



**Royal Star
& Garter**

Care with courage



Annual Report & Accounts

For the year ended 31 December 2019





Royal Star & Garter

Care with courage



Phyllis in WAAF
uniform

“ It’s the best care home there is. I came here for respite for two weeks and I liked it so I applied to come back permanently. There’s always something going on. I do all sorts of things. I go to music club regularly and I belong to the choir. I go to the film shows and all the concerts too.

Phyllis - WAAF



With love

We carry out our work with love, care and compassion.

Living positively

We are optimistic in everything we do, supporting veterans and their partners to lead happy, fulfilled lives.

As a family

We work and live as one team, one family, one community.

Standing in their shoes

We show admiration and respect for people and never forget what they have done.

We provide loving, compassionate care to veterans and their partners living with disability or dementia.



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Connie and Phyllis

Take courage
We are not afraid to do what is right and what is needed.

Our values sit at the heart of our care.





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.

We made tremendous headway in a number of areas in 2019. We opened our wonderful new Home in High Wycombe and can now offer residential care to almost 200 veterans, which is more than we have been able to since the 1940s. We have also supported nearly 40 veterans through our day care services in Solihull and High Wycombe.

2020 has developed into a year of extreme challenge for the whole country, and for care providers and the NHS in particular. The COVID-19 pandemic has created huge operational and financial challenges for the charity. I am proud to say that our teams are demonstrating their absolute commitment to our residents, who are all extremely vulnerable, and our finances remain resilient.

As I sign this letter we are still in the midst of the crisis, and we are committed to support the national effort to bring it under control.

Our future 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 a rare Outstanding rating in all five categories in Solihull from the Care Quality Commission and all our Homes are achieving high ratings for dementia care.

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 who are critical to enabling us to deliver the highest quality of care. Alongside our people, we continue to make a major investment in new and existing buildings.

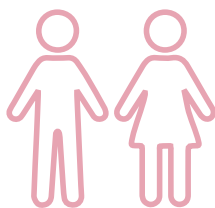
Our core value of care with courage has never been more true than today. I would like to record my pride in our teams of staff and volunteers who make our Homes so special for residents and my thanks to our Governors for their commitment and support.

Major General Tim Tyler CB
Chairman, Governing Body

24 June 2020

2019

205
residents
supported



84 **121**
men women



Over
5,815 activities
outings & events
offered to residents



70
volunteers

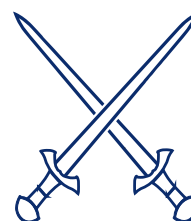


44,343
days of
residential care

37
Royal Navy &
Royal Marines
veterans



97
Army
veterans



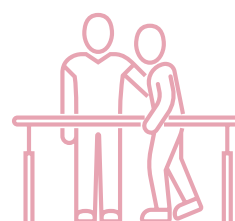
71
RAF
veterans



1,362
sessions
of day care

9,575 sessions

of physiotherapy and speech &
language therapy provided



Governors' Report

Our mission is to provide compassionate, 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.

Royal Star & Garter 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 2019, 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).

Ever 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 Royal Star & Garter 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 organisations, charities and the wider civilian community.

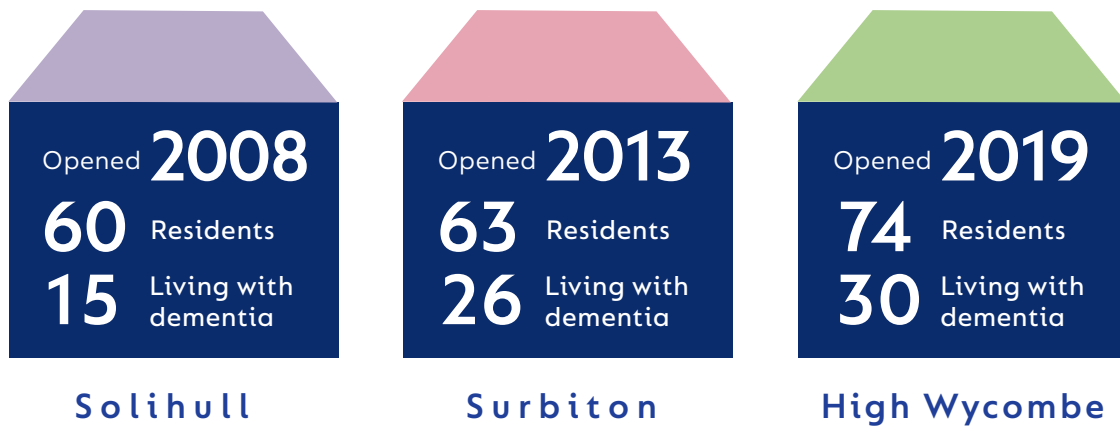
More than a century since our first residents returned from the First World War, we continue to support veterans and their partners from all backgrounds, ranks and services. We know that the veteran community will continue to require high levels of care well into the future and in 2018 we published our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

* We consider that ex-Service men and women and their partners have all made sacrifices and we refer to our beneficiaries collectively as 'veterans'

** The Royal Star & Garter Homes trading as Royal Star & Garter

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 we were able to care for up to 71 residents in specially-designed dementia communities in 2019. We are converting 15 rooms in Solihull to expand our care for residents with dementia during 2020, bringing the total to 86 rooms. This represents a third of the total dedicated residential care capacity for veterans living with dementia in England.



This year marked the opening of our new High Wycombe Home with the first residents moving in in April 2019. Offering long term care for 74 veterans or their partners, the Home has raised the standard of our care even further and was nominated for a prestigious Pinders Healthcare Design Award. During the year we were shortlisted for a further five sector awards and won three others in recognition of our care and the vital contribution our volunteers make.

