



ERSKINE HOSPITAL
(A company limited by guarantee
and not having a Share Capital)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

(Scottish Charity No: SC006609)
(Registered Company No: SC174103)

ERSKINE HOSPITAL

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ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Trustees present the Board of Trustees' Report (incorporating the Strategic Report) and financial statements for the year ended 30 September 2019.

Principal activities

Erskine Hospital ("Erskine") has provided support to the Armed Forces Veteran community since 1916. Its determination to provide the best care for Veterans, irrespective of their personal circumstances, has helped establish Erskine as one of Scotland's leading charities and a beacon in its field.

In 2019, the charity had four principal activities:

- Residential care homes: one in Edinburgh, one in Glasgow and two at Bishopton;
- Family and Assisted Living accommodation for independent living at Bishopton;
- A Veterans Activity Centre at Bishopton – operating on a drop-in basis; and
- Accommodation and support services at the Army Personnel Recovery Centre, in our Edinburgh Home.

Provision of nursing, dementia, end-of-life and respite care to Veterans and spouses is our main charitable activity.¹ We operate four care homes with a total of 339 rooms in Bishopton, Glasgow and Edinburgh. A total of 137 rooms are dedicated to dementia care².

The home in Edinburgh also provides 16 rooms and support services for the co-located Army Personnel Recovery Centre.

Erskine contracts with 32 local authorities, the Services Personnel and Veterans Agency and self-funding residents for the provision of care.

The Erskine Reid Macewen Activity Centre (ERMAC) for Veterans now has a membership of 170. Veterans from Glasgow and the West Coast community continue to enjoy the daily psychosocial support, arts and craft activities, entertainment and communal interactions which residents in our four homes have benefitted from for years. Erskine has therefore had considerable success in tackling wider societal isolation and loneliness amongst our Veterans.

Erskine has historically provided independent living accommodation for Veterans and families in 44 cottages on the Bishopton estate. This year we opened and allocated tenants to five Assisted Living apartments. We also continued construction of 24 "Transitional Support Apartments", to assist younger Veterans who leave the military at relatively short notice and need more assistance to reintegrate productively back into civilian life.

¹ Veterans' spouses and former members of the Royal Fleet Auxiliary, the Home Guard and the Merchant Marine who were deployed on active military service support, also qualify for our care.

² Some 60 % of our residents are now living with a dementia diagnosis, or some form of cognitive impairment. This is a trend which we can anticipate to increase – along with an associated increase in the cost of appropriate care delivery.

ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Strategic Report

Executive Summary

- Around 800 Veterans or spouses have received top quality nursing, dementia, end-of-life, palliative and/or respite care.
- Augmentation of the Advanced Nurse Practitioner role, with an ANP trainee, has supported a faster response to residents when taken ill - reducing their hospital admissions and improving comfort and care.
- Two Dementia Nurse Consultants, providing higher level training for staff, have allowed Erskine to better meet the challenge of supporting a growing number of Veterans who are living with the condition.
- Our Veterans Activity Centre has provided a "life-changing and life-saving" sense of purpose and community for 170 Veterans otherwise potentially living in isolation. A search for other venues is ongoing.
- Occupation of five Assisted Living apartments in October 2019, adjacent to the main home, has widened the support provided to Veterans and their families.
- Ongoing construction of 24 Transitional Supported Apartments which are designed to help younger Veterans of working age reintegrate into civilian life.
- Deficit on providing charitable activities was £9.22m (2018: £8.99m). The increase of £0.23m primarily results from running the Activity Centre and increases in pay levels.
- Fundraising expenditure was higher than last year by £217k. Donations fell by £310k to £4.61m but legacies increased by £909k to £4.76m. Total donations and legacies were £9.38m (2018: £8.78m).
- New Board members were recruited to offer fresh insight and best-practice thinking.

Review of the year

2019 saw Erskine consolidate its position as one of Scotland's oldest and most iconic military charities – whilst reflecting on the large number of WW2 Veterans it had supported, leading up to the 75th Anniversary of D-Day. We continue to pride ourselves as a centre of excellence for the care and support of Veterans, and one which seizes opportunities to collaborate and project expertise farther and further across the Veteran community in Scotland.

Care

This year, we have provided high quality person-centred care and wellbeing support to more than 800 beneficiaries within our four Homes, our Assisted Living Accommodation and via the Erskine Reid Macewen Activity Centre.

Having identified that an Advanced Nurse Practitioner (ANP) could make important early clinical interventions to protect and support the wellbeing of residents, this year we have invested in a Trainee ANP role, to create capacity and resilience. We now have two Dementia Nurse Consultants working across the four Homes – providing direct clinical/care interventions and developing staff skills and knowledge. We continue to build on the excellence in clinical interventions offered, while focusing relentlessly on ensuring our Homes remain a home first and a clinical environment second.

In common with NHS and commercial employers in the region, our Edinburgh Home has always faced difficulty with recruitment of Registered Nurses. However, for the first time, this year we have also encountered some challenges recruiting in both The Erskine Home and Erskine Glasgow Home. Working with the HR and Marketing teams, we have been proactive in promoting Erskine as a workplace of choice, where careers can be built.

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BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Review of the year (continued)

Leadership and influence

Erskine strives to be an outward-looking "influencer." We play a key role in the Veterans Scotland umbrella group, where the Chief Executive is a member of the Executive Committee and Chair of the Health and Wellbeing Pillar. Membership of Veterans Scotland enables Erskine to remain apprised of the changing needs of Veterans and provides opportunities to respond collaboratively with Public and Third sector colleagues. Erskine remained a significant member of the Unforgotten Forces Consortium (for Veterans aged over 65), with ERMAC and our outdoors art projects, helping us to lead by example.

Our expertise and guidance have been sought by Government departments and health and social care advocates. The Chief Executive is now the Third Sector representative on the Scottish Government's Armed Forces and Veterans Health and Wellbeing Joint Group. The Director of Care is Chair of the Scottish Government's Review of Forensic Mental Health Services.

We have hosted a number of visitors to our Homes – the Veterans' Minister, the Cabinet Secretary for Health and Sport, the Veterans Commissioner and the Nursing and Midwifery Council are examples. Furthermore, a group of inspectors from the Care Inspectorate visited us to better understand our exemplary use of the digital systems we have invested in and developed over the past few years.

The Erskine Park Home Manager and our Deputy Director of Care were both awarded the distinguished title of "Queen's Nurse" following successful completion of the national training programme. Erskine Park Home won the Best Care Home initiative award, at the Scottish Dementia Awards, for their work with Namaste Care and were runners up for their stimulation and support of residents through the OmiVista Interactive light projection tables.

Collaborative Sports and Wellness

This year, our hugely popular Erskine Sporting Seniors Games, saw twelve teams (including some from neighbouring commercial care homes and ERMAC) competing. The event opened with a message from our Patron HRH Prince Charles, Duke of Rothesay, read by our CEO. His Royal Highness congratulated the competitors on their determination and sporting endeavours. The Games were enjoyed by all – with considerable physical and mental wellness benefits (and associated data) accrued as a result.

Home environment

A high quality living environment is core to our residents' care experience. In 2019 we completed a total refurbishment programme in all four homes, to ensure we continue to offer the most comfortable and homely surroundings possible.

Inspections

Erskine Edinburgh secured Care Inspectorate grades of 5 (Very Good), for both planning of care and the care and support of residents' wellbeing. Given the amount of hard work Erskine Glasgow Home puts into care planning, we were disappointed by an assessment of 4 (Good) in this area. However, we were pleased that the inspectors assessed the overall care and wellbeing support which our residents received, as 5 (Very Good). Some very supportive comments and compliments from residents and relatives, further reassured us.

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BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Review of the year (continued)

ERMAC - Community Psychosocial Support

Erskine's Veterans Activity Centre (ERMAC) now has a vibrant membership of 170 Veterans, who travel from as far afield as Easterhouse in east Glasgow and Motherwell to the south. Although many are over 65 years of age, some are much younger. Many live with a variety of challenges including post-traumatic stress disorder. ERMAC members enjoy a wide variety of meaningful activities, such as arts and crafts, cooking, outdoor pursuits, IT lessons, music-making, fitness lessons, relaxation therapies and hot lunches. These activities bring our Veterans together, so that camaraderie, a common language and shared heritage come to the fore and imbue them with hope and resilience. We are very proud of the difference that we have made to the wider Veteran community. We continue to explore options to increase ERMAC capacity and extend Erskine's reach across Scotland through new Activity Centres in Veteran-dense communities.

Accommodation

Our 44 cottages and five assisted living apartments have remained fully occupied throughout the year. Demand remains high for what Housing Options Scotland describe as "an extremely attractive and competitive offering". We have also actively and discretely engaged local authorities and Scottish Government, on our tenants' behalf, as part of our Information Advice and Guidance support which we offer. We continue to engage with Veterans Scotland Accommodation Pillar and other housing partners, including Housing Options Scotland and the COBSEO Housing Cluster.

