

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

**Report and Financial Statements**  
**For the year ended 30 September 2017**

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

# ERSKINE HOSPITAL

## Report and Financial Statements For the year ended 30 September 2017

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## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

The Trustees present the Board of Trustees' Report (incorporating the Strategic Report) and financial statements for the year ended 30 September 2017.

#### **Principal Activities**

The principal activity of Erskine has continued to be the provision of nursing, dementia and respite care to ex-Service men and women. In response to the declining number of veterans this care is also available to qualifying spouses, members of the merchant marine who were deployed on active service, in support of the armed forces, members of the Royal Fleet Auxiliary and members of the Home Guard.

Care was delivered from Erskine's four care homes, where we have a total of 339 care beds: the 180 bed Erskine Home, the 72 bed Erskine Edinburgh Home, the 40 bed Erskine Park Home and the 47 bed Erskine Glasgow Home. In addition, we provide 16 beds and support services for the Army Personnel Recovery Centre in the Edinburgh Home. We also supported one veteran to live in a care home in Aberdeen until his death, through our bursary scheme, but this scheme has now ended.

Of the total of 339 beds for the care of veterans, 137 were dedicated to dementia care, and the remaining 202 to long term nursing care. Erskine contracts with 32 local authorities, the Services Personnel and Veterans Agency and self-funding residents for the provision of appropriate care.

Erskine also supports veterans by providing 44 cottages on the Bishopton estate for veterans and their families to live independently.

Erskine has continued to play a pivotal role in Veterans Scotland, with the Chief Executive being a member of the Executive Committee and chairing the Health and Well-being Pillar meetings. Membership of Veterans Scotland enables Erskine to keep up to date with developments in services provided to veterans by many of the charities operating in Scotland and across the UK.

#### **Strategic Report**

##### ***Review of the year***

The first three months of this reporting period were still in our centenary year, which was rounded off with a Centenary Ball in Mar Hall where the first patients of the Princess Louise Hospital for Limbless Sailors and Soldiers had been admitted in 1916.

Erskine has cared for 724 ex-service men, women and qualifying spouses over the last 12 months. Of particular focus has been improving our care for those residents living in the Erskine Home and Erskine Park Home with the employment of an Advanced Nurse Practitioner who provides early intervention, high skilled, intensive input to residents who are becoming unwell. In addition, we employed a Dementia Nurse Consultant covering all four Homes, and we have developed a Domus training suite in the retained cottage, giving clear commitment to staff training related to dementia and frailty. We have delivered dementia training courses for direct care staff and those who support care delivery to our residents. A newly appointed Practice Development Nurse, covering all four Homes supports care staff in embedding knowledge into practice. We have continued the planned refurbishment programme for the homes which will ensure we provide the best possible environment. This work has included the construction of a new lounge seating area in the Edinburgh Home and an ongoing maintenance and refurbishment programme in all the Homes.

We continued to improve the outside areas by replacing the wooden fencing with modern wire fencing that provides a more open outlook and sense of space, and have started work on developing sensory gardens for the dementia houses in Bishopton. In addition, we have constructed a cycle track through the woodland on the Bishopton estate and have provided four powered tandem cycles so that staff and relatives can go for a ride with our residents.

Our 44 cottages have remained fully occupied and demand remains high. We continued to receive favourable feedback from our tenants and we have continued with a planned maintenance programme. As cottages become available we seek new occupants from the central housing waiting list administered by Veterans Scotland.



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### Strategic Report (continued)

##### *Financial Review and Key Performance Indicators*

This year we have recorded a surplus of £3.92m (2016: £2.74m) before investment gains/(losses) and other recognised gains/(losses).

Charitable activities income, which comprises care home fees income, and miscellaneous income, sub-categorised as gross income relating to the PRC in our Edinburgh Home, cottage income for the Bishopton estate, Harry's Café income (within the Erskine Home) and Royal Scots Shop income (also within the Erskine Home), as well as Social Firms income, increased overall in the year by £0.76m (including income from discontinued operations of £77,000).

Care home fees and miscellaneous income increased by £0.78m to £14.45m representing a 5.7% increase on last year. Although the average bed occupancy level was similar to last year at 96.8%, the increased level of income is due to an average uplift of 5.6% in the fees paid by local authorities through the year, and a 1% increase to the self-funding rate.

The cost of care provision increased by 12.2% from £20.07m to £22.51m due principally to the increase in care staff establishment, the pay increase to ensure we continue to pay at least the Scottish Living Wage and the annual pay award to all staff of 1%.

With these charges and including depreciation and development costs, the overall deficit incurred on the provision of care amounted to £8.06m, compared to £6.40m last year. The annual deficit of £8.06m represents a deficit of £456 per bed per week compared with £357 per bed per week last year.

The remaining Social Firm, namely Erskine Reid Macewen Training and Conference Centre, incurred a deficit of £77,000 after depreciation of £61,000 compared to a deficit of £49,000 last year (after depreciation of £61,000).

Donations and legacies increased by £3.23m to £12.59m. Legacies increased by £3.15m to £8.24m and donations increased by £84,000 to £4.35m. Included in donations and legacies is £417,000 donated for restricted projects/services. Raising funds expenditure decreased by 2.5% to £2.11m. The number of donors has gone down from 38,506 to 37,407 of which 19,758 are regular donors. The raising funds expenditure represented 17% of the income raised compared to 23% last year.

Investment income was £1.68m compared to £1.49m last year. This comprises £1.56m from investment dividends and interest (2016: £1.37m) and £120,000 rental income for the Garden Centre building (2016: £120,000) the operation of which was transferred to Caulders Garden Centre on 1 November 2014. In 2016, other income consisted of £600,000 for our final share of the proceeds of qualifying houses sold on the former hospital site at Mar Hall. Other income this year consists of a £21,000 gain on the sale of tangible fixed assets.

Financial markets were volatile during the year, due to many different factors, and there were realised losses on sale of investments of £275,000 compared to losses of £131,000 last year and unrealised gains of £1.57m compared to gains of £3.67m last year.

There was an actuarial gain of £1.79m on the defined benefit pension scheme compared to a loss of £2.34m last year.

After taking account of all other recognised gains and losses, there was an overall increase in funds of £7.23m compared to an increase of £3.94m last year.



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### Strategic Report (continued)

##### *Defined Benefit Pension Scheme*

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

As at 30 September 2017 there is a scheme deficit of £603,000. The present value of the scheme liabilities has been estimated using the results of the 5 April 2015 triennial actuarial valuation. The decrease in the pension deficit since last year is largely due to an increase in bond yields on which the discount rate is based.

