



ERSKINE

Caring for Veterans since 1916



Report and Financial Statements for Erskine Hospital 21/22

(Company Registered Number SC174103)
for the year ended 30 September 2022



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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 2022.

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BOARD OF TRUSTEE REPORT

OBJECTIVES AND ACTIVITIES

Our vision is a Scotland where Veterans and their families thrive. Our mission is to offer Veterans their best possible future, through the best possible care & community support.

Erskine delivers care, accommodation and community services to Veterans and their families from across Scotland.

Erskine has four strategic objectives:

- **Care:** Veterans and their spouses receive good quality, person-centred care from when they leave the Forces through to the end of their lives
- **Accommodation:** Veterans have a place to live when they leave the Armed Forces, for the longer term, and during their retirement.
- **Community:** Veterans suffering from loneliness or isolation have a place to go, where they can learn new skills, have new experiences, and enjoy a sense of camaraderie.
- **An effective and efficient organisation:** the Charity is recognised by supporters, beneficiaries, employees and other key stakeholders as an efficient and effective organisation, worthy of their trust and support.

Our services during the period included:

- **Care "I am cared for and about"**
 - Residential care homes: one in Edinburgh, one in Glasgow and two within our Bishopton Veterans Village. These homes provide nursing, dementia and end-of-life care to Veterans and their spouses and ensure that Veterans and their spouses are provided with the best possible care during later life.
- **Accommodation "I have a safe place to call home"**
 - Transitional Supported Accommodation for Veterans who leave the military at relatively short notice and need more assistance to reintegrate productively back into civilian life, within 24 apartments located at our Bishopton Veterans Village.
 - 44 family cottages and five Assisted Living Accommodation apartments for Veterans and their families to live independent lives within our Bishopton Veterans Village;
 - Accommodation and support services for the Army Personnel Recovery Centre (PRC), The PRC supports Service men and women to recover post service and its 16 room recovery facility is located within Erskine Edinburgh Home.
- **Community "There is somewhere I belong"**
 - The Erskine Reid Macewen Activities Centre (ERMAC), a Veterans Activities Centre within the Bishopton Veterans Village. ERMAC aims to enhance the quality of life and wellbeing of Veterans in the community, providing the opportunity to engage with people who have shared experiences and history, learn new skills, explore their interests and access support services.

The Charity's values are:

- **Communication:** We communicate internally and externally, in a transparent, open manner that supports understanding and dialogue.
- **Accountability:** We take appropriate accountability for our individual and collective actions and decisions. We aim to reduce unwarranted variation in care and support provided. We aim for beneficiaries to experience the same compassionate, person-centred care irrespective of which members of the team are on duty.
- **Respect:** We respect our beneficiaries and those who visit our Homes and services, we respect each other as colleagues. We respect the beneficiaries' right to choice and will support them with making choices.
- **Empowerment:** Those who receive our care and support will feel empowered to make choices. We will provide accessible, transparent information to our beneficiaries about their rights and what they mean for their day to day lives. We will value, support, act upon and learn from what our beneficiaries say. We will ensure that our beneficiaries have their voices heard. We will support colleagues to feel empowered to use their knowledge and expertise in the delivery of person-centred care and support.

These values apply to all of us – staff, Trustees, volunteers, people we support, families and carers and others that we work with – and are an integral part of our induction, training, communications and working policies.





BOARD OF TRUSTEE REPORT

PERFORMANCE AND ACHIEVEMENTS

Our strategic objectives underpin all that we do. We review these objectives and our progress towards meeting them, as well as our internal and external operating environment, on a regular basis. Those reviews, as well as regular monitoring reports to the Board of Trustees, focus on the key projects which are designed to achieve our ambitions.

Our strategic objectives for the period ending 30 September 2026 were approved by our Board of Trustees during December 2021 and were devised during a period of growing economic pressure and in anticipation of marked changes in demographics and beneficiary need. A key change driver was an anticipated 40% reduction in the number of elderly Veterans living in Scotland by 2030 – as a result of the demise of the enormous Second World War and National Service generations. Another driver was an identified requirement to expand community care and support services for somewhat younger Veterans and those in transition from the military.

We have begun implementing the key aspects of our strategy; matching care home capacity to demand, whilst concurrently adjusting services to support more and younger Veterans within the community, and becoming better known and supported for our work across Scotland. These considerations and objectives are fundamental to our work and critical to our relevance and sustainability as a charity.

We review our progress against these objectives, and our internal and external operating environment, on a regular basis. Monitoring of the Veterans' sphere is facilitated by our collaborative membership of Veterans Scotland (and chairing of its Health & Wellbeing Group). Review of social care and clinical

matters is achieved through collaborative membership work with Scottish Care and the Coalition of Care and Support Providers Scotland (CCPS – a third sector membership body). Reviews and regular monitoring reports to the Board of Trustees focus on those key projects which, through Board guidance, are designed to achieve our strategic ambition through the three service delivery areas of Care, Accommodation and Community.

Care

Driven by our strategy in response to the factors outlined above, Care services have been going through a programme of 'rightsizing' throughout 21/22. This process helped us to bolster staffing in our care homes and houses, when the entire Health and Care sector continued to face enormous staff vacancies.

For the majority of this period, COVID-19 pressures and staff infection and isolation, forced us to temporarily close one house within Erskine Glasgow Home. However, we also saw a marked drop in enquiries, which gave us empirical proof of the demographic changes which the military charity sector expected. The Board of Trustees therefore made the decision to close Erskine Glasgow Home and consolidate residents and staff at The Erskine Home and Erskine Park Home, alongside a reduction in care capacity at Erskine Edinburgh Home. At the end of the reporting period, Erskine Glasgow Home had nine residents, with a full closure of the Home completed during November 2022. At the same point, Erskine Edinburgh Home was close to its 'rightsizing' target of 40. Here we successfully concluded negotiations to make best use of the spare infrastructure to support the services of our partners, Combat Stress, within the "Edinburgh Veterans Village" campus. The Erskine Home temporarily closed Ramsay House (30 rooms), directly related to staffing pressures that we shared with the wider sector. We intend that Ramsay House will be re-opened at the appropriate point.

By the end of this reporting period we had 234 residents living with us.

Occupancy remained high throughout the year at 96.4% (20/21: 90.6%), when measured against the reduced number of rooms we planned to make available. During the years we were able to welcome 54 new residents into our Homes (20/21: 165). This is a lower number than usual, but reflects our reduced ability to bring in new residents due to COVID-19 protocols, staff shortages and "rightsizing".

Eventually, we saw an end to the intermittent mandated Home closures experienced in previous years, as Scottish Government and Public Health Scotland guidelines changed. This allowed us to implement a series of designated visitor nominations, rather than seeing whole home closures. However, we continued to have an undiminished focus on infection prevention and control in recognition that, while in a different phase of the pandemic, COVID-19 was still very much with us and impacts on residents as well as staff. There were 25 infection prevention and control audits carried out throughout the year (20/21: 28).

Ultimately, we were delighted to dispense with the need for mask wearing by staff and visitors, except on a small number of specific instances. This was welcomed by everyone, not least by our residents who enjoyed being able to clearly see staff's faces and smiles. Other changes saw the need for physical distancing removed, provided overcrowding did not occur and there was sufficient ventilation. These changes also allowed us to welcome back community groups, choirs and schoolchildren. Working with schools is an important aspect of our intergenerational approach and brings joy to residents and schoolchildren alike.

Quality Improvement remains an important feature of our governance and resident quality outcomes, within our strategic objectives. We undertook two residents and relatives surveys during the year, reporting back to groups using a 'you said / we did' feedback loop. Our internal Quality Improvement Team completed eight planned quality

improvement audits (20/21: seven), in addition to ad hoc audits that took place. As in previous years, pursuing a robust safe medicines management approach related to antipsychotics, our Advanced Nurse Practitioners undertook 302 reviews (20/21: 323), in addition to reviewing all 'covert medication' prescriptions.

This year, The Erskine, Erskine Glasgow and Erskine Park Homes were visited and evaluated by the Care Inspectorate. All Homes passed with flying colours and joined Erskine Edinburgh Home in holding grades of 5 ("Very Good") for the care services which we provide.

Accommodation

The Transitional Supported Accommodation programme within our Bishopton Veterans Village has continued to progress well and we have now supported more than 20 Veterans in different ways. This service is there for working age Veterans whose transition to civilian life has been disrupted "through bad luck or bad timing". However, the support team have found that almost every applicant's "bad luck" caused them to present with some form of mental health or addiction challenge. The support programme and staffing skills mix had to evolve in order to meet those tenants' needs. We continue to collaborate with other Veterans' charities, third sector and public sector organisations to support the Veterans onto a stable footing, forwards into sustainable employment and ultimately into appropriate long-term accommodation in the area of their choosing.

Our Family cottages and Assisted Living Accommodation within the Bishopton Veterans Village maintained near 100% occupancy levels. We successfully adapted one cottage to allow a younger and severely disabled Veteran to move out of the care home and into the Veterans Village community, where they could continue to benefit from our support. As of the year end we have 91 Veterans and their families living independent lives within the Bishopton Veterans Village.

