



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

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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

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## **BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The Trustees present the Board of Trustees' Report (incorporating the Strategic Report) and financial statements for the year ended 30 September 2020.

### **Objectives and principal activities**

Erskine envisions 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 mission is 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.

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 2020, 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.

Nursing, dementia, end-of-life and respite care to Veterans and spouses is provided in our four care homes with a total of 339 rooms, of which 137 rooms are dedicated to dementia care. <sup>1</sup>

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 200. Veterans from Glasgow and the West Coast community enjoy the daily psychosocial support, arts and craft activities, entertainment and communal interactions from which residents in our four homes have benefitted for years. Erskine considers itself to have a responsibility to help tackle 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. In November 2018 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.

<sup>1</sup> 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.

## **BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **Strategic report**

The following sections for achievements and performance and financial review form the strategic report of the charity.

### **Achievements and performance**

For Erskine, the COVID-19 pandemic dominated financial year 19/20. Our staff have been under tremendous pressure in coping with outbreaks and dealing with procedures which were ever changing as knowledge of this most dangerous and highly contagious virus developed. Many staff have been infected themselves or have had to self-isolate due to contact with an infected person.

At Erskine, COVID-19 also magnified and exacerbated the key factors which dominate strategic thinking: the rising cost of high-quality care to frail and elderly residents; inadequate local authority funding; and the challenge of bridging this widening gap through fundraising.

All staff, in all departments have displayed compassion, commitment and professionalism in rising to and overcoming all these challenges.

It had been our intention in 19/20 to tackle strategic challenges and opportunities, by optimising and enhancing our fundraising structures and activities. Concurrently, we planned a benchmarking and efficiency drive in Care services, whilst extending our offering of services to a wider age group of Veterans over a wider geographical area. Development of our Transitional Support Accommodation and consideration of a Veterans Activity Centre, in the north of Scotland were key objectives. COVID-19 has delayed much of this. When the pandemic abates, possibly only as a result of the new vaccines, we plan to reinvigorate our strategic review and update and execute our plans in coming years.

Achievements and performance in brief:

- A year dominated by operational challenges to manage the COVID-19 Pandemic
- Significant physical and emotional strain on all residents, staff and managers
- High expenditure, due to counter-COVID measures, sick leave and staff shielding
- Low statutory income due to lower occupancy, during virus outbreaks
- Marked drop in gift income and legacy gifts in particular during lockdown/recession
- Significant use of reserves at depressed market value
- Successful remote working for office staff and "virtual" operation of Veterans Activity Centre. Commencement of activity centre extension and refurbishment
- Disruption of new Transitional Support Accommodation construction and delays in certification. Revised initial operating capability projected for March 2021
- Close collaboration with local/national government and Health & Social Care partners
- Close collaboration with peer charities to deal with the pandemic and address nationwide veterans' support issues in-year and going forward
- Preparation of strategic review and adjustments to ensure relevance and sustainability
- Optimisation of Head Office & Fundraising departments to support strategic change
- Key Financials: the combination of challenges have put downwards pressure on fundraising and care revenues, increased our expenditure and depressed the value of our investments, resulting in a deficit for the year of £4,545k (2019: surplus of £1,271k). The deficit for the year of £4,545k has been funded by our liquid reserves, which are held to support Erskine's financial sustainability and to ensure Erskine's continued operation in the face of adverse financial outcomes within the fundraising and care markets we operate in.

## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### Achievements and performance (continued)

#### Care

Under the guidance of the Director of Care, Erskine moved into lockdown measures *ahead* of Scottish Government and Public Health Scotland guidelines. All non-essential visits ceased. Thereafter guidelines changed very quickly and Erskine, having established many lines of reporting and communication, worked extremely hard to ensure we stayed compliant with multiple missives, directives and agencies, including Public Health Scotland, Local Authorities and the Care Inspectorate. We were most proactive in conducting risk assessments and, in the early absence of COVID-testing, erred on the side of caution – pre-emptively “barrier nursing” over 200 residents who showed either typical symptoms, or a wide range of atypical symptoms associated with COVID-19 infection in the elderly.

Guidelines changed quickly, as Scottish Government assimilated the lessons learned by UK and devolved Governments, European nations and the World Health Organisation. An early challenge was the national and global scarcity of supplies of Personal Protective Equipment (PPE) to meet those evolving guidelines. Suppliers seemed to align themselves with acute care customers, leaving us to source PPE from alternative sources. While Erskine never ran out of supplies, it ran close to depletion on several occasions and spent heavily, to buy-in stock at significantly over-inflated prices. Over time, statutory reporting requirements and communications channels streamlined and the system became more agile and utile.

We are proud to report that, led by the Director of Care (DOC), Erskine played a pivotal role in the trialling and development of the national online “Safety Huddle” reporting system. The DOC also assumed a significant role in joining the Clinical Professional Advisory Group (CPAG). The CPAG offers practical and pragmatic clinical guidance to the Scottish Government on the realities of maintaining appropriate Infection Prevention and Control (IPC) measures, within the non-acute setting of a care home. This is particularly important when caring for elderly residents, who may be living with pre-existing conditions as well as dementia or other cognitive impairments. Striking the balance between preserving life and quality of life (relationship centred support, activities & visits, etc.), was not well-understood by acute care clinicians and public health advisers.

Notwithstanding its £10M per annum Care Premium (the gap between fees and costs) Erskine adopted a “money no object” approach in its response to COVID-19. A suite of IPC and technology complemented social distancing measures. These included antiviral fogging machines and thermal imaging cameras at Home entrances – to detect raised temperatures in staff/essential visitors. Lesson-learning is a central tenet of Erskine’s approach to innovation and excellence. Sadly, one lesson learned and shared too late in the crisis, was the prevalence of asymptomatic infection within the communities where our staff lived. With routine staff and resident testing not available for a prolonged period within social care – we suspect this was how Erskine’s defences were eventually circumvented. Despite this, Care staff worked relentlessly to barrier nurse residents compassionately, whilst offering them the essential stimulation and quality of life, on which Erskine prides itself.

#### ***Erskine Reid Macewen Activities Centre (ERMAC)***

In recent years, ERMAC and its wide range of meaningful daily activities, has proven to be an invigorating lifeline for elderly Veterans living in the wider community. Several members have described it as “life-changing and life-saving”. Last year, The Board committed to enhance and extend the fabric of the building to make it a flagship example of what Erskine can deliver for Veterans of all ages. Sadly, COVID-19 meant that ERMAC had to close down and construction work was paused. ERMAC staff took to the telephones to stay in touch and we used Zoom to great effect not only for social gatherings but for mindfulness and wellbeing sessions. Lockdown also put on hold our work to develop a business case for a second centre in the north of Scotland. However, the public engagement survey, which we commissioned in January 2020, has now been conducted and shows considerable demand for such a service in Morayshire.

## **BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **Achievements and performance (continued)**

#### ***Staff***

We are extremely grateful for the compassionate dedication and teamwork of all Erskine staff, in every department throughout this year. Despite their understandable anxiety about working in a COVID environment, they have shown the utmost professionalism in applying enhanced IPC measures, whilst

delivering, or supporting, compassionate care for our residents and their concerned families. We have all been touched and impressed by staff resolve to return to work as quickly as they were able. We were delighted to be able to acknowledge the outstanding contribution of a few particularly noteworthy individuals, in a socially-distanced President's Awards Ceremony. However, our Long Service Ceremony was cancelled with presentations to be rearranged when possible.