##### *Risk Management*

The principal risks and uncertainties facing the charity are threefold. Firstly, the continuing consequences of the government policy, 'Reshaping Care for Older People' which directs resources to services that help support older people to enjoy full and positive lives in their own home, or in a homely setting. This change in focus has resulted in fewer referrals from Local Authorities for long term care placements, and those residents who are placed have far greater care needs. Both have a significant financial impact in terms of occupancy levels and the cost of caring for those who are admitted, particularly in terms of increased staffing costs. Secondly, the continuation of the National Care Contract and a nationally agreed rate for care services has been linked to the payment of the Scottish Living Wage of £8.45 per hour to care staff. While it has been possible for Erskine to meet this requirement, unless there is a corresponding increase in future care rates this will become an increasing pressure. The charity's reliance on voluntary income of donations and legacies, which funded 50.6% of our expenditure in 2016/17, is the third risk. There is evidence nationally that charities continue to see a reduction in donations over the past 12 months, and, whilst Erskine Hospital has continued to enjoy a high level of support, we are finding it increasingly difficult to reach voluntary income targets, so are concentrating on our donor development programme. Erskine has also focussed on income generation through a number of initiatives such as the lease of the Garden Centre, the sale of the former print building and the long-term occupancy of part of the Erskine Reid Macewen building rather than relying on day rate business, as well as continuously looking for efficiency savings measures notably in procurement of utilities and the review of contracts.

The Trustees and Executive Management Team have adopted 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 and good practice.

By tackling risk in a systematic way, continuous improvement is focussed with the resulting positive impact on the quality of care, our staff and the efficiency of Erskine.

A monthly review of the Strategic risks is undertaken by the Chief Executive with the Executive Management Team to ensure the continued validity of control measures, and assessment of emerging risks. The relevant Board sub committees review risks in their own areas and the Board of Trustees receive a formal report twice a year.

KPMG, Erskine Hospital's internal auditors, continue to support the Senior Management Team to describe risks to achieving our objectives and rate them accurately. During the year, KPMG further supported the risk management strategy by providing an internal audit service as agreed by the Audit Committee. The EMT monitors internal clinical and operational support audit compliance, tracking follow up actions to ensure there is a detailed audit trail to completion and reports to the Audit Committee. External audits from the Care Inspectorate, Environmental Health Officers and Fire authorities are followed up and are used as a means to improve services to residents.

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. These include audits relating to Clinical care standards, Food Hygiene, Infection Control, Health and Safety, Fire and Data Protection and are completed by designated Erskine staff.

The Erskine Care and Clinical Governance Committee meets every three months. The Committee's remit is to scrutinise the performance of the Care Directorate against specific quality and process criteria. Their role is to assure the Board that resident centred care is provided safely and effectively.



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### Strategic Report (continued)

##### *Risk Management (continued)*

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, as well as those who may be affected by Erskine activities.

Fire risk assessments for all premises are updated annually. Fire Brigade Fire Safety Officers have visited all the Care Homes in the past twelve months; actions recommended are monitored by the Head of Facilities & Support Services to ensure completion.

##### *Reserves Policy*

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.

Erskine Hospital holds funds in reserves in order to be able to guarantee that the care of ex-Service men and women can be sustained given the variability of many of the sources of income on which it depends. In 2017, approximately 43.7% of income came from one off donations and legacies. It is projected that substantial investment and voluntary income will be needed each year to offset the deficit on the cost of care and the social firm which amounted to £8.14m this year. It is appropriate for Erskine Hospital to hold reserves to manage the risk of a downwards fluctuation in income from donations and legacies. At 30 September 2017 the amount of unrestricted funds was £82.33m.

Total unrestricted funds are £82.33m (2016: £75.16m), of which £64.27m (2016: £60.80m) has been designated by the trustees. Total restricted funds are £345,000 (2016: £292,000).

A restricted fund was established at the time of the decision to build new facilities at Erskine, Erskine Mains, Edinburgh and more recently Erskine Park, Erskine Glasgow and the expansion of Erskine Edinburgh. The Erskine Reid Macewen Training Centre, Social Firm buildings and replacement cottages are also included in this fund. There are no continuing restrictions on this fund so the balance was reallocated to designated reserves in the prior year as a result of clarification within 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)". Depreciation is being charged to the fund over the expected useful life of these facilities.

Designated funds amounting to £3.84m have been established to provide for capital expenditure and provision for lifecycle costs relating to property maintenance. Also included in designated funds, is £4.65m which the Board have set aside for a number of facilities projects, designed to enhance our care of residents. This is in addition to £18.65m also to be included in designated funds representing the anticipated deficit arising over the next 2 years from the operation of the care homes and the social firm. This provision has been set at 2 years as it is representative of the longer term nature of the care provision at Erskine.

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. This accounting policy has resulted in an additional £3.45m of legacies being accrued at 30 September 2017. This amount has been designated until the cash is received and available for use by Erskine.

As at 30 September 2017, the pension scheme has a deficit of £603k. This has been included as a separate unrestricted reserve. This leaves net other charitable funds of £18.07m (after accounting for the pension reserve and designated funds).



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### **Strategic Report (continued)**

##### ***Reserves Policy (continued)***

The anticipated deficit on all activities along with current and any future capital expenditure will deplete the level of funds in reserves and reduce the associated available income. It will be necessary to continue fundraising in order to minimise this negative effect on investment income.

The Trustees have been considering plans for future periods and how the undesignated reserves of Erskine Hospital might be used to develop further our charitable objectives. Details are given below under Plans for Future Periods.

##### ***Investment Policy and Performance***

The Finance & Performance Committee has considered the most appropriate policy for investing funds, and has appointed professional investment managers. The investment managers achieved a satisfactory return for the year to 30 September 2017.

##### ***Creditor Payment Policy and Practice***

Erskine Hospital's policy is to pay most trade creditors at the end of the month. At 30 September 2017 Erskine Hospital had an average of 38 days' purchases outstanding in trade creditors.

##### ***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 Hospital's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities wherever appropriate.

Erskine Hospital provides employment to those with a disability under the Employment Service Work Choice Scheme. In addition, war pensioners are employed within the organisation.

##### ***Volunteers***

The total number of registered volunteers was 239 with an average of 160 being active during the year. The Volunteer Impact system has allowed us to make more effective use of their time and approximately 17,000 hours were contributed during the year.

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

##### ***Fundraising***

The Head of External Relations is responsible for all fundraising, marketing and external communications activities and manages a team of 19 staff. As part of our Individual Giving activities professional fundraisers 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 are bound by the standards contained within the Fundraising Code of Practice.