The average age of residents in our Homes is 90, though ages have ranged from 31 to 107 years. Residents are living with either a physical disability or dementia and 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 improve confidence, enhance independence, and create a vibrant sense of friendship and 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.

This year we have invested significantly in leading digital technology systems to enhance the planning and delivery of care. These systems augment the loving personal care that our staff provide by allowing faster, safer and more effective analysis of residents' clinical and personal information. These systems include electronic medicines management, a new 'call bell' system for all residents, incident reporting and facilities management.

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 arranged 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 remains 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. We opened our Day Care service in High Wycombe during the year and are launching the service in Surbiton in 2020.



Day Care

Our Day Care service means we are helping even more veterans and their partners living with disability or dementia, who do not need to live in but can still benefit from the award-winning care we provide. We will launch the service in our Surbiton Home in 2020.

“ You see the quality of care, and it gives you peace of mind. You get to know the surroundings, and the staff, so when you arrive here full-time, you see the same faces.

Trudi, Alf's daughter on his transition from Day Care guest to resident

In 2019 we have been able to support 38 individuals through Day Care in Solihull and High Wycombe, and also supported 27 veterans with short break care across all three Homes. Our Day Care veterans participate in activities, have lunch, take part in trips and benefit from a tailored wellbeing programme. This programme was supported by a grant from the Aged Veterans Fund funded by the Chancellor using LIBOR funds. Independent evaluation of the programme shows that 88% of individuals agreed or strongly agreed that their health and wellbeing had improved as a result of attending the service.

Overall feedback about the service has been extremely positive – demonstrating that it is helping to tackle loneliness and isolation at their root cause.

We have set ourselves a challenging target of at least doubling the number of veterans we support by 2025. In order to achieve this we are developing two further 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 South West London in 2021 with the aim of implementing similar services in Solihull, 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. We are particularly proud to have been able to provide the wide range of care required by three young Servicemen with severe injuries or disabilities during 2019. This role takes us back to our roots in the First World War. We are actively looking for a plot of land close to our High Wycombe Home so we can develop our first younger veterans' home. We plan to create a community for 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.

We have designated £12m to enable us to develop these new services. As a result of the COVID-19 pandemic, we have paused implementation of our planned Home Care service and development of the young veterans' facility. We are continuing to plan for these important projects with a view to implementing Home Care and resuming our search for a potential site for a young veterans' facility when the current crisis is over.

3. Raising the standard of care for veterans

As an outstanding provider of care, we actively embrace our responsibility to the wider communities around 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 the highest standards too. To that end we are involved in a range of innovative projects.

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



Student Nurses

We continue our commitment to train the next generation of nurses through placements in our Homes. Surbiton is now welcoming Adult Nursing degree students from University of Roehampton as well as student nurses and Trainee Nursing Associates (TNAs) on placements from Kingston and St George's Universities. Student military nurses from Birmingham City University gain experience at Solihull, while High Wycombe is sending three of its staff on TNA courses in partnership with Buckinghamshire New University.

The Surbiton Home was shortlisted in the Student Nursing Times Award's Nursing Associate Training Programme Provider of the Year category in 2019.

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.

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 and Roehampton Universities in our Surbiton Home (a total of 17 student nurses).

The Royal Borough of Kingston upon Thames have included us in the team 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 continues 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 chaired the Confederation of Service Charities 'care cluster' until the end of 2019, helping to share best practice across the veterans care sector. This year we have been delighted to welcome visitors from across the world to learn about our model of dementia care.

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 around 70 active volunteers who are very generous with their time. Volunteers 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, even in normal times we 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. All care organisations, and the country as a whole, have been severely challenged in 2020 as a result of the COVID-19 pandemic. We are in a fortunate position and expect to be able to weather the storm both operationally and financially. We have described the impact on the charity on page 11 because it represents a significant unexpected post balance sheet event.

Details of our results for 2019 are set out in the Consolidated Statement of Financial Activities (page 19). 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 maintain average occupancy at 92.9% in 2019 in (93.5% 2018) with a

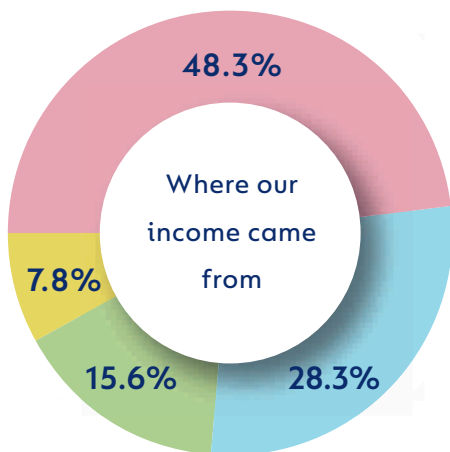
total of 205 permanent or short-break residents. The cost of providing care to residents has risen by 35% in 2019 (2019: £19m; 2018: £14.1m). This increase reflects the cost of opening the High Wycombe Home (£3.8m – 78% of the increase) and our investment in staff and systems which are necessary for operating three Homes, and for delivering the highest quality of care in each of them (£1.1m – 22% of the increase).

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 2019.