During this year, our Modern Apprentice programme continued when we identified a further eight new employees – one in IT and seven in care who commenced employment with Erskine in October 2020. The current MA's in Care completed their SCQF (Scottish Credit and Qualifications Framework) Level 6 and secured permanent positions within 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 two Senior Care Assistants (SCAs) were accepted onto the Open University BSc (Hons) Nursing programme. This was due to commence in the summer. However, due to the COVID-19 pandemic, this has been rescheduled and will now commence in March 2021.

Erskine would like to thank all our staff for their hard work, dedication and support through the months of the COVID-19 pandemic. To reduce the footfall in each of our four Homes, we had 50+ employees working predominantly from home. All staff are observing social distancing and PPE instructions. To ensure that the continuous updates and reviews from the Scottish Government and Public Health Scotland were communicated to staff, a Workplace account was set up and the Director of Care posted updates when appropriate.

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

#### ***Transitional Support Accommodation (TSA)***

Our TSA project remains strategically important to us as a military charity determined to remain relevant to Veterans of all ages. TSA was originally intended as a single living accommodation solution for 24 Veterans. However, our work with the MoD's Personnel Recovery Centre, at our Edinburgh Home and with the UK Defence Transition Service, Veterans Commissioner and Scottish Government, convinced us that adaptation was required. We have adapted the model into a higher capacity, interim support service. It is aimed at supporting people who left the military under sub-optimal circumstances and/or who encountered subsequent difficulties in a challenging socioeconomic landscape. TSA will provide younger Veterans with accommodation and caseworker mentoring support. Thus they can reflect, re-orientate and retrain before finding long-term accommodation and employment in a location of their choice, within 24 months. Lockdown, compounded by a few design certification issues, has delayed the project (and increased its costs). However, we have continued to engage with strategic partners in the Defence Transition Service and have appointed our own caseworker. We should be ready to move in and support our queue of tenants in spring 2021. We intend to conduct a project review to identify critical factors which have led to the delay in completion.

## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### Achievements and performance (continued)

#### *Partnerships and Collaborations*

In a challenging year, we have continued to be active members of the Unforgotten Forces Consortium – albeit now as unfunded members – supporting older Veterans directly and signposting them to partners. We have also worked closely with the Scottish Government. The Director of Care has chaired the National Review of Forensic Mental Health Services. The CEO has chaired Veterans Scotland Health & Wellbeing Group and is the Third Sector representative on the Scottish Government's Armed Forces & Veterans Health and Wellbeing Oversight/Implementation Groups. We also work closely with the Confederation of British Service and Ex Service Organisations (COBSEO) and Scottish Care (particularly on COVID issues and Care Home Fee negotiations). We recently also joined Scottish Care's charity counterpart: The Confederation of Care & Support Providers Scotland (CCPS). As a result we are engaged on two fronts in shaping Scottish Government thinking on the National Social Care Review. Meanwhile we are involved in future talks with several large military charities regarding burden sharing opportunities. Towards the end of the year, the CEO was invited to join the strategic tier of the NHS Scottish Veterans Care Network. Scotland's Bravest Manufacturing Company remains a tenant and strategic partner of significance for several reasons.

#### **Financial review**

We have seen multiple strategic shocks in 2020 - increased pandemic care and infection-control equipment costs, huge reduction in fundraised income and a marked drop in statutory income. All of these, within a recession, have combined to present Erskine with significant reductions in cash-flows from operations. Such reductions may yet destroy several less resilient, charities in the sector. Erskine has withstood these shocks by drawing upon reserves, despite their devaluation during recession.

Care expenditure was much higher than normal as a result of PPE and infection control measures. We also saw staff absence peak at 26% as a result of suspected COVID infection, self-isolation and shielding measures. As a good employer, Erskine has always offered staff full sick pay, during short and long-term absence, within reasonable limits. This heightened absence (and use of dedicated agency staff replacements) had a significant impact on costs, with expenditure on nursing care and support staff increasing by £693k compared to prior year. Some costs increases due to COVID were partially mitigated by Government furlough schemes and £499k of Local Authority sustainment payments for empty rooms.

Donations and legacy generation has been particularly challenging this year. Donations and legacies reduced by £1,864k to £7,517k due principally to the reduction of legacy income by the COVID-19 pandemic. Erskine has historically relied far more on legacy gift income, than other charities. We planned to tackle this issue by boosting and diversifying income streams, in the coming years. Unfortunately, during the first lockdown, legacy income fell to almost zero as solicitors' offices and courts closed – causing problems not only with probate and liquidation of estates, but also with the final value of the estates due to the recession. Consequently, legacy income for the year reduced to £2,755k against £4,775k from the previous year.

Moreover, sadly, Erskine, like many other care homes, tragically lost several of its frail and elderly residents to COVID-19, in addition to the non-COVID deaths which are a routine weekly occurrence in any nursing home. Of course, we were unwilling and unable to move-in new residents from our lengthy waiting list, resulting in occupancy of 93.0% during the year, a 4.8% drop in occupancy versus prior year. This left us with a corresponding drop in fee income and a disproportionately higher staff overhead.

We were fortunate to be strongly supported by grant makers and our individual donors. Non-legacy income increased by £156k (3.4%) despite the COVID-19 pandemic and the number of unique donors increased year on year by 6% from 38,375 to 40,450. Of these 40,450 donors, 51% are committed regular givers. For every £1 spent on fundraising, Erskine raised £2.86 of revenue towards our charitable mission (2019: £4.80); the decrease in this return on investment is driven principally by the depression in legacy income during the year. However, even the generosity of our supporters (and a CEO-directed 5% reduction in non-care budgets) could not offset the significant reduction in legacy gift income.

**BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**Financial review (continued)**

We encountered a significant end of year deficit of £4,545k within this reporting period and we anticipate that this will continue to be a recurring theme, in the short to medium term.

The annual deficit on the provision of care was £8,413k, which is calculated using the care home income, less charitable activities expenditure, but excluding the cost of running of the Activity Centre. This represents a deficit of £477 per care room per week (2019: £469 per week).

Total funds as at 30 September 2020 are £81,043k. Restricted funds are £653k, designated funds are £28,168k, the fixed asset fund is £37,503k and other charitable funds (free reserves) are £14,719k. Included within the fixed asset fund is £1,930k of investment properties held for the furtherance of Erskine's mission in accordance with our reserves policy.

**Reserves**

Erskine is largely dependent upon donor funding to finance its deficit on charitable activities income. Donor income is subject to fluctuations 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.

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 as a guarantee of 2 years of high quality nursing care and services provision
- Accrued donations and legacies until the cash is received and available for use by Erskine
- Unforeseen incremental losses relating to the ongoing COVID-19 pandemic
- Investments in new ventures in support of Erskine's strategy.

<b>Liquid reserves</b>	<b>£000</b>
Cash and short term deposits	2,727
Investments	39,948
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Total liquid assets	42,675
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<b>Restricted and designated funds</b>	
Restricted funds	653
Capital and maintenance projects	509
Lifecycle costs	2,573
Care home deficit	19,358
Accrued donations and legacies	2,324
COVID-19	1,200
Strategic Ventures	2,000
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Total to be covered by liquid reserves under the reserves policy	28,617
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Additional cover for new projects under the reserves policy	14,058
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## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### Financial review (continued)

#### *Reserves (continued)*

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. We have seen multiple strategic shocks within 2020 and have had to draw heavily upon our reserves, despite portfolio devaluation. 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 – who present with a high level of frailty and co-morbidity) without any gift income support. £19.358m is included in designated funds representing the anticipated deficit arising over the next 2 years from the operation of the care homes and ERMAC. Remaining reserves provide us with the ability to expand our services, where we identify need and to diversify income.