Our Edinburgh Home's support services for younger Service people at the Army Personnel Recovery Centre, has taught us much. Some of these personnel leave the military due to physical and/or mental health issues and may have little hope of a bright future unless they receive appropriate support. Therefore, we have commenced construction of 24 single living accommodation apartments. As part of a "Transitional Supported Accommodation" (TSA) model, the manager mentors and caseworkers whom we are recruiting, will help these younger veterans of working age to recuperate, re-orientate and retrain in preparation for the next chapter of their lives. ERMAC will also play a role in helping these younger Veterans network and train. This year, Scotland's Bravest Manufacturing Company (SBMC) signed the lease for the old Erskine Furniture Factory. This long-term lease, which starts with a two year rent free period, ensures SBMC are an integral part of the offering available to younger Veterans on the Bishopton estate. We work closely with Defence partners, local businesses and the Defence Transition Service in particular.

Financial review and key performance indicators

This year we have recorded a deficit of £426k (2018: deficit of £564k, before investment gains/(losses) and other recognised gains).

Income from care home fees and miscellaneous income increased by £0.48m to £15.52m (2018: £15.04m). Care home fees rose from £14.00m in 2018 to £14.42m in 2019 – local authority rates went up by 3.65% from April 2019, and self-funding rates rose by 3% from April 2019. Room occupancy averaged out at 97.8% over the year, which was a little higher than last year (2018: 97.4%).

Miscellaneous income comes from the Personnel Recovery Centre contract, rent from the 44 cottages and Assisted Living apartments on the Bishopton Estate, sales at Harry's Café and The Royal Scots Shop (inside the Erskine Home) and catering income from the operation of the Erskine Reid Macewen Activity Centre. Renting a field to SGN for gas works carried out provided £12k of income this financial year. Miscellaneous income, in total, was £1.08m this year, an increase of £0.05m from last year.

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BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Financial review and key performance indicators (continued)

Charitable activities expenditure increased by £0.72m from £24.02m to £24.74m partly due to an increase in staff salaries. Erskine continues to pay at least the Scottish Living Wage to all staff even though we are only required to pay this to Care staff. However, in 2018, we had two one-off costs, totalling £886k (grant to RBLI of £400k relating to the establishment of Scotland's Bravest Manufacturing Company in our former furniture factory and the loss of £486k on disposal of fixed assets on the sale of our Erskine Mains Home). Included within the 2019 expenditure figure is £480k of additional past service pension charges which arose due to the High Court ruling on 26 October 2018 in the Lloyds Banking Group case on Guaranteed Minimum Pensions (GMP's). Excluding these one-off costs, the charitable activities expenditure increased by £1.13m from £23.13m to £24.26m.

Also included within charitable activities expenditure is the ongoing cost of operating the Activities Centre which commenced operations in January 2018. This year, costs of £464k were incurred (compared to £349k in the 9 month period in 2018).

The annual deficit on the provision of care was £8.29m, which is calculated using the care home income, less charitable activities expenditure, but excluding the cost of running of the Activity Centre and the one-off pension costs detailed above. This represents a deficit of £469 per care room per week. (2018: £440 per week).

Donations and legacies increased by £599k to £9.38m. Included within donations and legacies is £626k donated for restricted projects/services. Expenditure on raising funds was £1.96m, compared with £1.74m last year. Our number of donors has increased year on year by 6% from 36,107 to 38,375. Of this total, 18,566 donate regularly. The ratio of expenditure on raising funds to income raised is 20.84% compared to 20% last year.

Investment income was £1.46m compared to £1.52m last year. This comprised £1.33m from investment dividends and interest (2018: £1.39m) and £128k from rental income for the Garden Centre building (2018: £128k), the operation of which transferred to Calder's Garden Centre on 1 November 2014. Other income included a £2k gain on sale of tangible fixed assets (2018: gain £9k).

There were realised losses on sale of investments of £451k (2018: gains of £133k), and unrealised gains of £1.63m (2018: £1.45m). There were unrealised gains on investment properties of £99k (2018: £nil). There was a £417k (2018: £618k) actuarial gain on the defined benefit pension scheme.

After taking account of all other recognised gains and losses, the overall increase in funds was £1.27m compared with an increase of £1.64m in 2018.

Total funds are £85.6m. Designated funds are £62.88m, including £37.7m allocated to fixed assets and investment properties and therefore not available for other purposes. Restricted funds are £811k.

Defined benefit pension scheme

The defined benefit pension scheme was closed to future accrual on 1 August 2010.

As at 30 September 2019 there is a scheme surplus of £957k (2018: £2.24m scheme surplus). Under FRS102, the scheme surplus is only recognisable on the balance sheet to the extent that Erskine can recover the surplus through reduced contributions in future or through refunds from the Scheme. Under FRS102 it is not possible to recognise this surplus as the scheme is closed to future accrual and a refund has not been agreed by the Trustees at the balance sheet date. As such the surplus is recorded as nil within these financial statements.

Defined benefit pension scheme (continued)

The present value of the scheme liabilities has been estimated by rolling forward the results of the 30 September 2018 FRS102 results, which were themselves a roll forward of the 5 April 2018 triennial actuarial valuation results. The increase in the Scheme's liabilities since last year is due to a decrease in corporate bond yields on which the discount rate is based. This has been partially offset by a small reduction in assumed future inflation expectations and an update to the mortality assumption.

Guaranteed minimum pension equalisation

The High Court ruled on 26 October 2018 in the landmark Lloyds Banking Group case on Guaranteed Minimum Pensions (GMP's). The judgement requires equalisation between males and females for the effect of unequal GMP's accrued between 17 May 1990 and 5 April 1997. The judgement also describes the permissible ways in which benefits can be equalised.

The judgement triggers a Plan Amendment, and, as a result of this, an estimate of the impact of GMP Equalisation is recognised in the Statement of Financial Activities as a past service charge. The impact of GMP equalisation has been estimated as £480k, or 1.7% of the value of the liabilities at 30 September 2019. The exact impact of GMP equalisation will not be known until the Trustees of the Scheme have fully equalised benefits, a process which may take some time.

Strategic risks and operational risk management

The strategic risks and uncertainties facing the charity are manifold but manageable, through the collaborative efforts of the executive management team, who report their findings and work to the Audit Committee and the Board.

Costs

Scottish Government policy, 'Reshaping Care for Older People' directs prioritised resources to services which help older people to live well in their own homes for longer. This can mean that when Veterans do finally move into Erskine, it is past the optimum point. They are therefore more frail and in a steeper trajectory of declining health. This necessitates more complex support and more expensive interventions, involving higher ratios of staff. Our staff are our most valuable resource. However, we recruit from NHS pools and attempt to match their salaries, terms and conditions and they are therefore also our most expensive resource. We are undertaking a charity-wide review of care and support, to ensure we manage all resources efficiently and achieve not only the best outcomes for our beneficiaries, but the best use of our supporters' donations - and thus a sustainable financial future.

National Care Home Contract (NCHC)

The NCHC is a negotiated flat fee paid for residential nursing care by all Local Authorities across Scotland. Scottish Care represents us in NCHC consultations. Thus far, they have not been able to agree upon a rate which Local Authorities deem affordable and which Scottish Care consider a fair reflection of the cost of care to look after increasingly elderly and frail citizens. If the NCHC ends, this could introduce inconsistent rates and heightened local fee competition. This would present a financial challenge for Erskine as well as a presentational one, which may see us charitably compensating for different levels of financial support, from different authorities, for different Veterans.

Thus far, Erskine has borne all these pressures, through non-care efficiency measures and financial prudence. However, the ending of the National Care Home Contract, and another 6% NHS salary increase over the next 2 years, (potentially compounded by Brexit/Indy2) could well pose increasing challenges.

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BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Strategic risks and operational risk management (continued)

Legacy income and fundraising

We continue to be fortunate that we are strongly supported through gifts left to us in the wills of Veterans, spouses and supporters mainly from the WW2 and National Service generation. However, these gifts, which represent almost half our gift income, are inherently unpredictable. Moreover, the age of those affected by conflicts (and thus affiliated to Erskine) may see these gifts taper off. We are taking steps to secure more legacy pledges, whilst diversifying other income streams which are more predictable in nature. In theory legacies should eventually be viewed as a welcome windfall gift, rather than essential income.

Despite being one of the few military charities which both fundraises and delivers care and support services for Veterans in Scotland, Erskine is not as well-known as some peers. This is particularly the case further east and north, where we are virtually unknown amongst potential donors below 50 years old. This is due in part at least to our restricted footprint and more niche, elderly care activities.

Trustees recently approved a 3-year fundraising and marketing investment plan. This investment, coupled with development of relevant and regionally accessible services, promoted within our donor development and stewarding programmes, will increase nationwide awareness and support for Erskine and help to mitigate the challenges which we face.

