to obtain the specialist care and support which they need. Our Homes fill an important place in the spectrum between hospitals and standard care homes.

We provide high quality services for those in greatest need, in areas where the concentration of the Service community is high and not met by other providers. Our innovative work is also widely shared with other Service charities and in the wider civilian community.

More than a century since our first residents returned from the First World War, we continue to support veterans and their partners from all backgrounds, ranks and services. We know that the veteran community will continue to require high levels of care well into the future and in March 2018 we published our new long-term strategy which focuses on three critical areas.

1. Outstanding care for veterans and their partners living with disability or dementia

Our three purpose-built Homes enable us to provide the highest quality of care for 197 residents. Our Homes have state-of-the-art facilities and will enable us to care for 71 residents in specially-designed dementia communities. This represents more than a third of the total dedicated residential care capacity for veterans living with dementia in England.



The average age of the residents in our Homes is 89, though ages range from 31 to 102 years. Residents are living with either a physical disability or dementia and also a wide range of conditions typically found in the elderly, such as osteoarthritis, osteoporosis, strokes and other neurological conditions. Many residents experience a complex combination of these conditions and the majority require the use of a wheelchair.

Operating as a charity enables us to maintain an outstanding range of person-centred care and therapies for our residents. Exceptional care is holistic care. Each resident's physical, emotional, psychological and social needs are met with kindness, respect and friendship. Residents are also offered a choice of more than 50 activities and outings a week.

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. We employ a wide range of professional care staff including nurses and care assistants, together with physiotherapy, speech and language therapy and activities teams.

To do this we invest significant amounts in our staffing levels, training and activities which are all a hallmark of our care. This does mean that our cost of care is higher than in some traditional homes. However our fees for residents are significantly lower than the actual cost of care - which means that we provide substantial financial support to all our residents.

We continue to 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 with a presence at key ceremonial events during the year.

2. Meeting the needs of the next generation of veterans

Although residential care is at the heart of what we do, this year we have continued to develop our day care service in Solihull, bringing up to eight local veterans and partners into the Home five days a week.



Star & Garter Club guests enjoying puzzles

The Star & Garter Club

Based at our Solihull Home, the Day Care service allows us to extend our activities and therapies to more disabled older veterans and their partners who do not currently need residential care.

Club guest Pat, formerly in the WRAC, commented:
"I'm in no doubt that if I need to, I'd like to come here to live. It's a fabulous place. It's nice to have that military connection."

In 2018 we have been able to support 36 individuals through day care in Solihull alone. We have also supported 20 veterans with short break/respite care in our Surbiton and Solihull Homes. Our day care veterans participate in activities, have lunch, take part in trips and benefit from a tailored wellbeing programme. This programme has been supported by a grant from the Aged Veterans Fund funded by the Chancellor using LIBOR funds.

Feedback about day care has been extremely positive – helping to tackle loneliness and isolation at their root cause. In 2019 we will expand our day care provision into our new High Wycombe Home.

We have set ourselves a challenging target of at least doubling the number of veterans we support over the next three years. In order to achieve this we are developing two new services:

- to provide care in veterans' own homes; and
- to create a bespoke, smaller home for younger veterans.

Home Care is delivered when a carer visits someone in their own home and helps them with daily activities they cannot safely manage on their own such as getting dressed, preparing meals and washing. This will be trialled in the Surbiton area in 2020 with the aim of implementing similar services in Solihull and High Wycombe, and perhaps other locations.

Our three modern Homes mean that we are once again able to play our part in supporting younger veterans if they become disabled. A member of The Rifles who was seriously injured by a mortar bomb while serving in Basra is currently being cared for in one of our Homes. We are particularly proud to be able to provide the range of care required for young Servicemen and women with severe injuries – which takes us back to our roots in the First World War. We are actively looking for a plot of land close to our Surbiton Home so we can develop our first younger veterans' home. We plan to create a community for about six younger veterans with disabilities. This Home will meet our high standards, with the same access to support, activities and therapies. It will have a more modern domestic aesthetic and focus on quality of life and promoting independence. Residents will take more responsibility for organising activities and events, and encouraging education and training. We hope in time to be able to create younger veterans' homes in other locations based on our experience in Surbiton.

We have designated £12m to enable us to develop these new services over the next five years.

3. Raising the standard of care for veterans

As an outstanding provider of care, we actively embrace our responsibility to the wider communities close to our Homes and to all veterans in the country. We help to fulfil our charitable objectives not only through delivering our own care, but by helping others to reach best standards too. To that end we are involved in a range of innovative projects which aim to raise the standard of care for all UK veterans.

This year has seen the creation of the new Nursing Associate role in England which has the potential to transform the way that social care services are provided in the future. We have been part of their development, hosting seven placements at our Surbiton Home. Now that Nursing Associates have been recognised by the regulator, three of our carers are among the very first cohort of trainees in the country, and will qualify in 2021.



Fiona, Leena and Karen training at St George's

Trainee Nursing Associates

As part of our commitment to share our expertise to improve care for all older people, we both provide placements for trainee Nursing Associates and support our own staff to train, including our Health Care Assistants Leena, Karen and Fiona. Karen said: *"This is a massive step in my career development, and I feel so proud."*

Recently a trainee, Gary, who is deaf, had a placement with us. He used an interpreter to assist his work and commented: *"I've realised there are no barriers. I've had loads of support and the placement has been fantastic."*

We have continued our involvement with a wide-ranging programme of academic research, including 'The impact of military service on risk of dementia' with King's College London; a longitudinal study researching why some individuals develop symptoms such as hallucinations and paranoia also with King's College London; and 'SettleIn', a structured programme to support residents moving into residential care, with University College London.

Our Director of Care has been involved in a National Institute for Health and Clinical Excellence guidelines development group for standards in dementia care that was published in 2018. It is always a pleasure to welcome students who are keen to learn into our Homes, and we continue to support tri-service military nursing students from Birmingham City University in our Solihull Home, and civilian students from Kingston Hospital in our Surbiton Home (five student nurses and seven nursing associate trainees).

The Royal Borough of Kingston upon Thames have partnered with us to support them in the development of their own new dementia care home, which will be based on our model of care and close to our Surbiton Home.