Erskine adopts the Standards and Policy issued by the Fundraising Regulator's Rule Book with regard to Managing Vulnerability while carrying out fundraising activities, in addition to the Institute of Fundraising Guide; "Treating Donors Fairly". As a charity registered in Scotland, Erskine adheres to OSCR with regard to the legal requirements of Scottish Charity law in relation to fundraising. 28 complaints were received during the year with one fundraising representative who had failed to comply with the Fundraising Code of Practice and was removed from our campaign.

External Relations has a clearly defined strategy and can track performance against agreed KPIs with all fundraising activities also monitored by the Board of Trustee Finance and Performance Committee.



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### Strategic Report (continued)

##### *Employee Involvement*

During this year all staff and volunteers continued to go that extra mile and contributed beyond the call of duty for the benefit of Erskine. 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 our Director of Care, Derek T Barron, received a Lifetime Achievement Award for 32 years of service within mental health nursing from the Mental Health Nursing Forum for Scotland. Congratulations also go to the staff in Haig House and Karen Herron, Speech & Language Therapist who, along with a team from University of the West of Scotland and NHS Ayrshire & Arran, won a Highly Commended Award for their "Food for Thought" project. Without doubt awards such as these pay tribute to the tremendous level of dedication to the chosen specialities and interests represented throughout Erskine.

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.

##### *Plans for Future Periods*

The Board has reviewed the 2012-2017 strategy each year since it was issued to ensure its continued relevance and that the action plan is on target for completion. As 2017 was the last year of the current strategy a more in-depth review of future service provision was undertaken in November 2017, the outcomes from which informed the new strategy for 2018-2022 which was approved by the Board in December 2017.

The Board confirmed Erskine's Mission to **enable members of the ex-service community to get the best care and support to achieve maximum quality of life**, and its Vision **to be recognised as the leading ex-service charity in Scotland**.

The objectives and outcomes were reviewed with some being rewritten to better reflect changes in the operating environment and broaden our focus to include all aspects of our care and support. The seven updated objectives are:

- Provide evidence based care that supports residents to achieve their maximum potential;
- Provide accommodation for independent or supported living;
- Make better use of the Erskine Estate and personnel to generate income;
- Develop our staff and volunteers;
- Work in partnerships with other Veteran Charities and Stakeholders;
- To set a balanced budget; and
- Improve internal policies, processes and procedures.

The outcomes will be that Erskine:

- Is a centre of excellence for service delivery to veterans and/or their spouses;
- Works in partnership with other organisations;
- Has a committed and well-trained workforce;
- Has a sustainable financial future; and
- Has fit for purpose internal systems and processes.

The overall demand for care beds is predicted to reduce as the number of eligible veterans reduces, principally as a result of the end of National Service and the steady reduction in the size of the Armed Forces. However, the demand for dementia beds is increasing and so we will consider the possibility of converting some of the existing nursing bed capacity and training more of our staff to care for those with dementia.

## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### *Plans for Future Periods (continued)*

Outline plans for additional accommodation for independent and supported living, and also for an activities centre to help address the social isolation experienced by veterans living on their own have been developed. Final Board approval has been given for the construction of 5 Assisted Living Apartments within the Erskine Home and the operation of a pilot Activity Centre in the Reid Macewen building. Approval has also been given for the development of 24 apartments for veterans of working age on the site of the David Boyle flats which will be demolished early in 2018. These new apartments will offer single living accommodation comprising of an open plan sitting dining room with a kitchenette, a double bedroom and an en-suite shower room.

The Board has also given its approval to support Royal British Legion Industries to establish Scotland's Bravest Manufacturing Company in the former furniture factory. Work has started with the aim of opening the new social enterprise which will be modelled on their existing business run from Aylesford Kent in early summer 2018.

The potential future service delivery plans identified above do not require Erskine Hospital to retain all the land on the Bishopton Estate and so the process of applying for planning in principle consent has continued and is now ready for submission to Renfrewshire Council once their development plan is finalised. The income from any sale will support the service delivery developments described together with support from Trusts and Foundations and the use of our own reserves.

#### **Structure, governance and management**

Erskine Hospital was founded in 1916. The current governing instruments are the Memorandum and Articles of Association, with which the Hospital was incorporated as a company limited by guarantee with charitable status on 4 April 1997.

The Memorandum of Association provides that the Hospital is established for the following charitable objects:-

- (a) The provision of financial support to men and women with a current or former record of armed service or service in support of, or alongside the armed services together with dependants or surviving dependants of such personnel who find themselves in necessitous circumstances on terms which are most appropriate to their individual needs.
- (b) The provision of long term nursing care and short term and respite nursing care within the United Kingdom.
- (c) The provision of health care including residential long term, residential short term and respite care, day care, domiciliary care and all appropriate relevant recreational and therapeutic programmes within the United Kingdom.
- (d) The creation of centres of excellence for nursing and residential care together with the creation of training opportunities for personnel involved in nursing and health care and medical and allied professions.
- (e) The provision of employment opportunities for individuals with physical or other disabilities, the provision of rehabilitation assessment and training for individuals with physical disabilities and other disadvantages which could be impediments to independent living.
- (f) The provision, construction, improvement, or management for persons who are aged or infirm or disabled or handicapped (whether mentally or physically) and in need therefore of housing and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons.

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

The website address:- [www.erskine.org.uk](http://www.erskine.org.uk)



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### 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.

Members of the Board of Trustees are elected from amongst members of the charitable company. As a result of this requirement all members of the Board of Trustees must be members of the charitable company.

Before recruiting new members of the Board of Trustees, Erskine Hospital 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.

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 Hospital's recruitment policy seeks to represent the community both geographically and in terms of community interest.

Erskine Hospital has a conflict of interest policy and maintains a conflicts of interest register.

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 Hospital 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 measure and reflect 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 Hospital'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;



## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### Organisational structure (continued)

- (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 Hospital has one subsidiary, Erskine Developments Limited.