Risk management mechanisms

The Trustees and Executive Management Team implement a robust and effective framework for the management of risk. This framework, which is applied Erskine wide, supports management processes, and provides assurance that effective systems are in place to ensure compliance with legal requirements, good practice and to mitigate operational/strategic risks or shocks.

Throughout the year, the Chief Executive Officer (CEO) and his Executive Management Team (EMT) continued their monthly Risk Register reviews, to ensure assessment and management of factors which might have an immediate and significant impact. Relevant Board sub committees review risks in their own areas and the Board of Trustees receive a formal report twice a year. Our Internal Auditors (previously KPMG, now RSM) are also involved in supporting this process.

There are in-house audits to ensure and assure that appropriate high standards of care are delivered and that, where required, best practices statements, policies and procedures are in place.

The Erskine Care and Clinical Governance Committee meets quarterly. The Committee's remit is to scrutinise the performance of the Care Directorate against specific quality and process criteria – ensuring that resident centred care is provided safely, effectively and with value for money.

The Erskine Health and Safety Committee meets every three months with a remit to promote efficient and effective health and safety practices to ensure the health, safety and welfare of all employees, residents and volunteers at Erskine. Fire Brigade Fire Safety Officers have visited all the Care Homes in the past twelve months. Fire risk assessments for all premises are updated annually.

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BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Reserves policy

Erskine is largely dependent to finance its deficit on charitable activities income upon donor funding, including legacies. These income streams are subject to fluctuation from year to year. As a result, the trustees believe that Erskine should hold reserves to provide protection against such fluctuations and enable us to continue operating in all circumstances and following all eventualities, including, inter alia, any significant fall in income from whatever source. This means that Erskine can give confidence to the auditor and to donors, supporters and creditors, that we have de-risked all of our charitable services and can successfully complete any development project within which the Trustees have chosen to invest or collaborate. Thus, over the last two years, funds have been provided for the development of the Activity Centre, the initial investment in five Assisted Living apartments and for supporting the establishment of Scotland's Bravest Manufacturing Company as part of the Erskine village concept. Currently we are building 24 apartments to provide transition support to veterans at the point when they leave the armed services. Further developments being considered are to establish additional Activity Centres beyond our base in Erskine.

The trustees have reviewed the existing reserves policy and concluded that a liquidity based policy is appropriate, whereby our reserves policy is that Erskine should keep in investments and cash enough funds to cover:

- Restricted funds
- Designated funds for current capital and maintenance projects and five years' anticipated property lifecycle costs
- Two years' net cash flow for the anticipated care home deficit
- Accrued donations and legacies until the cash is received and available for use by Erskine.

Liquid reserves	£000
Cash and short term deposits	2,844
Investments	44,364
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Total liquid assets	47,208
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Restricted and designated funds	
Restricted funds	811
Capital and maintenance projects	1,739
Lifecycle costs	2,084
Care home deficit	18,970
Accrued donations and legacies	2,428
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Total to be covered by liquid reserves under the reserves policy	26,032
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Additional cover for new projects under the reserves policy	21,176
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ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Reserves policy (continued)

Since 1916, Erskine has delivered outstanding care and welfare support to vulnerable, disabled or elderly Veterans, who live with complex health and wellbeing challenges. We therefore staff, train, equip and operate our care homes to “outstanding and sector-leading” standards. Providing this standard of care to some 800 vulnerable Veterans attracted costs of £26.80m in the current year (2018: £25.91m). Care fees (statutory and self-funded) cover only some of these costs and each year we must fundraise around £10M to bridge the gap and deliver “Erskine added value care.”

It is our expert opinion that relocation to another home, a significant change in care standards, or admission to hospital can significantly impact the wellbeing of frail residents – and particularly those living with dementia. To protect our Veterans' wellbeing, the Board of Trustees seek to ensure that our care homes can deliver uninterrupted high standards of care and support, despite any form of strategic shock which impacts fundraised income.³ The Board of Trustees assess that Erskine must be capable of operating for up to two years (i.e. beyond the anticipated lifetime of most residents) without any gift income support. £18.97m is included in designated funds representing the anticipated deficit arising over the next 2 years from the operation of the care homes and ERMAC. This provision has been set at 2 years as it is representative of the longer term nature of the care provision at Erskine.

Investment policy and performance

The Finance and Performance Committee has considered the most appropriate policy for investing funds, and has appointed professional investment managers. There were realised losses on sale of investments of £451k and unrealised gains of £1.63m in the year ended 30 September 2019, which the Committee deems satisfactory. However, as at 13 March 2020, the investments have unrealised losses of £7.51m, which is a result of exceptionally poor market performance, due to the affect on financial markets of the Covid-19 pandemic.

Creditor payment policy and practice

Erskine's policy is to pay most trade creditors at the end of the month. At 30 September 2019 Erskine had an average of 28 days' purchases outstanding in trade creditors.

Volunteers

The total number of registered volunteers was 262 with an average of 109 being active during the year. The Volunteer Impact system has allowed us to make more effective use of their time and approximately 11,850 hours were contributed during the year.

We recognise the essential and valuable contribution that volunteers make towards the organisation.

³ Strategic shocks may include: economic crash; geo-political upheaval; major business disaster, or any incident which affects our reputation and thus fundraising capability.

Fundraising

The Head of Fundraising and Communications is responsible for all fundraising, marketing and external communications activities and manages a team of 25 staff. As part of our Individual Giving activities professional fundraising representatives may be used for door to door or telephone fundraising.

As members of the Institute of Fundraising, all Erskine fundraisers, whether employed by Erskine, volunteers, or acting on behalf of the charity adopt the Standards and Policy issued by the Fundraising Regulators' and are bound by Erskine's "Protecting Vulnerability" policy.



Erskine could not fulfil its charity mission without the support of generous, thoughtful and committed donors, who are extremely valued, along with the need to balance duty to beneficiaries with duty to donors. We are committed to best practice fundraising and are registered with the Scottish Fundraising Standards Panel Register of Charities. We comply with the law as it applies to charities and fundraising and adhere to best practice as outlined in the Fundraising Code of Practice.

As a charity registered in Scotland, Erskine adheres to the Office of the Scottish Charity Regulator (OSCR) with regard to the legal requirements of Scottish Charity law in relation to fundraising. Eight complaints were received during the year. However, all were dealt with and appropriately resolved.

Erskine has a clearly defined fundraising strategy and tracks performance and expenditure against agreed monthly KPIs with all fundraising, communications and marketing activities monitored by the Board of Trustees and the Finance and Performance Committee.

Workforce involvement

During this year, our Modern Apprentice programme was increased by 10 new employees – 1 x admin, 1 x catering and 8 x care. The current MAs in care commenced their SCQF (Scottish Credit and Qualifications Framework) Level 6 in May 2019. The success of this programme was confirmed when the first MAs in care secured permanent posts this year, following their two-year programme.

Once again, the calibre of nominations for our President's Awards submitted this year was extremely high and, although the final winners have now been presented with their awards, we believe every nominee was a winner in their own right. There was further recognition of achievement when two Senior Care Assistants (SCAs) were accepted on the Widening the Access to Nursing programme commencing in October 2019. This course is fully funded and designed to equip Care staff with minimum entry requirements in order to apply for BSc (Hons) Nursing. Congratulations also to Pauline McIntyre, Deputy Director of Care, who was selected earlier this year to take part in a nine-month development programme run by the Queen's Nursing Institute Scotland (QNIS) and, following successful completion of the programme, has been appointed a Queen's Nurse.

Our Erskine Values – Communication, Accountability, Respect and Excellence continue to underpin everything we do.

We continue to work in partnership with our recognised Trade Unions who are fully consulted with and engaged in any formal meetings.

ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Disabled employees

Erskine Hospital, as an organisation providing care for those with physical and mental impairment, gives full consideration to employment applications from disabled persons, where the requirements of the job can be adequately filled by a disabled person. If existing employees become disabled it is Erskine's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities wherever appropriate. In addition, war pensioners are employed within the organisation.

Plans for future periods

The current Erskine Strategy 2019-23 was created as a result of a Strategy Day held at the end of 2018. In November 2019, the Board conducted a similar exercise to consider how we might rise to challenges out to 2030 which were considered to be:

- Reduced beneficiary/donor numbers
- Over-reliance on legacy income
- Limited geographical reach
- Support to younger Veterans – especially in transition from the forces to civilian life
- Recruitment and retention difficulties

The outcomes from this Strategy Day informed the new strategy for 2019-2030, which will be reviewed at the next Board Meeting in March 2020. The Board confirmed its intent to adjust Erskine's Vision and Mission, to be wider ranging, more collaborative and cognisant of our awareness of the changing needs of the wider Veteran community of all ages.

Erskine Vision:

A Scotland in which the Veteran Community is valued and respected and where high quality care and support enable them to maximise their potential and quality of life.

Erskine's Mission:

To lead by example in developing and delivering outstanding, person-centred care and holistic support, so that Veterans in Scotland are valued and fulfilled throughout their post-Service lives.