Community

Since inception in January 2018, ERMAC has provided meaningful support for 300 veterans, including 30 spouses and carers. As per our strategy, ERMAC has been refurbished and expanded to become a truly unique, flagship service for community support in Scotland. The centre has an active membership of 162 Veterans (20/21: 113), travelling from up to 30 miles away, with average daily attendance reaching 37 beneficiaries per day (20/21: 22). An average of 45 organised activity sessions were available each week - run by our employees, sessional staff, Veterans and volunteers.

In this period, we have worked in close partnership with funding partners to enhance our services. Key projects include:

- COVID-19 Recovery Support – to enable reactivation of the centre through COVID-19 compliant protective protocols.
- Veterans Gym – operated by two qualified Personal Training Instructors, the gym has been in high demand. Members are given personalised plans which focus on supporting wellness, independence and mobility.
- Veterans Wellbeing Café – We opened this café to promote ERMAC and to connect with other community support organisations within a convivial community networking setting.
- Financial Inclusion Support Service – In the first year of delivery this programme enabled Veterans, spouses and carers to access over £117,098 of financial support which they were otherwise unaware of.

We know that ERMAC makes a difference to those who use the service because we complete regular monitoring and evaluation exercises. During July 2022, we commissioned an independent consultation and review of ERMAC services and outcomes. The report produced feedback on user experience, service expansion and future developments via 148 Veterans, families, staff and key stakeholders. The report found that ERMAC is making a strong

impact in the Veteran Support Community, with ERMAC considered one of the 'best examples of a centre for Veterans in the country.'

Impact data includes feedback that 96% of centre users believe ERMAC has made a "big difference" to their lives, that they have learned new skills, feel happier, healthier, less stressed, less anxious and less lonely. Staff and referral partners reported 100% satisfaction working for or with ERMAC. Areas identified for development were increased opening hours and transport provision, as well as a recommendation for additional centres to support more Veterans. The first two suggestions are currently under review and an expansion into new regions is a central aim within our strategy.

An effective and efficient organisation

We achieved critical milestones towards ensuring that we are performing as efficiently and effectively as we can be during the period. This included the development and Trustee approval of the organisational strategy for the five years ending 30 September 2026, underpinned by the delivery of a five-year financial plan to increase our social impact whilst achieving a sustainable financial position.

Our frontline services can thrive when they are effectively supported by our core mission support functions, and when our fundraising function is delivering the resources necessary to achieve our charitable aims. During the period our Human Resources department led the launch of our Health and Wellbeing strategy for our employees, training 30 mental health first aiders, stress management training for all line managers and health and wellbeing days for our employees. Our fundraising team met the planned net fundraising income target and increased awareness and exposure of our Charity amongst potential supporters, all within a challenging and competitive environment.



BOARD OF TRUSTEE REPORT

FINANCIAL REVIEW

Fundraising income continues to fall short of the levels required to fund our activities and during 21/22 this has been exacerbated by shortages in care staffing driving agency usage, and volatility in equity markets where our reserve is invested. Overall, our funds decreased by £12.0m (20/21: increase of £5.8m) with £7.7m attributable to Charitable operations (20/21: £2.1m), and £4.3m net losses arising on investments (20/21: £8m net gains).

During 21/22 we began implementing the key components of our long-term financial plan to address the operating deficit and reach a sustainable financial position. Against a backdrop of significant shifts in Veteran demographics anticipated in the next seven years together with enduring challenges in securing the necessary levels of care staff we have begun reducing the scale of our care home services. This includes the difficult decision to close Erskine Glasgow Home permanently which was completed during November 2022.

Excluding the loss recorded in respect of Erskine Glasgow Home, the Charity incurred a deficit, before investment income, of £3.8m. This deficit was £1.4m more than our original budget, principally owing to staff shortages driving increased use of agency and bank workers across our homes.

The Charity's long term financial plan includes measures aimed at bringing the operating deficit to a sustainable level by the year ending 30 September 2026.

Income

The principal sources of revenue are those earned under the National Care Home Contract, fees from self-funding care home residents, legacies and fundraising activities. Our total income for the year was £24.4m (20/21: £27.5m), with earned revenue from care homes reducing alongside lower legacy income.

Legacy income this year £3.4m (20/21: £5.3m – see note five) with two individuals leaving gifts of more than £200k (20/21: seven individuals). Non-legacy fundraising activities contributed £5.3m (20/21: £4.5m – see note 5) of gross revenue, with 43,293 unique donors giving during the period (20/21: 41,265). We achieved growth in regular giving income driven by our programme of investment in individual donor acquisition, alongside strong performance versus prior year across all other key revenue streams. Income from committed givers, continued to perform well, generating £3m (20/21 £2.8m), with 22,190 committed givers donating during the year (20/21: 21,351).

Our care and accommodation services generated revenue of £14.6m (20/21: £16.6m), which principally related to our care home services. The decrease reflects planned reductions in our care home capacity, and the cessation of government payments in connection with the cost of vacant rooms driven by the Covid-19 pandemic (21/22: £0.1m, 20/21: £0.6m). This decrease has been partially offset with increased National Care Home Contract and self-funding rates charged to local authorities and self-funding residents. During 21/22 we have implemented reductions to our care home capacity in line with our strategy, against a backdrop of reducing demand for our care home services, severe and

enduring staffing shortages and an unsustainable operating deficit. Occupancy within our care homes against our equipped capacity averaged 96.4% (20/21: 90.6%) which was marginally below our target level of 97.5%.

The net effect of realised and unrealised movements on our charity's investments was a loss of £5.3m (20/21: gain of £7.1m), with losses on listed investments reversing gains made in the prior year. The Charity drew down £0.5m of cash from our investment portfolio to fund the planned operating deficit and working capital movements (20/21: £1m).

Expenditure

Total expenditure was £31.2m (20/21: £28.7m), including £28.3m (20/21: £25.7m) on charitable activities supporting the key objectives of the charity, and £2.7m (20/21: £2.9m), on raising funds. The increase in expenditure on charitable activities was driven principally by a cost of living pay award for our staff effective 1 October 2021.

We continue to operate a subsidy model across our services which would have required £11.6m (20/21: £9.1m) of donations during the period to fund the difference between our charitable expenditure (£26.2m (excluding impairment charge), 20/21: £25.7m) and the charitable income we generate from local authorities and service users (£14.6m, 20/21: £16.6m). In respect of our care home services, we spent an average of £1,718 (20/21: £1,542) per resident per week, whilst bringing in earned revenue from the National Care Home Contract and self-funders of £960 (20/21: £945) per resident per week. The shortfall of £758 (20/21: £597) per resident per week, is funded by our donors and reserves.

Expenditure on raising funds was £2.7m (20/21: £2.9m) with the decrease driven by a reduction in marketing and communications spend as we focus our resource on new channels to reach donors. For every £1 spent on raising funds we raised £3.23 of revenue towards our charitable mission during the year (20/21: £3.37). The reduction in this return on investment is driven by a fall in major legacy income, partially offset by growth in non-legacy donations.

Plans for future periods

Owing to the continued shortfall in fundraising income compared to our charitable expenditures, compounded by significant upward cost pressures, we forecast an operating deficit (before investment income, gains & losses) of £5.5m during the year ending 22/23, which will be funded from our reserves.

During March 2021 the board of Trustees approved a financial plan which aims for the Charity to reach a sustainable financial position by 30 September 2026, through a combination of reducing our care home capacity against a backdrop of reducing demand, investing in individual donor acquisition, sustainable service design and careful management of revenues and costs, whilst investing in the expansion of services which address unmet Veteran needs.

Balance sheet

The balance sheet shows total funds of £74.9m (20/21: £86.9m). Included in total funds is an amount of £0.7m (20/21: £0.5m) which is restricted. These monies have either been raised for, and their use restricted to, specific purposes, or they comprise donations subject to donor-imposed conditions. Full details of these

restricted funds are in note 20 to the financial statements, together with an analysis of movements in the year. Unrestricted funds of the charity at 30 September 2022 amounted to £74.2m (20/21: £86.4m) of which £11.6m (20/21: £23.5m) have been designated for particular purposes as per our reserves policy and £33.3m (20/21: £37m) relate to tangible fixed assets.

Going concern

Given Erskine's liquid reserves and future financial plans, the Trustees are of the view that Erskine is a going concern as there are adequate resources available to fund the charity's activities for the foreseeable future.

Investment policy

The charity has a portfolio of listed investments with a market value at 30 September 2022 of £40.3m (30 September 2021: £46.0m). We took £0.5m (20/21: £1m) from investments during the year to fund our activities.

The long-term investment objective of the Charity is to achieve protection against inflation whilst generating returns for our charitable purposes. We achieve this through holding a diversified portfolio of assets, while maintaining a prudent and balanced investment strategy. Listed equity markets continued to experience high levels of volatility and the performance did not meet its stated aim during the period. However, when evaluated over multiple years, the performance is more favourable. The policy also determines that the Charity holds funds equivalent to short-term cash needs in a lower risk pool to protect project funding required in the near-term from fluctuations in the equity markets.

There are no restrictions on the charity's power to invest. However, we have made a policy decision not to invest in tobacco-related stocks and to require that our investment manager operates environmental, social and governance screening practices as an integral part of investment selection and management. The investment strategy is set by the Trustees and takes into account income requirements and the investment managers' view of market prospects. The Finance and Performance Committee and the Investment sub-group meet regularly with the investment advisors to review the performance of the portfolio and the investment strategy.