How we raised our income

During 2019, we raised £18m to enable us to provide the highest quality of care for military veterans

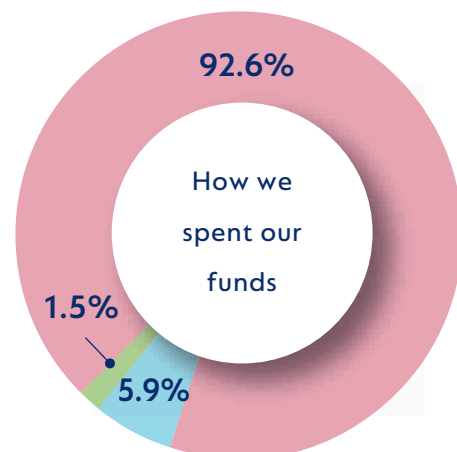


Fees for care services	£8.7m
Legacies	£5.1m
Investment income	£2.8m
Donations/other income	£1.4m

Total income £18.0m

How we spent our funds

We spent £19m on providing care and support to residents - 93p in every £1 we spent. We spent just 18p on fundraising for every £1 we raised during the year



Care & support	£19.0m
Fundraising inc. legacies	£1.2m
Managing our investments	£0.3m

Total expenditure £20.5m

We received fee income from residents and funding organisations (principally local authorities and the NHS) totaling £8.7m during 2019 (2018: £7.5m). Income was higher in 2019 as a result of opening the High Wycombe Home (£0.5m) and 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 amounted to £10.3m in 2019 (2018: £6.6m). The increase in support is principally the result of opening the High Wycombe Home (£3.3m). Opening our new Home has involved recruiting and training 84 new staff members in 2019, followed by a phased resident admissions programme to ensure we maintain the quality of our care at all times.

Our care services

We have set a very demanding occupancy figure at 95% for each of our Homes to maximise the number of beneficiaries we care for each year. We increased average occupancy in Solihull to 96% in 2019 (2018: 94%). In Surbiton we maintained average occupancy at 90% in 2019 (2018: 93%). High Wycombe opened in April 2019 and

by December we had built resident numbers up to a quarter full, with 18 residents. We supported a total of 205 residents in 2019 (2018: 186), and the average age of our residents was 90 years on 31 December 2019.

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 public sector bodies (local authorities or the NHS), High Wycombe: two; and our Solihull Home: four.

Our marketing materials for potential residents and contracts with residents have been reviewed in light of guidance published by the Competition & Markets Authority. We identified no significant matters in this review, but all materials have been revised to ensure the information we provide is fully transparent.

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. We remain fully compliant with the Fundraising Preference Service and any donor request to suppress their data is acted on within 24 hours of reaching us. The levels of these requests remained significantly low.

We are registered with the Fundraising Regulator and adhere to the Fundraising Codes. We apply best practice to protect our supporter data, 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 2019, we retained Woods Group Limited to administer our raffles, and Dash (UK) Limited for the sale of our Christmas cards. We also signed a one-year agreement with HH Direct Marketing Limited (trading as DMS Agency) for the development of our direct mailing programme. 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 2019, we received only eight formal complaints in response to mailings or information we sent to donors. These represent an extremely small proportion of our donor database, however 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 totaling £5.1m in 2019. This was 4% lower than we received in 2018 (£5.3m) and in line with the charity's expectation that legacy income is likely to decline 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 totaling £1.3m during 2019. This was 24% lower than our target (£1.7m) and represented a reduction of 19% from £1.6m in 2018. We are very grateful for all donations, including

our transport appeal which received grants from ABF The Soldiers' Charity (£102k), Royal British Legion Chelsea & Kensington (£40k), and Lest We Forget Association (£25k).

Overall, we spent just 18p on fundraising for every £1 we raised in 2019.

Reserves Policy

Governors review the charity's reserves policy at least annually. We have a policy of designating our assets to meet specific strategic objectives, which include the retention of sufficient resources to protect the charity against unforeseen adverse developments. A brief explanation of how we have allocated assets for specific purposes 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.

Over the past 14 years we have invested heavily in building three wonderful Homes for our residents. At 31 December 2019, our investment in buildings amounted to £76.7m. This means that more than half our assets are tied up in buildings which are essential for delivering our care services. The following is a brief summary of how we are using our overall net assets (£152m) for specific purposes:

Investment in buildings



Care and support services



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. The requirement for our current level of free reserves and investment fund to support our care services have been reinforced by the vital need to maintain cash flow through the COVID-19 pandemic.

Investment Policy

At 31 December 2019, our investments were valued at £94.3m (2018: £94.4m) as set out in Note 10. We reduced the proportion of our bank deposits held as a long term investment to £8m (2018: £13.2m), and increased the

proportion held as current assets to £8.1m (2018: £1.9m) to cover our expected deficit in 2020, expenditure on the High Wycombe Home and other obligations. The overall performance of our quoted investments 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 2020.

Impact of COVID-19 pandemic in 2020

The global COVID-19 pandemic in 2020 has had a significant adverse impact on care and health services, and financial markets worldwide. We have had to take a number of very challenging operational decisions in order to protect our residents who are all extremely vulnerable. This has included restricting visitors (except for essential healthcare professionals), enhanced infection control measures and even 'locking down' our Solihull Home: our staff team physically moved into the Home for a two-week period.

We expect fundraising and investment income to decline, and the cost of operations to increase significantly during the current crisis. We have also experienced a sharp decline in the value of our investment portfolio in line with market movements generally. We increased bank deposits towards the end of 2019, and this means we do not expect to have to sell investments at low valuations unless the crisis continues into 2021.

At 31 March 2020, the value of our investment portfolios had fallen to £84.4m, producing a loss of £9.9m since 31 December 2019. This has reduced the value of our Care Support Fund to £31.5m.

We do not know what the final impact of the COVID-19 crisis will be on the charity. We have been fortunate in financial terms and do not have any doubts about our ability to continue operating through the current crisis, even if the value of our investments are significantly depleted.

We have taken the decision to stop our Day Care service during the current crisis in order to protect attendees and residents from infection. We have also paused implementation of our planned Home Care service, and development of a younger veterans' facility. We intend to continue planning for these important projects with a view to implementing them when the current crisis is over.

Pension Schemes

During the year we provided access to two money purchase pension schemes. These arrangements comply with the pension auto-enrolment rules. 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 new triennial actuarial valuation is being undertaken based on the position at 31 December 2019. The results of this valuation are expected in September 2020, and will be reflected in the charity's 2020 accounts.