To that end, The Board have directed that the following main strands of work will be incorporated into the 2019-2023 strategy:

- To continue to develop and share best practice in the delivery of person-centred care, support and a homely environment for our elderly residents. These are to be captured within a Clinical and Care Strategy.
- To optimise the facilities and capacity of the Reid Macewen Activities Centre, and to establish similar, high quality venues and facilities in other regions where Veterans are at risk of social isolation and loneliness. Potential locations include Moray (Forres), Stirlingshire, Fife/Tayside, and Aberdeenshire.
- Development of an Estate Strategy and exploration of appropriate business models, which help meet the changing accommodation needs of Veterans (as evidenced by an 80 strong waiting list for our non-care accommodation).
- Prudent use of reserves to achieve the above objectives where necessary.

ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Plans for future periods (continued)

Estates

Plans to dispose of any further component of the Erskine Estate are still held in abeyance whilst a review of Veteran support and accommodation needs is conducted. The local authorities have designated the land "for care use only."

The Board continues to endorse Erskine's support to the Royal British Legion Industries subsidiary social enterprise: Scotland's Bravest Manufacturing Company (SBMC). SBMC have now assumed full occupancy of and responsibility for Erskine's former furniture factory and its operations, with a 25-year lease. We continue to partner and support SBMC, not least through engagement and influence assistance and the reservation of transitional supported apartments for employees and students.

Structure, governance and management

Erskine was founded in 1916. The current governing instruments are the Memorandum and Articles of Association, with which Erskine was incorporated as a company limited by guarantee with charitable status on 4 April 1997. The Board have agreed to review the governing instruments over the course of the next financial year.

The principal address of Erskine is Erskine Hospital, Bishopton, Renfrewshire PA7 5PU.

The website address:- www.erskine.org.uk

Appointment, induction and training of the Board of Trustees

Appointment to Erskine's Board of Trustees is carried out in accordance with the requirements of:

- the Charities and Trustee Investment (Scotland) Act 2005; and
- the policies and procedures as set by Erskine, having the necessary regard to the provisions of the Memorandum and Articles of Association.

Before recruiting new members of the Board of Trustees, Erskine identifies and prioritises those skills which would benefit the Board of Trustees. In undertaking this task the Board has regard to its Governance role in setting and achieving the charitable company's strategic objectives, as well as seeking to represent the community both geographically and in terms of community interest. Over the past financial year, the Board has recruited three new Trustees with skills and experience in relation to geriatrics, care and human resources to replace the skills and experience of retiring Trustees and to enhance and strengthen the Board of Trustees. At the same time the Board co-opted two additional members to the Board's Finance and Performance Committee, with specific skills and experience in financial and investment management.

The Board of Trustees regularly review: -

- how they organise themselves with regard to board meetings;
- whether these meetings are at times which restrict those who can attend;
- whether meetings are held at venues which are readily accessible; and
- whether materials for trustees are available in alternative formats - large type, audio etc.

Erskine also has a Conflict of Interests Policy and maintains a conflicts of interest register.

ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Structure, governance and management (continued)

Appointment, induction and training of the Board of Trustees (continued)

Potential members of the Board of Trustees receive information (recruitment) packs with the details they need to determine whether they wish to pursue their interest and are able to offer the required level of commitment. The recruitment pack aims to allow the potential member a full understanding of the charitable company and what Erskine expects of its Board members.

Following selection as a member of the Board of Trustees, a full induction process is followed. Information is supplied on how to interpret the financial information together with details of how the Board measures and reflects on the performance of the charitable company. New members are invited to meet the executive management team and to visit the charitable company's operating premises.

Organisational structure

Under the provisions of the Companies Act 2006, the Board of Trustees are all effectively the Directors of the company. The Board of Trustees meet on at least four occasions per year. Meetings of the Board are attended by all members of Erskine's Executive Management Team. The Board are given regular reports on regulatory issues including care and clinical governance and financial performance. The Board further considers strategic issues and recommendations together with specific issues for decision which have been brought through the Sub-Committee structure.

Sub-Committee Structure

Erskine's Sub-Committees are formed from the membership of the Board of Trustees. Certain Sub-Committees have additional co-opted members who have particular expertise in the areas being considered by the relevant Sub-Committees.

The Sub-Committees are:-

- (a) **Finance & Performance Committee** who, on behalf of the Board of Trustees, oversee the long term strategic planning of Erskine's finances along with the performance of the organisation against a series of agreed key performance indicators;
- (b) **Audit Committee** who undertake, on behalf of the Board of Trustees, a regular review of the operational effectiveness of the internal financial controls and procedures of Erskine and all statutory audit material including the Annual Report and management letter;
- (c) **Care & Clinical Governance Committee** whose primary aim is to assure the Board that effective Clinical Governance mechanisms are in place throughout the care operation to ensure efficient and professional practice for the delivery of high quality care and a safe environment for residents, staff and members of the public;
- (d) **Staff Governance Committee** whose primary purpose is to provide assurance to the Board that appropriate staff governance mechanisms are in place; and
- (e) **Remuneration Committee** whose primary responsibility is for approval of all strategic remuneration issues within Erskine including setting key management personnel compensation.

Each of the Sub-Committees' minutes are circulated to all members of the Board of Trustees and regular reports are brought to the Board together with any particular issues which require the overall decision of the Board.

Related parties

Erskine has one subsidiary, Erskine Developments Limited.

ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Reference and administrative details

Erskine Hospital is a private company limited by guarantee and not having a share capital, with registration number SC174103. It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC006609.

The ordinary membership of the company, who form the General Council, appoint from their number the Board of Trustees which is composed of not less than 12 and not more than 18 trustees. The Board of Trustees may also co-opt not more than five additional members on an annual basis.

The General Council meets on at least two occasions during the year at which time members are given an update on the work at Erskine. They also receive regular written updates from the Chief Executive.

Board of Trustees

The Board of Trustees, who are the Directors for the purposes of Company Law and Trustees for the purposes of Charity Law, during the period covered by these financial statements and up to the date of approval of the financial statements were as follows:

Robin Crawford (Chairman) x	Alan Seabourne ≈
Stuart Aitkenhead ≈ x	Brenda Wilson ≠
Brian Cowan (resigned 20 March 2019) ≠	James Fraser ∅
Ian Reid * x	David Harrison ∅
Rosslyn Crocket (resigned 20 March 2019) ≠ x	Simon Allbutt *
Rani Dhir ≈ ∅	Ian Lee ∅ x
Robert Kemp ≈	Elizabeth Simpson ∅
David (Douglas) Griffin ≈	Rosemary Lyness ≠
Claire Copeland (appointed 20 March 2019) ≠	Lyndsay Jane Lauder (appointed 19 June 2019) *
Maria Clare Docherty (appointed 19 June 2019) ≠	

≈	Finance & Performance Committee Member
∅	Audit Committee Member
≠	Care & Clinical Governance Committee Member
*	Staff Governance Committee Member
x	Remuneration Committee Member

Chief Executive

Wing Commander John (Ian) Cumming MBE Royal Air Force (retired)

Company secretary

Andrew Cowan

ERSKINE HOSPITAL

BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Advisors

Independent auditor:	Scott-Moncrieff Audit Services 25 Bothwell Street Glasgow G2 6NL	Internal auditors: (to 30 September 2019)	KPMG 319 St Vincent Street Glasgow G2 5AS
		Internal auditors: (from 01 October 2019)	RSM 3 rd Floor Centenary House 69 Wellington Street Glasgow G2 6HG
Bankers:	Royal Bank of Scotland 1 Moncrieff Street Paisley PA3 2AW	Investment managers:	Brewin Dolphin 6 th Floor, Atria One Edinburgh EH3 6PP
Solicitors and registered office:	T C Young 7 West George Street Glasgow G2 1BA		

Auditor

The appointed auditor, Scott-Moncrieff, tendered their resignation during January 2020 and were replaced by Scott-Moncrieff Audit Services. Scott-Moncrieff Audit Services have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the forthcoming Annual General Meeting.

Statement of the trustees' responsibilities in respect of the financial statements

The trustees are responsible for preparing the Board of Trustees' Report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Charity and Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with 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). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the charitable company and of the income and expenditure of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK 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 charitable company will continue in business.

Statement of the trustees' responsibilities in respect of the financial statements (continued)

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are also responsible for ensuring that the assets are properly applied in accordance with charity law.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are trustees at the time the report is approved:

- So far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as trustee in order to make himself/herself aware of any relevant information, and to establish that the charitable company's auditor is aware of the information.

By Order of the Board of Trustees, the Board of Trustees' Report (incorporating the Strategic Report) is signed by:



Robin Crawford, Chairman

Date: 18 March 2020

ERSKINE HOSPITAL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF ERSKINE HOSPITAL FOR THE YEAR ENDED 30 SEPTEMBER 2019

Opinion

We have audited the financial statements of Erskine Hospital (the 'charitable company') for the year ended 30 September 2019 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and the 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 charitable company's affairs as at 30 September 2019 and of its 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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 trustees 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, except to the extent otherwise explicitly stated in our report, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF ERSKINE HOSPITAL
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board of Trustees' Report (incorporating the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board of Trustees' Report (incorporating the Strategic Report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board of Trustees' Report (incorporating the Strategic Report).