Our staff team continue to be heavily involved in the National Care Forum, an association of not-for-profit care providers, with representation on their board and chairing the HR group. Our Chief Executive chairs the Confederation of Service Charities 'care cluster', helping to share best practice across the veterans care sector. This year we have been delighted to welcome visitors from across the globe to learn about our approach to care, especially dementia care. These have included Minister of State for Care, Caroline Dinenage MP, Health

Education England Chairman, Sir Keith Pearson and Chief Nurse, Professor Lisa Bayliss-Pratt, numerous other military charities and organisations, and visitors from Commonwealth nations Australia and New Zealand.

Communicating and meeting residents' needs

We are committed to finding out and meeting the needs of our residents and potential beneficiaries and use a number of informal and structured approaches to obtain feedback from residents and their families about the services we provide.

We are also committed to providing an environment that is free from discrimination on any grounds including age, race, religion, gender, 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

We benefit from the services of more than 60 active volunteers, who in some cases receive reimbursement of expenses. Volunteers are very generous with their time and they cover a wide range of activities to support the care and welfare of residents as well as supporting our fundraising. Volunteers are a special group of our supporters and much of what they do would not be possible if undertaken by employees. The Governors wish to record their gratitude to all our volunteers for their support which enables residents to enjoy such a wide range of activities and outings.

Financial review

We rely heavily on legacies and public donations to finance the care we provide. We are very grateful for the tremendous support we receive from a wide range of individuals and organisations. This income is critical and allows us to continue to meet the changing needs of the veterans' community and to invest in a range of new services.

Although we are well placed to strengthen and grow our activities, 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 changes in fundraising regulations.

Details of our results for the year are set out in the Consolidated Statement of Financial Activities (page 18). In setting objectives and planning activities, Governors give full consideration to the Charity Commission's guidance on public benefit and fee-charging.

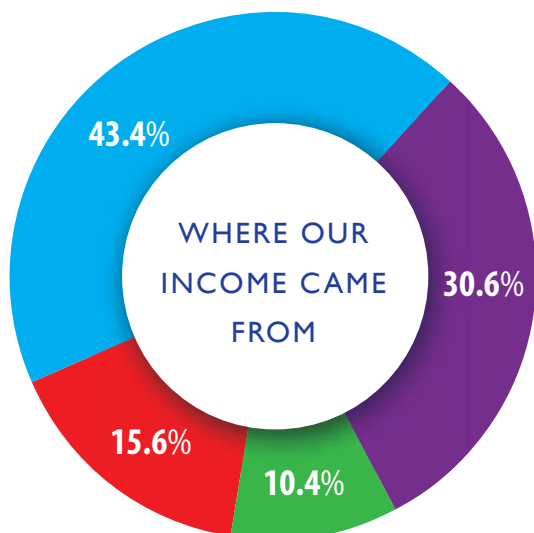
We were pleased that we have been able to achieve average occupancy of 93.5% in 2017 and 2018 (115 residents). The cost of providing care to residents has risen by 14% in 2018 (2018: £14.1m; 2017: £12.4m). This increase reflects the charity's investment in staff and systems which are necessary for operating three Homes, and for delivering the highest quality of care in each of them.

Summary of income and expenditure

We rely on public support for everything that we do. Like all charities, we have to spend money in order to raise valuable funds and ensure we are well run. The following is a brief summary of our income and expenditure in 2018.

HOW WE RAISED OUR INCOME

During 2018, we raised £17.3m to enable us to provide the highest quality of care for military veterans.

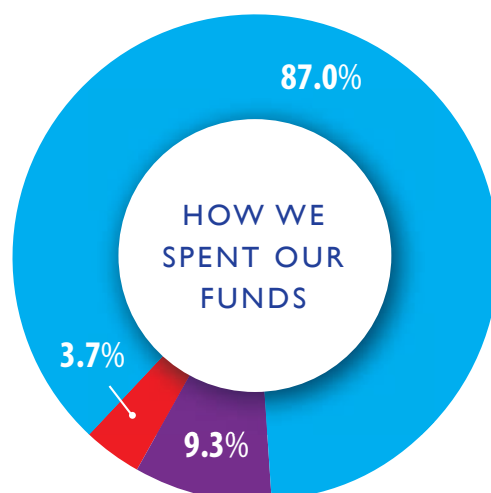


Fees for care services	£7.5m
Legacies	£5.3m
Investment income	£2.7m
Donations/other income	£1.8m

TOTAL INCOME £17.3m

HOW WE SPENT OUR FUNDS

We spent £14.1m on providing care and support to residents – 87p in every £1 we spent. We spent just 21p on fundraising for every £1 we raised during the year.



Care & support	£14.1m
Fundraising inc. legacies	£1.5m
Managing our investments	£0.6m

TOTAL EXPENDITURE £16.2m

We received fee income from residents and funding organisations (principally local authorities and the NHS) totalling £7.5m during 2018 (2017: £7.0m). Income was higher in 2018 as a result of an increase in the proportion of residents who were self-funding. The cost of care for each resident is supported by the charity from our fundraising income. The cost of this support totalled £6.6m in 2018 (2017: £5.4m).

Our care services

We have set a very demanding occupancy figure at 95% for each of our Homes to maximise the number of beneficiaries who we care for each year. We maintained average occupancy in Solihull at 94% in 2018 (2017: 94%). In Surbiton we increased average occupancy to 93% in 2018 (2017: 92%). We supported a total of 186 residents in 2018 (2017: 176), and the average age of our residents was 89 years on 31 December 2018.

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

Our fundraising

We have a number of active programmes to encourage individuals and organisations to support our work, and Governors gratefully acknowledge the financial support given by so many generous donors. We use a range of fundraising approaches, but always aim to achieve best practice in our donor communications and data management. We are conscious of the pressures vulnerable people might feel as a result of receiving a donor mailing. We take great care when asking supporters to consider making a gift, at the same time ensuring accuracy of our data so that we can manage donor preferences.

We are registered with the Fundraising Regulator and adhere to the Fundraising Codes. We apply best practice to protect our supporter data and we never swap or sell data and only use information that is compliant with the General Data Protection Regulation ('GDPR').

We manage the majority of our own fundraising activities. In 2018 we retained The Woods Group Limited to administer our raffles, and Elle Media Group Limited for the sale of our Christmas cards. One of the important selection criteria for these firms was the professional approach they take to engaging with potential donors. We take seriously the need to achieve the highest standards and we are not aware of any failure on our part, or the firms which support us, to comply with fundraising standards.