#### *Investment policy and performance*

The Finance and Performance Committee has considered the most appropriate policy for investing funds, and has appointed professional investment managers. The investment portfolio is managed on a discretionary basis by Brewin Dolphin. The investment objective is to protect and grow the value of the capital whilst also generating income to support the work of Erskine. The assets are invested taking a long-term view across a wide range of asset classes and the portfolio is actively managed as market and economic conditions and the circumstances at Erskine vary through time.

Markets reached record highs at the end of 2019 and started 2020 in positive fashion only to change direction dramatically as the scale and the economic impact of the coronavirus pandemic became clear. The fastest 30% fall in global stock markets on record was witnessed during February and March. Governments around the world moved to support and help calm markets and there was a meaningful recovery between March and September. At a stock level, there were clear winners and losers over the year, with the performance of the technology-heavy US market leading the way. The UK market, with large weightings to more traditional sectors such as Oil and Banking, has lagged substantially.

Alongside the capital volatility, there has been a significant impact to dividend income, with large swathes of the market facing cashflow difficulties and therefore cancelling, cutting, or postponing dividend payments. In this difficult environment, the income generated by the investments has held up relatively well.

Over the year to 30 September 2020, the value of the portfolio decreased, in total return terms, by 1.2% compared to a fall in the composite benchmark of 3.2%. Value was added through an overweight position to overseas equities and sound stock selection. Over the year, a capital sum of £2.5m was withdrawn from the investment portfolio to support ongoing operations at Erskine. There were realised losses on sale of investments of £1.56m and unrealised losses of £0.21m in the year ended 30 September 2020, due to the effects of the COVID-19 pandemic. Owing to continued market volatility, as of the 8<sup>th</sup> March 2021 Erskine's investment portfolio had an unrealised gain of £2.9m versus the value as of 30 September 2020.

The Trustees have taken the decision after the year end to transfer £5million of investments to a separate portfolio with a lower risk profile to support cash flow during the period, which it is estimated it will take to restore the charity to a sustainable operational model.

#### *Defined benefit pension scheme*

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

As at 30 September 2020 there is a scheme surplus of £1,132k (2019: £957k 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.

**BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)  
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**Financial review (continued)**

***Defined benefit pension scheme (continued)***

The present value of the scheme liabilities has been estimated by rolling forward the results of the 30 September 2019 FRS102 results, which were themselves a roll forward of the 5 April 2018 triennial actuarial valuation results.

*Guaranteed minimum pension equalisation*

On 20 November 2020 the High Court delivered a further ruling in the Lloyds Banking Group case concerning historic transfers out. This judgement requires trustees of schemes to revisit historic transfers out and pay a top-up benefit (if required) in respect of unequal GMPs accrued after 17 May 1990. The effect of this further judgement will be to increase the liabilities on the balance sheet. Whilst the exact impact of this will not be known until the Trustees of the Scheme have assessed the historic transfers paid from the Scheme, a process which will take some time, it is expected that the impact of this will be less than that of the original 2018 judgement (perhaps around 10% of the original past service cost). No adjustment has

been made to the liabilities as at 30 September 2020, however the estimated impact of this further judgement will be recognised as an additional plan amendment in the period to 30 September 2021.

***Creditor payment policy and practice***

Erskine's policy is to pay most trade creditors at the end of the month. At 30 September 2020 Erskine had an average of 23 days' purchases outstanding in trade creditors.

**Plans for future periods**

In 2020/21, Erskine will recommence its strategic planning activities. Analysis of the demographics and support needs of our beneficiaries will precede a review of socio-economic challenges and opportunities, within a changed sector landscape. We have appointed a new Director of Strategic Finance & Business Planning to work on a 2-10 Year Finance Strategy which lets us plan expenditure and investment beyond a 12 month subsistence cycle. This new Executive will partner with Head of Finance and support the CEO in review of costs, sensible efficiency measures and innovative service delivery models for the future. In this way, Erskine intends to move forward with increased relevance and confidence.

***Principal risks and uncertainties***

The strategic risks and uncertainties facing the charity remain manifold but manageable, through the collaborative efforts of the executive management team, consultation with the Audit Committee and Board of Trustees. As a strategic shock in its own right, the COVID-19 pandemic has brought many known and previously unknown risks to the fore.

*Income and Expenditure*

Even, prior to the pandemic, the majority of our residents' needs were growing increasingly complex. This directly translated into significant annual increases in nursing and care support staff costs. These costs have never been met by the scant offering of the National Care Home Contract (NCHC) fee, or what Erskine feels it could reasonably charge self-funding beneficiaries. Therefore, Erskine has historically subsidised fee income through its fundraising efforts. However, the pandemic has further steepened the cost curve through contingency management spending, which could theoretically worsen in future. Moreover, the recession may further reduce our return on fundraising investment, or our donors' ability to support us to the degree that we have relied upon thus far. Increased spending and a (perhaps temporary) decline in legacy income, forced a liquidation of reserves in year. Therefore, Erskine may be forced to rethink the scale and/or the quality of its services in future, with a view to long-term sustainability.

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***Principal risks and uncertainties (continued)***

*Veteran and Donor Demographics*

Erskine is strongly associated with care and support to the WW2 and National Service generation. The Armed Forces dropped from nearly 5 million personnel as of the end of World War two to five hundred thousand by the end of National Service in 1960. Erskine's donors also tend to come from this demographic – often having a strong personal or family connection to the Services. With the youngest National Servicemen now approaching their 80s, Erskine can anticipate a significant drop in eligible beneficiaries who need residential nursing care and older donors who are instinctively inclined to support us. The latter has already been indicated by a recent decline in legacy income (upon which we have relied greatly) from this cohort. It will therefore be important that we adjust our services and scale of effort to be affordable, appropriate for a new generation of Veterans and compelling to a new generation of donors – who can donate through a range of diversified channels and streams.

*The National Adult Social Care Review*

The NASCR has now been completed. It contains 53 recommendations regarding the provision, resourcing and governance of social care services. Increased person-centring and choice are seen as key themes – the aim being to improve independent living within the community, supported by rich neighbourhood

connections. It is too early to say how the Scottish Government will respond and how any recommendations are taken forward, resourced and delivered. However, Erskine will need to remain fully engaged with the government, Integrated Joint Boards, Scottish Care and the Coalition of Care & Support Providers in Scotland (CCPS). Failure to do so may see our services lose relevance or (local authority) funding – driving a faster evolution into other forms of Veteran support.

*Legacy income and fundraising*

Our historic reliance on legacies makes us a hostage to fortune. We are taking steps to secure more legacy pledges, whilst diversifying other income streams that are more predictable in nature. In theory, legacies

should eventually become welcome windfall gifts, rather than essential income, without which we cannot deliver services.

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.

We have initiated a Strategic Review, which will consider Erskine's Vision, Mission, service outputs/locations, fundraising and marketing and thus long-term sustainability. Our intent is to have a charity which remains relevant, sustainable and effective in delivery of meaningful outcomes for a diverse beneficiary cohort.

*Risk management*

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, RSM, are also involved in supporting this process. We have bought into 3 years' support from their automated risk management system, 4Risk, which should streamline the management and reporting process.

## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### ***Principal risks and uncertainties (continued)***

#### *Risk management (continued)*

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. Processes are adjusted and enhanced, whenever we have an external audit, or encounter a learning experience.

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.

### **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](http://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 veteran's needs, fundraising, marketing and public relations 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 an additional member to the Board's Staff Governance Committee, with specific skills and experience in human resources and pensions.

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.

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.

## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### Structure, governance and management (continued)

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

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. Due to COVID-19, such walk rounds have not been possible since March 2020 and videos have been used to show our facilities to new Trustees.

#### *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. Since March 2020 all meetings, including Sub-Committee meetings, have been held using technology platforms.

#### *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 scrutiny of the operational effectiveness of the internal financial controls and procedures, risk management process, internal and external audit and all statutory audit material including the Annual Report;
- (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.

## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Structure, governance and management (continued)

#### Fundraising

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. Five 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.

#### 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.

#### Energy and carbon

We report our current UK based annual energy usage and associated annual greenhouse gas ("GHG") emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 regulations") that came into force 1 April 2019.

The information and figures provided are for the reporting period 1 April 2019 – 31 March 2020. Due to COVID-19 and contracted staff being furloughed, some information was estimated when producing this report. The baseline year for the report is actual consumption during the year ended 31 March 2016.

##### Baseline

Elec = 3,083,975 kWh  
Gas = 8,153,210 kWh  
CO2 = 2,844 kgCO2e

##### Reporting Period Usage

Elec = 3,188,742 kWh (3% increase on baseline)  
Gas = 8,430,253 kWh (3% increase on baseline)  
CO2 = 2,828 kgCO2e (0.6% decrease on baseline)

The figures show an increase in Gas and Electricity usage compared to the baseline principally due to the installation of a new industrial laundry facility to meet necessary standards of care.

Erskine is compliant with all ESOS regulations and is committed to reducing Energy usage across the estate and, as such, has implemented the following actions:

- Fleet rationalisation to dispose of older less efficient vehicles;
- Investing in smaller electric vehicles to replace larger diesel vehicles;
- A rolling programme of lighting replacement to install LED fittings; and
- Installation of intelligent water monitoring devices to reduce usage.

## BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### Structure, governance and management (continued)

#### *Energy and carbon (continued)*

COVID-19 has presented an opportunity to review the way Erskine works on a day today basis and we are committed to reducing our carbon footprint by:

- Reducing unnecessary travel by hosting remote meetings via video conferencing;
- Ensuring our contractors have an ethical view to energy usage by asking specific questions in contract and tender documentation; and
- Allowing staff flexibility to work from home or other remote locations.

Erskine will continue to identify and implement energy saving opportunities with a commitment to reducing waste and maximising efficiency across the organisation.

#### *Volunteers*

The total number of registered volunteers was 262 with an average of 170 being active at the beginning of the year. Unfortunately, due to the COVID-19 pandemic, we were forced to suspend our volunteer services from March 2020 to support the reduction in footfall within the four Homes.

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

#### *Workforce involvement*

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

#### **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 ≈ (resigned 18/06/20)
Stuart Aitkenhead ≈ x	Brenda Wilson ≠
Ian Reid * x (resigned 18/06/20)	James Fraser ∅
Rani Dhir ≈ ∅ (resigned 18/06/20)	David Harrison ∅
Robert Kemp ≈ (resigned 18/06/20)	Simon Allbutt *
David (Douglas) Griffin ≈	Ian Lee ∅ x
Claire Copeland ≠	Elizabeth Simpson ∅
Maria Clare Docherty ≠	Rosemary Lyness ≠ x
Michael Andrew Edwards (appointed 18/06/20) ≈	Lyndsay Jane Lauder * x
Dr Craig Fleming (appointed 18/06/20) ≈	Chris Hughes (appointed 18/06/20) ≈

**BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**Reference and administrative details (continued)**

**Board of Trustees (continued)**

- ≈ 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

**Advisors**

Independent auditor:	Azets Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF	Internal auditors:	RSM 3 <sup>rd</sup> 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 <sup>th</sup> Floor, Atria One Edinburgh EH3 6PP
Solicitors and registered office:	T C Young 7 West George Street Glasgow G2 1BA		

**Auditor**

Following the acquisition of Scott-Moncrieff Audit Services by Azets, Scott-Moncrieff Audit Services resigned as auditor and were replaced by Azets Audit Services Limited, trading as Azets Audit Services, a company owned by Azets. Azets 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.



**BOARD OF TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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

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.

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.

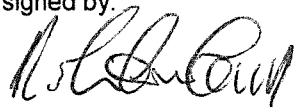
The trustees are also responsible for ensuring that the assets are properly applied in accordance with charity law.

**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: 17 March 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF ERSKINE HOSPITAL FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **Opinion**

We have audited the financial statements of Erskine Hospital (the 'charitable company') for the year ended 30 September 2020 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 2020 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF ERSKINE HOSPITAL FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **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 is 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 14 and 15, 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF ERSKINE HOSPITAL FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

### **Use of our report**

This report is made solely to the 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.

*Azets Audit Services*

**Allison Gibson, Senior Statutory Auditor**

**For and on behalf of Azets Audit Services, Statutory Auditor**

**Chartered Accountants**

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

Titanium 1

King's Inch Place

Renfrew

PA4 8WF

Date: *25 March 2021*

**STATEMENT OF FINANCIAL ACTIVITIES  
(INCORPORATING INCOME & EXPENDITURE ACCOUNT)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Note	Unrestricted funds 2020 £'000	Restricted funds 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Income and endowments</b>					
Donations and legacies	5	6,847	670	7,517	9,381
Charitable activities	6	15,774	-	15,774	15,516
Investment income	7	1,249	-	1,249	1,461
Other income		30	-	30	15
<b>Total income and endowments</b>		<b>23,900</b>	<b>670</b>	<b>24,570</b>	<b>26,373</b>
<b>Expenditure</b>					
Raising funds	8	2,630	-	2,630	1,955
Charitable activities	9	24,096	526	24,622	24,738
Investment management costs		91	-	91	106
<b>Total expenditure</b>		<b>26,817</b>	<b>526</b>	<b>27,343</b>	<b>26,799</b>
<b>Net (expenditure)/income prior to (losses)/gains on investments</b>		<b>(2,917)</b>	<b>144</b>	<b>(2,773)</b>	<b>(426)</b>
<b>(Losses)/gains on investments</b>					
Realised loss on disposal of fixed asset investments	15	(1,562)	-	(1,562)	(451)
Unrealised investment (loss)/gain	15	(210)	-	(210)	1,632
Unrealised investment property gain	14	-	-	-	99
<b>Total (losses)/gains on investments</b>		<b>(1,772)</b>	<b>-</b>	<b>(1,772)</b>	<b>1,280</b>
<b>Net (expenditure)/ income for the year</b>		<b>(4,689)</b>	<b>144</b>	<b>(4,545)</b>	<b>854</b>
<b>Other recognised gains</b>					
Actuarial gain on defined benefit pension scheme	20	-	-	-	417
		<b>(4,689)</b>	<b>144</b>	<b>(4,545)</b>	<b>1,271</b>
Transfers between funds	21	302	(302)	-	-
<b>Net movement in funds</b>	12	<b>(4,387)</b>	<b>(158)</b>	<b>(4,545)</b>	<b>1,271</b>
Total funds brought forward	21	84,777	811	85,588	84,317
<b>Total funds carried forward</b>	21	<b>80,390</b>	<b>653</b>	<b>81,043</b>	<b>85,588</b>