BOARD OF TRUSTEE REPORT

FINANCIAL REVIEW (CONTINUED)

Reserves policy

The Charity is dependent upon donor funding to fund the difference between earned income and charitable expenditure. Donor income is subject to fluctuations from year to year. As a result, the Trustees believe that the Charity should hold reserves to provide protection against such fluctuations and enable us to protect beneficiaries in all foreseeable circumstances.

During the year the Trustees reviewed the designated funds and have determined that a risk based approach to reserves is appropriate. As a result of this review the Care home deficit fund, the accrued donations and legacies fund and the COVID-19 fund designations have been released. The minimum required free reserves (calculated below) is now set to provide for working capital requirements and the impact of the realisation of material business risks.

Under our risk based approach to reserves the Charity keeps sufficient reserves to cover:

- **Restricted funds**
 - Funds which are restricted for a particular charitable purpose and not otherwise available.
- **Designated funds to support the future development of the Charity, including**
 - Capital projects for the coming financial year and five years' anticipated property lifecycle costs.
 - Funds required to support the evolution of the Charity's services including investment to support the creation of new services.

- **Fixed asset reserves**
 - The net book value of tangible fixed assets which are not immediately available to cover risk and working capital requirements.
- **Free reserves to cover working capital needs and the realisation of material business risks**
 - A fund to cover cash requirements whilst the Charity awaits payment of accounts receivable balances.
 - A fund to guarantee provision of care home services for existing residents in the event that the Charity is unable to fundraise to subsidise their care.
 - A fund to cover the realisation of material business risks.

There was no prior year equivalent to our current year policy.

See note 20 for detail of our funds.

The calculation of our free reserves against our requirement as per our policy is shown in the table below.

	30-Sep-22 £m	30-Sep-21 £m
Total Charity funds	74.9	86.9
Less Restricted funds	(0.7)	(0.5)
Less Designated funds	(11.6)	(23.5)
Less tangible fixed asset fund	(33.3)	(37.0)
Free reserves	29.3	25.8
Working capital	2.1	
Risks	16.6	
Free reserves required	18.7	
Excess against the policy	10.6	

Defined benefit pension scheme

The defined benefit pension scheme was closed to future accrual on 1 August 2010. As at 30 September 2022 there is a scheme surplus of £4.3m (30 September 2021: £2.0m scheme surplus). Details of the assumptions used in reaching this valuation are set out in note 19. Under FRS102, the scheme surplus is only recognisable on the balance sheet to the extent that the Charity 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 of the Scheme at the balance sheet date. As such, a surplus is not recorded within these financial statements.

The present value of the scheme liabilities has been estimated by rolling forward the 30 September 2021 FRS 102 results, which were themselves a roll forward of the 5 April 2021 triennial actuarial valuation results. The increase in the Scheme's surplus since last year is principally due to an increase in corporate bond yields on which the discount rate is based. This has been partially offset by high levels of inflation that will lead to a higher than expected rate of deferred revaluation applying in 2023.

Guaranteed minimum pension equalisation: Following the High Court ruling on 26 October 2018 in the landmark Lloyds Banking Group case on Guaranteed Minimum Pensions (GMPs), the Scheme is required to adjust benefits for the effect of unequal GMP benefits accrued by males and females between 17 May 1990 and 5 April 1997. The Charity included an allowance for the impact of GMP equalisation within its accounting figures as at 30 September 2019. The Scheme has not yet implemented GMP equalisation and therefore the allowance made as at 30 September 2019 has been maintained.

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds Bank GMP equalisation case in respect of members that transferred out of the Scheme prior to the ruling. This supplementary ruling confirms that historical transfers out of the Scheme are also subject to GMP equalisation and so this triggers a further Plan Amendment.

The Charity included an estimated cost of The Impact of this ruling within its accounting figures as at 30 September 2021 and this continues to be included in the figures as at 30 September 2022.

Principal risks and uncertainties

Our trustees identify, assess and understand the risks facing The Charity and are satisfied that an appropriate risk framework is in place to manage these. We take a balanced approach to considering risk, taking steps to minimise the likelihood and impact of risk wherever possible, while acknowledging that exposure to risk is inevitable and does not prevent the Charity from pursuing its mission.

The Audit Committee retains oversight of the charity's risk management process and policy.

Risk Registers are regularly reviewed by the Executive Management Team, and quarterly by relevant Board Committees and the Board of Trustees. Risks are ranked on a score allocated by assessing the level of impact and likelihood.

The key risks at 30 September 2022 were:

- **Failure to respond to long term changes in Veteran demographics** – Owing to the end of National Service in 1960, it is forecast that the number of Veterans requiring Erskine's residential care home services will decline significantly over the period to 2030. The Charity must continue to evolve its services in response to the changing needs of the Veteran population. Mitigation is provided through

engagement with our beneficiaries, peer organisations, the Scottish Government, Veteran bodies and Health and Social Care bodies, to understand Veteran needs.

- **Financial failure resulting from prolonged expenditure exceeding income** - Mitigation comes from improved financial management processes, and the completion of long-term financial planning, together with effective design and operation of financial oversight controls.
- **Failure to recruit and retain suitably qualified and skilled staff** - Retaining and attracting talented staff is key to our success. We have a range of measures in place to do this, including enhanced employee engagement activities, health and wellbeing initiatives and benchmarking, and aligning pay and remuneration to peers in the social care sector.
- **Reputational failure** - We have a variety of processes in place to mitigate the likelihood and impact of an event that could negatively impact the charity's reputation. These include whistle-blowing policy, recruitment processes and checks, registers of interest for staff and Trustees, robust financial and operational procedures and audit to identify malpractice.



GOVERNANCE

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Trustees’ report has been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102. It also meets the requirements for a Directors’ report set out in the Companies Act 2006. Sections on ‘Financial review for the year’ and ‘Principal risks and uncertainties’ included within the ‘Trustees’ report’, meet the requirements for a strategic report as outlined in the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013. The financial statements have been prepared in accordance with the accounting policies set out on pages 27 – 30 of the attached financial statements.

Status

Erskine Hospital (“the Charity” or “Erskine”) is a charitable company limited by guarantee, and not having share capital, incorporated on 4 April 1997 and registered in Scotland (SC174103). Erskine Hospital is registered with the Office of the Scottish Charity Regulator (OSCR) as a charity in Scotland (SC006609). In the event of the winding up of the charitable company a member is liable to contribute a sum not exceeding £1.

Governing document

The charity is governed in accordance with its Articles of Association.

Objects of The Charity

The principal objects of the Charity are for the provision of nursing and residential care, accommodation and support. The Charity provides support to men and women with a current or former record of armed service or service in support of, or alongside the armed services together with dependents or surviving dependents of such personnel.

Environmental, social and governance responsibilities

Our core aim is to deliver social value for our beneficiaries and doing this in a robust way means we must respond effectively to the Environmental, Social and Governance (“ESG”) issues which arise in the pursuit of this aim.

A summary of our activities relating to each of the ESG themes is provided below, which complements the examples elsewhere in this report.

Environmental

We are committed to understanding our impact on the environment and our energy and carbon reporting is included on pages 17-19 of this report, which includes specific initiatives which we are undertaking to understand and reduce our environmental impact.

Social

- How do we know our programmes work?

Our core aim is delivering social value for Veterans and we know that we achieve this through measuring the outcomes and impact of our programmes. Under the Care Inspectorate evaluation framework 12 out of 14 evaluations completed by the Care Inspectorate up to 30 September 2022 resulted in grades of “Very Good” or better (with the remaining two evaluations resulting in a grading of “Good”). That means that the majority of our care home services “demonstrate major strengths in supporting positive outcomes for people”.

We also complete regular monitoring and evaluation of all of our Community and Accommodation services, ensuring that we have the evidence to

demonstrate that we know our programmes work.

- What do we do to look after our employees?

The wellbeing of our employees is central to the achievement of our mission. This is recognised and embedded in our Health and Wellbeing strategy (2022-2026) which considers all aspects of employee wellbeing including mental and physical health, good work, personal growth, social connections, environmental and financial wellbeing. A central element of this strategy is our commitment to being a Real Living Wage Employer.

- How do we pursue equitable and consistent treatment for all employees?

Our Equality, Diversity and Dignity (“EDD”) at Work policy sets out how we comply with and go beyond the law to ensure our working environment is a safe space for all. It also sets out support which is available to all of our employees including counselling, occupational health service and crisis support.

Our gender pay gap reporting for the year ending 30 September 2021 shows that women’s mean hourly pay is 0.8% lower than men’s which equates to 10p per hour, there is no difference in median pay and women occupy 77.3% of the highest paid jobs. Through our EDD policy we continue to strive to break down obstacles to equitable and consistent treatment of all employees.

For our full gender pay gap report please visit: <https://gender-pay-gap.service.gov.uk/Employer/ErAD6nqm>

Governance

Holding ourselves accountable and being accountable to our beneficiaries, donors and wider stakeholders underpins the achievement of our mission. Through a dedicated aim, a commitment to good governance is embedded within our organisational strategy. Periodically we evaluate our governance mechanisms, with reference to best practice, including the Charity Governance code, whilst our fundraising teams operate in compliance with the Institute of Fundraising code of practice.