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 £1.45m existed at 31 December 2019 (2018: £0.8m 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 2019:

- 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 totaling £1.7m during the year (2018: £6.6m) as payments in advance for the supply of the High Wycombe Home to the charity. The company contributed £49k to the charity during 2019 by way of payments of Gift Aid under a deed of covenant. This has eliminated its taxable profits (2018: Gift Aid payment of £192k).
- Star and Garter Promotions Limited is dormant.

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

Risk

Governors considered that the principal risks and uncertainties facing the charity, and the plans which were in place for managing these, at 31 December 2019, were 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 reward of staff.
- Support excellent clinical leadership across each Home.
- Monthly internal audits in Homes and central key quality performance systems.
- Independent evaluation of performance by external specialists.
- 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.
- Thorough induction and extensive staff training programme.
- Regular risk assessments.
- Lead nurses monitor standards of care, staff supervision and observational audits.
- Quality 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.

In 2020, we have invested significant resources to address the impact of the unexpected COVID-19 pandemic. We had included the impact of a potential infectious disease outbreak in our risk register, but had not expected an outbreak that would be as challenging as this. We believe that our risk-based approach is helping enable us to deal with this crisis as described on page 11.

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 (2018: £Nil).

We commissioned an external review of the charity's governance arrangements in 2019. The review concluded that the charity's approach to governance was good and that it displayed "many examples of good governance practice". All the recommendations from the review have been accepted by Governors and are being implemented through 2020.

We also review our governance arrangements and underlying procedures on a regular basis. We support the Governance Code ('the Code') which is endorsed by the Charity Commission and leading charity sector bodies, and which asks charities to either apply the Code or explain why they have taken a decision to adopt a different approach. While Royal Star & Garter 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.

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 35. The names of the Executive team and external advisers are set out on page 36.

We concluded a review of the charity's brand and communications strategy in summer 2019, and we will use this to inform communications to supporters and others in 2020. A review of our Royal Charter has also commenced.

We expect to finalise proposed amendments in 2020 and will submit these to the Charity Commission and Privy Council for approval.

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, a sub-committee of our Governors (the unpaid trustees of the charity), commissioned an independent review of the salary and benefits of the Chief Executive and Directors in 2018. Following extensive independent 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. The Committee also reviews all executive salaries annually, informed by local and national comparator data and in line with our remuneration policy.

We completed our third gender pay gap analysis in 2019. Our median gender pay gap of 1.6% is slightly lower than in 2018 (2.1%) and remains significantly below the national median, and the median for charities as a whole. 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 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 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: 24 June 2020

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 2019 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 2019 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 15, 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 Chapter 3 of Part 8 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.

Moore Kingston Smith Ltd

Moore Kingston Smith

Statutory Auditor
London, UK

Date: 24 June 2020

Moore Kingston Smith 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 2019

	Note	Unrestricted Funds (Note 13) £000	Restricted Funds (Note 13) £000	Permanent Endowment (Note 13) £000	Total Funds 2019 £000	Total Funds 2018 £000
Income and endowments from:						
Charitable activities	2b	8,659	-	-	8,659	7,541
Donations and gifts	2b	972	360	-	1,332	1,645
Legacies	2b	5,127	-	-	5,127	5,276
Investments		2,791	-	-	2,791	2,710
Other trading activities		109	-	-	109	132
Other income		10	-	-	10	12
TOTAL		17,668	360	-	18,028	17,316
Expenditure on:						
Charitable activities	3	18,841	143	-	18,984	14,112
Raising funds	3	1,496	-	-	1,496	2,073
TOTAL	3	20,337	143	-	20,480	16,185
NET (DEFICIT)/ INCOME BEFORE INVESTMENT GAIN/ (LOSS)		(2,669)	217	-	(2,452)	1,131
Net gain/ (loss) on investments	10	10,871	-	8	10,879	(6,158)
NET INCOME/ (EXPENDITURE)		8,202	217	8	8,427	(5,027)
Transfers between funds	13a	694	(694)	-	-	-
OTHER RECOGNISED LOSSES						
Actuarial losses on defined benefit pension scheme	15e	(951)	-	-	(951)	(211)
NET MOVEMENT IN FUNDS		7,945	(477)	8	7,476	(5,238)
Total funds brought forward		144,419	520	51	144,990	150,228
TOTAL FUNDS CARRIED FORWARD		152,364	43	59	152,466	144,990

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 £519k of Donations and Gifts, 3k of Legacies and £218k expenditure on Charitable Activities.

BALANCE SHEETS

At 31 December 2019

	Note	Group		Charity	
		2019 £000	2018 £000	2019 £000	2018 £000
FIXED ASSETS					
Tangible fixed assets	8	52,215	50,434	53,251	51,421
Investments	9, 10	94,317	94,439	94,317	94,439
		<u>146,532</u>	<u>144,873</u>	<u>147,568</u>	<u>145,860</u>
CURRENT ASSETS					
Stocks		3	2	3	2
Debtors: amounts receivable within one year	11	977	719	1,050	771
Cash at bank and in hand		8,122	1,918	8,056	1,881
		<u>9,102</u>	<u>2,639</u>	<u>9,109</u>	<u>2,654</u>
LIABILITIES					
Creditors: amounts falling due within one year	12	(1,716)	(1,758)	(1,723)	(1,773)
		<u>7,386</u>	<u>881</u>	<u>7,386</u>	<u>881</u>
NET CURRENT ASSETS					
		153,918	145,754	154,954	146,741
NET ASSETS EXCLUDING PENSION LIABILITY					
Defined benefit pension scheme liability	15	(1,452)	(764)	(1,452)	(764)
		<u>152,466</u>	<u>144,990</u>	<u>153,502</u>	<u>145,977</u>
TOTAL NET ASSETS					
THE FUNDS OF THE CHARITY:					
Unrestricted funds:					
General fund		18,852	20,164	18,852	21,151
Less: Pension reserve	15	(1,452)	(764)	(1,452)	(764)
		<u>17,400</u>	<u>19,400</u>	<u>17,400</u>	<u>20,387</u>
Fixed asset funds	13	52,215	50,434	53,251	51,421
Designated funds		82,749	74,585	82,749	73,598
		<u>152,364</u>	<u>144,419</u>	<u>153,400</u>	<u>145,406</u>
Total unrestricted funds	13				
Permanent endowment fund	13	59	51	59	51
Restricted funds	13	43	520	43	520
		<u>152,466</u>	<u>144,990</u>	<u>153,502</u>	<u>145,977</u>
TOTAL CHARITY FUNDS					