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

The notes on pages 22 to 42 form part of these financial statements

**BALANCE SHEET  
AS AT 30 SEPTEMBER 2020**

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible assets	13	35,573	35,424
Investment property	14	1,930	2,030
Other investments	15	39,948	44,364
		<u>77,451</u>	<u>81,818</u>
<b>Current assets</b>			
Debtors	16	3,505	3,728
Cash and cash equivalents		2,727	2,844
		<u>6,232</u>	<u>6,572</u>
<b>Creditors:</b> amounts falling due within one year	17	<u>(1,414)</u>	<u>(1,576)</u>
<b>Net current assets</b>		<u>4,818</u>	<u>4,996</u>
<b>Net assets excluding provisions</b>		<u>82,269</u>	<u>86,814</u>
Provision for liabilities	19	(1,226)	(1,226)
<b>Net assets</b>		<u>81,043</u>	<u>85,588</u>
<b>Funds</b>			
Restricted funds	21	653	811
Unrestricted funds:			
Designated funds	21	28,168	25,425
Fixed asset fund	21	37,503	37,454
Other charitable funds (free reserves)	21	14,719	21,898
		<u>80,390</u>	<u>84,777</u>
	21	<u>81,043</u>	<u>85,588</u>

The financial statements have been authorised for issue by the Board of Trustees on 17 March 2021 and are signed on their behalf by:



Robin Crawford, Chairman

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

The notes on pages 22 to 42 form part of these financial statements

**STATEMENT OF CASH FLOWS  
FOR THE YEAR TO 30 SEPTEMBER 2020**

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	22	<u>(2,211)</u>	<u>(192)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(1,652)	(4,079)
Proceeds from disposal of tangible fixed assets		5	-
Purchase of investments		(5,241)	(5,805)
Proceeds from disposal of investments		7,885	5,960
Dividends received		1,092	1,310
Interest received		5	15
<b>Net cash provided by/(used in) investing activities</b>		<u>2,094</u>	<u>(2,599)</u>
<b>Decrease in cash and cash equivalents in the year</b>		(117)	(2,791)
Cash and cash equivalents at 1 October		<u>2,844</u>	<u>5,635</u>
Cash and cash equivalents at 30 September		<u><u>2,727</u></u>	<u><u>2,844</u></u>

The notes on pages 22 to 42 form part of these financial statements

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 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).



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Principal accounting policies (continued)**

**Going concern**

The Trustees have considered the potential impact of the COVID-19 pandemic and other relevant factors on the ability of Erskine to continue as a going concern for a period of at least 12 months from the date of signing the financial statements.

The most significant areas of financial impact of COVID-19 for Erskine are:

- Fundraising – Income from individual supporters will likely remain under pressure due to the continued limitations on physical fundraising events, pressure on household finances and challenging conditions in the property and investment markets impacting legacy income.
- Investments – Following a period of intense stock market volatility, the market value of Erskine's investments stood at £39,947k at 30 September 2020. The length of time COVID-19 control measures remain in place and the resulting economic impact will determine future investment values.
- Care – Income and expenditure in respect of Erskine's residential care homes may continue to be adversely affected due to temporary closure of homes to new admissions, and incremental expenditure on staffing and materials to meet new operational requirements in order to continue to deliver high quality outcomes for our residents.

We have forecast our income, expenditure, gains and losses for the financial years ending 30 September 2021 and 2022, and owing to our liquid reserves which stood at £42,675k as of the 30 September 2020, this analysis shows that Erskine would remain a going concern. The Trustees have therefore concluded that it remains appropriate to prepare these financial statements 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 basis that it is a dormant entity. Erskine Hospital presents information about it as an individual undertaking and not in respect of the group.

**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.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Principal accounting policies (continued)**

**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 the fixed asset fund. 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.

- 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.

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.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Principal accounting policies (continued)**

**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:

	<b>Care Homes</b>	<b>Reid Macewen Training Centre</b>	<b>Glasgow Rec Room</b>
Buildings	40 years	40 years	33 years
Equipment, Furnishings, Machinery & Plant	2-12 years	-	-
Motor Vehicles	4 years	-	-

Cottages are depreciated over 60 years.

The furniture store was transferred to fixed assets from investment property in the year. The furniture store is now depreciated over its remaining useful life of 8 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.

**Financial instruments**

The charitable company only enters into basic financial instruments 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.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Principal accounting policies (continued)**

**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, and the fixed asset fund represents the net book value of fixed assets and has been set aside to demonstrate that these assets are illiquid and are not available as free reserves. In line with FRS 102, this change in presentation within designated funds has resulted in the prior year being restated.

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 defined benefit pension scheme assumptions, the valuation of investment property and the depreciation rates.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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

	<b>Unrestricted funds 2019 £'000</b>	<b>Restricted funds 2019 £'000</b>	<b>Total 2019 £'000</b>
<b>Income and endowments</b>			
Donations and legacies	8,755	626	9,381
Charitable activities	15,516	-	15,516
Investment income	1,461	-	1,461
Other income	15	-	15
<b>Total income and endowments</b>	<u>25,747</u>	<u>626</u>	<u>26,373</u>
<b>Expenditure</b>			
Raising funds	1,955	-	1,955
Charitable activities	24,600	138	24,738
Investment management costs	106	-	106
<b>Total expenditure</b>	<u>26,661</u>	<u>138</u>	<u>26,799</u>
<b>Net (expenditure)/income prior to gains/(losses) on investments</b>	(914)	488	(426)
<b>Gains/(losses) on investments</b>			
Realised loss on disposal of fixed asset investments	(451)	-	(451)
Unrealised investment gain	1,632	-	1,632
Unrealised investment property gain	99	-	99
<b>Total gains on investments</b>	<u>1,280</u>	<u>-</u>	<u>1,280</u>
<b>Net income for the year</b>	<u>366</u>	<u>488</u>	<u>854</u>
<b>Other recognised gains</b>			
Actuarial gain on defined benefit pension scheme	417	-	417
Transfers between funds	783 247	488 (247)	1,271 -
<b>Net movement in funds</b>	<u>1,030</u>	<u>241</u>	<u>1,271</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

<b>5. Donations and legacies</b>	<b>Unrestricted funds 2020 £'000</b>	<b>Restricted funds 2020 £'000</b>	<b>Total 2020 £'000</b>
Legacies	2,724	31	2,755
Donations	4,123	639	4,762
	<u>6,847</u>	<u>670</u>	<u>7,517</u>

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

<b>6. Charitable activities income</b>	<b>Total 2020 £'000</b>	<b>Total 2019 £'000</b>
Care home fees and miscellaneous income	15,275	15,503
Social firms income	-	13
Sustainability payments	499	-
	<u>15,774</u>	<u>15,516</u>

All charitable activities income received in 2020 and 2019 was unrestricted.