The following Trustees were in office at 30 September 2022 and served throughout the year, and up to the date of approval of the financial statements except where stated.

Trustee	Trustee office	Date appointed/resigned/retired during the period	Committee membership
Mr Stuart Aitkenhead <small>BSc CEng FIMechE</small>	Chair		RC (Chair)
Major General Chris Hughes <small>CBE</small>	Vice Chair		FPC
Mr Ian Lee <small>BA (Hons) CA CPA</small>			AC (Chair), RC
Captain James Fraser		Retired 21 Sep 2022	AC
Lt Col David Harrison <small>OBE BA (Hons) MBA</small>			AC
Mr Jordan Taylor <small>BAcc (Hons) CA</small>			AC
Mr Kenneth Baldwin <small>BAcc CA</small>		Appointed 21 Sep 2022	AC
Mrs Rosemary Lyness <small>MBE RGN SCM MBA</small>			CCGC (Chair), RC
Dr Claire Copeland			CCGC
Mrs Maria Clare Docherty			CCGC
Mrs Brenda Wilson		Retired 16 March 2022	CCGC
Prof Fiona McQueen <small>CBE</small>		Appointed 16 March 2022	CCGC
Mr Douglas (David) Griffin <small>MA (Hons) DIP ACC CA</small>			FPC (Chair), RC
Major Michael Andrew Edwards <small>OBE BA DL VR</small>			FPC
Dr Craig Fleming			FPC
Mrs Lyndsay Jane Lauder	Independent Trustee		SGC (Chair), RC
Mr Simon Allbut <small>FCIPD</small>		Retired 16 December 2021	SGC
Mrs Jennifer Doran, <small>FFA</small>			SGC

Committee membership key

- AC** Audit Committee
- CCGC** Clinical and Care Governance Committee
- FPC** Finance and Performance Committee
- RC** Remuneration Committee
- SGC** Staff Governance Committee

For more information about our Trustees visit:

<https://www.erskine.org.uk/about-us/our-board-and-team/board-of-Trustees/>

Non-Trustee independent advisors

The Board of Trustees appoints non-Trustee independent advisors with specialist knowledge in fields of relevance to the charity. The following non-Trustee independent advisors were in office at 30 September 2022 and served throughout the year, except where stated.

Non-Trustee independent advisor	Date appointed/resigned/retired during the period	Committee membership at the year end
Mr Richard Hyder		FPC
Mr Peter Yarrow	Retired 16 March 2022	FPC
Mr Andrew Cowan		SGC
Mr Kenneth Baldwin <small>BAcc CA</small>	Retired 21 September 2022	AC



GOVERNANCE

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Trustees

The Trustees govern our charity.

They are responsible for:

- Setting and monitoring progress against strategic objectives.
- Setting the highest standards and delivering good governance and leadership.
- Ensuring that the charity's resources are only used for its charitable objectives, in the best interests of its beneficiaries, and in compliance with all relevant statutory and regulatory obligations.

Our Trustees are also company directors for the purposes of company law.

Collectively our Trustees constitute the Board of the Charity. The Board meets at least four times a year and delegates certain matters to committees.

The Board of Trustees is composed of not less than 12 and not more than 18 Trustees.

Our committees comprise the following:

- **Finance & Performance Committee** who, on behalf of the Board of Trustees, oversee the long term strategic planning of the Charity's finances along with the performance of the organisation against a series of agreed key performance indicators;
- **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;
- **Clinical & Care 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;

- **Staff Governance Committee** whose primary purpose is to provide assurance to the Board that appropriate staff governance mechanisms are in place; and

- **Remuneration Committee** whose primary responsibility is for approval of all strategic remuneration issues within the Charity 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.

The Board has delegated the authority to manage day-to-day business to the Chief Executive, assisted by the Executive Management Team (EMT). The Board approves the strategy of the charity, at the proposal of the Chief Executive and EMT. The Chief Executive is responsible for implementing the agreed strategy and policies.

Trustee recruitment and appointment

Appointment to the Charity'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 the Charity, having the necessary regard to the provisions of the Memorandum and Articles of Association.

The ordinary membership of the company, who form the General Council, appoint, from their number, the Board of Trustees.

Before recruiting new members of the Board of Trustees, the Charity 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 ensuring that our Board and Committees have a strong and diverse mix of people, skills and expertise.

Over the past financial year, two Trustees were appointed to the Board and three Trustees resigned or retired during the period.

Trustee induction and development

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 the Charity expects of its Board members.

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

Statement of responsibilities of the Trustees

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

Charity and Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the charitable company and of the income and expenditure of the charitable company for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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 responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Related parties

Erskine has one related party, Erskine Developments Limited, which is a wholly owned subsidiary of the charity.



GOVERNANCE

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Executive Management team

The following members of the Executive Management Team were employed as of 30 September 2022.

Name	Role
Wing Commander Ian Cumming <small>MBE MA FCMI</small>	Chief Executive Officer
Mr Derek Barron <small>RMN MSc FQNIS</small>	Director of Care
Mr Gregor McKellar <small>BAcc(Hons) CA MST</small>	Director of Strategic (Finance and Business) Planning
Mrs Sarah Bickerstaff <small>MCIPD</small>	Director of People and Organisational Development
Mr Dougie Beattie <small>IEng CIWFM</small>	Head of Facilities and Support Services
Mrs Sara Bannerman <small>MinstF (Cert)</small>	Head of Fundraising and Communications
Mrs Sharon Alison	Head of Finance

For more information about our Management team visit:

<https://www.erskine.org.uk/about-us/our-board-and-team/senior-management-team/>

Remuneration of personnel

The Charity is committed to ensuring that we pay our staff in a way that ensures we attract and retain the right skills to have the greatest impact in delivering our vision and charitable purpose. Erskine delivers a wide array of benefits to this end and is a Real Living Wage employer.

The Charity's Remuneration Committee meets at least annually, is Chaired by the Chairperson of the Board and sets the pay for all staff. The Chief Executive Officer is in attendance at the meeting (leaving for the discussion regarding the CEO remuneration), and no employees are members of the Committee.

The main responsibilities of the Remuneration Committee are to determine the remuneration of the CEO and Executive Management Team, and approve any cost of living increase for all staff. The Charity utilises a wide array of information, including the results of performance reviews and relevant benchmarks to determine appropriate pay for the CEO and Executive Management Team.

Our people

The Charity's staff are at the core of delivering our vision. Through our Partnership Forum, employee attendance of the Staff Governance Committee meetings and the Hear for You forum, employees and their representatives are directly involved in developing internal policies and procedures which affect them. The Hear for You forum exists to engage employees on key issues which affect employees, with standing attendance by members of the Executive Management Team, and employees from across every location and job group.

Disabled employees

The Charity 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 the Charity's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities wherever appropriate.

Volunteers

The Charity recognises the immeasurable benefits that volunteers contribute to our services. Volunteers bring added value by enhancing the quality and variety of services we provide, giving their time, enthusiasm, additional skills, independence of outlook and a fresh perspective to design and delivery. Within the Charity's service delivery model there have been many activities undertaken by registered volunteers across our care homes and our ERMAC including support roles within speech and language, physiotherapy, lunch clubs, activities, support services, befriending and fundraising and events. The Charity has 160 registered volunteers (20/21: 163) who delivered around 2,400 hours of fundraising and relatives support roles during the year (20/21: 1,000 hours).

Energy and Carbon Reporting

UK energy use and greenhouse gas emissions

The Charity recognises its responsibility to minimise its impact on the natural environment and continues its commitment to reduce its energy consumption and carbon emissions. We report our current UK based energy usage and associated annual Greenhouse Gas (GHG) emissions pursuant to the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations) that came into force 1st April 2019.

Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the Charity. There are no non-UK based subsidiaries that would not qualify under the 2018 Regulations in their own right.

Reporting period

The annual reporting period is 1 October through 30 September each year.

Base year

The baseline year used is the year ending 30 September 2021 and, in the event of significant changes to the company including structural changes or improvements in data accuracy, the baseline year will be recalculated to the greatest practical extent.

Quantification and reporting method

This report was compiled using existing reporting mechanisms which provide a near continuous record of natural gas, electricity and transport data for company owned vehicles and business use by employee owned vehicles. The 2019 Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the Streamlined Carbon and Energy Reporting (SECR) requirements were met.

The data was converted using conversion factors provided by the Department of Business, Energy and Industrial Strategy at the start of the reporting period. Associated emissions were three parts: Scope 1 (operation of facilities), Scope 2 (purchased energy UK) and Scope 3 (indirect emissions produced as a consequence of company activities).

Some estimations of energy usage have been made when data has not been available from suppliers or prorated for shared use buildings.



GOVERNANCE

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Total gross energy consumed

Breakdown of energy consumption used to calculate emissions:

Type	kWh for year ending 30 Sep 2022	kWh for year ending 30 Sep 2021
Electricity consumed across owned/leased buildings	3,204,299	3,127,235
Gas consumed across owned/leased buildings	7,631,914	8,427,173
Fuel used by fleet for business travel	138,576	92,602
Total gross energy consumed	10,974,789	11,647,010

Total gross emissions

Breakdown of emissions associated with the reported energy use:

Type	tCO ₂ e for year ending 30 Sep 2022	tCO ₂ e for year ending 30 Sep 2021
Gas	1,393	1,543
Company owned vehicles	26	29
Scope 1	1,419	1,572
Electricity	620	789
Scope 2	620	789
Other indirect emissions*	-	-
Scope 3	-	-
Total gross emissions	2,039	2,361

* Note that data limitations regarding indirect emissions, make this reporting impractical.