#### Reference and administrative details

Erskine 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 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 Hospital. 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 (appointed Chairman from 14 December 2016) x	Alan Seabourne ≈
Stuart Aitkenhead ≈ x	Brenda Wilson ≠
Brian Cowan ≠	James Fraser ∅
Ian Reid * x	David Harrison *
Rosslyn Crocket ≠ x	Simon Allbutt *
Rani Dhir ≈ ∅	Ian Lee ∅ x
Robert Kemp ≈	Elizabeth Simpson ≈ ∅
David Griffin (appointed 1 April 2017) ∅	Rosemary Lyness (appointed 1 April 2017) ≠
Andrew Robertson (Chairman until retiring 14 December 2016)	Jill Vickerman (resigned 14 December 2016)

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

## ERSKINE HOSPITAL

### Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2017

#### Board of Trustees (continued)

##### Chief Executive

Lieutenant Colonel Steve Conway Royal Marines (retired)

##### Secretary

Andrew Cowan

Independent Auditor:	Scott-Moncrieff 25 Bothwell Street Glasgow G2 6NL	Internal Auditors:	KPMG 319 St Vincent Street Glasgow G2 5AS
Bankers:	Royal Bank of Scotland 1 Moncrieff Street Paisley PA3 2AW	Investment Managers:	Brewin Dolphin 6 <sup>th</sup> Floor, Atria One Edinburgh EH3 6PP
Solicitors and Registered Office:	T C Young 7 West George Street Glasgow G2 1BA		

##### Auditor

A resolution to re-appoint Scott-Moncrieff as auditor will be put to the General Council 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 surplus or deficit 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 the 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.

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.

**ERSKINE HOSPITAL**  
**Board of Trustees' Report (incorporating the Strategic Report)**

**For the year ended 30 September 2017**

**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 trustees 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: 21 March 2018



## ERSKINE HOSPITAL

### Independent Auditor's Report to the Members and Trustees of Erskine Hospital

For the year ended 30 September 2017

#### Opinion

We have audited the financial statements of Erskine Hospital (the 'charitable company') for the year ended 30 September 2017 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and the related notes, 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 2017 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).

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 section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under section 44 of that Act, and 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.

#### 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.

## ERSKINE HOSPITAL

### Independent Auditor's Report to the Members and Trustees of Erskine Hospital

For the year ended 30 September 2017

#### 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.

#### 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 page 10, 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.



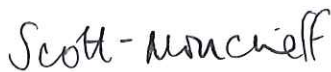
**ERSKINE HOSPITAL**

**Independent Auditor's Report to the Members and Trustees of Erskine Hospital  
For the year ended 30 September 2017**

**Auditor's responsibilities for the audit of the financial statements**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Gillian Donald, Senior Statutory Auditor  
For and on behalf of Scott-Moncrieff, Statutory Auditor**

Chartered Accountants

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

25 Bothwell Street

Glasgow

G2 6NL

Date: 21 March 2018



ERSKINE HOSPITAL

Statement of Financial Activities  
(incorporating Income & Expenditure Account)  
For the year to 30 September 2017

	Note	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Restated Total 2016 £'000																		
<b>Income and endowments</b>																							
<b>Continuing operations:</b>																							
Donations and legacies	5	12,170	417	12,587	9,355																		
Charitable activities	6	14,512	-	14,512	13,679																		
Investment income	7	1,676	-	1,676	1,491																		
Other income		21	-	21	600																		
		<u>28,379</u>	<u>417</u>	<u>28,796</u>	<u>25,125</u>																		
<b>Discontinued operations:</b>																							
Charitable activities	8	-	-	-	77																		
		<u>-</u>	<u>-</u>	<u>-</u>	<u>77</u>																		
<b>Total income and endowments</b>		<u>28,379</u>	<u>417</u>	<u>28,796</u>	<u>25,202</u>																		
<b>Expenditure</b>																							
<b>Continuing operations:</b>																							
Raising funds	9	2,105	-	2,105	2,159																		
Charitable activities	10	22,406	245	22,651	20,055																		
Investment management costs		123	-	123	106																		
		<u>24,634</u>	<u>245</u>	<u>24,879</u>	<u>22,320</u>																		
<b>Discontinued operations:</b>																							
Charitable activities	8	-	-	-	143																		
		<u>-</u>	<u>-</u>	<u>-</u>	<u>143</u>																		
<b>Total expenditure</b>		<u>24,634</u>	<u>245</u>	<u>24,879</u>	<u>22,463</u>																		
<b>Net income prior to gains/(losses) on investments</b>		<u>3,745</u>	<u>172</u>	<u>3,917</u>	<u>2,739</u>																		
<b>Gains/(losses) on investments</b>																							
Realised loss on disposal of fixed asset investments		(275)	-	(275)	(131)																		
Unrealised investment gains		1,566	-	1,566	3,672																		
Unrealised investment property gains		232	-	232	-																		
		<u>1,523</u>	<u>-</u>	<u>1,523</u>	<u>3,541</u>																		
<b>Total gains on investments</b>		<u>1,523</u>	<u>-</u>	<u>1,523</u>	<u>3,541</u>																		
<b>Net income for the year (carried forward)</b>	13	<u>5,268</u>	<u>172</u>	<u>5,440</u>	<u>6,280</u>																		
<table> <tr> <td>Continuing operations</td> <td></td> <td>5,268</td> <td>172</td> <td>5,440</td> <td>6,346</td> </tr> <tr> <td>Discontinued operations</td> <td></td> <td>-</td> <td>-</td> <td>-</td> <td>(66)</td> </tr> <tr> <td></td> <td></td> <td><u>5,268</u></td> <td><u>172</u></td> <td><u>5,440</u></td> <td><u>6,280</u></td> </tr> </table>						Continuing operations		5,268	172	5,440	6,346	Discontinued operations		-	-	-	(66)			<u>5,268</u>	<u>172</u>	<u>5,440</u>	<u>6,280</u>
Continuing operations		5,268	172	5,440	6,346																		
Discontinued operations		-	-	-	(66)																		
		<u>5,268</u>	<u>172</u>	<u>5,440</u>	<u>6,280</u>																		

The notes on pages 19 to 37 form part of these financial statements

**ERSKINE HOSPITAL**

**Statement of Financial Activities (continued)**

**(incorporating Income & Expenditure Account)**

**For the year to 30 September 2017**

	Note	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Total 2016 £'000
<b>Net income for the year (brought forward)</b>		5,268	172	5,440	6,280
<b>Other recognised gains/(losses)</b>					
Actuarial gain/(loss) on defined benefit pension scheme	21	1,785	-	1,785	(2,338)
		7,053	172	7,225	3,942
Transfers between funds	22	119	(119)	-	-
<b>Net movement in funds</b>		7,172	53	7,225	3,942
Total funds brought forward	22	75,161	292	75,453	71,511
<b>Total funds carried forward</b>	22	82,333	345	82,678	75,453