Approved and authorised for issue by the Governors on 24 June 2020 and signed on their behalf by



Amanda Francis DSS BSc ACA
Treasurer

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities:			
Net cash used in operating activities	A	(4,079)	(939)
Cash flows from investing activities:			
Investment income and interest received		2,791	2,710
Purchase of tangible fixed assets	8	(3,509)	(7,426)
Sale/ (purchase) of investments		5,782	(2,035)
Net cash provided by/ (used in) investing activities		<u>5,064</u>	<u>(6,751)</u>
Change in cash and cash equivalents during the year	B	<u>985</u>	<u>(7,690)</u>

(A) Reconciliation of cash flows from operating activities

	2019 £000	2018 £000
Net (deficit)/ income for the year	(2,452)	1,131
Adjustments for:		
Investment income and interest receivable	(2,791)	(2,710)
Depreciation	1,728	1,187
(Increase)/ decrease in stocks	(1)	1
Increase in debtors receivable within one year	(258)	(22)
Decrease in creditors	(42)	(366)
Pension expense	(263)	(160)
Net cash used in operating activities	<u>(4,079)</u>	<u>(939)</u>

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

	2018 £000	Change In Year £000	2019 £000
Cash at bank and in hand	1,918	6,204	8,122
Cash on deposit held as investments	13,219	(5,219)	8,000
Total cash and cash equivalents	<u>15,137</u>	<u>985</u>	<u>16,122</u>

1. Charity Information

The Royal Star & Garter Homes (trading as Royal Star & Garter) 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.

While COVID-19 has impacted the value of the charity's investments it is expected that the decrease in value will recover in the foreseeable future and will not significantly affect the income generated by the portfolio over the longer term.

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	– 4% - 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:

	<i>Note</i>	<i>2019</i> £000	<i>2018</i> £000
Bank deposits	10	8,000	13,219
Fees receivable	11	267	109
Accrued income	11	241	168
Legacies receivable	11	132	26
Other debtors	11	146	256
Cash at bank and in hand		8,122	1,918
Total		<u>16,908</u>	<u>15,696</u>

Financial liabilities which comprise trade creditors, accruals and other creditors are held at the Balance Sheet date at amortised cost of £1.47m (2018: £1.57m) (Note 12).

Investments which form part of an investment portfolio are held at the Balance Sheet date at fair value of £86.3m (2018: £81.2m) (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. Contributions are charged to the Statement of Financial Activities ("SOFA") as they become payable in accordance with the rules of the schemes.

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 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, other than in respect of the following:

- The actuarial deficit on the defined benefit pension scheme – further details are set out in Note 15.2.
- The charity has paid £18.2m in respect of construction costs for the High Wycombe home as at 31 December 2019. The charity has received a claim for a further £4.2m from the builders as a result of the significant delay in completing the home. The charity does not accept these charges and has issued a claim for liquidated damages amounting to £1.7m as a result of the delayed completion. The charity is in negotiations with the builder over the final cost of construction. At the balance sheet date it is not possible to reliably estimate the outcome of these negotiations. The charity has designated £2.75m to cover the remaining cost of construction and other amounts relating to the home. The charity considers that this amount is sufficient to cover sums which will be due in relation to completion of the home and so no further provision has been made in these accounts.

3. Analysis of Total Expenditure

	<i>Staff costs</i>	<i>Depreciation</i>	<i>Other</i>	Total 2019	<i>Total 2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	£000	<i>£000</i>
Charitable activities: care costs	11,581	1,652	5,751	18,984	14,112
Raising funds	539	76	881	1,496	2,073
TOTAL EXPENDITURE	12,120	1,728	6,632	20,480	16,185

Care costs include support costs £2.3m (2018: £2.1m) and development costs £0.1m (2018: £0.1m). Support costs include staff costs £1.1m (2018: £0.9m), depreciation £0.1m (2018: £0.1m) and other costs £1.1m (2018: £1.1m) relating to the human resources, finance, information technology, pension administration and other central service teams. Other support costs 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 £154k (2018: £143k) and investment management fees totalling £340k (2018: £609k). Support costs include staff costs £71k (2018: £65k) and other costs £83k (2018: £78k).

Support costs include governance costs totalling £108k (2018: £98k).

4. Auditor's Remuneration

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

	2019	2018
	£000	£000
In respect of audit services:		
Charity	25	23
Group companies	3	3
In respect of taxation and other advice and services	2	6
	30	32

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 £2.7m at 31 December 2019 (2018: £3.1m).

6. Governors' Remuneration

No Governor received any remuneration during the years ended 31 December 2019 or 2018. During the year, four Governors (2018: four) received reimbursement of personal travel and subsistence expenditure amounting to £1,176 (2018: £2,072).

There were no other related party transactions that require disclosure in the year (2018: None).