Intensity ratio

We have chosen to use gross tonnes of carbon dioxide equivalent emissions per care home resident. These metrics are chosen as they are the most readily available and complete data over the period and because this metric represents the most substantial part of the Charity's activities.

Tonnes of CO₂e per care home resident have remained stable compared to the prior year.

	year ending 30 Sep 2022	year ending 30 Sep 2021
Average number of care home residents	264	308
Tonnes of CO₂e per care home resident	7.72	7.67

UK production of waste

The Charity's operations produced the following tonnes of waste during the period:

Type	Tonnes for year ending 30 Sep 2022	Tonnes for year ending 30 Sep 2021
Waste to landfill	148	139
Waste recycled	42	48
Total gross waste produced	190	187

Energy efficiency measures during current financial year

The Charity is compliant with all ESOS regulations is committed to reducing energy usage across the estate. We carry out regular energy audits which identify savings opportunities and also;

- Introducing energy savings campaigns across the staff group encouraging ideas to save energy
- Ensure full compliance with ESOS phase 3 by December 2023
- Ensure all potential suppliers comply with environmental and ethical procurement standards prior to contract award

We will continue to review how we work and endeavour to identify energy saving opportunities across our operations, leading to financial savings, waste reduction and lower greenhouse gas emissions.

Reference and Administrative Details

Patron	To be confirmed subject to Royal patronage review
President	The Right Hon The Lord Provost of Glasgow
Chair	Mr Stuart Aitkenhead BSc CEng FIMechE
Trustees	As listed on page 13
Chief Executive	Wing Commander Ian Cumming MBE MA FCMJ
Members of the Management team	As listed on page 16
Company Secretary	Mr Andrew Cowan

Principal office	The Erskine Home Erskine Veterans Village Bishopton Renfrewshire PA7 5PU Telephone: 0141 812 1100 Website: www.erskine.org.uk Email: enquiries@erskine.org.uk
Registered office	7 West George Street Glasgow G2 1BA
External auditor	Azets Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF
Internal auditor	Henderson Loggie 100 West George Street Glasgow G2 1PP (appointed 1 October 2022) RSM 3rd Floor, Centenary House, 69 Wellington Street Glasgow G2 6HG (resigned 30 September 2022)
Banker	Royal Bank of Scotland 1 Moncrieff Street Paisley PA3 2AW
Investment manager	Brewin Dolphin 6th Floor, Atria One Edinburgh EH3 6PP
Solicitor	T C Young 7 West George Street Glasgow G2 1BA



GOVERNANCE

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Fundraising

The Charity could not fulfil its charity mission without the support of generous, thoughtful and committed donors, whom we value highly. We employ a range of approaches to raise money for Erskine's mission, whilst always respecting and protecting the interests of our supporters.

Fundraising on our behalf

As part of our Individual Giving activities professional fundraising representatives may be used for door to door or telephone fundraising. As members of the Chartered Institute of Fundraising, all Charity fundraisers, whether employed by us, 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.

Our supporter promise

We communicate with our supporters in many ways, including appeal letters, telephone calls, raffles, TV advertising and online via our website and social media. We have a 'Supporter promise' to make sure that everyone we interact with feels respected and valued.

You can find out more information about our commitment to our donors at: www.erskine.org.uk/give-support/advice-for-donors/

We take safeguarding potentially vulnerable supporters seriously, and our "Protecting vulnerability" policy is informed by the Chartered Institute of Fundraising's 'Treating Donors Fairly Guidance'.

Fundraising regulation

We are committed to best practice fundraising and are registered with the Scottish Fundraising Adjudication Panel. 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.

We strive for best practice in fundraising and comply with all relevant statutory regulations, including the Charities and Trustee Investment Scotland Act 2005, the Charities (Protection and Social Investment) Act 2016, the Data Protection Act 2018, GDPR and the Privacy and Electronic Communications Regulations 2003.

Safeguarding and whistleblowing

Our safeguarding and whistleblowing procedures aim to:

- Protect our service users from abuse or health concerns from others or themselves.
- Address internal issues whereby a concern directly relates to our employees and/or volunteers.

In accordance with our whistleblowing policy Erskine appoints a 'freedom to speak up' champion Trustee, who can be contacted confidentially via email at whistletrustee@erskine.org.uk. Our stakeholders are also able to raise concerns about our services via the Care Inspectorate. During the year ended 30 September 2022, we had no whistleblowing reports (20/21: none)

Safeguarding of residents and beneficiaries is a priority for us, and we operate monitoring and reporting procedures in accordance with the Adults with Incapacity (Scotland) Act 2000, the Adult Support and Protection (Scotland) Act 2007, and the Mental Health (Care and treatment) (Scotland) Act 2003. All issues which fall under any of these Acts are reported to and overseen by our Clinical and Care Governance Committee.

Complaints and feedback

We are keen to hear from our beneficiaries and stakeholders if they believe there is something we did not get right, so we can learn and improve.

During the year, we received five complaints related to our fundraising activities (20/21: four). We also received 33 written compliments (20/21: 25). One complaint related to the receipt of unwanted fundraising communications,

three complaints related to door to door fundraising and one related to a fundraising event. None of the complaints related to serious issues.

In relation to our care and support services, we received one complaint (20/21: two), but we also received 96 written compliments (20/21: 104). The complaint related to quality and choice of food in one home. This was reviewed by the team and upheld as, due to staffing issues, the choices offered had not been of our usual standard. The chef immediately addressed the issue, which has not reoccurred.

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 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.

The Board of Trustees' Report (incorporating the Strategic Report) was approved by the Board of Trustees on 15 March 2023 and signed on its behalf by:

Mr Stuart Aitkenhead BSc CEng FIMechE
Chairman of the Board of Trustees
Approved on 15 March 2023

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES

Opinion

We have audited the financial statements of Erskine Hospital (the 'charitable company') for the year ended 30 September 2022 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 2022 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

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, which includes the Strategic Report and the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report included within the Board of Trustees' Report have 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 Strategic Report or the Directors' Report included within the Board of Trustees' Report.

We have nothing to report in respect of the following matters in relation to which 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 proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 15, the Trustees (who are also directors of the charitable company for the purpose of company law and Trustees for the purpose of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the charitable company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the charitable company is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the charitable company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with management, and from our knowledge and experience of the sector;

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and taxation, data protection, anti-bribery, environmental, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, regulators and the charitable company's legal advisors.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in these financial statements were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

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:



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating Income & Expenditure Account) for the year ended 30 September 2022

	Note	All other activities Unrestricted funds 21/22 £'000	Erskine Glasgow Home Unrestricted funds 21/22 £'000	Restricted funds 21/22 £'000	Total 21/22 £'000	Total 20/21 £'000
Income and endowments						
Donations and legacies	5	8,219	-	521	8,740	9,796
Charitable activities	6	13,198	1,376	-	14,574	16,604
Investment income	7	1,111	-	-	1,111	1,009
Other income		-	-	-	-	67
Total income and endowments		22,528	1,376	521	24,425	27,476
Expenditure						
Raising funds	8	2,706	-	-	2,706	2,904
Charitable activities	9	22,698	3,134	374	26,206	25,672
Charitable activities – impairment loss	9	-	2,121	-	2,121	-
Investment management costs		117	-	-	117	121
Total expenditure		25,521	5,255	374	31,150	28,697
Net (expenditure)/income prior to (losses)/gains on investments		(2,993)	(3,879)	147	(6,725)	(1,221)
Gain/(losses) on investments						
Realised gain on disposal of fixed asset investments	14	245	-	-	245	1,314
Unrealised investment (loss)/gain	14	(5,524)	-	-	(5,524)	5,832
Unrealised investment property loss	14	-	-	-	-	(80)
Total (losses)/gains on investments		(5,279)	-	-	(5,279)	7,066
Net (expenditure)/income for the year		(8,272)	(3,879)	147	(12,004)	5,845
Transfers between funds	20	-	-	-	-	-
Net movement in funds	12	(8,272)	(3,879)	147	(12,004)	5,845
Total funds brought forward	20	86,357	-	531	86,888	81,043
Total funds carried forward	20	78,085	(3,879)	678	74,884	86,888

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

The notes on pages 27 to 50 form part of these financial statements

FINANCIAL STATEMENTS

BALANCE SHEET

as at 30 September 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	13	31,407	35,178
Investments	14	42,124	47,862
		73,531	83,040
Current assets			
Debtors	15	3,140	5,117
Cash and cash equivalents		1,188	1,426
		4,328	6,543
Creditors: amounts falling due within one year	16	(1,749)	(1,469)
Net current assets		2,579	5,074
Net assets excluding provisions		76,110	88,114
Provision for liabilities	18	(1,226)	(1,226)
Net assets		74,884	86,888
Funds			
Restricted funds	20	678	531
Unrestricted funds:			
Designated funds	20	11,581	23,512
Fixed asset fund	20	33,257	37,028
Other charitable funds	20	29,368	25,817
		74,206	86,357
	20	74,884	86,888

The financial statements have been authorised for issue by the Board of Trustees on 15 March 2023 and are signed on their behalf by:

Mr Stuart Aitkenhead BSc CEng FIMechE
Chairman of the Board of Trustees

Scottish Charity No: SC006609
Company No: SC174103

The notes on pages 27 to 50 form part of these financial statements



FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

for the year to 30 September 2022

	Note	21/22 £'000	20/21 £'000
Cash flows from operating activities			
Net cash used in operating activities	21	(1,629)	(2,068)
Cash flows from investing activities			
Purchase of tangible fixed assets		(43)	(1,227)
Proceeds from disposal of tangible fixed assets		27	67
Purchase of investments		(5,678)	(8,382)
Proceeds from disposal of investments		6,137	9,464
Dividends received		948	845
Net cash provided by investing activities		1,391	767
Decrease in cash and cash equivalents in the year		(238)	(1,301)
Cash and cash equivalents at 1 October		1,426	2,727
Cash and cash equivalents at 30 September		1,188	1,426

The notes on pages 27 to 50 form part of these financial statements

FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS

for the year ended 30 September 2022

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 and legal status of the Charity are set out in the Trustees' 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).