In 2018 we received 11 complaints in response to mailings or information we sent to donors. Although these complaints represented an extremely small proportion of our total mailing programme, each one was reviewed by a senior member of staff and was treated as an opportunity to improve our service.

The current environment for fundraising is particularly challenging. We continue to benefit from the generosity of legacy donors, and received income totalling £5.3m in 2018. This was 19% lower than we received in 2017 (£6.5m) and in line with the charity's expectation that legacy income is likely to decline significantly in future years.

In order to secure other sources of income, we remain committed to employing the highest standards in our fundraising and we focus on building long-term relationships with our donors. We received donations and gifts from individuals, trusts and other supporters totalling £1.65m during 2018. This was 2.4% lower than our target (£1.69m), and it represented a reduction by 14.5% from £1.93m in 2017. We are very grateful for all donations, including major grants from the Aged Veterans Fund (£266k) funded by the Chancellor using LIBOR funds, ABF The Soldiers Charity (£102k) and The Royal Air Force Benevolent Fund (£58k) during the year.

Overall, we spent just 21p on fundraising for every £1 we raised in 2018.

Reserves Policy

Governors review the charity's reserves policy at least annually. We have 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 our funds is set out below. Further details are set out in Note 13, and the allocation of net assets between funds is set out in Note 14.

We have invested £77.2m in providing wonderful Homes for our residents. This means that more than half our assets are tied up in buildings. The following is a brief summary of how we are using our overall net assets (£145m) for specific purposes:

One-off investment of £5m to operate the Home as we recruit and develop our new staff team



£5m

OPENING HIGH WYCOMBE HOME

£12m being spent over five years to develop three innovative new services



£12m

INVESTING IN NEW SERVICES

We hold only 12 months' funds to cope with unforeseen events and £2m is required to cover the deficit on our pension scheme



£19.4m

RUNNING COSTS AND UNEXPECTED EMERGENCIES

All our properties require regular upkeep, refurbishment and eventual replacement



£26.8m

PROPERTY UPKEEP

This fund produces £1.1m annual income to support our residents' care



£31.4m

SUPPORTING OUR CARE SERVICES

Our buildings are an integral part of how we deliver high quality care



£50.4m

BUILDINGS

We hold Free Reserves (£17.4m) in the form of disposable assets including cash, term deposits, equities and fixed interest investments to cover unforeseen events. These are equivalent to 12 months' operating costs (2017: 12 months). We also hold a Pension Reserve (£2m) to cover the agreed contributions into the defined benefit pension scheme as described in Note 15.2. 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 our operations, and their assessment of our risk profile.

Pension Schemes

During the year we provided access to two money purchase pension schemes. These arrangements comply with the pension auto-enrolment rules. We increased our rate of contribution during 2018. If an employee makes a contribution of 5% or more of pensionable salary into one of these schemes, then we will also contribute 7.5% into the scheme on their behalf (10% for Directors).

Our 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 £2.7m existed at 31 December 2016. We have 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 2018.

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 £0.8m existed at 31 December 2018 (2017: £0.7m deficit). This deficit has been recognised in these accounts. Further details of the FRS 102 valuation are set out in Note 15.2.

Subsidiary Companies

We had two wholly owned subsidiary companies during 2018:

- 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 £6.6m during the year (2017: £7.9m) as payments in advance for the supply of the High Wycombe Home to the Charity. The company contributed £192k to the Charity during 2018 by way of payments of Gift Aid under a deed of covenant. This has eliminated its taxable profits (2017: Gift Aid payment of £229k).
- Star and Garter Promotions Limited is dormant.

Further information about these companies is set out in Note 9.

Investment Policy

At 31 December 2018, our investments were valued at £94.4m (2017: £105.8m) as set out in Note 10. We reduced the amount held in bank deposits to £13.2m (2017: £20.4m) to cover expenditure on the High Wycombe Home. The overall performance of our other investments has been disappointing, but is consistent with movements in world stock markets generally, and Governors consider that the investment strategies employed by each of the investment managers remain sound. Governors will continue to monitor the performance of the investment portfolios in the light of external developments during 2019.

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.
- Provision of the highest quality of care for residents.
- Secure required level of fundraising income, and address potential for significant reduction in legacy income.
- Serious accident, incident or allegation of abuse.

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 teams.
- Effective recruitment, training, development and retention of staff.
- Monthly internal audits in Homes and central key quality performance systems.
- Independent evaluation of performance by external specialists.
- Implemented fundraising strategy with a focus on encouraging individual and regular donors.
- Proactive legacy marketing activity.
- Care Support Fund to secure future for dependent beneficiaries if fundraising income falls.
- Wide ranging staff training programme.
- Regular risk assessments.
- Lead nurses monitor standards of care, staff supervision and observational audits.
- Quality Assurance Manager leads regular audits and investigates safeguarding issues. Robust whistleblowing and safeguarding policies in place with regular staff training.

The Executive team maintains a Risk Register which is updated regularly as part of a formal risk management process. This involves examining the types of risk we face and prioritising them in terms of likelihood of occurrence and consequence. The Finance Committee, Care Committee and Governors review potential risks and the Risk Register twice a year and consider that we have a clear plan which will enable us to continue providing the highest quality of care for beneficiaries.

Governance

Strong governance is at the heart of what we do and is critical to our long-term success. Our Governors are responsible for ensuring that we are run effectively and responsibly in line with our Royal Charter and all appropriate law and regulation. Governors ensure that there is a clear strategy in place, that we use our resources to deliver the highest quality of care to beneficiaries, and that we safeguard our finances and property. All Governors, who are the Charity's trustees, give their time freely and no remuneration was paid to Governors in the year (2017: £Nil).

We review our governance arrangements and underlying procedures on a regular basis. We compared our approach with the new Governance Code ('the Code') which is endorsed by the Charity Commission and leading charity sector bodies, and which asks charities to apply the Code or explain why they have taken a decision to

adopt a different approach. While The Royal Star & Garter Homes is broadly compliant with the Code, Governors have taken a decision to adopt a different approach in the following areas:

- We have 16 Governors, more than the 12 recommended in the Code. We feel that this provides a broader range of skills and experience in areas vital to our work.
- We have taken the decision that Governors may be appointed for up to four terms of three years in order to retain experienced individuals and provide continuity of service.
- We recognise the value of a diverse board, and consider this within the Governor recruitment process, however we do not consider it necessary to set specific diversity objectives.
- We are commissioning an external review of the Charity's governance arrangements in 2019 following a comprehensive review in 2013.