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

The notes on pages 19 to 37 form part of these financial statements



**ERSKINE HOSPITAL**

**Balance Sheet**

**As at 30 September 2017**

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible assets	14	31,352	32,604
Investment property	15	2,061	1,500
Other investments	16	41,557	38,253
		<u>74,970</u>	<u>72,357</u>
<b>Current assets</b>			
Debtors	17	4,814	4,000
Cash and cash equivalents		6,507	3,883
		<u>11,321</u>	<u>7,883</u>
<b>Creditors:</b> amounts falling due within one year	18	<u>(1,784)</u>	<u>(1,031)</u>
<b>Net current assets</b>		<u>9,537</u>	<u>6,852</u>
<b>Net assets excluding provisions and pension liability</b>		<u>84,507</u>	<u>79,209</u>
Provision for liabilities	20	(1,226)	(1,418)
Pension liability	21	(603)	(2,338)
<b>Net assets</b>		<u><u>82,678</u></u>	<u><u>75,453</u></u>
<b>Funds</b>			
Restricted funds	22	345	292
Unrestricted funds:			
Designated funds	22	64,266	60,796
Other charitable funds	22	18,670	16,703
		<u>82,936</u>	<u>77,499</u>
Pension reserve	22	(603)	(2,338)
		<u>82,333</u>	<u>75,161</u>
	22	<u><u>82,678</u></u>	<u><u>75,453</u></u>

The financial statements have been authorised for issue by the Board of Trustees on 21 March 2018 and are signed on their behalf by:

  
Robin Crawford

**Scottish Charity No: SC006609**  
**Company No: SC174103**

The notes on pages 19 to 37 form part of these financial statements

**ERSKINE HOSPITAL**

**Statement of Cash Flows**

**For the year to 30 September 2017**

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	23	3,650	4,234
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(590)	(354)
Proceeds from disposal of tangible fixed assets		21	-
Purchase of investments		(7,913)	(4,701)
Proceeds from disposal of investments		5,900	1,539
Dividends received		1,554	1,362
Interest received		2	9
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(1,026)</b>	<b>(2,145)</b>
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		<b>2,624</b>	<b>2,089</b>
Cash and cash equivalents at 1 October		3,883	1,794
		<hr/>	<hr/>
Cash and cash equivalents at 30 September		<u>6,507</u>	<u>3,883</u>

The notes on pages 19 to 37 form part of these financial statements



# ERSKINE HOSPITAL

## Notes to the accounts

For the year ended 30 September 2017

### 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 activity of Erskine Hospital has continued to be the provision of nursing, dementia and respite care to ex-Service men and women. Following a review of our eligibility criteria this care is now available to qualifying spouses, members of the merchant marine who were deployed on active service, in support of the armed forces, members of the Royal Fleet Auxiliary and members of the Home Guard.

Erskine 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 therefore 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.

# ERSKINE HOSPITAL

## Notes to the accounts

For the year ended 30 September 2017

### 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 reserve. The relevant depreciation charge is debited to this 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, and is reported as part of the expenditure to which it relates:

- 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 include 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 to the care homes expenditure as the social firms are a very small percentage of the charitable company's activities.

#### 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.

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.



# ERSKINE HOSPITAL

## Notes to the accounts

For the year ended 30 September 2017

### 2. Principal accounting policies (continued)

#### 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	10 years	-	-
Motor Vehicles	4 years	-	-

Cottages are depreciated over 60 years.

The furniture workshop which was impaired in 2012 is now depreciated over its then useful economic life of 16 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. 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.

#### 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, and loans to related parties. 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.

# ERSKINE HOSPITAL

## Notes to the accounts

For the year ended 30 September 2017

### 2. Principal accounting policies (continued)

#### 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, the depreciation rates and the bad debt provision.



ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2017

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

	Restated Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Restated Total 2016 £'000												
<b>Income and endowment</b>															
<b>Continuing operations:</b>															
Donations and legacies	8,984	371	9,355												
Charitable activities	13,679	-	13,679												
Investment income	1,491	-	1,491												
Other income	600	-	600												
	<u>24,754</u>	<u>371</u>	<u>25,125</u>												
<b>Discontinued operations:</b>															
Charitable activities	77	-	77												
	<u>24,831</u>	<u>371</u>	<u>25,202</u>												
<b>Expenditure</b>															
<b>Continuing operations:</b>															
Raising funds	2,159	-	2,159												
Charitable activities	18,653	1,402	20,055												
Investment management costs	106	-	106												
	<u>20,918</u>	<u>1,402</u>	<u>22,320</u>												
<b>Discontinued operations:</b>															
Charitable activities	140	3	143												
	<u>21,058</u>	<u>1,405</u>	<u>22,463</u>												
<b>Net income/(expenditure) prior to gains/(losses) on investments</b>	3,773	(1,034)	2,739												
<b>Gains/(losses) on investments</b>															
Unrealised investment losses	(131)	-	(131)												
Realised gain on disposal of fixed asset investments	3,672	-	3,672												
	<u>3,541</u>	<u>-</u>	<u>3,541</u>												
<b>Total gains/(losses) on investments</b>	3,541	-	3,541												
<b>Net income/(expenditure) for the year (carried forward)</b>	7,314	(1,034)	6,280												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Continuing operations</td> <td style="text-align: right; width: 15%;">7,377</td> <td style="text-align: right; width: 15%;">(1,031)</td> <td style="text-align: right; width: 10%;">6,346</td> </tr> <tr> <td>Discontinued operations</td> <td style="text-align: right;">(63)</td> <td style="text-align: right;">(3)</td> <td style="text-align: right;">(66)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>7,314</u></td> <td style="text-align: right;"><u>(1,034)</u></td> <td style="text-align: right;"><u>6,280</u></td> </tr> </table>				Continuing operations	7,377	(1,031)	6,346	Discontinued operations	(63)	(3)	(66)		<u>7,314</u>	<u>(1,034)</u>	<u>6,280</u>
Continuing operations	7,377	(1,031)	6,346												
Discontinued operations	(63)	(3)	(66)												
	<u>7,314</u>	<u>(1,034)</u>	<u>6,280</u>												

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2017

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

	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000
<b>Net income/(expenditure) for the year (brought forward)</b>	7,314	(1,034)	6,280
<b>Other recognised losses</b>			
Actuarial loss on defined benefit pension scheme	(2,338)	-	(2,338)
	<u>4,976</u>	<u>(1,034)</u>	<u>3,942</u>
Transfers between funds	33,832	(33,832)	-
<b>Net movement in funds</b>	<u><u>38,808</u></u>	<u><u>(34,866)</u></u>	<u><u>3,942</u></u>

The transfers between funds in the year end 31 March 2016 arose mainly due to the reclassification between funds in line with FRS102, which was adopted in the prior year.