7. Emoluments & Numbers of Employees

The total emoluments of employees for the year comprised:

	2019	2018
	£000	£000
Wages and salaries	9,064	7,160
Employer National Insurance costs	849	664
Contributions to defined contribution pension scheme	587	417
	10,500	8,241
Other staff costs	1,620	859
Total staff costs	12,120	9,100

During the year, staff from commercial agencies provided cover for nurses, health care assistants and clerical services at a total cost of £1.6m (2018: £0.8m). This is included within other staff costs above.

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

	2019	2018
Nursing and care	240	192
Domestic, catering and other Home based staff	44	34
Fundraising	18	16
Management and administration	19	16
	321	258

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

Emoluments :	<i>2019</i>	<i>2018</i>
£60,001 - £70,000	2	1
£70,001 - £80,000	4	2
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£120,001 - £130,000	1	1

The total employment benefits (including employers' national insurance contributions) of the above employees, who are our senior management team ('SMT'), were £920k (9 employees) in 2019. In 2018, our SMT included 8 members, but changes in membership meant that only 6 employees received more than £60,000 in the year (2018 total payments: £655k).

The salary of our Chief Executive during 2019 was £127,345 (2018: £123,636).

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 2019	17,072	21,576	14,342	6,526	144	59,660
Additions	-	1,369	722	1,047	371	3,509
Disposals	-	-	-	(500)	(80)	(580)
Reclassification	19,598	(22,945)	-	3,347	-	-
At 31 December 2019	36,670	-	15,064	10,420	435	62,589
Accumulated depreciation :						
At 1 January 2019	2,133	-	2,237	4,712	144	9,226
Charge for year	780	-	235	697	16	1,728
Disposals	-	-	-	(500)	(80)	(580)
At 31 December 2019	2,913	-	2,472	4,909	80	10,374
Net book value at 31 December 2019	33,757	-	12,592	5,511	355	52,215
Net book value at 31 December 2018	14,939	21,576	12,105	1,814	-	50,434

The High Wycombe Home completed in March 2019 with a budget of £27m for constructing and fitting out.

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

Net book value at 31 December 2019	34,793(*)(**)	-	12,592	5,511	355	53,251
Net book value at 31 December 2018	15,299(*)	22,203(**)	12,105	1,814	-	51,421

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 2019 and 2018; and

** the High Wycombe Home amounting to £676k at 31 December 2019 (2018: £627k).

The charity had contracted capital commitments totalling £1.6m in relation to the High Wycombe Home at 31 December 2019 (2018: £3.6m).

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:

	2019	2018
	£	£
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:

	2019	2018
	£000	£000
Turnover	1,687	6,586
Operating costs	(1,638)	(6,394)
	49	192
Contribution to The Royal Star & Garter Homes: Gift aid payment	(49)	(192)
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 2019 were as follows:

	2019	2018
	£000	£000
Total Assets	396	744
Total Liabilities	(396)	(744)
Net Assets	<u>-</u>	<u>-</u>

10. Investments: Other Investments

	2019 £000	2018 £000
Market value at 1 January	94,439	105,778
Net withdrawal of capital	(11,001)	(5,181)
Net realised and unrealised gain/ (loss) during the year	10,879	(6,158)
Market value at 31 December	94,317	94,439
Historic cost at 31 December	79,476	89,545
Analysis of Investments:		
	2019 £000	2018 £000
Bank deposits	8,000	13,219
Investment portfolio managed by Smith & Williamson Investment Management LLP	36,170	34,693
Ruffer LLP: Ruffer Absolute Return Fund	5,090	4,692
Investment portfolio managed by Sarasin & Partners LLP: The Alpha Common Investment Fund for Endowments	45,057	41,835
	94,317	94,439

The investment portfolio managed by Smith & Williamson included listed investments £35.0m (2018: £32.8m) and cash or cash equivalents £1.2m at 31 December 2019 (2018: £1.9m).

11. Debtors

Amounts falling due within one year:

	Group 2019 £000	Group 2018 £000	Charity 2019 £000	Charity 2018 £000
Fees receivable	267	109	267	109
Amounts due from subsidiary companies	-	-	86	199
Accrued income	241	168	241	168
Prepayments	191	160	191	160
Legacies receivable	132	26	132	26
Other debtors	146	256	133	109
	977	719	1,050	771

12. Creditors

	Group 2019 £000	Group 2018 £000	Charity 2019 £000	Charity 2018 £000
Trade creditors	479	441	452	425
Accruals	829	1,012	825	1,006
Amounts due to subsidiary companies	-	-	38	37
Other taxation and social security	241	184	241	184
Other creditors	167	121	167	121
	1,716	1,758	1,723	1,773

13a. Statement of Funds - 2019

	At 1 Jan 19 £000	Income £000	Expenditure £000	Net capital expenditure £000	Other transfers £000	Other gains/ (losses) £000	At 31 Dec 19 £000
UNRESTRICTED FUNDS:							
Fixed Asset Funds:							
Solihull Home Fund	12,300	-	(295)	882	-	-	12,887
Surbiton Home Fund	13,365	-	(498)	180	-	-	13,047
High Wycombe Home Fund	22,258	-	(757)	2,046	-	-	23,547
Administration Office Fund	2,511	-	(162)	30	-	-	2,379
Coaches Fund	-	-	(16)	371	-	-	355
	50,434	-	(1,728)	3,509	-	-	52,215
Designated and General Funds:							
High Wycombe Designated Fund	4,667	-	-	(1,917)	-	-	2,750
Building Replacement Fund	11,500	-	-	-	1,000	-	12,500
Property Refurbishment Fund	10,000	300	-	(712)	-	-	9,588
Strategic Development Fund	12,000	-	-	-	-	-	12,000
Transitional Support Fund	5,000	-	(2,520)	-	-	-	2,480
Care Support Fund	31,418	-	-	-	10,013	-	41,431
Pension Deficit Fund	2,000	-	-	-	-	-	2,000
General Fund	17,400	17,368	(16,232)	(186)	(10,870)	9,920	17,400
Total Unrestricted Funds	144,419	17,668	(20,480)	694	143	9,920	152,364
Permanent Endowment Fund	51	-	-	-	-	8	59
Restricted Funds	520	360	-	(694)	(143)	-	43
TOTAL FUNDS	144,990	18,028	(20,480)	-	-	9,928	152,466

Unrestricted Funds:

The *Solihull*, *Surbiton*, *High Wycombe* and *Administration Office Fixed Asset Funds* represent the book value of the charity's properties. The *Coaches Fund* represents the book value of the charity's coaches. The *High Wycombe Designated Fund* represents investments held to cover the expected cost to complete the Home.