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 members from all three Services. We seek to ensure that Governors retain a wide range of professional and other skills. New Governors receive a handbook outlining our work and meet members of the Executive team, other staff and residents in order to familiarise themselves with our operations.

Details of the Patron, President, Vice-Presidents and Governors are set out on page 34. The names of the Executive team and external advisers are set out on page 35.

The Governors

The Governors meet four times each year and receive comprehensive reports on all aspects of the Charity's affairs. Governors are encouraged to attend relevant external training courses where appropriate. The Governors delegate certain powers in connection with the management and administration of the Charity to sub-Committees:

- Care Committee
- Finance Committee
- Property Committee
- Remuneration Committee
- Governor Recruitment Committee

Key management personnel

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

Staff pay

The Remuneration Committee commissioned an independent review of the salary and benefits of the Chief Executive and Directors in 2018. Following extensive benchmarking, this review confirmed that remuneration of senior staff was at an appropriate level to ensure good governance of a charity delivering complex highly-regulated services.

We completed our second gender pay gap analysis in 2018. The mean gender pay gap of 7.7% is slightly higher than in 2017 (6.5%) but remains significantly below the national average, and the averages for the care sector and charities. As a matter of policy, we have adopted the Foundation Living Wage and pay the same salary to anyone doing the same job. The Charity's pay gap reflects the relatively high proportion of female staff employed by the Charity in middle salary bands (80%). We are actively seeking to attract men to work in the care sector, focusing on the creation of opportunities such as apprenticeships to attract those seeking a career change.

Corporate governance

We operate systems of internal control which are designed to provide reasonable assurance against material mis-statement 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 team 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 our state of affairs and of the net income or expenditure 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 our transactions and disclose with reasonable accuracy at any time our financial position and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding our assets 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:



Chairman

Date: 18 June 2019

Independent Auditor's Report to the Governors of The Royal Star & Garter Homes

Opinion

We have audited the financial statements of The Royal Star & Garter Homes for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2018 and of the group's income and expenditure 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Governors' report; or
- sufficient accounting records have not been kept by the parent charity; 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

Responsibilities of Governors

As explained more fully in the Governors' responsibilities statement set out on page 14, the Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the charity's Governors, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.



Crowe U.K. LLP
Statutory Auditor
London, UK

Date: 19 June 2019

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2018

	Note	Unrestricted Funds (Note 13) £000	Restricted Funds (Note 13) £000	Permanent Endowment (Note 13) £000	Total Funds 2018 £000	Total Funds 2017 £000
Income and endowments from:						
Charitable activities	2b	7,541	-	-	7,541	7,041
Donations and gifts	2b	1,126	519	-	1,645	1,925
Legacies	2b	5,273	3	-	5,276	6,539
Investments		2,710	-	-	2,710	2,444
Other trading activities		132	-	-	132	144
Other income		12	-	-	12	2
TOTAL		16,794	522	-	17,316	18,095
Expenditure on:						
Charitable activities	3	13,894	218	-	14,112	12,411
Raising funds	3	2,073	-	-	2,073	1,764
TOTAL	3	15,967	218	-	16,185	14,175
NET INCOME BEFORE INVESTMENT (LOSS)/ GAIN		827	304	-	1,131	3,920
Net (loss)/ gain on investments	10	(6,154)	-	(4)	(6,158)	5,069
NET (EXPENDITURE)/ INCOME		(5,327)	304	(4)	(5,027)	8,989
Transfers between funds	13a	742	(742)	-	-	-
OTHER RECOGNISED LOSSES						
Actuarial losses on defined benefit pension scheme	15e	(211)	-	-	(211)	(362)
NET MOVEMENT IN FUNDS		(4,796)	(438)	(4)	(5,238)	8,627
Total funds brought forward		149,215	958	55	150,228	141,601
TOTAL FUNDS CARRIED FORWARD		144,419	520	51	144,990	150,228

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 £492k of Donations and Gifts, £212k of Legacies and £94k expenditure on Charitable Activities.

BALANCE SHEETS

At 31 December 2018

		Group		Charity	
	Note	2018 £000	2017 £000	2018 £000	2017 £000
FIXED ASSETS					
Tangible fixed assets	8	50,434	44,195	51,421	44,990
Investments	9, 10	94,439	105,778	94,439	105,778
		144,873	149,973	145,860	150,768
CURRENT ASSETS					
Stocks		2	3	2	3
Debtors: amounts receivable within one year	11	719	697	771	1,107
Cash at bank and in hand		1,918	2,392	1,881	2,016
		2,639	3,092	2,654	3,126
LIABILITIES					
Creditors: amounts falling due within one year	12	(1,758)	(2,124)	(1,773)	(2,158)
		881	968	881	968
NET CURRENT ASSETS					
NET ASSETS EXCLUDING PENSION LIABILITY					
		145,754	150,941	146,741	151,736
Defined benefit pension scheme liability	15	(764)	(713)	(764)	(713)
TOTAL NET ASSETS					
		144,990	150,228	145,977	151,023
THE FUNDS OF THE CHARITY:					
Unrestricted funds:					
General fund		20,164	20,113	21,151	20,908
Less: Pension reserve	15	(764)	(713)	(764)	(713)
	13	19,400	19,400	20,387	20,195
Fixed asset funds	13	50,434	44,195	51,421	44,990
Designated funds		74,585	85,620	73,598	84,825
Total unrestricted funds	13	144,419	149,215	145,406	150,010
Permanent endowment fund	13	51	55	51	55
Restricted fund	13	520	958	520	958
TOTAL CHARITY FUNDS					
	13	144,990	150,228	145,977	151,023

Approved and authorised for issue by the Governors on 18 June 2019 and signed on their behalf by



Amanda Francis DSS BSc ACA
Treasurer

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities:			
Net cash (used in)/provided by operating activities	A	(939)	2,816
Cash flows from investing activities:			
Investment income and interest received		2,710	2,444
Purchase of tangible fixed assets	8	(7,426)	(7,850)
Purchase of investments		(2,035)	(7,012)
Net cash used in investing activities		(6,751)	(12,418)
Change in cash and cash equivalents during the year	B	(7,690)	(9,602)