<b>7. Investment income</b>	<b>Total 2020 £'000</b>	<b>Total 2019 £'000</b>
Dividends received	1,092	1,310
Rental income	152	136
Interest received	5	15
	<u>1,249</u>	<u>1,461</u>

All investment income received in 2020 and 2019 was unrestricted.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**7. Investment income (continued)**

At 30 September 2020 the charitable company had minimum lease receipts due under non-cancellable operating leases as follows:

	2020 £'000	2019 £'000
Not later than one year	177	178
Later than one year and not later than five years	708	713
Later than five years	2,661	2,858
	<u>3,546</u>	<u>3,749</u>

**8. Raising funds expenditure**

	Total 2020 £'000	Total 2019 £'000
Staff costs – direct	722	621
Staff costs – apportioned	236	189
Marketing & communications	253	82
Office & vehicle costs – direct	148	215
Office & vehicle costs – apportioned	239	190
Donor development campaign	1,032	658
	<u>2,630</u>	<u>1,955</u>

All raising funds expenditure incurred in 2020 and 2019 is unrestricted.

**9. Charitable activities expenditure**

	Unrestricted funds 2020 £'000	Restricted funds 2020 £'000	Total 2020 £'000
<b>Care homes and miscellaneous</b>			
Nursing staff	12,651	215	12,866
Care support staff	3,360	2	3,362
Maintenance & repairs	1,315	30	1,345
Irrecoverable VAT	827	-	827
Insurance	179	-	179
Training	15	-	15
Utilities	813	-	813
Food, transport & comforts	611	-	611
Medical & domestic supplies	680	249	929
Reid Macewen Activities centre	405	30	435
Support costs			
Management & administration	1,402	-	1,402
Marketing of care	170	-	170
Depreciation & impairment (note 13)	1,603	-	1,603
Governance costs (note 10)	65	-	65
	<u>24,096</u>	<u>526</u>	<u>24,622</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

<b>9. Charitable activities expenditure (continued)</b>	<i>Unrestricted funds 2019 £'000</i>	<i>Restricted funds 2019 £'000</i>	<i>Total 2019 £'000</i>
<b>Care home and miscellaneous</b>			
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 Macewan 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>
<b>10. Governance costs</b>		<b>2020 £'000</b>	<b>2019 £'000</b>
Company secretary costs		19	6
External auditor – audit services		26	26
External auditor – taxation compliance		-	4
Internal audit		20	22
		<u>65</u>	<u>58</u>



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

<b>11. Staff costs</b>	<b>2020</b>	<i>2019</i>
	<b>£'000</b>	<i>£'000</i>
Wages and salaries	<b>15,381</b>	<i>15,003</i>
Social security costs	<b>1,152</b>	<i>1,127</i>
Pension scheme costs - defined contribution	<b>1,812</b>	<i>1,484</i>
Pension scheme past service charge – defined benefit	<b>-</b>	<i>480</i>
	<b>18,345</b>	<i>18,094</i>

Agency costs of £432,146 (2019 - £382,849) 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:	<b>2020</b>	<i>2019</i>
	<b>No.</b>	<i>No.</i>
£60,000 - £69,999	<b>2</b>	<i>2</i>
£70,000 - £79,999	<b>1</b>	<i>1</i>
£80,000 - £89,999	<b>1</b>	<i>-</i>
£90,000 - £99,999	<b>1</b>	<i>1</i>

	<b>2020</b>	<i>2019</i>
	<b>£</b>	<i>£</i>
The pension contributions for the above employees were:	<b>33,507</b>	<i>26,062</i>

Five (2019 - four) employees with emoluments over £60,000 were members of the defined contribution pension scheme.

The average number of employees analysed by function was:	<b>2020</b>	<i>2019</i>
	<b>No.</b>	<i>No.</i>
Nursing and therapy	<b>498</b>	<i>511</i>
Support services	<b>172</b>	<i>185</i>
Activities	<b>19</b>	<i>21</i>
Social firms	<b>4</b>	<i>4</i>
Management and administration	<b>33</b>	<i>36</i>
Fundraising, marketing and communications	<b>24</b>	<i>19</i>
	<b>750</b>	<i>776</i>

**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 (2019 - £nil). Travel expenses of £nil were paid to Trustees in the year (2019 - £nil). Other key management personnel received remuneration of £638,300 (2019 - £602,164), social security costs of £88,085 (2019 - £65,864) and pension contributions of £59,354 (2019 - £55,098).

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**12. Net movement in funds**

	<b>2020</b>	<i>2019</i>
	<b>£'000</b>	<i>£'000</i>
Net movement in funds is stated after charging/(crediting):		
Depreciation and impairment	<b>1,603</b>	<i>1,470</i>
Auditor's remuneration – audit fees	<b>26</b>	<i>26</i>
Auditor's remuneration – taxation compliance	<b>-</b>	<i>4</i>
Interest received	<b>(5)</b>	<i>(15)</i>
Operating lease rentals	<b>11</b>	<i>42</i>
	<b>=====</b>	<i>=====</i>

**13. Tangible fixed assets**

<b>Cost</b>	<b>Freehold buildings £'000</b>	<b>Assets under construction £'000</b>	<b>Motor vehicles £'000</b>	<b>Hospital equipment &amp; furnishings £'000</b>	<b>Total £'000</b>
At 1 October 2019	<b>51,787</b>	<b>3,176</b>	<b>564</b>	<b>4,640</b>	<b>60,167</b>
Additions	<b>-</b>	<b>1,142</b>	<b>-</b>	<b>510</b>	<b>1,652</b>
Disposals	<b>-</b>	<b>-</b>	<b>(44)</b>	<b>-</b>	<b>(44)</b>
Transfers	<b>99</b>	<b>(99)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer from investment property	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>
At 30 September 2020	<b>51,986</b>	<b>4,219</b>	<b>520</b>	<b>5,150</b>	<b>61,875</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>Depreciation and impairment</b>					
At 1 October 2019	<b>21,767</b>	<b>-</b>	<b>363</b>	<b>2,613</b>	<b>24,743</b>
Charge for the year	<b>1,109</b>	<b>-</b>	<b>108</b>	<b>386</b>	<b>1,603</b>
Disposals	<b>-</b>	<b>-</b>	<b>(44)</b>	<b>-</b>	<b>(44)</b>
At 30 September 2020	<b>22,876</b>	<b>-</b>	<b>427</b>	<b>2,999</b>	<b>26,302</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>Net book value</b>					
30 September 2020	<b>29,110</b>	<b>4,219</b>	<b>93</b>	<b>2,151</b>	<b>35,573</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<i>30 September 2019</i>	<i>30,020</i>	<i>3,176</i>	<i>201</i>	<i>2,027</i>	<i>35,424</i>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

<b>14. Investment property</b>	<b>£'000</b>
At 1 October 2019	2,030
Transfer to tangible fixed assets	(100)
	<hr/>
At 30 September 2020	<u>1,930</u>

The Garden Centre and furniture factory were independently valued as at 19 January 2021 by Alastair J. Buchanan, MRICS, of J & E Shepherd Chartered Surveyors. The valuations were carried out on a market value basis.