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 value of the fund takes account of the investment the charity makes to ensure the buildings are maintained to the highest level.

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 daycare service, homecare and younger veterans' homes where we can provide much needed support for a significant number of beneficiaries. As explained in the Governors' Report, the charity's plans for developing these new services have been delayed as a result of the COVID-19 pandemic.

The *Transitional Support Fund* covers the cost of opening the High Wycombe Home until 31 December 2020.

The *Care Support Fund* provides income and capital to secure the future of dependent beneficiaries in case income from legacies and individuals declines. It also provides resources to enable the charity to continue providing the highest quality of care during the COVID-19 pandemic. The charity expects income to reduce, investments to suffer losses and costs to increase significantly during the COVID-19 pandemic. In the medium term, the charity's income is likely to remain unpredictable and we consider it likely that fundraising income will fall significantly from historic levels. 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 *Pension Deficit Fund* together with the pension scheme liability (£1.45m) represents the estimated deficit on the charity's defined benefit pension scheme at 31 December 2019.

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 Funds:

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

	At 1 Jan 19 £000	Income £000	Capital expenditure £000	Other Expenditure/ Transfers £000	At 31 Dec 19 £000
Solihull Home	379	1	(380)	-	-
High Wycombe Home	75	54	(129)	-	-
Coaches	-	185	(185)	-	-
Care Activities	66	120	-	(143)	43
RESTRICTED FUNDS	520	360	(694)	(143)	43

We expect to spend the *Restricted Funds* on care activities in 2020.

13b. 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
Pension Deficit Fund	2,000	-	-	-	-	2,000
General Fund	17,400	16,794	(14,780)	4,351	(6,365)	17,400
Total Unrestricted Funds	149,215	16,794	(15,967)	742	(6,365)	144,419
Permanent Endowment Fund	55	-	-	-	(4)	51
Restricted Funds	958	522	(218)	(742)	-	520
TOTAL FUNDS	150,228	17,316	(16,185)	-	(6,369)	144,990

Restricted Funds:

The movements on the *Restricted Funds* during 2018 were as follows:

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

14a. Analysis of Group Net Assets between Funds - 2019

	Tangible Fixed Assets £000	Investments £000	Current Assets £000	Current Liabilities £000	Pension Liabilities £000	Total £000
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Unrestricted Funds:**Fixed Asset Funds:**

Solihull Home Fund	12,887	-	-	-	-	12,887
Surbiton Home Fund	13,047	-	-	-	-	13,047
High Wycombe Home Fund	23,547	-	-	-	-	23,547
Administration Office Fund	2,379	-	-	-	-	2,379
Coaches Fund	355	-	-	-	-	355
	52,215	-	-	-	-	52,215

Designated and General Funds:

High Wycombe Designated Fund	-	-	2,750	-	-	2,750
Building Replacement Fund	-	12,500	-	-	-	12,500
Property Refurbishment Fund	-	9,000	588	-	-	9,588
Strategic Development Fund	-	10,000	2,000	-	-	12,000
Transitional Support Fund	-	-	2,480	-	-	2,480
Care Support Fund	-	41,431	-	-	-	41,431
Pension Deficit Fund	-	2,000	-	-	-	2,000
General Fund	-	19,327	1,241	(1,716)	(1,452)	17,400

Total Unrestricted Funds 52,215 94,258 9,059 (1,716) (1,452) 152,364

Permanent Endowment Fund - 59 - - - 59

Restricted Funds - - 43 - - 43

Total Net Assets 52,215 94,317 9,102 (1,716) (1,452) 152,466

14b. 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
Building Replacement Fund	-	11,500	-	-	-	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	-	31,418	-	-	-	31,418
Pension Deficit Fund	-	2,000	-	-	-	2,000
General Fund	-	18,803	1,119	(1,758)	(764)	17,400
Total Unrestricted Funds	50,434	94,388	2,119	(1,758)	(764)	144,419
Permanent Endowment Fund	-	51	-	-	-	51
Restricted Funds	-	-	520	-	-	520
Total Net Assets	50,434	94,439	2,639	(1,758)	(764)	144,990

15. Pension Schemes

15.1 Defined Contribution Schemes

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 £587,049 (2018: £417,172) into the defined contribution pension schemes during the year. The value of outstanding contributions at 31 December 2019 was £85,857 (2018: £65,583).

15.2 Defined Benefit Pension Scheme

The charity also contributed to a defined benefit pension scheme for some of the charity's staff during the year. This pension scheme was closed to future accrual on 30 April 2007. The pension scheme's assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the pension scheme are required to act in the best interests of the scheme's beneficiaries. Trustees include representatives of the Governors and members of the pension scheme. Trustees are appointed in accordance with the scheme's trust documentation.

The pension 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.

The disclosures set out below are based on calculations carried out as at 31 December 2019 by a qualified independent actuary in accordance with FRS102. The liabilities of the defined benefit pension 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 £1.45m existed at 31 December 2019 (deficit of £0.76m at 31 December 2018). 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 2019, 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 2020 is £280,000.