(A) Reconciliation of cash flows from operating activities

	2018 £000	2017 £000
Net income for the year	1,131	3,920
Adjustments for:		
Investment income and interest receivable	(2,710)	(2,444)
Depreciation	1,187	1,280
Decrease/(increase) in stocks	1	(1)
(Increase)/ decrease in debtors receivable within one year	(22)	252
(Decrease) /increase in creditors	(366)	3
Pension expense	(160)	(194)
Net cash (used in)/provided by operating activities	(939)	2,816

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

	2017 £000	Change In Year £000	2018 £000
Cash at bank and in hand	2,392	(474)	1,918
Cash on deposit	20,435	(7,216)	13,219
Total cash and cash equivalents	22,827	(7,690)	15,137

1. Charity Information

The Royal Star & Garter Homes is a company incorporated by Royal Charter (Company No. RC000713) and registered with the Charity Commission in England and Wales (Charity No. 210119). The registered office is 15 Castle Mews, Hampton, Middlesex TW12 2NP.

2. Principal Accounting Policies

2a *Basis of Preparation*

The financial statements have been prepared in accordance with the Charities SORP (Financial Reporting Standard 102 ('FRS 102')), 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.

2b *Income*

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

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.

2c *Expenditure and the Allocation of Costs*

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

- Care - nursing and care costs together with catering, domestic, facilities and support costs relating to the provision of care for residents.
- Raising funds - direct and support costs associated with generating donations, grants and legacies.
- Governance - costs incurred in compliance with constitutional and statutory requirements.

The Charity allocates support costs, which relate to central services including human resources, information technology and the finance team, based on an estimate of the costs incurred in supporting each activity, generally by reference to headcount. 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.

2d 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.

2e 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:

	Note	2018 £000	2017 £000
Bank deposits	10	13,219	20,435
Fees receivable	11	109	130
Accrued income	11	168	147
Legacies receivable	11	26	109
Other debtors	11	256	159
Cash at bank and in hand		1,918	2,392
Total		15,696	23,372

Financial liabilities which comprise trade creditors, accruals and other creditors are held at the Balance Sheet date at amortised cost of £1.57m (2017: £1.94m) (Note 12).

Investments which form part of an investment portfolio are held at the Balance Sheet date at fair value of £81.2m (2017: £85.34m) (Note 10), with gains and losses recognised within income and expenditure.

2f 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.

2g 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 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 expenditure. 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.

2h Operating Leases

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

2i 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.

2j Critical accounting judgements and key sources of estimation uncertainty

In the application of the Charity's accounting policies, which are described in Note 2, 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.

3. Analysis of Total Expenditure

	<i>Staff costs</i> £000	<i>Depreciation</i> £000	<i>Other</i> £000	Total 2018 £000	<i>Total 2017 £000</i>
Charitable activities: care costs	8,507	1,082	4,523	14,112	12,411
Raising funds	593	105	1,375	2,073	1,764
TOTAL EXPENDITURE	9,100	1,187	5,898	16,185	14,175

Care costs include support costs £2.1m (2017: £1.8m) and development costs £0.1m (2017: £0.1m). Support costs include staff costs £0.9m (2017: £0.8m), depreciation £0.1m (2017: £0.1m) and other costs £1.1m (2017: £0.9m) relating to the human resources, finance, information technology, pension administration and other central service teams. Other support costs (£1.1m) include building maintenance for the administration office together with pension administration, computer services and other central service costs.

The cost of raising funds includes support costs totalling £143k (2017: £105k) and investment management fees totalling £609k (2017: £363k). Support costs include staff costs £65k (2017: £53k) and other costs £78k (2017: £52k).

Support costs include governance costs totalling £98k (2017: £84k).

4. Auditor's Remuneration

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

	<i>2018</i> £000	<i>2017</i> £000
In respect of audit services:		
Charity	23	26
Group companies	3	3
In respect of taxation and other advice and services	6	5
	32	34

5. Legacies

The Charity has received notification of a number of residuary legacies which have not been included in these accounts because they did not meet the criteria for recognition of income. The estimated total value of this potential income is £3.1m at 31 December 2018 (2017: £4.3m).

6. Governors' Remuneration

No Governor received any remuneration during the years ended 31 December 2018 or 2017. During the year, four Governors (2017: four) received reimbursement of personal travel and subsistence expenditure amounting to £2,072 (2017: £769).

7. Emoluments & Numbers of Employees

The total emoluments of employees for the year comprised:

	2018 £000	2017 £000
Wages and salaries	7,160	6,636
Employer National Insurance costs	664	607
Contributions to defined contribution pension scheme	417	271
	<u>8,241</u>	<u>7,514</u>
Other staff costs	859	776
Total staff costs	<u>9,100</u>	<u>8,290</u>

During the year, staff from commercial agencies provided cover for nurses, health care assistants and clerical services at a total cost of £816k (2017: £689k). This is included within other staff costs above.

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

	2018	2017
Nursing and care	192	189
Domestic, catering and other Home based staff	34	38
Fundraising	16	15
Management and administration	16	13
	<u>258</u>	<u>255</u>

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

Emoluments :	2018	2017
£60,001 - £70,000	1	2
£70,001 - £80,000	2	1
£80,001 - £90,000	-	1
£90,001 - £100,000	2	1
£100,001 - £110,000	-	2
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-

The total employment benefits (including employers' national insurance contributions) of the above employees, who are the Charity's senior management personnel, were £655k (6 employees) during the year (2017: £815k - 8 employees).

8. Tangible Fixed Assets - Group

	<i>Freehold Land & Buildings £000</i>	<i>Asset in the course of construction £000</i>	<i>Leasehold Land & Buildings £000</i>	<i>Plant & Equipment £000</i>	<i>Motor Vehicles £000</i>	<i>Total £000</i>
Cost :						
At 1 January 2018	17,045	15,067	14,267	5,711	144	52,234
Additions	27	6,509	75	815	-	7,426
At 31 December 2018	17,072	21,576	14,342	6,526	144	59,660
Accumulated depreciation :						
At 1 January 2018	1,713	-	2,003	4,179	144	8,039
Charge for year	420	-	234	533	-	1,187
At 31 December 2018	2,133	-	2,237	4,712	144	9,226
Net book value at 31 December 2018	14,939	21,576	12,105	1,814	-	50,434
Net book value at 31 December 2017	15,332	15,067	12,264	1,532	-	44,195

The Charity commenced construction of the High Wycombe Home in March 2016. The Home was completed in March 2019. The Charity has established a budget of £27m for constructing and fitting out the Home.