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pages 15 and 16, the trustees (who are directors for the purposes of company law and trustees for the purposes of charity law) 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 trustees 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 trustees are responsible for assessing the charitable company'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 trustees either intend to liquidate the charitable company 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 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts 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.

ERSKINE HOSPITAL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF ERSKINE HOSPITAL FOR THE YEAR ENDED 30 SEPTEMBER 2019

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the charitable company's members, as a body, and the charitable company's trustees, as a body, 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 charitable company, the charitable company's members, as a body, and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott-Moncrieff Audit Services

Allison Gibson, Senior Statutory Auditor

For and on behalf of Scott-Moncrieff Audit Services, Statutory Auditor

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

25 Bothwell Street

Glasgow

G2 6NL

Date: 18 March 2020

ERSKINE HOSPITAL

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Unrestricted funds 2019 £'000	Restricted funds 2019 £'000	Total 2019 £'000	Total 2018 £'000
Income and endowments					
Donations and legacies	5	8,755	626	9,381	8,782
Charitable activities	6	15,516	-	15,516	15,035
Investment income	7	1,461	-	1,461	1,516
Other income		15	-	15	9
Total income and endowments		25,747	626	26,373	25,342
Expenditure					
Raising funds	8	1,955	-	1,955	1,738
Charitable activities	9	24,600	138	24,738	24,021
Investment management costs		106	-	106	147
Total expenditure		26,661	138	26,799	25,906
Net (expenditure)/income prior to gains/(losses) on investments		(914)	488	(426)	(564)
Gains/(losses) on investments					
Realised (loss)/gain on disposal of fixed asset investments	15	(451)	-	(451)	133
Unrealised investment gains	15	1,632	-	1,632	1,452
Unrealised investment property gains	14	99	-	99	-
Total gains on investments		1,280	-	1,280	1,585
Net income for the year		366	488	854	1,021
Other recognised gains					
Actuarial gain on defined benefit pension scheme	20	417	-	417	618
		783	488	1,271	1,639
Transfers between funds	21	247	(247)	-	-
Net movement in funds	12	1,030	241	1,271	1,639
Total funds brought forward	21	83,747	570	84,317	82,678
Total funds carried forward	21	84,777	811	85,588	84,317

Note: The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 23 to 42 form part of these financial statements

ERSKINE HOSPITAL

BALANCE SHEET AS AT 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	13	35,424	32,925
Investment property	14	2,030	1,821
Other investments	15	44,364	43,338
		<u>81,818</u>	<u>78,084</u>
Current assets			
Debtors	16	3,728	3,584
Cash and cash equivalents		2,844	5,635
		<u>6,572</u>	<u>9,219</u>
Creditors: amounts falling due within one year	17	<u>(1,576)</u>	<u>(1,760)</u>
Net current assets		<u>4,996</u>	<u>7,459</u>
Net assets excluding provisions and pension liability		<u>86,814</u>	<u>85,543</u>
Provision for liabilities	19	<u>(1,226)</u>	<u>(1,226)</u>
Net assets		<u><u>85,588</u></u>	<u><u>84,317</u></u>
Funds			
Restricted funds	21	<u>811</u>	<u>570</u>
Unrestricted funds:			
Designated funds	21	62,879	62,851
Other charitable funds	21	21,898	20,896
		<u>84,777</u>	<u>83,747</u>
	21	<u><u>85,588</u></u>	<u><u>84,317</u></u>

The financial statements have been authorised for issue by the Board of Trustees on 18 March 2020 and are signed on their behalf by:



Robin Crawford, Chairman

Scottish Charity No: SC006609
Company No: SC174103

The notes on pages 23 to 42 form part of these financial statements

ERSKINE HOSPITAL**STATEMENT OF CASH FLOWS
FOR THE YEAR TO 30 SEPTEMBER 2019**

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	22	<u>(192)</u>	<u>1,033</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(4,079)	(3,747)
Proceeds from disposal of tangible fixed assets		-	410
Proceeds from disposal of investment property		-	240
Purchase of investments		(5,805)	(7,219)
Proceeds from disposal of investments		5,960	7,023
Dividends received		1,310	1,378
Interest received		15	10
Net cash used in investing activities		<u>(2,599)</u>	<u>(1,905)</u>
Decrease in cash and cash equivalents in the year		(2,791)	(872)
Cash and cash equivalents at 1 October		<u>5,635</u>	<u>6,507</u>
Cash and cash equivalents at 30 September		<u><u>2,844</u></u>	<u><u>5,635</u></u>

The notes on pages 23 to 42 form part of these financial statements

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated. They comprise the financial statements of the charitable company.

The principal activities of Erskine Hospital are:

- Residential care homes: one in Edinburgh, one in Glasgow and two at Bishopton;
- Family and Assisted Living accommodation for independent living at Bishopton;
- A Veterans Activity Centre at Bishopton – operating on a drop-in basis; and
- Accommodation and support services at the Army Personnel Recovery Centre, in our Edinburgh Home.

Erskine Hospital is a private company limited by guarantee incorporated in the United Kingdom and registered in Scotland. It is recognised as a charitable company for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC006609. In the event of the winding up of the charitable company a member is liable to contribute a sum not exceeding £1. Details of the registered office and registered number can be found in the Board of Trustees' Report (incorporating the Strategic Report).

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charitable company's financial statements unless otherwise stated.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include investment properties and fixed asset investments at fair value and in accordance with United Kingdom Accounting Standards, including the Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice (SORP) '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)', the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Erskine Hospital meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the accounting policies (see note 3).

Going concern

Erskine Hospital has no borrowings and strong net assets and so the Trustees believe it is appropriate that the financial statements have been prepared on a going concern basis.

Consolidation

These financial statements are for the charitable company only. The result and Balance Sheet of the subsidiary undertaking, Erskine Developments Limited, has not been consolidated on the grounds of lack of materiality. Erskine Hospital presents information about it as an individual undertaking and not in respect of the group.

2. Principal accounting policies (continued)

Income recognition

All income is included in the Statement of Financial Activities when the charitable company is entitled to the income, it is probable that the income will be received and the amount can be measured reliably. The following specific policies are applied to particular categories of income:

- Donation income is received by way of grants and donations and is included in full in the Statement of Financial Activities when the charitable company becomes entitled to the funds, it is probable that the income will be received and the amount can be measured reliably.
- Legacies are recognised at fair value when the executor is satisfied that the gift will not be required to meet claims on the estate and any conditions have been met or are within the control of the charitable company.
- Income from charitable activities is accounted for when earned.
- Dividend income is recognised when dividends are declared and the stock becomes ex-dividend.
- Other income is recognised when the charitable company is entitled to the income and the amount can be measured reliably.

Capital grants

Capital expenditure has been and will be incurred on fixed assets and may be eligible for grant assistance. Where this is the case, grants are credited to restricted funds. Once the restriction has been satisfied, the balance is reallocated to a designated fund. The relevant depreciation charge is debited to this designated fund.

Capital grants are recognised when the charitable company is entitled to the grant, it is probable that the income will be received and the amount can be measured reliably.

Expenditure recognition

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered.

- Raising funds costs comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Other expenditure comprises those costs incurred by the charitable company that are not related to its activities.
- Governance costs comprise those costs associated with meeting the constitutional and statutory requirements of the charitable company and include the audit fees and costs linked to the strategic management of the charitable company.
- Support costs are allocated between care homes expenditure and raising funds in accordance with an estimate of staff time spent on each activity.

Pensions

Erskine Hospital operates a defined benefit pension scheme which was closed to new entrants on 15 August 2001. Movements in the overall position of the defined benefit pension scheme are included in the Statement of Financial Activities. The defined benefit pension scheme was closed to future accrual on 1 August 2010.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Principal accounting policies (continued)

Pensions (continued)

A defined contribution section of the Scheme was established in October 2001 for new employees. A resolution was passed on 29 August 2012 to wind up this section of the Scheme and a new pension arrangement was launched on 1 July 2012. Contributions are charged in the Statement of Financial Activities as they become payable in accordance with the Scheme Rules.

The assets of the Schemes are held separately from those of Erskine Hospital in independently administered funds.

Any scheme surpluses are only recognisable on the Balance Sheet to the extent that Erskine can recover the surplus through reduced contributions in the future or through refunds from the Scheme.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to expenditure on a straight line basis over the period of the lease.

Operating lease income is recognised in income on a straight line basis over the period of the lease.