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

2 Principal accounting policies (continued)

Going concern

The trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed within note 3 to the financial statements. With regard to the next accounting period, the year ending 30 September 2023, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the ‘Investment policy’ and the risk management sections of the ‘Trustees’ report’ for more information) and the ability of the Charity to address the shortfall in fundraised income against the current service scale and design.

The trustees have considered several factors in concluding that the adoption of the going concern basis in the preparation of these financial statements is appropriate. These have included:

- Existing reserves
- Future fundraising plans
- Ongoing long term financial planning activities
- Cash management and working capital controls in place to manage the potential risks of late payments by funders and ensure restricted and unrestricted assets and reserves are appropriately managed.

After making this assessment, the trustees are confident the organisation has adequate resources to operate for the foreseeable future and can adopt the going concern basis in preparing its financial statements.

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 included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Entitlement to a legacy is taken as the earlier of the date on which either: the charity is aware that confirmation has been granted, the estate has been finalised and notification has been made by the executor to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the

amount can be measured reliably and the charity has been notified of the executor’s intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of confirmation, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Earned service income and trading income is recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be measured reliably. It is measured at fair value, being the amount invoiced and considered receivable, excluding any discounts or rebates.

Dividend income is recognised when dividends are declared and the stock becomes ex-dividend.

Other income is recognised when the charitable company is entitled to the income and the amount can be measured reliably.

Capital grants

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

2 Principal accounting policies (continued)

Expenditure recognition

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes irrecoverable VAT.

- raising funds costs comprise the costs associated with generating 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 is the sole sponsoring employer of 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.

Contributions in respect of Erskine’s defined contribution scheme are charged in the Statement of Financial Activities as they become payable in accordance with the Scheme Rules.

The assets of both of the pension Schemes are held separately from those of the charity in independently administered funds.

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

Redundancy costs

Redundancy costs are amounts payable to end an individual’s employment and are charged on an accruals basis to the Statement of Financial Activities when the charity is demonstrably committed to this course of action.

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.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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 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 in the table below.

Impairment of fixed assets

Fixed assets are subject to review for impairment when there is an indication of a reduction in their carrying value. Any impairment is recognised in the year in which it occurs.

Fixed assets

Buildings	33-60 years
Equipment, Furnishings, Machinery & Plant	2-12 years
Motor Vehicles	4 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.



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

2 Principal accounting policies (continued)

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.

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.

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

Preparation of the financial statements requires the Trustees and management to make significant judgements and estimates that affect the reported values of assets, liabilities, income and expenses.

Significant areas of estimation and judgement include:

- The timing of legacy revenue recognition
- The timing of restricted income recognition
- The selection of discount rates for the defined benefit pension scheme
- The provision for the repayment of restricted grant income (see note 19)
- The valuation of investment properties
- The valuation of Erskine Glasgow Home for the purposes of impairment review
- The useful economic life of tangible fixed assets

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

	Unrestricted funds 20/21 £'000	Restricted funds 20/21 £'000	Total 20/21 £'000
Income and Endowments			
Donations and legacies	9,441	355	9,796
Charitable activities	16,604	-	16,604
Investment income	1,009	-	1,009
Other income	67	-	67
Total income and endowments	27,121	355	27,476
Expenditure			
Raising funds	2,904	-	2,904
Charitable activities	25,332	340	25,672
Investment management costs	121	-	121
Total expenditure	28,357	340	28,697
Net (expenditure)/income prior to gains/(losses) on investments	(1,236)	15	(1,221)
Gains/(losses) on investments			
Realised gain on disposal of fixed asset investments	1,314	-	1,314
Unrealised investment gain	5,832	-	5,832
Unrealised investment property loss	(80)	-	(80)
Total gains/(losses) on investments	7,066	-	7,066
Net income for the year	5,830	15	5,845
Transfers between funds	137	(137)	-
Net movement in funds	5,967	(122)	5,845



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

5 Donations and Legacies

	Unrestricted funds 21/22 £'000	Restricted funds 21/22 £'000	Total 21/22 £'000	Unrestricted funds 20/21 £'000	Restricted funds 20/21 £'000	Total 20/21 £'000
Legacies	3,395	-	3,395	5,303	-	5,303
Donations	4,824	521	5,345	4,138	355	4,493
	8,219	521	8,740	9,441	355	9,796

6 Charitable Activities Income

	Total 21/22 £'000	Total 20/21 £'000
Care home fees and miscellaneous income	14,438	16,030
Sustainability payments	136	574
	14,574	16,604

All charitable activities income received in 21/22 and 20/21 was unrestricted.

7 Investment Income

	Total 21/22 £'000	Total 20/21 £'000
Dividends received	948	845
Rental income	163	164
	1,111	1,009

All investment income received in 21/22 and 20/21 was unrestricted.

At 30 September 2022 the charitable company had minimum lease receipts due under non-cancellable operating leases as follows:

	Total 2022 £'000	Total 2021 £'000
Not later than one year	184	176
Later than one year and not later than five years	734	705
Later than five years	2,379	2,471
	3,297	3,352

8 Raising funds expenditure

	Total 21/22 £'000	Total 20/21 £'000
Staff costs – direct	860	931
Staff costs – apportioned	145	272
Marketing & communications	286	382
Office & vehicle costs – direct	332	274
Office & vehicle costs – apportioned	343	269
Donor development campaign	740	776
	2,706	2,904

All raising funds expenditure incurred in 21/22 and 20/21 is unrestricted.

9 Charitable activities expenditure

	Unrestricted funds 21/22 £'000	Restricted funds 21/22 £'000	Total 21/22 £'000	Unrestricted funds 20/21 £'000	Restricted funds 20/21 £'000	Total 20/21 £'000
Care homes and miscellaneous						
Nursing staff	13,173	122	13,295	13,145	77	13,222
Care support staff	3,735	12	3,747	3,632	17	3,649
Maintenance & repairs	1,450	2	1,452	1,456	17	1,473
Irrecoverable VAT	802	-	802	907	-	907
Insurance	288	-	288	236	-	236
Training	26	-	26	27	-	27
Utilities	899	-	899	745	-	745
Food, transport & comforts	654	-	654	546	-	546
Medical & domestic supplies	613	59	672	765	127	892
Development costs	11	-	11	-	-	-
Reid Macewen Activities centre	282	178	460	368	102	470
Support costs						
Management & administration	1,778	1	1,779	1,539	-	1,539
Marketing of care	343	-	343	262	-	262
Depreciation (note 13)	1,693	-	1,693	1,622	-	1,622
Governance costs (note 10)	85	-	85	82	-	82
Subtotal before impairment	25,832	374	26,206	25,332	340	25,672
Impairment (note 27)	2,121	-	2,121	-	-	-
	27,953	374	28,327	25,332	340	25,672



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

10 Governance costs

	Total 21/22 £'000	Total 20/21 £'000
Company secretary costs	26	30
External auditor – audit of Charity accounts	32	27
External auditor - other services	7	5
Internal audit	20	20
	85	82

11 Staff costs

	Total 21/22 £'000	Total 20/21 £'000
Wages and salaries	16,342	16,290
Social security costs	1,277	1,254
Pension scheme costs - defined contribution	1,899	1,885
Pension scheme past service charge – defined benefit	-	-
	19,518	19,429

Agency costs of £1,031,000 (20/21 - £663,396) are included within wages and salaries above. In addition, in respect of the closure of Erskine Glasgow Home, redundancy costs of £278,729 (20/21 - £nil) have been accrued and were paid during October and November 2022.

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

The number of employees who earned between the amounts stated below (including taxable benefits but excluding employer pension and national insurance contributions) during the year were:

	21/22 No.	20/21 No.
£60,000 - £69,999	1	4
£70,000 - £79,999	1	1
£80,000 - £89,999	3	-
£90,000 - £99,999	1	2
£100,000-£109,999	1	-

	Total 21/22 £'000	Total 20/21 £'000
The pension contributions for the above employees were:	59	46

Seven (20/21 - seven) employees with salary and taxable benefits over £60,000 were members of the defined contribution pension scheme.