(A) Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2019	2018
Discount rate	2.00%	2.80%
RPI Inflation	3.30%	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%)	3.20%	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 assumed to 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:

	2019	2018
Gilts/Corporate Bonds	48.2%	50.8%
Investment portfolio	50.0%	48.2%
Cash	1.4%	0.6%
Insurance policies	0.4%	0.4%
Total	100%	100%

(C) Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2019	2018
	£000	£000
Present value of funded obligations	(27,098)	(24,766)
Fair value of scheme assets	25,646	24,002
Net liability recognised in the balance sheet	(1,452)	(764)

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:

	2019 £000	2018 £000
Interest on liabilities	680	646
Expected return on pension scheme assets	(663)	(632)
Past service costs	-	106
Total – included within Total Resources Expended	17	120

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

	2019 £000	2018 £000
Impact of adjustments and assumptions on scheme liabilities	(2,621)	1,154
Experience adjustments on scheme assets	1,670	(1,365)
Actuarial loss recognised in Statement of Financial Activities	(951)	(211)
Cumulative amount of actuarial loss recognised in the STRGL	(1,904)	(953)

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

	2019 £000	2018 £000
Opening defined benefit obligation	24,766	26,527
Interest cost	680	646
Impact of adjustments and assumptions on scheme liabilities	2,621	(1,154)
Past service costs	-	106
Benefits paid	(969)	(1,359)
Closing defined benefit obligation	27,098	24,766

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

	2019 £000	2018 £000
Opening fair value of scheme assets	24,002	25,814
Actual return on scheme assets (*)	2,333	(733)
Contributions by employer	280	280
Benefits paid	(969)	(1,359)
Closing fair value of scheme assets	25,646	24,002

(*) Calculation of actual return on scheme assets:

Expected return	663	632
Experience adjustments on scheme assets	1,670	(1,365)
Actual return on scheme assets	2,333	(733)

FULL NAME

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

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
 Malcolm Chapple BSc, Barrister at Law, FCI Arb – from 1 October 2019
 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 Bush RRC MBA BA
 Malcolm Chapple BSc, Barrister at Law, FCI Arb (Vice Chairman) - to 1 October 2019
- ^{4,5} Air Vice-Marshal Simon Dougherty MBE MSc MBBS FRCP FFOM DAvMed DObstRCOG FCMI FRAeS
 Dr Carolyn Eastwood MBChB MRCPsych - from 1 October 2019
- ³ Digby Flower BSc MRICS
- ^{2,3A,4} Amanda Francis DSS BSc ACA (Treasurer)
- ⁵ Edward Goodchild BSocSci Chartered FCSI FRSA
- ^{1,3} Christopher Harrison
- ¹ Surgeon Commodore Paul Hughes MBBS FRCGP MBA DRCOG DFFP
- ¹ Colonel Alison McCourt OBE ARRC
 Colonel Matthew Petersen MA - to 1 October 2019
- ² William Reid BA Chartered FCSI FRSA
 Dr David Staples FRCP MBiochem MMedSci - from 1 October 2019
- ^{1,5} Julie Thain-Smith MSc BSc RN FCMI
- ^{2,4} Mark Wills BSc FRGS DipAIBD MInstRE Chartered FCSI CWM (Vice Chairman)

Medical Representative from the Armed Services – Ex Officio Governor

- ² Air Vice-Marshal Maria Byford QHDS MA BDS MFGDP(UK) FRAeS

Appointee of The British Red Cross Society

Professor Suzanna Rose JP DL PhD MA RN

Committee membership as at 31 December 2019

- ¹ Care Committee
- ² Finance Committee
- ³ Property Committee (^{3A} Co-opted member)
- ⁴ Remuneration Committee
- ⁵ Governor Recruitment Committee

EXECUTIVE

Andy Cole OBE MA MBA
 Siobhan Creighton FCIPD
 Caley Eldred BA
 Martin Goldman AIOSH
 Malcolm Munro-Faure BSc ACA FRSA
 Pauline Shaw OBE BHSc MSc RGN PG Dip Arts (Nursing)
 Kate Silver BSc FCIPD

Chief Executive
 Director of Human Resources – to 29 August 2019
 Director of Supporter Engagement
 Director of Operations
 Director of Finance
 Director of Care & Service Development
 Director of People – from 29 August 2019

REGISTERED OFFICE

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 Hampton
 Middlesex TW12 2NP
 info@starandgarter.org

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 Surrey KT6 6JY

SOLIHULL HOME

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 Solihull
 West Midlands B91 3DE

HIGH WYCOMBE HOME (opened April 2019)

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 Buckinghamshire HP13 5GG

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National Westminster Bank plc
 Lloyds Bank plc
 Barclays Bank PLC

SOLICITOR

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 3 Bunhill Row
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 Juxon House
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Smith & Williamson Investment Management LLP
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 London
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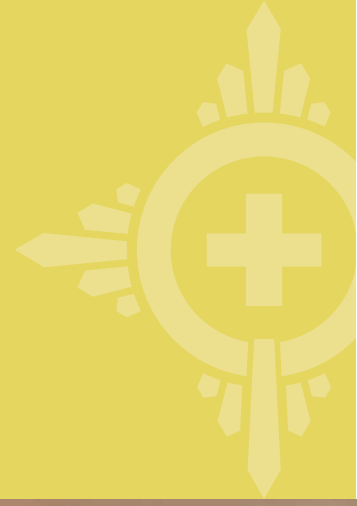
Ruffer LLP
 80 Victoria Street
 London SW1E 5JL

AUDITOR (to December 2019)

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**The Confederation
of Service Charities**

The Royal Star & Garter Homes
trading as **Royal Star & Garter**

Registered Charity No. 210119

Registered office:
15 Castle Mews
Hampton TW12 2NP