Fixed assets

The premises and equipment transferred to the charitable company on its incorporation were not capitalised in the Balance Sheet and any proceeds from the sale of surplus land or buildings will be shown as a gain on disposal. No value is included in the financial statements in respect of the land owned by the charitable company. On the initial construction of a new building all items are capitalised and then any subsequent repairs and replacements are written off to expenditure except for major alterations. The purchase of motor vehicles is treated as a capital item. Other assets are included at cost and are being depreciated over the following periods:

	Care Homes	Reid Macewen Training Centre	Glasgow Rec Room
Buildings	40 years	40 years	33 years
Equipment, Furnishings, Machinery & Plant	2-10 years	-	-
Motor Vehicles	4 years	-	-

Cottages are depreciated over 60 years.

Depreciation charges commence in the month in which assets are brought into use.

In respect of assets in the course of construction no depreciation is charged until the assets are brought into use.

Investments and investment property

Listed investments and investment properties are included in the Balance Sheet at mid-market value and fair value respectively. Gains and losses are recognised in the Statement of Financial Activities in the year in which they arise.

Investments in subsidiary undertakings are included at cost less accumulated impairment.

2. Principal accounting policies (continued)

Financial instruments

The charitable company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors. Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Investments are measured at fair value with the changes being recognised in the Statement of Financial Activities.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash at bank includes cash and short term highly liquid investments with a short maturity of twelve months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Short term trade creditors are measured at the transaction price.

Provision for liabilities

A provision is created when there is uncertainty surrounding the timing and amount of settlement of a liability. The provision will become binding when the uncertainty is removed.

Funds

Unrestricted funds are expendable at the discretion of the Trustees in the furtherance of the charitable company's objectives. Within unrestricted funds, the Trustees have earmarked funds for certain projects as designated funds.

Restricted funds have specific terms or conditions which have to be satisfied and these funds remain restricted until all the related conditions have been satisfied.

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, Trustees are required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Trustees are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied to legacy recognition, the pension assumptions, the valuation of investment property and the depreciation rates.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. Comparative Statement of Financial Activities (incorporating Income & Expenditure Account)

	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Total 2018 £'000
Income and endowment			
Donations and legacies	7,773	1,009	8,782
Charitable activities	15,035	-	15,035
Investment income	1,516	-	1,516
Other income	9	-	9
Total income and endowments	<u>24,333</u>	<u>1,009</u>	<u>25,342</u>
Expenditure			
Raising funds	1,738	-	1,738
Charitable activities	23,642	379	24,021
Investment management costs	147	-	147
Total expenditure	<u>25,527</u>	<u>379</u>	<u>25,906</u>
Net (expenditure)/income prior to gains on investments	(1,194)	630	(564)
Gains on investments			
Realised gain on disposal of fixed asset investments	133	-	133
Unrealised investment gain	1,452	-	1,452
Total gains on investments	<u>1,585</u>	<u>-</u>	<u>1,585</u>
Net income for the year	391	630	1,021
Other recognised gains			
Actuarial gain on defined benefit pension scheme	618	-	618
	<u>1,009</u>	<u>630</u>	<u>1,639</u>
Transfers between funds	405	(405)	-
Net movement in funds	<u><u>1,414</u></u>	<u><u>225</u></u>	<u><u>1,639</u></u>

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

5. Donations and legacies	Unrestricted funds 2019 £'000	Restricted funds 2019 £'000	Total 2019 £'000
Legacies	4,770	5	4,775
Donations	3,985	621	4,606
	<u>8,755</u>	<u>626</u>	<u>9,381</u>

	<i>Unrestricted funds 2018 £'000</i>	<i>Restricted funds 2018 £'000</i>	<i>Total 2018 £'000</i>
Legacies	3,579	287	3,866
Donations	4,194	722	4,916
	<u>7,773</u>	<u>1,009</u>	<u>8,782</u>

6. Charitable activities income	Total 2019 £'000	Total 2018 £'000
Care home fees and miscellaneous income	15,503	15,009
Social firms income	13	26
	<u>15,516</u>	<u>15,035</u>

All charitable activities income received in 2019 and 2018 was unrestricted.

7. Investment income	Total 2019 £'000	Total 2018 £'000
Dividends received	1,310	1,378
Rental income	136	128
Interest received	15	10
	<u>1,461</u>	<u>1,516</u>

All investment income received in 2019 and 2018 was unrestricted.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. Investment income (continued)

At 30 September 2019 the charitable company had minimum lease receipts due under non-cancellable operating leases as follows:

	2019 £'000	2018 £'000
Not later than one year	178	178
Later than one year and not later than five years	713	713
Later than five years	2,858	3,037
	<u>3,749</u>	<u>3,928</u>

8. Raising funds expenditure

	Total 2019 £'000	Total 2018 £'000
Staff costs – direct	621	550
Staff costs – apportioned	189	155
Marketing & communications	82	111
Office & vehicle costs – direct	215	178
Office & vehicle costs – apportioned	190	183
Donor development campaign	658	561
	<u>1,955</u>	<u>1,738</u>

All raising funds expenditure incurred in 2019 and 2018 is unrestricted.

9. Charitable activities expenditure

	Unrestricted funds 2019 £'000	Restricted funds 2019 £'000	Total 2019 £'000
Care homes and miscellaneous			
Nursing staff	12,299	61	12,360
Care support staff	3,174	1	3,175
Maintenance & repairs	1,809	7	1,816
Irrecoverable VAT	944	-	944
Insurance	165	-	165
Training	26	-	26
Utilities	777	-	777
Food, transport & comforts	636	-	636
Medical & domestic supplies	592	50	642
Reid Macewen Activities centre	445	19	464
Support costs			
Management & administration	1,600	-	1,600
Marketing of care	188	-	188
Depreciation & impairment (note 13)	1,470	-	1,470
Net return on pension scheme (note 20)	(63)	-	(63)
Past service costs on pension scheme (note 20)	480	-	480
Governance costs (note 10)	58	-	58
	<u>24,600</u>	<u>138</u>	<u>24,738</u>

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

9. Charitable activities expenditure (continued)	<i>Unrestricted funds 2018 £'000</i>	<i>Restricted funds 2018 £'000</i>	<i>Total 2018 £'000</i>
Care home and miscellaneous			
Nursing staff	11,456	39	11,495
Care support staff	2,985	1	2,986
Maintenance & repairs	1,686	216	1,902
Irrecoverable VAT	986	-	986
Insurance	152	-	152
Training	43	-	43
Utilities	797	-	797
Food, transport & comforts	701	-	701
Medical & domestic supplies	512	114	626
Development costs	13	-	13
Grant to RBLI	400	-	400
Reid Macewan Activities Centre	340	9	349
Loss on disposal of fixed assets	486	-	486
Support costs			
Management & administration	1,498	-	1,498
Marketing of care	222	-	222
Depreciation & impairment (note 13)	1,288	-	1,288
Net return on pension scheme (note 20)	15	-	15
Governance costs (note 10)	62	-	62
	<u>23,642</u>	<u>379</u>	<u>24,021</u>

10. Governance costs	2019 £'000	2018 £'000
Company secretary costs	6	12
External auditor – audit services	26	23
External auditor – taxation compliance	4	4
Internal audit	22	23
	<u>58</u>	<u>62</u>

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. Staff costs	2019 £'000	2018 £'000
Wages and salaries	15,003	13,926
Social security costs	1,127	1,056
Pension scheme costs - defined contribution	1,484	1,130
Pension scheme past service charge – defined benefit	480	-
	<u>18,094</u>	<u>16,112</u>

Agency costs of £382,849 (2018 - £293,765) are included within wages and salaries above.

These costs and the analysis below include full-time, part-time and agency staff.

Number of employees with emoluments over £60,000:	2019 No.	2018 No.
£60,000 - £69,999	2	1
£70,000 - £79,999	1	1
£90,000 - £99,999	1	-
	<u>4</u>	<u>2</u>
	2019 £	2018 £
The pension contributions for the above employees were:	<u>26,062</u>	<u>14,255</u>

Four (2018 - two) employees with emoluments over £60,000 were members of the defined contribution pension scheme.

The average number of employees analysed by function was:	2019 No.	2018 No.
Nursing and therapy	511	490
Support services	185	188
Activities	21	25
Social firms	4	4
Management and administration	36	35
Fundraising, marketing and communications	19	18
	<u>776</u>	<u>760</u>

Key management personnel

Key management personnel comprises the Board of Trustees, the Chief Executive, the Executive Management Team and the 4 care home managers. No Trustees received remuneration in respect of duties performed (2018 - £nil). Travel expenses of £nil was paid to Trustees in the year (2018 - £1,156: two Trustees). Other key management personnel received remuneration of £602,164 (2018 - £563,728), social security costs of £65,864 (2018 - £59,872) and pension contributions of £55,098 (2018 - £48,634).