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

Net book value at 31 December 2018	15,299(*)	22,203(**)	12,105	1,814	-	51,421
Net book value at 31 December 2017	15,692(*)	15,502(**)	12,264	1,532	-	44,990

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 £360k at 31 December 2018 (2017: £360k); and

** the High Wycombe Home amounting to £627k at 31 December 2018 (2017: £435k).

The Charity had contracted capital commitments totalling £3.6m in relation to the High Wycombe Home at 31 December 2018 (2017: £8m).

9. Investments: 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 registered office for the above companies is: 15 Castle Mews, Hampton, Middlesex TW12 2NP.

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

	2018 £	2017 £
Shares in Star and Garter Promotions Limited	2	2
Shares in Star & Garter Property Limited	1	1
Total	3	3

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

	2018 £000	2017 £000
Turnover	6,586	7,873
Operating costs	(6,394)	(7,644)
	192	229
Contribution to The Royal Star & Garter Homes: Gift aid payment	(192)	(229)
Net profit before taxation	-	-
Corporation tax	-	-
Retained in subsidiary	-	-

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 2018 were as follows:

	2018 £000	2017 £000
Total Assets	744	1,649
Total Liabilities	(744)	(1,649)
Net Assets	-	-

10. Investments: Other Investments

	2018 £000	2017 £000
Market value at 1 January	105,778	103,761
Net (withdrawal)/ investment of capital	(5,181)	(3,052)
Net realised and unrealised (loss)/gain during the year	(6,158)	5,069
Market value at 31 December	94,439	105,778
Historical cost as at 31 December	89,545	94,851
Analysis of Investments:	2018 £000	2017 £000
Bank deposits	13,219	20,435
Investment portfolio managed by Smith & Williamson Investment Management LLP	34,693	36,719
Ruffer LLP: Ruffer Absolute Return Fund	4,692	5,016
Investment portfolio managed by Sarasin & Partners LLP:		
The Alpha Common Investment Fund for Endowments	41,835	38,410
The Alpha Common Investment Fund for Income & Reserves	-	5,198
	94,439	105,778

The investment portfolio managed by Smith & Williamson included listed investments £32.8m (2017: £35.2m) and cash or cash equivalents £1.9m at 31 December 2018 (2017: £1.5m).

11. Debtors

Amounts falling due within one year:

	Group 2018 £000	Group 2017 £000	Charity 2018 £000	Charity 2017 £000
Fees receivable	109	130	109	130
Amounts due from subsidiary companies	-	-	199	541
Accrued income	168	147	168	147
Prepayments	160	152	160	152
Legacies receivable	26	109	26	109
Other debtors	256	159	109	28
	719	697	771	1,107

12. Creditors

	Group 2018 £000	Group 2017 £000	Charity 2018 £000	Charity 2017 £000
Trade creditors	441	1,025	425	261
Accruals	1,012	849	1,006	840
Amounts due to subsidiary companies	-	-	37	807
Other taxation and social security	184	183	184	183
Other creditors	121	67	121	67
	1,758	2,124	1,773	2,158

13a. Statement of Funds - 2018

	At 1 Jan 18 £000	Income in year £000	Expenditure in year £000	Transfers in year £000	Other Losses £000	At 31 Dec 18 £000
UNRESTRICTED FUNDS:						
Fixed Asset Funds:						
Solihull Home Fund	12,520	-	(412)	192	-	12,300
Surbiton Home Fund	13,893	-	(571)	43	-	13,365
High Wycombe Home Fund	15,067	-	-	7,191	-	22,258
Administration Office Fund	2,715	-	(204)	-	-	2,511
	44,195	-	(1,187)	7,426	-	50,434
Designated and General Funds:						
High Wycombe Designated Fund	9,360	-	-	(4,693)	-	4,667
Building Replacement Fund	10,000	-	-	1,500	-	11,500
Property Refurbishment Fund	10,000	-	-	-	-	10,000
Strategic Development Fund	12,000	-	-	-	-	12,000
Transitional Support Fund	5,000	-	-	-	-	5,000
Care Support Fund	39,260	-	-	(7,842)	-	31,418
General Fund	19,400	16,794	(14,780)	4,351	(6,365)	19,400
Total Unrestricted Funds	149,215	16,794	(15,967)	742	(6,365)	144,419
Permanent Endowment Fund	55	-	-	-	(4)	51
Restricted Fund	958	522	(218)	(742)	-	520
TOTAL FUNDS	150,228	17,316	(16,185)	-	(6,369)	144,990

Unrestricted Funds:

The *Solihull Home Fund* represents the book value of the Solihull Home.

The *Surbiton Home Fund* represents the book value of the Surbiton Home.

The *High Wycombe Home Fixed Asset Fund* represents the book value of the High Wycombe Home. The High Wycombe designated and restricted funds together represent investments held to cover the expected cost to complete the Home.

The *Administration Office Fund* represents the book value of the Charity's administration office in Hampton.

The *Building Replacement Fund* is being built up gradually to finance the replacement of the Charity's Homes and administration office when they reach the end of their expected useful lives.

The income from the *Property Refurbishment Fund* (estimated at 3% pa) is used to finance the refurbishment of the Charity's Homes and administration office to ensure they continue to provide the outstanding environment which our residents deserve.

The *Strategic Development Fund* provides capital to develop our new Day Care service, Home Care and Young Veterans' Homes where we can provide much needed support for a significant number of beneficiaries.

The *Transitional Support Fund* will cover significant costs involved in opening the High Wycombe Home in the period to 31 December 2020. We will recruit and train more than 100 new members of staff and phase resident admissions to ensure that everyone receives the highest quality of care from the outset. We estimate that the net cost of operating the Home will amount to some £7m in this period as it builds to full capacity.

The *Care Support Fund* provides income and capital to use to secure the future of dependent beneficiaries in case other fundraising income falls. Although we have benefited from excellent support from our donors over many years, the majority of this is in the form of legacies from individuals. This income is unpredictable and we consider it likely that this will fall significantly in the future. We do not know when we will need to make use of this fund, but believe it is necessary because of our commitment to providing high quality long term care for residents.