Due to the current COVID-19 pandemic the valuer included the following statement surrounding market uncertainty within their valuation report:

*“The outbreak of COVID-19, declared by the World Health Organisation as a Global Pandemic on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with real estate markets continuing to experience lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries and in some cases, ‘Lockdowns’ have been applied to varying degrees and to reflect further waves of COVID-19. Although these new waves may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally albeit as at the date of valuation property markets are mostly functioning again.*

*In the case of the subject properties, as at the date of valuation we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuations of the properties is therefore reported as being subject to ‘Material Valuation Uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case.*

*For the avoidance of doubt, the inclusion of the ‘Material Valuation Uncertainty’ declaration above does not mean that the valuations cannot be relied upon. Rather, the declaration has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinions were prepared.”*

<b>15. Fixed asset investments</b>	<b>Subsidiary undertakings £'000</b>	<b>Other investments £'000</b>	<b>Total 2020 £'000</b>
Market value at 1 October 2019	1	44,363	44,364
Additions	-	5,241	5,241
Disposals at open market value (proceeds £7,885,000, loss £1,562,000)	-	(9,447)	(9,447)
Movement in market value	-	(210)	(210)
	<hr/>	<hr/>	<hr/>
Market value at 30 September 2020	<u>1</u>	<u>39,947</u>	<u>39,948</u>

**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 basis that it is a dormant entity. Erskine Developments Limited’s registered office is 7 West George Street, Glasgow, G2 1BA.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**15. Fixed asset investments (continued)**

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 September 2020)	-	Scotland	-	Development

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

<b>16. Debtors</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	369	425
Amounts due from subsidiary undertakings	24	24
Other debtors	229	227
Prepayments and accrued income	2,883	3,052
	<u>3,505</u>	<u>3,728</u>

Trade debtors are shown net of the bad debt provision of £114,690 (2019 - £68,336). Movements in the bad debt provision are included within support costs.

<b>17. Creditors: amounts falling due within one year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	557	636
Other taxes & social security costs	22	16
Amounts payable to subsidiary undertakings	17	17
Other creditors	818	907
	<u>1,414</u>	<u>1,576</u>

Included within other creditors is pension contributions of £155,744 (2019 - £148,935) outstanding at the year end.

<b>18. Financial instruments</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Financial assets measured at fair value	41,878	46,394
	<u>41,878</u>	<u>46,394</u>

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

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

<b>19. Provision for liabilities</b>	<b>2020</b>	<i>2019</i>
	<b>£'000</b>	<i>£'000</i>
Repayment of funding	<b>1,226</b>	<b>1,226</b>

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. 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:

	<b>At 30 September 2020</b>	<b>At 30 September 2019</b>
Rate of future salary increases	3.65%	3.85%
Rate of increase of pensions in payment	1.80%	1.85%
Rate of increase of deferred pensions	2.15%	2.35%
Discount rate	1.55%	1.75%
Inflation assumption	3.15%	2.35%
Mortality tables	SAPS tables +1 year age rating, year of birth, CMI 2019 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 7.0

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

	<b>2020</b>	<i>2019</i>
Male currently aged 40	<i>22.4 years</i>	<i>22.4 years</i>
Male currently aged 45	<i>22.0 years</i>	<i>22.0 years</i>
Male currently aged 65	<i>20.7 years</i>	<i>20.6 years</i>
Female currently aged 40	<i>24.5 years</i>	<i>24.5 years</i>
Female currently aged 45	<i>24.2 years</i>	<i>24.1 years</i>
Female currently aged 65	<i>22.7 years</i>	<i>22.5 years</i>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**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 30/09/20 £'000	% of Scheme assets	Value at 30/09/19 £'000	% of Scheme assets
Equities	4,445	14.90%	5,218	17.60%
Corporate bonds	3,878	13.00%	2,787	9.40%
Annuity policy	12,291	41.20%	12,690	42.80%
Property	1,820	6.10%	1,720	5.80%
Cash	776	2.60%	148	0.50%
LDI	3,431	11.50%	3,943	13.30%
Diversified credit fund	3,192	10.70%	3,143	10.60%
	<u>29,833</u>		<u>29,649</u>	
Fair value of scheme assets	<u>29,833</u>		<u>29,649</u>	
Present value of funded liabilities	(28,701)		(28,692)	
Unrecognised surplus	(1,132)		(957)	
	<u>-</u>		<u>-</u>	
Deficit in scheme	<u>-</u>		<u>-</u>	

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

	2020 £'000	2019 £'000
Opening fair value of scheme assets	29,649	27,413
Finance income	510	747
Actuarial gains	648	2,974
Benefits paid	(974)	(1,485)
	<u>29,833</u>	<u>29,649</u>
Closing fair value of scheme assets	<u>29,833</u>	<u>29,649</u>

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

	2020 £'000	2019 £'000
Opening defined benefit liability	28,692	25,177
Past service costs	-	480
Interest cost	494	684
Actuarial losses	489	3,836
Benefits paid	(974)	(1,485)
	<u>28,701</u>	<u>28,692</u>
Closing defined benefit liability	<u>28,701</u>	<u>28,692</u>
Actual return on scheme assets	<u>1,158</u>	<u>3,721</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**20. Pension commitments (continued)**

History of experience gains/(losses)	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Scheme assets	29,833	29,649	27,413	28,060	29,346
Defined benefit liability	(28,701)	(28,692)	(25,177)	(28,663)	(31,684)
Surplus/(deficit) in Scheme	1,132	957	2,236	(603)	(2,338)
Experience adjustments on scheme assets	648	2,974	(384)	(487)	3,461
Experience adjustments on scheme liabilities	-	330	2,647	261	61

The following are recognised in the Statement of Financial Activities:

	2020 £'000	2019 £'000
<b>Analysis of net return on pension scheme:</b>		
Finance income	510	747
Interest cost	(494)	(684)
Adjustment in respect of irrecoverable surplus	(16)	-
Net income	-	63
<b>Analysis of employer costs:</b>		
Past service costs	-	(480)
<b>Analysis of actuarial gain:</b>		
Actual return less expected return on pension scheme assets	648	2,974
Experience gains and losses on liabilities	-	330
Changes in assumptions	(489)	(4,166)
Adjustment in respect of irrecoverable surplus	(159)	1,279
Actuarial gain to be recognised	-	417

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.

<b>Movement in deficit during the year:</b>	2020 £'000	2019 £'000
Deficit in scheme at the beginning of the year	-	-
Movement in the year:		
Net return on pension scheme	-	63
Past service costs	-	(480)
Actuarial gain	-	417
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.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

21. Funds 2020	As at 30 September 2019 £'000	Income and endowments £'000	Expenditure £'000	(Losses) £'000	Transfers / reallocations £'000	As at 30 September 2020 £'000
<b>Restricted funds:</b>						
Donations	811	670	(526)	-	(302)	653
<b>Unrestricted funds:</b>						
<b>Designated funds:</b>						
Revaluation reserve	204	-	-	-	-	204
Lifecycle costs	2,084	-	(271)	-	760	2,573
Care home deficits	18,970	-	-	-	388	19,358
Capital and maintenance projects	1,739	-	-	-	(1,230)	509
Accrued donations and legacies	2,428	-	-	-	(104)	2,324
COVID-19	-	-	-	-	1,200	1,200
Strategic Ventures	-	-	-	-	2,000	2,000
<b>Total designated funds</b>	<b>25,425</b>	<b>-</b>	<b>(271)</b>	<b>-</b>	<b>3,014</b>	<b>28,168</b>
<b>Fixed asset fund:</b>						
Tangible fixed assets	35,424	-	(1,603)	-	1,752	35,573
Investment property	2,030	-	-	-	(100)	1,930
<b>Total fixed asset fund</b>	<b>37,454</b>	<b>-</b>	<b>(1,603)</b>	<b>-</b>	<b>1,652</b>	<b>37,503</b>
<b>Other charitable funds:</b>						
Other charitable funds	21,898	23,900	(24,943)	(1,772)	(4,364)	14,719
Pension reserve (note 20)	-	-	-	-	-	-
<b>Net other charitable funds</b>	<b>21,898</b>	<b>23,900</b>	<b>(24,943)</b>	<b>(1,772)</b>	<b>(4,364)</b>	<b>14,719</b>
<b>Total unrestricted funds</b>	<b>84,777</b>	<b>23,900</b>	<b>(26,817)</b>	<b>(1,772)</b>	<b>302</b>	<b>80,390</b>
<b>Total funds</b>	<b>85,588</b>	<b>24,570</b>	<b>(27,343)</b>	<b>(1,772)</b>	<b>-</b>	<b>81,043</b>