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

12. Net movement in funds

	2019	<i>2018</i>
	£'000	<i>£'000</i>
Net movement in funds is stated after charging/(crediting):		
Depreciation and impairment	1,470	<i>1,288</i>
Auditor's remuneration – audit fees	26	<i>23</i>
Auditor's remuneration – taxation compliance	4	<i>4</i>
Interest received	(15)	<i>(10)</i>
Operating lease rentals	42	<i>72</i>
	=====	<i>=====</i>

13. Tangible fixed assets

Cost	Freehold buildings £'000	Social firms & other buildings £'000	Assets under construction £'000	Motor vehicles £'000	Hospital equipment & furnishings £'000	Total £'000
At 1 October 2018	50,222	790	2,140	558	3,182	56,892
Additions	84	-	2,517	20	1,458	4,079
Disposals	-	-	-	(14)	-	(14)
Transfers	1,481	-	(1,481)	-	-	-
Transfer to investment property	-	(790)	-	-	-	(790)
	=====	=====	=====	=====	=====	=====
At 30 September 2019	51,787	-	3,176	564	4,640	60,167
	=====	=====	=====	=====	=====	=====
Depreciation and impairment						
At 1 October 2018	20,675	680	-	258	2,354	23,967
Charge for the year	1,092	-	-	119	259	1,470
Disposals	-	-	-	(14)	-	(14)
Transfer to investment property	-	(680)	-	-	-	(680)
	=====	=====	=====	=====	=====	=====
At 30 September 2019	21,767	-	-	363	2,613	24,743
	=====	=====	=====	=====	=====	=====
Net book value						
30 September 2019	30,020	-	3,176	201	2,027	35,424
	=====	=====	=====	=====	=====	=====
<i>30 September 2018</i>	<i>29,547</i>	<i>110</i>	<i>2,140</i>	<i>300</i>	<i>828</i>	<i>32,925</i>
	=====	=====	=====	=====	=====	=====

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

14. Investment property	£'000
At 1 October 2018	1,821
Transfer from tangible fixed assets	110
Gain on revaluation	99
	<hr/>
At 30 September 2019	2,030
	<hr/> <hr/>

The Garden Centre, furniture store and furniture factory were independently valued as at 7 October 2019 by David Hall, FRICS, of Shepherd Chartered Surveyors. The valuations were carried out on an existing use basis.

15. Fixed asset investments	Subsidiary undertakings £'000	Other investments £'000	Total 2019 £'000
Market value at 1 October 2018	1	43,337	43,338
Additions	-	5,805	5,805
Disposals at open market value (proceeds £5,960,000, loss £451,000)	-	(6,411)	(6,411)
Movement in market value	-	1,632	1,632
	<hr/>	<hr/>	<hr/>
Market value at 30 September 2019	1	44,363	44,364
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investment in subsidiary undertaking

The result and Balance Sheet of the subsidiary undertaking is listed below. Erskine Developments Limited is wholly owned by Erskine Hospital and has not been consolidated on the grounds of lack of materiality. Erskine Developments Limited's registered office is 7 West George Street, Glasgow, G2 1BA.

The share capital and reserves of the subsidiary undertaking not consolidated, taken from the latest set of accounts, are as follows.

	Share capital & reserves £'000	Country of incorporation	Loss for the year £'000	Principal activity
Erskine Developments Ltd *				
(as at 30.09.19)	(23)	Scotland	-	Development

* 100% of voting rights and ordinary shares held by the company.

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	2019	<i>2018</i>
	£'000	<i>£'000</i>
16. Debtors		
Trade debtors	425	444
Amounts due from subsidiary undertakings	24	22
Other debtors	227	152
Prepayments and accrued income	3,052	2,966
	3,728	3,584

Trade debtors are shown net of the bad debt provision of £68,336 (2018 - £83,666). Movements in the bad debt provision are included within support costs.

	2019	<i>2018</i>
	£'000	<i>£'000</i>
17. Creditors: amounts falling due within one year		
Trade creditors	636	856
Other taxes & social security costs	16	14
Amounts payable to subsidiary undertakings	17	17
Other creditors	907	873
	1,576	1,760

Included within other creditors is pension contributions of £148,935 (2018 - £103,991) outstanding at the year end.

	2019	<i>2018</i>
	£'000	<i>£'000</i>
18. Financial instruments		
Financial assets		
Cash and cash equivalents	2,844	5,635
Financial assets measured at fair value	46,394	45,159
Financial assets measured at amortised cost	3,443	3,298
	52,681	54,092
Financial liabilities		
Financial liabilities measured at amortised cost	1,560	1,746

Financial assets measured at fair value comprise investment property and other investments.

Financial assets measured at amortised cost comprise trade debtors, amounts due from subsidiary undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts payable to subsidiary undertakings and other creditors.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

19. Provision for liabilities	2019	<i>2018</i>
	£'000	<i>£'000</i>
Repayment of funding	1,226	<i>1,226</i>

A number of years ago, funding was received to set up social firm operations. Some of these activities were discontinued in 2012 and accordingly, a provision was created for the potential repayment of this funding. The print building was sold and Erskine Hospital repaid £192k of the original funding in 2018. This amount was transferred to other creditors in 2017 as the settlement amount was known. There is uncertainty surrounding the liability, timing and amount of any remaining settlement.

The provision for liabilities is secured over the buildings for which the grant income was received.

20. Pension commitments

Erskine Hospital operates a pension scheme providing benefits based on revalued average pensionable salary. The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme was closed to new entrants on 15 August 2001, and closed to future accrual on 1 August 2010.

The contributions to the scheme are determined with the advice of an independent qualified actuary on the basis of triennial valuation using the projected unit valuation method. A full actuarial valuation was undertaken as at 5 April 2018, which shows a surplus of £2.06m in the Scheme and a funding level of 108%. The year-end valuation has also been prepared using the projected unit valuation method.

The major financial assumptions used by the actuary were:

	At 30 September 2019	At 30 September 2018
Rate of future salary increases	3.85%	3.95%
Rate of increase of pensions in payment	1.85%	1.90%
Rate of increase of deferred pensions	2.35%	2.45%
Discount rate	1.75%	2.80%
Inflation assumption	2.35%	2.45%
Mortality tables	SAPS tables +1 year age rating, year of birth, CMI 2018 long term improvements of 1.25% with a smoothing parameter of 7.0	SAPS tables +1 year age rating, year of birth, CMI 2018 long term improvements of 1.25% with a smoothing parameter of 7.5

The mortality assumptions adopted imply the following life expectancies from age 65:

	2019	<i>2018</i>
Male currently aged 40	22.4 years	<i>22.9 years</i>
Male currently aged 45	22.0 years	<i>22.5 years</i>
Male currently aged 65	20.6 years	<i>21.1 years</i>
Female currently aged 40	24.5 years	<i>25.0 years</i>
Female currently aged 45	24.1 years	<i>24.6 years</i>
Female currently aged 65	22.5 years	<i>23.0 years</i>

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

20. Pension commitments (continued)

The following amounts are recognised in the Balance Sheet:

The assets in the Scheme and the expected rates of return were:

	Value at 30/09/19 £'000	% of Scheme assets	<i>Value at 30/09/18 £'000</i>	<i>% of Scheme assets</i>
Equities	5,218	17.60%	4,962	18.10%
Corporate bonds	2,787	9.40%	877	3.20%
Annuity policy	12,690	42.80%	12,171	44.40%
Property	1,720	5.80%	1,617	5.90%
Cash	148	0.50%	247	0.90%
LDI	3,943	13.30%	2,851	10.40%
Diversified growth fund	-	0.00%	4,688	17.10%
Diversified credit fund	3,143	10.60%	-	0.00%
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value of scheme assets	29,649		27,413	
Present value of funded liabilities	(28,692)		(25,177)	
Unrecognised surplus	(957)		(2,236)	
	<hr/>		<hr/>	
Deficit in scheme	-		-	
	<hr/> <hr/>		<hr/> <hr/>	

Movements in the fair value of scheme assets are as follows:

	2019 £'000	<i>2018 £'000</i>
Opening fair value of scheme assets	27,413	28,060
Finance income	747	717
Actuarial gains/(losses)	2,974	(384)
Benefits paid	(1,485)	(980)
	<hr/>	<hr/>
Closing fair value of scheme assets	29,649	27,413

Movements in the present value of the scheme liabilities are as follows:

	2019 £'000	<i>2018 £'000</i>
Opening defined benefit liability	25,177	28,663
Past service costs	480	-
Interest cost	684	732
Actuarial losses/(gains)	3,836	(3,238)
Benefits paid	(1,485)	(980)
	<hr/>	<hr/>
Closing defined benefit liability	28,692	25,177
	<hr/>	<hr/>
Actual return on scheme assets	3,721	333
	<hr/> <hr/>	<hr/> <hr/>

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

20. Pension commitments (continued)

History of experience gains/(losses)	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Scheme assets	29,649	27,413	28,060	29,346	26,090
Defined benefit liability	(28,692)	(25,177)	(28,663)	(31,684)	(24,955)
Surplus/(deficit) in Scheme	957	2,236	(603)	(2,338)	1,135
Experience adjustments on scheme assets	2,974	(384)	(487)	3,461	(601)
Experience adjustments on scheme liabilities	330	2,647	261	61	3,390

The following are recognised in the Statement of Financial Activities:

	2019 £'000	2018 £'000
Analysis of net return on pension scheme:		
Finance income	747	717
Interest cost	(684)	(732)
Net income/(expense)	63	(15)
Analysis of employer costs:		
Past service costs	(480)	-
Analysis of actuarial gain:		
Actual return less expected return on pension scheme assets	2,974	(384)
Experience gains and losses on liabilities	330	2,647
Changes in assumptions	(4,166)	591
Adjustment in respect of irrecoverable surplus	1,279	(2,236)
Actuarial gain to be recognised	417	618

The cumulative amount of actuarial losses taken to the statement of financial activities since the deficit was incorporated into the financial statements is £10.383m.