The *General Fund* is designed to enable the Charity to cope with unforeseen expenditure or loss of income.

Permanent Endowment Fund:

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

Restricted Fund:

The movements on the *Restricted Fund* during the year have been as follows:

	At 1 Jan 18 £000	Income £000	Expenditure/ Transfers £000	At 31 Dec 18 £000
Solihull Home	369	10	-	379
High Wycombe Home	573	244	(742)	75
Care Activities	16	268	(218)	66
TOTAL FUNDS	958	522	(960)	520

We expect to spend the *Restricted Fund* in 2019 on completing the High Wycombe Home, refreshing facilities in the Solihull Home and other care activities.

13b. Statement of Funds - 2017

	At 1 Jan 17 £000	Income in year £000	Expenditure in year £000	Transfers in year £000	Other Gains £000	At 31 Dec 17 £000
UNRESTRICTED FUNDS						
Fixed Asset Funds:						
Solihull Home Fund	12,895	-	(469)	94	-	12,520
Surbiton Home Fund	14,605	-	(609)	(103)	-	13,893
High Wycombe Home Fund	7,302	-	-	7,765	-	15,067
Administration Office Fund	2,898	-	(202)	19	-	2,715
	37,700	-	(1,280)	7,775	-	44,195
Designated and General Funds:						
High Wycombe Designated Fund	17,370	-	-	(8,010)	-	9,360
Fourth Home Fund	25,000	-	-	(25,000)	-	0
Building Replacement Fund	6,850	-	-	3,150	-	10,000
Property Refurbishment Fund	3,169	-	(77)	6,908	-	10,000
Strategic Development Fund	13,235	-	-	(1,235)	-	12,000
Transitional Support Fund	-	-	-	5,000	-	5,000
Care Support Fund	25,878	-	-	13,382	-	39,260
General Fund	12,000	17,391	(12,724)	(1,970)	4,703	19,400
Total Unrestricted Funds	141,202	17,391	(14,081)	-	4,703	149,215
Permanent Endowment Fund	51	-	-	-	4	55
Restricted Fund	348	704	(94)	-	-	958
TOTAL FUNDS	141,601	18,095	(14,175)	-	4,707	150,228

Restricted Fund:

The movements on the *Restricted Fund* during 2017 were as follows:

	1 Jan 17 £000	Income £000	Expenditure £000	31 Dec 17 £000
Solihull Home	-	369	-	369
High Wycombe Home	328	245	-	573
Care Activities	20	90	(94)	16
TOTAL FUNDS	348	704	(94)	958

14a. Analysis of Group Net Assets between Funds - 2018

	<i>Tangible Fixed Assets £000</i>	<i>Investments £000</i>	<i>Current Assets £000</i>	<i>Current Liabilities £000</i>	<i>Pension Liabilities £000</i>	<i>Total £000</i>
Unrestricted Funds:						
Fixed Asset Funds:						
Solihull Home Fund	12,300	-	-	-	-	12,300
Surbiton Home Fund	13,365	-	-	-	-	13,365
High Wycombe Home Fund	22,258	-	-	-	-	22,258
Administration Office Fund	2,511	-	-	-	-	2,511
	50,434	-	-	-	-	50,434
Designated and General Funds:						
High Wycombe Designated Fund	-	3,667	1,000	-	-	4,667
Property Refurbishment Fund	-	10,000	-	-	-	10,000
Building Replacement Fund	-	11,500	-	-	-	11,500
Strategic Development Fund	-	12,000	-	-	-	12,000
Transitional Support Fund	-	5,000	-	-	-	5,000
Care Support Fund	-	31,418	-	-	-	31,418
General Fund	-	20,803	1,119	(1,758)	(764)	19,400
Total Unrestricted Funds	50,434	94,388	2,119	(1,758)	(764)	144,419
Permanent Endowment Fund	-	51	-	-	-	51
Restricted Fund	-	-	520	-	-	520
Total Net Assets	50,434	94,439	2,639	(1,758)	(764)	144,990

14b. Analysis of Group Net Assets between Funds - 2017

	<i>Tangible Fixed Assets £000</i>	<i>Investments £000</i>	<i>Current Assets £000</i>	<i>Current Liabilities £000</i>	<i>Pension Liabilities £000</i>	<i>Total £000</i>
Unrestricted Funds:						
Fixed Asset Funds:						
Solihull Home Fund	12,520	-	-	-	-	12,520
Surbiton Home Fund	13,893	-	-	-	-	13,893
High Wycombe Home Fund	15,067	-	-	-	-	15,067
Administration Office Fund	2,715	-	-	-	-	2,715
	44,195	-	-	-	-	44,195
Designated and General Funds:						
High Wycombe Designated Fund	-	9,360	-	-	-	9,360
Property Refurbishment Fund	-	10,000	-	-	-	10,000
Building Replacement Fund	-	10,000	-	-	-	10,000
Strategic Development Fund	-	12,000	-	-	-	12,000
Transitional Support Fund	-	5,000	-	-	-	5,000
Care Support Fund	-	39,260	-	-	-	39,260
General Fund	-	20,103	2,134	(2,124)	(713)	19,400
Total Unrestricted Funds	44,195	105,723	2,134	(2,124)	(713)	149,215
Permanent Endowment Fund	-	55	-	-	-	55
Restricted Fund	-	-	958	-	-	958
Total Net Assets	44,195	105,778	3,092	(2,124)	(713)	150,228

15. Pension Schemes

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 the pension scheme.

15.1 Defined Contribution Scheme

During the year, the Charity provided access to two money purchase pension schemes for employees. If an employee makes a contribution of 5% or more of pensionable salary into one of these schemes, then the Charity also contributes 7.5% on their behalf (10% for directors). The Charity made contributions amounting to £417,172 (2017: £270,770) into the defined contribution pension schemes during the year. The value of outstanding contributions at 31 December 2018 was £65,583 (2017: £45,011).

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 2018 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 £0.8m existed at 31 December 2018 (deficit of £0.7m at 31 December 2017). 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 £2m to cover the balance of the payments which have been agreed to eliminate the triennial pension deficit.

As at 31 December 2018, contributions are payable to the Scheme by the Charity at the rates set out in the Schedule of Contributions dated 22 September 2017, which is based on the results of the most recent full triennial actuarial valuation as at 31 December 2016. The Employer contribution expected to be made in the year commencing 1 January 2019 is £280,000.