11 Staff costs (continued)

The average number of employees analysed by function was:

	21/22 No.	20/21 No.
Nursing and therapy	479	539
Support services	210	202
Activities	25	29
ERMAC	6	7
Management and administration	37	36
Fundraising, marketing and communications	26	30
	783	843

Key management personnel

Key management personnel comprises the Board of Trustees, the Chief Executive, the Executive Management Team and the four Care Home Managers. No Trustees received remuneration in respect of duties performed (20/21 - £nil). Travel expenses of £107 were paid to one Trustee in the year (20/21 - £nil). Other key management personnel received remuneration of £799,251 (20/21 - £754,313), social security costs of £94,757 (20/21 - £85,532) and pension contributions of £77,808 (20/21 - £68,946).

12 Net movement in funds

Net movement in funds is stated after charging/(crediting):

	21/22 £'000	20/21 £'000
Depreciation and impairment	3,814	1,622
Operating lease rentals	15	15



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

13 Tangible fixed assets

	Freehold buildings £'000	Assets under construction £'000	Motor vehicles £'000	Equipment furnishings, machinery & plant £'000	Total £'000
Cost					
At 1 October 2021	57,111	10	578	5,285	62,984
Additions	1	-	27	15	43
Disposals	-	-	(38)	-	(38)
At 30 September 2022	57,112	10	567	5,300	62,989
Depreciation and impairment					
At 1 October 2021	24,037	-	382	3,387	27,806
Charge for the year	1,240	-	77	376	1,693
Disposals	-	-	(38)	-	(38)
Impairment charge	1,988	-	-	133	2,121
At 30 September 2022	27,265	-	421	3,896	31,582
Net book value					
30 September 2022	29,847	10	146	1,404	31,407
30 September 2021	33,074	10	196	1,898	35,178

14 Fixed asset investments

	Subsidiary undertakings £'000	Listed investments £'000	Investment property £'000	Total £'000
Market value at 1 October 2021	1	46,011	1,850	47,862
Additions	-	5,678	-	5,678
Disposals at open market value (proceeds of £6,137,010, gain £245,254)	-	(5,892)	-	(5,892)
Movement in market value	-	(5,524)	-	(5,524)
Market value at 30 September 2022	1	40,273	1,850	42,124

Investment in subsidiary undertaking

The result and Balance Sheet of the subsidiary undertaking is listed below. Erskine Developments Limited is wholly owned by the Charity 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.

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	Result for the year £'000	Principal activity
Erskine Developments Ltd * (as at 30 September 2022)	-	Scotland	-	Development

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



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

14 Fixed asset investments (continued)

Listed investments

All listed investments were dealt in recognised stock exchanges and comprised the following:

	30 Sep 22	30 Sep 21
Equities	31,453	37,044
Fixed income	2,341	2,867
Property funds	396	851
Multi-asset holdings	4,144	3,085
Cash	1,939	2,164
	40,273	46,011

	30 Sep 22	30 Sep 21
UK stock exchange	12,584	14,069
North American stock exchange	11,771	13,965
Non-UK stock exchange	9,439	11,877
Property funds	396	851
Multi-asset holdings	4,144	3,085
Cash	1,939	2,164
	40,273	46,011

Included in listed investments is cash held by the Investment Manager of £1,939k (30 September 2021: £2,164k).

14 Fixed asset investments (continued)

At 30 September 2022 the following investments had a market value in excess of 2.5% of the portfolio:

	30 Sep 2022 Market value £'000	% of listed portfolio
JP Morgan US Equity Income Fund K - Net Income	1,886	4.7%
Scottish Mortgage Investment Trust PLC	1,311	3.3%
Baillie Gifford Japanese Fund Class W1 Income	1,268	3.2%
BNY Mellon Asian Income	1,260	3.1%
SPDR S&P US Dividend Aristocrats	1,170	2.9%
Invesco Fund Manager Asian Income	1,106	2.7%
Baillie Gifford American Fund W1 Income	1,041	2.6%
Other investments <5%	31,231	77.5%
	40,273	100.0%

Investment property

The Garden Centre and Factory, both located within the Bishopton Veterans Village and let to Caulders and Scotland's Bravest Manufacturing Company respectively, were independently valued as at 30 September 2022 by Alastair J. Buchanan, MRICS, of J & E Shepherd Chartered Surveyors.

The fair value of the Investment properties is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. The Fair value of investment properties reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

15 Debtors	2022 £'000	2021 £'000
Trade debtors	427	564
Other debtors	65	89
Prepayments and accrued income	2,648	4,464
	3,140	5,117

Trade debtors are shown net of the bad debt provision of £165,898 (20/21 - £61,406). Movements in the bad debt provision are included within support costs.

16 Creditors: amounts falling due within one year	2022 £'000	2021 £'000
Trade creditors	588	427
Other taxes & social security costs	12	8
Other creditors	1,149	1,034
	1,749	1,469

Included within other creditors is pension contributions of £155,494 (2021 - £162,169) outstanding at the year end.

17 Financial instruments	2022 £'000	2021 £'000
Financial assets		
Financial assets measured at fair value	42,123	47,861

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

18 Provision for liabilities	2022 £'000	2021 £'000
Repayment of funding	1,226	1,226

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 provision for liabilities is secured over the buildings for which the grant income was received. One building related to this funding, was sold and the Charity repaid £192k of the original funding during 2018. There is uncertainty surrounding the liability, timing and amount of any remaining settlement.

19 Pension commitments

The Charity is the sole sponsoring employer of a pension scheme providing benefits based on revalued average pensionable salary. The scheme is funded by the payment of contributions to a separately administered pension 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 2021, which shows a surplus of £2,688k in the Scheme and a funding level of 110%. The year-end valuation has also been prepared using the projected unit valuation method.

The major financial assumptions used by the actuary were:	At 30 September 2022	At 30 September 2021
Rate of future salary increases	4.35%	4.20%
Rate of increase of pensions in payment	2.30%	2.20%
Rate of increase of deferred pensions	3.35%	3.20%
Discount rate	5.10%	1.95%
Inflation assumption	3.85%	3.70%
Mortality tables	SAPS tables +1 year age rating, year of birth, CMI 2021 long term improvements of 1.25% with a smoothing parameter of 7.0	SAPS tables +1 year age rating, year of birth, CMI 2020 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:	21/22	20/21
Male currently aged 45	21.9 years	22.3 years
Male currently aged 65	20.6 years	21.0 years
Female currently aged 45	24.6 years	24.8 years
Female currently aged 65	23.1 years	23.4 years



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

19 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 30/09/22 £'000	% of Scheme assets	Value at 30/09/21 £'000	% of Scheme assets
Equities	4,157	19.00%	5,369	17.90%
Corporate bonds	1,048	4.80%	3,831	12.70%
Annuity policy	8,511	39.00%	11,798	39.30%
Property	2,168	9.90%	1,963	6.50%
Cash	152	0.70%	877	2.90%
LDI	1,787	8.20%	2,860	9.50%
Diversified credit fund	4,025	18.40%	3,353	11.20%
Fair value of scheme assets	21,848		30,051	
Present value of funded liabilities	(17,535)		(28,025)	
Unrecognised surplus	(4,313)		(2,026)	
Deficit in scheme	-		-	

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

	21/22 £'000	20/21 £'000
Opening fair value of scheme assets	30,051	29,833
Finance income	570	455
Actuarial (losses)/gains	(7,101)	778
Benefits paid	(1,545)	(1,015)
Expenses paid	(127)	-
Closing fair value of scheme assets	21,848	30,051

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

	21/22 £'000	20/21 £'000
Opening defined benefit liability	28,025	28,701
Past service costs	-	29
Interest cost	532	437
Actuarial (gains)/losses	(9,477)	(127)
Benefits paid	(1,545)	(1,015)
Closing defined benefit liability	17,535	28,025
Actual return on scheme assets	4,313	2,026

19 Pension commitments (continued)

History of experience gains/(losses)

	21/22 £'000	20/21 £'000	19/20 £'000	18/19 £'000	17/18 £'000
Scheme assets	21,848	30,051	29,833	29,649	27,413
Defined benefit liability	(17,535)	(28,025)	(28,701)	(28,692)	(25,177)
Surplus in Scheme	4,313	2,026	1,132	957	2,236
Experience adjustments on scheme assets	(7,101)	778	648	2,974	(384)
Experience adjustments on scheme liabilities	-	-	-	330	2,647

The following are recognised in the Statement of Financial Activities

	21/22 £'000	20/21 £'000
Analysis of net return on pension scheme:		
Finance income	570	455
Interest cost	(532)	(437)
Adjustment in respect of irrecoverable surplus	(38)	(18)
Net income	-	-
Analysis of employer costs:		
Past service costs	-	(29)
Administrative expenses	(127)	-
Adjustment in respect of irrecoverable surplus	127	29
Past service costs to be recognised	-	-
Analysis of actuarial gain:		
Actual return less expected return on pension scheme assets	(7,101)	778
Changes in assumptions	9,477	127
Adjustment in respect of irrecoverable surplus	(2,376)	(905)
Actuarial gain to be recognised	-	-

The cumulative amount of actuarial losses taken to the statement of financial activities since the deficit was incorporated into the financial statements is £10,383k.