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

21. Funds (continued) 2019	As at 30 September 2018 £'000	Income and endowments £'000	Expenditure £'000	Gains £'000	Transfers / reallocations £'000	As at 30 September 2019 £'000
<b>Restricted funds:</b>						
Donations	570	626	(138)	-	(247)	811
<b>Unrestricted funds:</b>						
<b>Designated funds:</b>						
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 and legacies	2,288	-	-	-	140	2,428
<b>Total designated funds</b>	<b>28,105</b>	<b>-</b>	<b>(488)</b>	<b>-</b>	<b>(2,192)</b>	<b>25,425</b>
<b>Fixed asset fund:</b>						
Tangible fixed assets	32,925	-	(1,470)	-	3,969	35,424
Investment property	1,821	-	-	99	110	2,030
<b>Total fixed asset fund</b>	<b>34,746</b>	<b>-</b>	<b>(1,470)</b>	<b>99</b>	<b>4,079</b>	<b>37,454</b>
<b>Other charitable funds:</b>						
Other charitable funds	20,896	-	(24,286)	1,181	(1,640)	21,898
Pension reserve (note 20)	-	-	(417)	417	-	-
<b>Net other charitable funds</b>	<b>20,896</b>	<b>25,747</b>	<b>(24,703)</b>	<b>1,598</b>	<b>(1,640)</b>	<b>21,898</b>
<b>Total unrestricted funds</b>	<b>83,747</b>	<b>25,747</b>	<b>(26,661)</b>	<b>1,697</b>	<b>247</b>	<b>84,777</b>
<b>Total funds</b>	<b>84,317</b>	<b>26,373</b>	<b>(26,799)</b>	<b>1,697</b>	<b>-</b>	<b>85,588</b>

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

Donor	Donation	Purpose
Scottish Veterans Fund	£15,000	Towards the salary of our TSA support worker
Armed Forces Covenant Fund Trust	£19,155	Towards ERMAC remote service delivery during COVID-19
Armed Forces Covenant Fund Trust	£250,000	Towards COVID-19 costs across all four homes
LIBOR Aged Veterans Fund	£14,545	Towards ERMAC remote service delivery during COVID-19, including the purchase of five iPads
Scottish Government Wellbeing Fund	£100,000	Towards COVID-19 funding for PPE, hygiene products / equipment and residents' activities materials
Royal Navy and Royal Marines Charity	£10,000	Towards thermal imaging equipment for all four Homes and ERMAC

Erskine also received unrestricted donations 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 and Greenwich Hospital towards the cost of caring for Royal Navy and Royal Marine veterans.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**21. Funds (continued)**

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. In the current year, the decision has been taken to highlight the tangible fixed assets and investment property within a separate "fixed asset fund". The tangible fixed asset fund represents the net book value of fixed assets that have been set aside. The fixed asset fund demonstrates that these assets are illiquid and are not available as free reserves. In line with FRS 102, this change in presentation has resulted in the prior year being restated.

**Lifecycle costs**

During the year ended 30 September 2020 a full conditions report on our buildings covering fabric, mechanical and electrical systems was undertaken by an external surveyor. In 2019/20, £0.27m of expenditure was incurred, and as a result of the conditions report undertaken in the year, an additional £0.76m was transferred to the fund to cover the additional costs estimated to be required in respect of lifecycle maintenance to maintain the integrity of our buildings. As at 30 September 2020 £2.57m was still to be incurred.

**Care home deficits**

The Trustees have set aside £19.36m representing the anticipated deficits in the care homes over the next 2 years, based on the deficit anticipated for 2020/21. This takes into account the long term nature of care provision at Erskine Hospital.

**Capital and maintenance projects**

The Trustees set aside £1.74m in the previous years to be used in capital and maintenance projects. In 2019/20 £1.23m of capital expenditure was incurred and transferred from the fund, resulting in a year end balance of £509k.

**Accrued donations and 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. £2.03m of legacies and £0.30m of donations have been accrued at 30 September 2020. This amount has been designated until the cash is received and available for use by Erskine Hospital.

**COVID-19**

The Trustees have set aside £1.20m representing the potential losses arising due to incremental expenditures and lost revenues driven by the effects of the COVID-19 pandemic.

**Strategic Ventures**

The Trustees have set aside £2.00m to provide funding for the development of new interventions in pursuit of Erskine's vision and mission.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**21. Funds (continued)**

<b>Analysis of net assets among funds: 2020</b>	<b>Fixed assets £'000</b>	<b>Other net assets £'000</b>	<b>Total 2020 £'000</b>
<b>Restricted funds:</b>			
Donations	-	653	653
<b>Unrestricted funds:</b>			
Designated funds	25,844	2,324	28,168
Fixed asset fund	37,503	-	37,503
Other charitable funds	14,104	615	14,719
	<u>77,451</u>	<u>2,939</u>	<u>80,390</u>
	<u>77,451</u>	<u>3,592</u>	<u>81,043</u>

<b>Analysis of net assets among funds: 2019</b>	<b>Fixed assets £'000</b>	<b>Other net assets £'000</b>	<b>Total 2019 £'000</b>
<b>Restricted funds:</b>			
Donations	-	811	811
<b>Unrestricted funds:</b>			
Designated funds	22,997	2,428	25,425
Fixed asset fund	37,454	-	37,454
Other charitable funds	21,367	531	21,898
	<u>81,818</u>	<u>2,959</u>	<u>84,777</u>
	<u>81,818</u>	<u>3,770</u>	<u>85,588</u>

<b>22. Reconciliation of net expenditure to net cash used in operating activities</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Net expenditure for the year prior to reported (losses)/gains	(2,773)	(426)
Depreciation and impairment	1,603	1,470
Gain on sale of tangible fixed assets	(5)	-
Decrease/(increase) in debtors	223	(144)
Decrease in creditors and provisions	(162)	(184)
Dividends received	(1,092)	(1,310)
Interest received	(5)	(15)
Net return on pension scheme	-	(63)
Past service costs on pension scheme	-	480
Net cash used in operating activities	<u>(2,211)</u>	<u>(192)</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**23. Analysis of net debt**

	At 1 October 2019 £'000	Cash flows £'000	At 30 September 2020 £'000
Cash and cash equivalents	2,844	(117)	2,727

**24. 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			
<b>2019/2020</b>	-	(17)	24
<i>2018/2019</i>	-	(17)	24

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.

**25. Operating leases**

At 30 September 2020 the charitable company had commitments under non-cancellable operating leases as set out below:

	2020 Other £'000	2019 Other £'000
Not later than one year	15	10
Later than one year and not later than five years	46	36
	<u>61</u>	<u>46</u>

Lease payments of £10,991 (2019 - £42,017) are included in the Statement of Financial Activities.

**26. Capital commitments**

Capital commitments which have been approved by the board as at 30 September 2020 amount to £510k (2019 - £1.74m). Included in this amount is £510k which has been contracted for (2019: £685k).

**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.