(A) Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2018	2017
Discount rate	2.80%	2.50%
RPI Inflation	3.50%	3.50%
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%)	3.30%	3.30%
Pensioner and non-pensioner mortality (pre and post retirement)	Note 1	Note 1
Cash commutation	Note 2	Note 2

1. Based on S2PA table using CMI 2016 projections and an assumed 1.5% long term rate of mortality improvement
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:

	2018	2017
Gilts/Corporate Bonds	50.8%	51.1%
Investment portfolio	48.2%	47.4%
Cash	0.6%	1.1%
Insurance policies	0.4%	0.4%
Total	100%	100%

(C) Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2018 £000	2017 £000
Present value of funded obligations	(24,766)	(26,527)
Fair value of scheme assets	24,002	25,814
Net liability recognised in the balance sheet	(764)	(713)

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:

	2018 £000	2017 £000
Interest on obligation	646	680
Expected return on pension scheme assets	(632)	(668)
Past service costs	106	-
Total – included within Total Resources Expended	120	12

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

	2018 £000	2017 £000
Actuarial (loss)	(211)	(362)
Actuarial (loss) recognised in Statement of Financial Activities	(211)	(362)
Cumulative amount of actuarial (loss) recognised in the STRGL	(953)	(742)

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

	2018 £000	2017 £000
Opening defined benefit obligation	26,527	25,553
Interest cost	646	680
Impact of adjustments and assumptions on scheme liabilities (Note I)	(1,154)	1,057
Past service costs	106	-
Benefits paid	(1,359)	(763)
Closing defined benefit obligation (Note H)	24,766	26,527

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

	2018 £000	2017 £000
Opening fair value of scheme assets	25,814	25,008
Actual return on scheme assets (*)	(733)	1,363
Contributions by employer	280	206
Benefits paid	(1,359)	(763)
Closing fair value of scheme assets (Note H)	24,002	25,814

(*) Calculation of actual return on scheme assets:

Expected return	632	668
Experience adjustments on scheme assets (Note I)	(1,365)	695
Actual return on scheme assets	(733)	1,363

(H) Movements over previous five years

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
(Deficit) reported in Balance Sheet:					
Defined benefit obligations (Note F)	(24,766)	(26,527)	(25,553)	(22,732)	(24,367)
Scheme assets (Note G)	24,002	25,814	25,008	23,254	24,051
(Deficit)/ surplus	(764)	(713)	(545)	522	(316)
Restriction applied to irrecoverable surplus	-	-	-	(522)	-
Deficit reported in Balance Sheet	(764)	(713)	(545)	-	(316)

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

Experience adjustments on scheme liabilities	-	83	267	137	189
Changes in the assumptions underlying the present value of scheme liabilities	1,154	(1,140)	(3,199)	1,549	(2,664)
Impact of adjustments and assumptions on scheme liabilities (Note F)	1,154	(1,057)	(2,932)	1,686	(2,475)
Impact of experience adjustments on scheme assets (Note G)	(1,365)	695	1,565	(1,047)	2,905

OFFICE BEARERS

Patron

Her Majesty The Queen

President

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

Vice Presidents

Vice Admiral Sir John Dunt KCB

Air Chief Marshal Sir David Parry-Evans GCB CBE

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

^{2,3,4} Major General Tim Tyler CB MA (Chairman)

^{1,5} Susan J Bush RRC MBA BA (Hons)

^{2,3,4,5} J. Malcolm D. Chapple BSc, Barrister at Law, FCI Arb (Vice Chairman)

^{4,5} 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 - to 20 March 2018

³ Digby Flower BSc MRICS

^{2,4} Amanda Francis DSS BSc ACA (Treasurer)

Edward Goodchild BSocSc Chartered FCSI – from 19 June 2018

^{1,3} Christopher Harrison

Surgeon Commodore Paul Hughes MBBS FRCGP MBA – from 19 June 2018

¹ Colonel Alison McCourt OBE ARRC QHN

Colonel Matt Petersen MA

² William Reid BA Chartered FCSI FRSA

⁵ Julie Thain-Smith MSc BSc RGN

^{2,4} Mark Wills BSc FRGS DipAIBD MInstRE Chartered FCSI CWM

Medical Representative from the Armed Services – Ex Officio Governor

Air Commodore Maria Byford QHDS – from 20 March 2018

Appointee of The British Red Cross Society

Professor Suzanna Rose JP DL PhD MA RN

Committee membership as at 31 December 2018

¹ Care Committee

² Finance Committee

³ Property Committee

⁴ Remuneration Committee

⁵ Governor Recruitment 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 34.

EXECUTIVE

Andy Cole OBE MA MBA	Chief Executive
Gordon Craig BA MInstF	Director of Fundraising & Marketing – to 7 March 2018
Siobhan Creighton FCIPD	Director of Human Resources
Caley Eldred BA	Director of Supporter Engagement – from 9 July 2018
Martin Goldman AIOSH	Director of Operations
Malcolm Munro-Faure BSc ACA FRSA	Director of Finance
Pauline Shaw OBE BHSc MSc RGN PG Dip Arts (Nursing)	Director of Care & Service Development

REGISTERED OFFICE

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Hampton
Middlesex TW12 2NP
general.enquiries@starandgarter.org

SURBITON HOME

Upper Brighton Road
Surbiton
Surrey KT6 6JY

SOLIHULL HOME

Tudor Coppice
Solihull
West Midlands B91 3DE

HIGH WYCOMBE HOME (opened April 2019)

Hughenden Avenue
High Wycombe
Buckinghamshire HP13 5GG

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

Ruffer LLP
80 Victoria Street
London SW1E 5JL

AUDITOR

Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH



Stella and Joan enjoying a game

Our Residents: Stella & Joan

Uniting over their love of Scrabble, Stella and Joan became friends when they met at one of our Homes.

Both ladies had RAF husbands who served in the Second World War. Joan's husband helped child survivors of Nazi concentration camps, while Stella's husband served in Germany and the Far East.

Their families are delighted that their mothers are enjoying life. Stella's daughter Julie says: *"I leave The Royal Star & Garter Homes knowing Mum is safe and happy."* Joan's son Charles agrees: *"For us it's so wonderful to know how well she's being looked after. This is just a God-send."*





general.enquiries@starandgarter.org

020 8481 7676

www.starandgarter.org

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