Movement in deficit during the year

	21/22 £'000	20/21 £'000
Deficit in scheme at the beginning of the year	-	-
Movement in the year:		
Net return on pension scheme	-	-
Past service costs	-	-
Actuarial gain	-	-
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. The Charity is not currently required to make any payments to the scheme.



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

20 Funds 2022	As at 30 September 2021 £'000	Income and endowments £'000	Expenditure £'000	Gains/ (Losses) £'000	Transfers/ reallocations £'000	As at 30 September 2022 £'000
Restricted funds:						
Donations	531	521	(374)	-	-	678
Unrestricted funds:						
Designated funds:						
Service evolution	2,000	-	-	-	6,772	8,772
Lifecycle costs	2,179	-	(287)	-	66	1,958
Capital and maintenance projects	436	-	(43)	-	458	851
Care home deficits	13,801	-	-	-	(13,801)	-
Accrued donations and legacies	3,772	-	-	-	(3,772)	-
COVID-19	1,200	-	-	-	(1,200)	-
Revaluation reserve	124	-	-	-	(124)	-
Total designated funds	23,512	-	(330)	-	(11,601)	11,581
Fixed asset fund:						
Tangible fixed assets	35,178	-	(1,693)	-	(2,078)	31,407
Investment property	1,850	-	-	-	-	1,850
Total fixed asset fund	37,028	-	(1,693)	-	(2,078)	33,257
Other charitable funds:						
Other charitable funds	25,817	23,904	(28,753)	(5,279)	13,679	29,368
Net other charitable funds	25,817	23,904	(28,753)	(5,279)	13,679	29,368
Total unrestricted funds	86,357	23,904	(30,776)	(5,279)	-	74,206
Total funds	86,888	24,425	(31,150)	(5,279)	-	74,884

20 Funds (continued) 2021	As at 30 September 2020 £'000	Income and endowments £'000	Expenditure £'000	Losses £'000	Transfers/ reallocations £'000	As at 30 September 2021 £'000
Restricted funds:						
Donations	653	355	(340)	-	(137)	531
Unrestricted funds:						
Designated funds:						
Revaluation reserve	204	-	-	-	(80)	124
Lifecycle costs	2,573	-	(397)	-	3	2,179
Care home deficits	19,358	-	-	-	(5,557)	13,801
Capital and maintenance projects	509	-	-	-	(73)	436
Accrued donations and legacies	2,324	-	-	-	1,448	3,772
COVID-19	1,200	-	-	-	-	1,200
Strategic ventures	2,000	-	-	-	-	2,000
Total designated funds	28,168	-	(397)	-	(4,259)	23,512
Fixed asset fund:						
Tangible fixed assets	35,573	-	(1,622)	-	1,227	35,178
Investment property	1,930	-	-	(80)	-	1,850
Total fixed asset fund	37,503	-	(1,622)	(80)	1,227	37,028
Other charitable funds:						
Other charitable funds	14,719	27,121	(26,338)	7,146	3,169	25,817
Pension reserve (note 19)	-	-	-	-	-	-
Net other charitable funds	14,719	27,121	(26,338)	7,146	3,169	25,817
Total unrestricted funds	80,390	27,121	(28,357)	7,066	137	86,357
Total funds	81,043	27,476	(28,697)	7,066	-	86,888



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

20 Funds (continued)

Restricted funds as of year end consists of unspent restricted donations. The Charity received many restricted donations in the year, in particular:

Name of donor	£'000	Purpose
Armed Forces Covenant Fund Trust	100	Restricted towards the running costs for ERMAC
Officers Association Scotland	25	Restricted towards the costs of Erskine's Advanced Nurse Practitioners
Neighbourly Seeds of Change Fund	0.4	Restricted towards the ERMAC Garden Project
Scottish Veterans Fund	15	Restricted towards the salary of our Transitional Supported Accommodation (TSA) Support Worker
Scottish Veterans Fund	13	Restricted to fund ERMAC One Stop Shop Financial Inclusion Project (year two funding)
Veterans' Foundation	18	Restricted towards one year funding of ERMAC gym
Scottish Veterans Fund	25	Restricted towards the salary of our Mental Health Support Worker (ETSA)
Armed Forces Covenant Fund Trust (Veterans' Places, Pathways and People Programme)	12	Restricted towards the ERMAC Veterans' Wellbeing Café (one year funding)

The Charity also received unrestricted donations of £75,000 from the Armed Forces Third Sector Resilience Fund, which Erskine Hospital elected to put towards the staff costs at Erskine's Homes and Activities Centre, £50,000 from the Royal Navy and Royal Marines Charity and Greenwich Hospital which Erskine elected to put towards the care of Royal Navy and Royal Marines Veterans at The Erskine Home and £150,000 from ABF The Soldiers' Charity which Erskine elected to put towards meeting the cost of caring for members of the Army living within our Care homes.

20 Funds (continued)

Fixed assets fund

The Charity 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, 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. 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.

Designated funds

During the year the Trustees reviewed the designated funds and have determined that a risk based approach to reserves is appropriate. As a result of this review the Care home deficit fund, the accrued donations and legacies fund and the COVID-19 fund designations have been released. The minimum required free reserves is now set to provide for working capital requirements and the impact of the realisation of material business risks. Please see the reserve policy for the calculation of current and required free reserves.

Designated funds consist of:**Service evolution**

The Trustees have set aside £8,772k to support the evolution of the Charity's services including investment to support the creation of new services.

Lifecycle costs

During 20/21 a full conditions report on our buildings covering fabric, mechanical and electrical systems was undertaken by an external surveyor. In 21/22 £287k (20/21 - £397k) of expenditure was incurred, and an additional £66k 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 2022 £1,958k was still to be incurred.

Capital and maintenance projects

The Trustees set aside £436k in the previous years to be used in capital and maintenance projects. In 21/22 £43k of expenditure was incurred and £458k was transferred to the fund, (20/21 : £73k of capital expenditure was incurred and transferred from the fund), resulting in a year end balance of £851k.

As of 30 September 2021 the Charity held the following designated funds, which are no longer held as designated funds as of 30 September 2022:

Accrued donations and legacies

A provision for working capital requirements in respect of accrued donations and legacies.

COVID-19

A provision relating to the potential losses arising due to incremental expenditures and lost revenues driven by the effects of the COVID-19 pandemic.

Care home deficits

Funds for net cash needs in respect of the anticipated care home deficit over the period of a median resident stay, as a guarantee of high quality nursing care and services provision during that period.

As of the year end 30 September 2022, our required free reserves are calculated taking account of the working capital requirement and risks associated with these items.



FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

20 Funds (continued)

Analysis of net assets among funds:	Fixed assets £'000	Other net assets £'000	Total 2022 £'000	Fixed assets £'000	Other net assets £'000	Total 2021 £'000
Restricted funds:						
Donations	-	678	678	-	531	531
Unrestricted funds:						
Designated funds	11,581	-	11,581	19,740	3,772	23,512
Fixed asset fund	33,257	-	33,257	37,028	-	37,028
Other charitable funds	28,693	675	29,368	26,272	(455)	25,817
	73,531	675	74,206	83,040	3,317	86,357
	73,531	1,353	74,884	83,040	3,848	86,888

21 Reconciliation of net expenditure to net cash used in operating activities

	21/22 £'000	20/21 £'000
Net expenditure for the year prior to reported gains/(losses)	(6,725)	(1,221)
Depreciation and impairment	3,814	1,622
Gain on sale of tangible fixed assets	(27)	(67)
(Decrease)/increase in debtors	1,977	(1,612)
Increase in creditors and provisions	280	55
Dividends received	(948)	(845)
Net cash used in operating activities	(1,629)	(2,068)

22 Analysis of net debt

	At 1 October 2021 £'000	Cash flows £'000	At 30 September 2022 £'000
Cash and cash equivalents	1,426	(238)	1,188

23 Related party transactions

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

	Transactions with related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Related party			
Erskine Developments Limited			
2021/2022	-	-	-
2020/2021	-	-	-

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

FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS (CONTINUED)

24 Operating leases

At 30 September 2022 the charitable company had commitments under non-cancellable operating leases as set out below:

	2022 Other £'000	2021 Other £'000
Not later than one year	15	15
Later than one year and not later than five years	59	31
	74	46

Lease payments of £15,371 (20/21 - £15,371) are included in the Statement of Financial Activities.

25 Capital commitments

There are no capital commitments as of 30 September 2022 (as of 30 September 2021: Nil).

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

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

27 Post Balance Sheet Events

During November 2022 the full closure of the Erskine Glasgow Home was completed, following the Board of Trustees' decision to close the home during the financial year. Resident and staff were consolidated to the greatest practical extent into The Erskine Home. Following an evaluation of the Erskine Glasgow building and assets, an impairment loss of £2,121k has been recognised as of the year end 30 September 2022.





ERSKINE

Veterans Charity



The Erskine Home

Bishopton, Renfrewshire, PA7 5PU
Tel: 0141 812 1100

Erskine Edinburgh Home

468 Gilmerton Road, Edinburgh, EH17 7SA
Tel: 0131 672 2558

Erskine Park Home

Bishopton, Renfrewshire, PA7 5QA
Tel: 0141 814 4633

Erskine Reid Macewen Activities Centre

Bishopton, Renfrewshire, PA7 5PU
Tel: 0141 814 4534

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