5. Donations and legacies

	Unrestricted 2017 £'000	Restricted 2017 £'000	Total 2017 £'000	Total 2016 £'000
Legacies	8,230	10	8,240	5,092
Donations	3,940	407	4,347	4,263
	<u>12,170</u>	<u>417</u>	<u>12,587</u>	<u>9,355</u>

6. Charitable activities income – continued operations

	Unrestricted 2017 £'000	Restricted 2017 £'000	Total 2017 £'000	Restated Total 2016 £'000
Care home fees and miscellaneous income	14,449	-	14,449	13,596
Social firms income	63	-	63	83
	<u>14,512</u>	<u>-</u>	<u>14,512</u>	<u>13,679</u>



## ERSKINE HOSPITAL

### Notes to the accounts

For the year ended 30 September 2017

#### 7. Investment income

	Unrestricted 2017 £'000	Restricted 2017 £'000	Total 2017 £'000	Total 2016 £'000
Dividends received	1,554	-	1,554	1,362
Rental income	120	-	120	120
Interest received	2	-	2	9
	1,676	-	1,676	1,491
	1,676	-	1,676	1,491

At 30 September 2017 the charitable company had minimum lease receipts due under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Not later than one year	128	120
Later than one year and not later than five years	512	480
Later than five years	2,240	2,170
	2,880	2,770
	2,880	2,770

#### 8. Discontinued operations

	Erskine Mains 2017 £'000	Erskine Mains 2016 £'000
Income	-	77
Expenditure		
Unrestricted:		
- Cost of sales	-	61
- Staff costs	-	79
	-	140
Restricted:		
- Depreciation	-	3
	-	143
Total expenditure	-	143
Net expenditure	-	(66)

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2017

9. Raising funds	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Restated Total 2016 £'000
Staff costs	887	-	887	870
Marketing & communications	195	-	195	194
Office & vehicle costs	381	-	381	577
Donor development campaign	642	-	642	518
	2,105	-	2,105	2,159
	2,105	-	2,105	2,159
10. Charitable activities expenditure – continued operations	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Restated Total 2016 £'000
<b>Care homes and miscellaneous</b>				
Nursing staff	10,650	4	10,654	10,002
Care support staff	2,934	1	2,935	2,725
Maintenance & repairs	2,730	47	2,777	1,845
Irrecoverable VAT, insurance & training	1,148	-	1,148	1,001
Utilities	713	-	713	723
Food, transport & comforts	583	10	593	633
Medical & domestic supplies	530	171	701	607
Support costs				
Management & administration	1,410	12	1,422	1,173
Depreciation & impairment	1,452	-	1,452	1,148
Net return on pension scheme	50	-	50	-
Governance costs (note 11)	66	-	66	66
	22,266	245	22,511	19,923
<b>Social firms</b>				
Cost of sales and staff costs	79	-	79	71
Depreciation	61	-	61	61
	140	-	140	132
	22,406	245	22,651	20,055

All support costs are allocated to the care homes expenditure as the social firms are a very small percentage of the charity's activities.

11. Governance costs	2017 £'000	2016 £'000
Company secretary costs	18	18
External audit – audit services	26	26
External audit - non-audit services	-	-
Internal audit	22	22
	66	66
	66	66



## ERSKINE HOSPITAL

### Notes to the accounts

For the year ended 30 September 2017

12. Staff costs	2017 £'000	Restated 2016 £'000
Wages and salaries	13,209	12,587
Social security costs	958	872
Pension scheme costs - defined contribution	1,020	928
	15,187	14,387
	15,187	14,387

Agency costs of £620,186 (2016: £439,442) 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:	2017 No.	2016 No.
£60,000 - £69,999	1	1
£90,000 - £99,999	1	1
	£	£

The pension contributions for the above employees were:	21,360	16,998
	21,360	16,998

Two (2016: two) employees with emoluments over £60,000 were members of the defined contribution pension scheme.

The average number of employees analysed by function was:	2017 No.	2016 No.
Nursing and therapy	485	501
Support services	175	198
Activities	25	24
Social firms	1	1
Management and administration	34	44
Fundraising, marketing and communications	21	22
	741	790
	741	790

#### 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 (2016: £nil). Travel expenses of £1,078 were paid to two Trustees in the year (2016: £354: two members). Other key management personnel received remuneration of £556,945 (2016: £551,667) and pension contributions of £54,099 (2016: £55,203).

**ERSKINE HOSPITAL**

**Notes to the accounts**

**For the year ended 30 September 2017**

**13. Net movement in funds**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Net movement in funds is stated after charging/(crediting):		
Depreciation and impairment	1,513	1,212
Auditor's remuneration – audit fees	26	26
Interest received	(2)	(9)
Operating lease rentals	72	72
	<u>          </u>	<u>          </u>

**14. Tangible fixed assets**

	Freehold Buildings £'000	Social Firms & Other Buildings £'000	Assets Under Construction £'000	Motor Vehicles £'000	Hospital Equipment & Furnishings £'000	Total £'000
<b>Cost</b>						
At 1 October 2016	52,043	2,011	139	440	2,320	56,953
Additions	69	-	261	224	36	590
Disposals	-	-	-	(223)	-	(223)
Transfers	139	(1,221)	(139)	-	-	(1,221)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 September 2017	<u>52,251</u>	<u>790</u>	<u>261</u>	<u>441</u>	<u>2,356</u>	<u>56,099</u>
<b>Depreciation and impairment</b>						
At 1 October 2016	20,290	1,532	-	386	2,141	24,349
Charge for the year	1,340	13	-	73	87	1,513
Disposals	-	-	-	(223)	-	(223)
Transfers	-	(892)	-	-	-	(892)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 September 2017	<u>21,630</u>	<u>653</u>	<u>-</u>	<u>236</u>	<u>2,228</u>	<u>24,747</u>
<b>Net book value</b>						
30 September 2017	<u>30,621</u>	<u>137</u>	<u>261</u>	<u>205</u>	<u>128</u>	<u>31,352</u>
30 September 2016	<u>31,753</u>	<u>479</u>	<u>139</u>	<u>54</u>	<u>179</u>	<u>32,604</u>



## ERSKINE HOSPITAL

### Notes to the accounts

For the year ended 30 September 2017

15. Investment property	£'000
At 1 October 2016	1,500
Transfer from tangible fixed assets	329
Revaluation	232
	2,061
At 30 September 2017	2,061

The Garden Centre, furniture store and furniture factory were independently valued as at 30 September 2017 by David Hall, FRICS, of Shepherd Chartered Surveyors. The valuations were carried out on an existing use basis.