Movement in deficit during the year:	2019 £'000	2018 £'000
Deficit in scheme at the beginning of the year	-	(603)
Movement in the year:		
Net return on pension scheme	63	(15)
Past service costs	(480)	-
Actuarial gain	417	618
Deficit in scheme at the end of the year	-	-

In May 2014, the defined benefit pension scheme purchased a group annuity policy to match the liabilities within the scheme. Erskine is not currently required to make any payments to the scheme.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. Funds 2019	As at 30 September 2018 £'000	Income and endowments £'000	Expenditure £'000	Gains £'000	Transfers / reallocations £'000	As at 30 September 2019 £'000
Restricted funds:						
Donations	570	626	(138)	-	(247)	811
Unrestricted funds:						
Designated (see below)						
Tangible fixed assets	32,925	-	(1,470)	-	3,969	35,424
Investment property	1,821	-	-	99	110	2,030
Revaluation reserve	107	-	-	-	97	204
Lifecycle costs	3,300	-	(488)	-	(728)	2,084
Care home deficits	18,834	-	-	-	136	18,970
Capital and maintenance projects	3,576	-	-	-	(1,837)	1,739
Accrued donations & legacies	2,288	-	-	-	140	2,428
Total designated funds	62,851	-	(1,958)	99	1,887	62,879
Other charitable funds	20,896	25,747	(24,286)	1,181	(1,640)	21,898
Pension reserve (note 20)	-	-	(417)	417	-	-
Net other charitable funds	20,896	25,747	(24,703)	1,598	(1,640)	21,898
Total unrestricted funds	83,747	25,747	(26,661)	1,697	247	84,777
Total funds	84,317	26,373	(26,799)	1,697	-	85,588

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. Funds (continued) 2018	As at 30 September 2017 £'000	Income and endowments £'000	Expenditure £'000	Gains £'000	Transfers / reallocations £'000	As at 30 September 2018 £'000
Restricted funds:						
Donations	345	1,009	(379)	-	(405)	570
Unrestricted funds:						
Designated (see below)						
Tangible fixed assets	31,352	-	(1,288)	-	2,861	32,925
Investment property	2,061	-	-	-	(240)	1,821
Revaluation reserve	268	-	-	-	(161)	107
Lifecycle costs	3,839	-	(1,322)	-	783	3,300
Care home	18,650	-	-	-	184	18,834
Capital and maintenance projects	4,647	-	(65)	-	(1,006)	3,576
Accrued donations & legacies	3,449	-	-	-	(1,161)	2,288
Total designated funds	64,266	-	(2,675)	-	1,260	62,851
Other charitable funds	18,670	24,333	(22,837)	1,585	(855)	20,896
Pension reserve (note 20)	(603)	-	(15)	618	-	-
Net other charitable funds	18,067	24,333	(22,852)	2,203	(855)	20,896
Total unrestricted funds	82,333	24,333	(25,527)	2,203	405	83,747
Total funds	82,678	25,342	(25,906)	2,203	-	84,317

Restricted funds consists of restricted donations. Erskine Hospital received many restricted donations in the year, in particular:

Donor	Donation	Purpose
MacRobert Trust	£100,000	Construction of 24 Single Living Apartments for Veterans
Armed Forces Covenant Fund	£19,660	Contribution towards the cost of a Trainee Advanced Nurse Practitioner
Scottish Veterans Fund	£15,000	Contribution towards the cost of a Trainee Advanced Nurse Practitioner
National Lottery Awards	£5,000	Outdoor activities at Castle Semple

Erskine also received an unrestricted donation of £150,000 from the ABF The Soldiers' Charity towards the cost of caring for Army veterans, and £40,000 from the Royal Navy and Royal Marines Charity towards the cost of caring for Royal Navy and Royal Marine veterans.

Designated funds consist of:

Tangible fixed assets, investment property and revaluation reserve

Erskine Hospital received restricted funds for the tangible fixed assets and investment property. As the restrictions to acquire the assets have been met and there are no on-going restrictions, these funds, including the revaluation reserve, have been included in designated funds having been invested in fixed assets and therefore not available for other purposes. Transfers are made annually to ensure the closing balance agrees to the year end tangible assets and investment property values.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. Funds (continued)

Designated funds (continued)

Lifecycle costs

During the year ended 30 September 2017 a full conditions report on our buildings covering fabric, mechanical and electrical systems was undertaken by an external surveyor. The report identified that over the next 5 years there would be a requirement to spend £3.84m on lifecycle maintenance to maintain the integrity of our buildings. As at 30 September 2018 £3.30m of this amount was still to be incurred. In 2018/19, £0.49m of expenditure was incurred. £0.73m was transferred from the fund to the capital and maintenance projects fund as these lifecycle costs will be included within these larger projects.

Care home deficits

The Trustees have set aside £18.97m representing the anticipated deficits in the care homes and social firms over the next 2 years, based on the deficit anticipated for 2019/20. This takes into account the long term nature of care provision at Erskine Hospital.

Capital and maintenance projects

The Trustees set aside £3.58m in the previous years to be used in capital and maintenance projects. In 2018/19 £4.08m of capital expenditure was incurred. At the year end total capital expenditure of £2.24m has been approved by the Board and this amount has been designated. This has resulted in a total of £1.84m being transferred from the fund.

Accrued legacies

In accordance with the Statement of Recommended Practice (SORP) "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)", Erskine Hospital is required to recognise income when it is probable that the income will be received. £2.16m of legacies and £266k of donations have been accrued at 30 September 2019. This amount has been designated until the cash is received and available for use by Erskine Hospital.

Analysis of net assets among funds: 2019	Fixed assets £'000	Other net assets £'000	Total 2019 £'000
Restricted funds:			
Donations	-	811	811
Unrestricted funds:			
Designated funds	60,451	2,428	62,879
Other charitable funds	21,367	531	21,898
	81,818	2,959	84,777
	81,818	3,770	85,588

ERSKINE HOSPITAL

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

21. Funds (continued)

Analysis of net assets among funds: 2018	Fixed assets £'000	Other net assets £'000	Total 2018 £'000
Restricted funds:			
Donations	-	570	570
Unrestricted funds:			
Designated funds	60,563	2,288	62,851
Other charitable funds	17,521	3,375	20,896
	<u>78,084</u>	<u>5,663</u>	<u>83,747</u>
	<u>78,084</u>	<u>6,233</u>	<u>84,317</u>

22. Reconciliation of net expenditure to net cash provided by operating activities

	2019 £'000	2018 £'000
Net expenditure for the year prior to reported gains	(426)	(564)
Depreciation and impairment	1,470	1,288
Loss on sale of tangible fixed assets	-	476
(Increase)/decrease in debtors	(144)	1,230
Decrease in creditors and provisions	(184)	(24)
Dividends received	(1,310)	(1,378)
Interest received	(15)	(10)
Net return on pension scheme	(63)	15
Past service costs on pension scheme	480	-
Net cash (used in)/provided by operating activities	<u>(192)</u>	<u>1,033</u>

23. Related party transactions

During the year Erskine Hospital entered into the following transactions in the ordinary course of its activities, with related parties.

Related party	Transactions with related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Erskine Developments Limited			
2018/2019	-	(17)	24
2017/2018	-	(17)	22

No payments were made to Erskine Developments Limited in the year.

The amounts outstanding at the Balance Sheet date are unsecured for cash settlement in accordance with the usual terms.

ERSKINE HOSPITAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

24. Operating leases

At 30 September 2019 the charitable company had commitments under non-cancellable operating leases as set out below:

	2019	<i>2018</i>
	Other	<i>Other</i>
	£'000	<i>£'000</i>
Not later than one year	10	<i>42</i>
Later than one year and not later than five years	36	<i>-</i>
	46	<i>42</i>

Lease payments of £42,017 (2018 - £72,029) are included in the Statement of Financial Activities.

25. Capital commitments

Capital commitments which have been approved by the board amount to £1.739m (2018 - £3.576m). Included in this amount is £685k (2018 - £2.885m) which has been contracted for.

26. Members' rights in respect of a winding up of the company

Under the Articles of Association, the company is limited by guarantee and has no share capital. In the event of a winding up of the company each member's liability is restricted to £1.