The print building has been valued at fair value, which is deemed to be the agreed sales price. The print building is due to be sold post year end.

16. Fixed asset investments	Subsidiary Undertakings £'000	Other Investments £'000	Total 2017 £'000
Market value at 1 October 2016	1	38,252	38,253
Additions	-	7,913	7,913
Disposals at open market value (proceeds £5,900,000, loss £275,000)	-	(6,175)	(6,175)
Movement in market value	-	1,566	1,566
	1	41,556	41,557
Market value at 30 September 2017	1	41,556	41,557

#### Investment in subsidiary undertaking

The result and Balance Sheet of the subsidiary undertaking is listed below. Erskine Developments Limited is wholly owned by the 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 30.09.17)	(21)	Scotland	(2)	Development

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

**ERSKINE HOSPITAL**

**Notes to the accounts**

**For the year ended 30 September 2017**

<b>17. Debtors</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Trade debtors	585	454
Amounts due from subsidiary undertakings	19	19
Other debtors	141	161
Prepayments and accrued income	4,069	3,366
	4,814	4,000
	4,814	4,000

Trade debtors are shown net of the bad debt provision of £49,276 (2016: £57,743). Movements in the bad debt provision are included within support costs.

<b>18. Creditors: amounts falling due within one year</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Trade creditors	923	601
Other taxes & social security costs	8	27
Amounts payable to subsidiary undertakings	17	17
Other creditors	836	386
	1,784	1,031
	1,784	1,031

Included within other creditors is pension contributions of £87,128 (2016: £4,548) outstanding at the year end.

**19. Financial instruments**

	<b>2017 £ '000</b>	<b>2016 £'000</b>
<b>Financial assets</b>		
Cash and cash equivalents	6,507	3,883
Financial assets measured at fair value	43,618	39,753
Financial assets measured at amortised cost	4,573	3,861
	54,698	47,497
	54,698	47,497
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	1,776	1,004
	1,776	1,004
	1,776	1,004

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 2017**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>20. Provision for liabilities</b>		
At 1 October 2016	1,418	1,418
Transfer to other creditors	(192)	-
	1,226	1,418
At 30 September 2017	1,226	1,418

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 is due to be sold and Erskine Hospital need to repay £192k of the original funding. There is uncertainty surrounding the timing and amount of the settlement of the remaining liability.

**21. 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 2015, which shows a surplus of £1.3m in the Scheme and a funding level of 105%. The year end valuation has also been prepared using the projected unit valuation method.

The major financial assumptions used by the actuary were:

	<b>At 30 September 2017</b>	<b>At 30 September 2016</b>
Rate of future salary increases	4.40%	4.25%
Rate of increase of pensions in payment	1.85%	1.80%
Rate of increase of deferred pensions	2.40%	2.25%
Discount rate	2.60%	2.15%
Inflation assumption	2.40%	2.25%
Mortality tables	SAPS tables +1 year age rating, year of birth, CMI 2016 long term improvements of 1.25% with a smoothing parameter of 7.5	SAPS tables +1 year age rating, year of birth, CMI 2015 long term improvements of 1.25%.

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

	<b>2017</b>	<b>2016</b>
Male currently aged 40	23.1 years	23.5 years
Male currently aged 45	22.6 years	23.0 years
Male currently aged 65	21.2 years	21.3 years
Female currently aged 40	25.0 years	25.7 years
Female currently aged 45	24.6 years	25.2 years
Female currently aged 65	23.1 years	23.3 years

The following amounts are recognised in the Balance Sheet:



**ERSKINE HOSPITAL**

**Notes to the accounts**

**For the year ended 30 September 2017**

**21. Pension commitments (continued)**

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

	Value at 30/09/17 £'000	% of Scheme assets	Value at 30/09/16 £'000	% of Scheme assets
Equities	4,490	16.00%	3,903	13.30%
Corporate bonds	898	3.20%	1,497	5.10%
Annuity policy	13,244	47.20%	14,438	49.20%
Property	1,487	5.30%	1,379	4.70%
Cash	196	0.70%	147	0.50%
Index linked gilts	-	-	3,316	11.30%
LDI	2,975	10.60%	-	-
Diversified growth fund	4,770	17.00%	4,666	15.90%
	<hr/>		<hr/>	
Fair value of scheme assets	28,060		29,346	
Present value of funded liabilities	(28,663)		(31,684)	
	<hr/>		<hr/>	
Deficit in scheme	(603)		(2,338)	
	<hr/> <hr/>		<hr/> <hr/>	

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

	2017 £'000	2016 £'000
Opening fair value of scheme assets	29,346	26,090
Finance income	616	957
Actuarial (losses)/gains	(487)	3,461
Benefits paid	(1,415)	(1,162)
	<hr/>	<hr/>
Closing fair value of scheme assets	28,060	29,346

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

	2017 £'000	2016 £'000
Opening defined benefit liability	31,684	24,955
Interest cost	666	914
Actuarial (gains)/losses	(2,272)	6,977
Benefits paid	(1,415)	(1,162)
	<hr/>	<hr/>
Closing defined benefit liability	28,663	31,684
	<hr/>	<hr/>
Actual return on scheme assets	129	4,418
	<hr/> <hr/>	<hr/> <hr/>

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2017

21. Pension commitments (continued)

History of experience gains/(losses)	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Scheme assets	28,060	29,346	26,090	26,906	26,742
Defined benefit liability	(28,663)	(31,684)	(24,955)	(27,470)	(25,684)
(Deficit)/surplus in Scheme	(603)	(2,338)	1,135	(564)	1,058
Experience adjustments on scheme assets	(487)	3,461	(601)	(1,402)	1,738
Experience adjustments on scheme liabilities	261	61	3,390	(70)	(327)

The following are recognised in the Statement of Financial Activities:

	2017 £'000	2016 £'000
<b>Analysis of net return on pension scheme:</b>		
Finance income	616	957
Interest cost	(666)	(914)
Adjustment in respect of irrecoverable surplus	-	(43)
Net return	(50)	-
<b>Analysis of actuarial gain/(loss)</b>		
Actual return less expected return on pension scheme assets	(487)	3,461
Experience gains and losses on liabilities	261	61
Changes in assumptions	2,011	(7,038)
Adjustment in respect of irrecoverable surplus	-	1,178
Actuarial gain/(loss) to be recognised	1,785	(2,338)

The cumulative amount of actuarial losses taken to the statement of financial activities since the deficit was incorporated into the financial statements is £11.481m.

<b>Movement in deficit during the year:</b>	2017 £'000	2016 £'000
Deficit in scheme at the beginning of the year	(2,338)	-
Movement in the year:		
Net return on pension scheme	(50)	-
Actuarial gain/(loss)	1,785	(2,338)
Deficit in scheme at the end of the year	(603)	(2,338)

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

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2017

22. Funds

	As at 30 September 2016 £'000	Income and endowments £'000	Expenditure £'000	Gains	Transfers / reallocations £'000	As at 30 September 2017 £'000
<b>Restricted funds:</b>						
Donations	292	417	(245)	-	(119)	345
<b>Unrestricted funds:</b>						
Designated (see below)						
Tangible fixed assets	32,604	-	(1,213)	-	(39)	31,352
Investment property	1,500	-	-	232	329	2,061
Revaluation reserve	36	-	-	-	232	268
Lifecycle costs	4,108	-	(1,169)	-	900	3,839
Care home and Social Firms' deficits	17,644	-	-	-	1,006	18,650
Capital and maintenance projects	2,000	-	(611)	-	3,258	4,647
Accrued donations & legacies	2,904	-	-	-	545	3,449
<b>Total designated funds</b>	<b>60,796</b>	<b>-</b>	<b>(2,993)</b>	<b>232</b>	<b>6,231</b>	<b>64,266</b>
Other charitable funds	16,703	28,379	(21,591)	1,291	(6,112)	18,670
Pension reserve (note 21)	(2,338)	-	(50)	1,785	-	(603)
<b>Net other charitable funds</b>	<b>14,365</b>	<b>28,379</b>	<b>(21,641)</b>	<b>3,076</b>	<b>(6,112)</b>	<b>18,067</b>
<b>Total unrestricted funds</b>	<b>75,161</b>	<b>28,379</b>	<b>(24,634)</b>	<b>3,308</b>	<b>119</b>	<b>82,333</b>
<b>Total funds</b>	<b>75,453</b>	<b>28,796</b>	<b>(24,879)</b>	<b>3,308</b>	<b>-</b>	<b>82,678</b>



## ERSKINE HOSPITAL

### Notes to the accounts

For the year ended 30 September 2017

#### 22. Funds (continued)

Restricted funds consist of restricted donations. In particular, £3,416 from the Armed Forces Covenant Fund for the pilot of Playlist for Life, £20,000 from the Armed Forces Covenant Fund towards our Dementia Nurse Consultant post, £10,000 from the Big Lottery Fund: Award for All for outdoor activities, £7,500 (of a pledge of £30,000) from The Scottish Veteran's Fund towards our Dementia Nurse Consultant post and £1,488 from Seafarers UK for music therapy.

Erskine Hospital also received an unrestricted donation of £35,000 from the Royal Navy and Royal Marines Charity towards care of war pensioners.

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. Transfers are made annually to ensure the closing balance agrees to the year end tangible assets and investment property values.

##### **Lifecycle costs**

During the year 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. In accordance with the specialist advice received the Trustees have set aside £3.84m. In 2016/17 £1.17m of expenditure was incurred and £0.9m was transferred to the reserve.

##### **Care home and social firms' deficits**

The Trustees have set aside £18.65m representing the anticipated deficits in the care homes and social firms over the next 2 years, based on the deficit anticipated for 2017/18. This takes into account the long term nature of care provision at Erskine Hospital.

##### **Capital and maintenance projects**

The Trustees set aside £2m in 2015/16 to be used in capital and maintenance projects. In 2016/17 £886k of expenditure was incurred, £275k of this being capital in nature (which is included as a transfer). The board approved further capital expenditure of £3.53m during the year. At the year end total capital expenditure of £4.65m has been approved by the Board and this amount has been designated.

##### **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. £3.36m of legacies and £86k of donations have been accrued at 30 September 2017. This amount has been designated until the cash is received and available for use by Erskine.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2017

22. Funds (continued)

Analysis of net assets among funds:

	Fixed assets £'000	Other net assets £'000	Total 2017 £'000	Total 2016 £'000
<b>Restricted funds:</b>				
Donations	-	345	345	292
<b>Unrestricted funds:</b>				
Designated funds	64,266	-	64,266	60,796
Other charitable funds	10,704	7,966	18,670	16,703
	<u>74,970</u>	<u>7,966</u>	<u>82,936</u>	<u>77,499</u>
Pension reserve	-	(603)	(603)	(2,338)
	<u>74,970</u>	<u>7,363</u>	<u>82,333</u>	<u>75,161</u>
	<u>74,970</u>	<u>7,708</u>	<u>82,678</u>	<u>75,453</u>

23. Reconciliation of net income to net cash provided by operating activities

	2017 £'000	2016 £'000
Net income for the year	3,917	2,739
Depreciation and impairment	1,513	1,212
Gain on sale of tangible fixed assets	(21)	-
(Increase)/decrease in debtors	(814)	2,173
Increase/(decrease) in creditors and provisions	561	(519)
Dividends received	(1,554)	(1,362)
Interest received	(2)	(9)
Net return on pension scheme	50	-
Net cash provided by operating activities	<u>3,650</u>	<u>4,234</u>

# ERSKINE HOSPITAL

## Notes to the accounts

For the year ended 30 September 2017

### 24. Related party transactions

During the year Erskine Hospital entered into the following transactions in the ordinary course of its activities, with related parties (see notes 17 & 18).

Related party	Transactions with related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Erskine Developments Limited			
2016/2017	(5)	(17)	19
2015/2016	-	(17)	19

Payments to Erskine Developments Limited relate to landscaping work provided.

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

### 25. Operating leases

At 30 September 2017 the charitable company had commitments under non-cancellable operating leases as set out below:

	2017 Other £	2016 Other £
Not later than one year	72,029	72,029
Later than one year and not later than five years	42,017	114,046
	<u>114,046</u>	<u>186,075</u>

Lease payments of £72,029 (2016: £72,029) are included in the Statement of Financial Activities.

### 26. Capital commitments

Capital commitments which have been approved by the board amount to £4,647,000 (2016: £nil). Included in this amount is £398,000 (2016: £nil) which has been contracted for.

### 27. 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.

### 28. Prior year adjustment

It was identified during the year that income was being netted off against charitable expenditure. The effect on the prior year financial statements is an increase in charitable activities income of £932k and an increase of charitable activities expenditure of £932k. Overall there is no impact on funds. The prior year figures have been adjusted accordingly.



